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STATEMENT OF
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BEFORE THE
HOUSE SUBCOMMITTEE ON INVESTIGATIONS AND OVERSIGHT
AND
HOUSE SUBCOMMITTEE ON WATER RESOURCES
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION
ON THE
WATER PROJECT CONSTRUCTION BACKLOG
OF THE CORPS OF ENGINEERS AND
BUREAU OF RECLAMATION

Chairmen and Members of the Subcommittees:

We are pleased to be here today to discuss our report entitled "Water Project Construction Backlog--A Serious Problem With No Easy Solution" (GAO/RCED-83-49, Jan. 26, 1983).

Concerned about the Corps of Engineers' and Bureau of Reclamation's water project construction backlog, the Chairman, Subcommittee on Investigations and Oversight, asked us to review those agencies' progress in reducing the backlog of authorized water projects that need funds to complete construction.

In brief, Mr. Chairmen, there is a water project construction backlog problem. Perhaps the best way for me to proceed is to address five key questions we sought to answer in our review.

--Is there a water project construction backlog?

--What is the impact on projects currently being funded for construction?



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--Are there other impacts on the backlog that need to be considered?

--Do the agencies have specific legislation designed to reduce the backlog?

--What are some options for reducing the backlog?

IS THERE A WATER PROJECT
CONSTRUCTION BACKLOG?

Using October 1, 1981, data--the latest available at the time of our review--the Corps and the Bureau had 934 authorized water projects needing about \$60 billion to complete construction. A major concern in recent years is the trend for the construction backlog costs to grow, as measured by one key growth indicator--change over time in actual dollars. This growth has occurred because construction funding has not been sufficient to offset inflation and other project cost increases.

WHAT IS THE IMPACT ON PROJECTS
CURRENTLY BEING FUNDED FOR
CONSTRUCTION?

Some Corps and Bureau water projects receiving fiscal year 1982 construction funding will probably not be completed, unless future funding is sufficient to cover inflation and other cost increases.

We assessed the water resource project backlog issue by analyzing in detail the 218 Corps and 71 Bureau projects funded for construction for fiscal year 1982. As of October 1, 1981, the backlog of construction costs to complete the 289 projects totaled \$35.5 billion--\$22.7 billion for the Corps, which includes an estimate for future inflation, and \$12.8 billion for

the Bureau, without an estimate for future inflation. The remaining 645 authorized projects were not included in our detailed analyses due to the uncertainty of their future funding, although the agencies consider many to be viable projects.

To estimate how long it might take to complete the 289 projects, we considered the range of appropriation levels that the Corps and the Bureau have experienced in recent years. For the Bureau projects, we applied varying inflation rates in our analyses since Bureau cost estimates do not include an amount for future inflation. The Corps does include future inflation in its cost estimates. Our estimates do not consider new construction starts or project cost increases caused by reasons other than inflation.

With annual construction funding of \$1.6 billion, it would take the Corps about 14 years to complete its backlog of \$22.7 billion worth of projects funded for construction for fiscal year 1982. However, the Corps' annual construction appropriation has averaged about \$1.4 billion over the past 10 years, with \$1.6 billion being its largest appropriation to date. With annual construction funding of \$1.4 billion, it would take the Corps about 16 years to complete its projects. More recent appropriation amounts requested by the Corps for construction have been less than what we used in our analyses--about \$1.2 billion and \$950 million for fiscal years 1983 and 1984.

The Bureau would not be able to eliminate its backlog of \$12.8 billion assuming 4 percent or more inflation rates and an

appropriation of \$440 million. At annual appropriations of \$660 million and a 4-percent inflation rate, the projects funded for construction for fiscal year 1982 could be completed in about 30 years. Bureau construction appropriations have averaged about \$503 million over the past 10 years, and the Bureau's fiscal years 1983 and 1984 construction budget requests were about \$577 and \$699 million, respectively.

Corps and Bureau officials believe that some projects, or parts of projects, funded for construction for fiscal year 1982 may not be completed due to such things as lack of local support for the projects and the projects' no longer being economically feasible at current interest rates. Therefore, these officials told us that the backlog amounts should be less than those we used in our analyses. For example, the Corps believes its construction backlog is about \$15.4 billion rather than the \$22.7 billion we used in our analyses.

ARE THERE OTHER IMPACTS ON
THE BACKLOG THAT NEED TO BE
CONSIDERED?

Other water project related costs also add to the competition for available water resource funds. These include new construction starts, rehabilitation of older facilities, and increasing operation and maintenance costs. For example:

--The administration has recommended new Corps and Bureau water project construction starts which, if approved by the Congress, will add to the backlog.

--The Corps is estimating that at least \$7 billion will be required to rehabilitate and replace existing navigation facilities on the Nation's waterways.

--Operation and maintenance funding is taking an increasing share of the moneys spent on water resource activities. For example, operation and maintenance funding was about 23 percent of the Corps' total water resource appropriation in 1973 but by 1982 had grown to about 37 percent. For the Bureau, operation and maintenance funding was 9 percent in 1973 and 26 percent in 1982.

Agency officials told us that the trend of increased operation and maintenance costs is likely to continue for the foreseeable future as additional projects are completed and others get older. Corps officials are concerned about this upward trend in operation and maintenance costs, because of the potential for less dollars being given for water resource construction. For the first time, the Corps' fiscal year 1984 budget request for operation and maintenance exceeds that for construction.

Unlike the Corps, most of the Bureau's operation and maintenance funding comes from moneys reimbursed to the Federal Government through contracts with Federal water project users.

DO THE AGENCIES HAVE SPECIFIC
LEGISLATION DESIGNED TO
REDUCE THE BACKLOG?

The Corps does have legislation designed to help with the backlog problem. But, its impact has been small. The Bureau has no such legislation.

Under the Corps legislation--the Water Resources Development Act of 1974 (Public Law 93-251)--453 projects have been deauthorized. The program, however, has been of little value in reducing the construction backlog since an 8-year period of not receiving any appropriations is required for deauthorization eligibility and consideration. Most of the projects were deauthorized because they were not economically feasible or did not have local support.

WHAT ARE SOME OPTIONS FOR
REDUCING THE BACKLOG?

Reducing the water project construction backlog is a difficult issue facing the Federal water resource construction agencies, the administration, and the Congress. The major options for reducing the backlog fall into three basic categories:

- Option I. Increase the annual water project appropriation.
- Option II. Require the non-Federal sector to contribute a more substantial portion of project costs.
- Option III. Acknowledge that all projects currently authorized or under construction will not be built, and establish a priority ranking system for use in identifying projects for funding and possible deauthorization of others.

Increased funding under either of the first two options is uncertain at best. Current economic conditions are creating keen competition among programs at Federal, State, and local levels for dollars. And, in the water project area alone, will

likely intensify between construction and operation and maintenance funding. These circumstances lead to great uncertainty that (1) more Federal funds will be appropriated for water project construction, and (2) non-Federal entities will have the financial resources or be willing to fill this funding shortfall.

Setting priorities is a potentially controversial option because it would require major changes in the selection and funding process for water projects. This option would require the Congress and the administration to acknowledge that some projects that have been authorized will not be built. To do this would require establishing a priority ranking system for Federal water projects. Objective criteria for setting priorities among the authorized projects would need to be developed but would not be easy since many factors--economic, social, environmental, and political--would need to be considered and evaluated.

Establishing a priority ranking system should not be viewed as a panacea to eliminate the construction backlog or speed up the building of water projects. However, establishing such a system offers many potential benefits because the Congress and the administration will know which of the many proposed water projects would seem to have the highest priority and the resulting funding process could reflect those priorities. Also, marginal projects could be postponed, scaled down, or deauthorized and construction expenditures thereby reduced while more economically and environmentally sound projects are built.

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In conclusion, the size of the Corps' and the Bureau's construction backlogs will be affected by the relationship between the agencies' appropriations and project cost increases as well as other water resource needs. Even if the backlog is somewhat less than it appears, as suggested by the Corps and Bureau, it will take many years to eliminate the backlog, especially if all water resource needs are considered.

Chairmen, this concludes my statement. We will be pleased to respond to your questions.