



United States  
General Accounting Office  
Washington, D.C. 20548

Resources, Community, and  
Economic Development Division

B-276660

April 25, 1997

The Honorable Pete V. Domenici  
Chairman  
The Honorable Harry Reid  
Ranking Minority Member  
Subcommittee on Energy and  
Water Development  
Committee on Appropriations  
United States Senate

The Honorable Joseph M. McDade  
Chairman  
The Honorable Vic Fazio  
Ranking Minority Member  
Subcommittee on Energy and  
Water Development  
Committee on Appropriations  
House of Representatives

Subject: Corps of Engineers and Bureau of Reclamation: Information on  
Potential Budgetary Reductions for Fiscal Year 1998

As requested, we are providing the information (see enc. I) that we discussed with your offices on April 11, 1997, about our examination of certain budget accounts of the Department of the Army's Corps of Engineers (Civil Programs) and the Department of the Interior's Bureau of Reclamation. The Congress funds the activities of both agencies through the Energy and Water Development Appropriations. The information we are providing includes trends in the agencies' carryover balances and potential reductions to their fiscal year 1998 funding requests to reflect the carryover balances expected at

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the end of fiscal year 1997.<sup>1</sup> In addition, we identified funds that the Corps had available in the general expense account to implement its plan to restructure division offices. At the Bureau, we identified funds for a new initiative (Bay-Delta Ecosystem Restoration) for which the estimated fiscal year 1998 outlays are expected to be less than the request for budget authority.

The Corps has significantly reduced its unobligated carryover balances. For example, between fiscal year 1994 and the end of fiscal year 1996, the Corps reduced unobligated carryover balances in the construction general account from \$538 million to about \$181 million. A number of factors contributed to the reductions experienced by the Corps, including the periodic review of estimated fiscal year obligations and the ability to reprogram funds. However, we identified a total of almost \$5.3 million in unobligated carryover balances in the general investigations and construction general accounts that could potentially be used to reduce the Corps' fiscal year 1998 funding request. The unobligated balances resulted in part because the Corps determined that some projects were not feasible or because the Corps was not able to identify nonfederal sponsors to share the costs of the projects.

On April 1, 1997, the Corps implemented a plan to reorganize its division offices. Although the Corps has at least \$4.25 million available to implement the restructuring plan, it will not know for several months how much implementing the plan will cost.

Similarly, the Bureau has taken various actions to manage its carryover balances, including incorporating such balances into budget requests and periodically reviewing and transferring funds among projects. Nevertheless, we identified \$25.1 million in carryover balances and \$93.3 million in funding from Bay-Delta that could potentially be used to reduce the Bureau's fiscal year 1998 funding request. The potential reductions resulted partially because projects were delayed for environmental studies and other reasons. For example, the Bureau has not completed the environmental impact statement for one project. In another case, the Bureau set up a reserve to purchase water during times of drought; however, the Congress has never been informed that funds would be used for this purpose.

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<sup>1</sup>For the purposes of this report, we define carryover balances as the total of ending unobligated balances and undelivered orders. Undelivered orders are goods and services that have been ordered and obligated but that have not been received.

AGENCY COMMENTS

We provided a draft of this report to the Assistant Secretary of the Army (Civil Works) and Department of the Interior for their review and comment. In commenting on the draft, the Assistant Secretary of the Army (Civil Works); the Commander, U.S. Army Corps of Engineers; the Assistant Secretary of the Interior for Water and Science; and the Bureau's Chief, Program Budget and Liaison Group, agreed with the accuracy of the information but offered clarifications of the status and funding of certain projects. In addition, the Staff to the Assistant Secretary of the Interior for Water and Science disagreed with the \$118.4 million in potential fiscal year 1998 budget reductions that we identified for the Bureau.

The Fiscal Programs Management Officer, Office of the Assistant Secretary of the Army for Civil Works; Chief, Budget and Programs Division; Chief, Program Formulation and Evaluation Branch; and other Corps officials agreed that about \$5.3 million for four general investigations and five construction general projects was no longer needed or unlikely to be spent. They noted, however, that since the Congress had earmarked funds for the nine projects, the agency cannot use the funds for other purposes until the Congress authorizes it to do so.

Concerning the division restructuring plan, Corps officials said that they do not expect to receive implementation plans from the division offices until May 2, 1997. Although the Corps will not have cost and savings information on the restructuring until after it receives the division offices' inputs subsequent to implementing the plan, these officials said that they expect the costs to be relatively minor and the savings to be very little, since savings had been achieved through the personnel reductions, office consolidations, and streamlining that occurred over the last several fiscal years. They also said that at least \$4.25 million would be available to implement the restructuring plan and that additional costs, if any, will be financed from available general expenses account funds. They added that the Corps does not expect to request any additional funds for restructuring.

The Staff to the Assistant Secretary of Interior for Water and Science; the Chief, Program Budget and Liaison Group, and other departmental and Bureau officials disagreed with the potential fiscal year 1998 reductions that we identified. They took the position that all of the funds identified in our five proposals (1) would be either expended on other activities within the project or transferred to other projects or (2) were necessary for the long-term funding of the projects. In particular, they noted that although the Congress

may not have specifically earmarked funds appropriated from the Central Valley Project Restoration Fund to set up a reserve to purchase water during times of drought, the reserve falls within the scope of what the Bureau can use the funds for and represents good management of available resources. In addition, they said the fact that the estimated outlays from the Bay-Delta account in fiscal year 1998 are less than the fiscal year 1998 request for budget authority is not a reason to provide less than the requested amount because, for example, outlays frequently can occur months or years after the obligation of budget authority, particularly in accounts like the one for Bay-Delta that primarily finance construction and land acquisition. Although the Bureau officials with whom we met believe the agency can obligate the \$118.4 million in fiscal year 1998, ultimately the Congress will decide how the Bureau should use these funds.

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At the Corps, we obtained information on aggregate and project-specific carryover balances and expenditures within the general investigations and construction general accounts as well as the agency's planned division restructuring to be funded from the general expenses account. At Interior, we obtained information on carryover balances and expenditures for projects/activities within the Bureau's construction and operation and maintenance accounts, the Small Reclamation Projects loan program, the Central Valley Project Restoration Fund, and the California Bay-Delta Ecosystem Restoration program as well as within Interior's Central Utah project. Due to time constraints, we did not develop aggregate information on these carryover balances and expenditures. We performed our work from October 1996 through March 1997 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Secretary of the Army; the Chief, U.S. Army Corps of Engineers; the Secretary of the Interior; the Commissioner of the Bureau of Reclamation; the appropriate congressional committees; and other interested parties. We will make copies available to others upon request.

B-276660

If you or your staff have any questions about this report, please call me at (202) 512-3841. Major contributors to this report were Alan Bennett, Brian Eddington, Mary Ann Kruslicky, and Jonathan Kusmik.



Victor S. Rezendes  
Director, Energy, Resources,  
and Science Issues

Enclosure

PRESENTATION SLIDES

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**GAO Resources, Community, and Economic  
Development Division**

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**CORPS OF ENGINEERS AND  
BUREAU OF RECLAMATION**

**Information on Potential Budgetary  
Reductions for Fiscal Year 1998**

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GAO Corps of Engineers

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- Scope
    - General Investigations account
    - Construction General account
    - General Expenses account (Division Restructuring Plan only)
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GAO Corps of Engineers

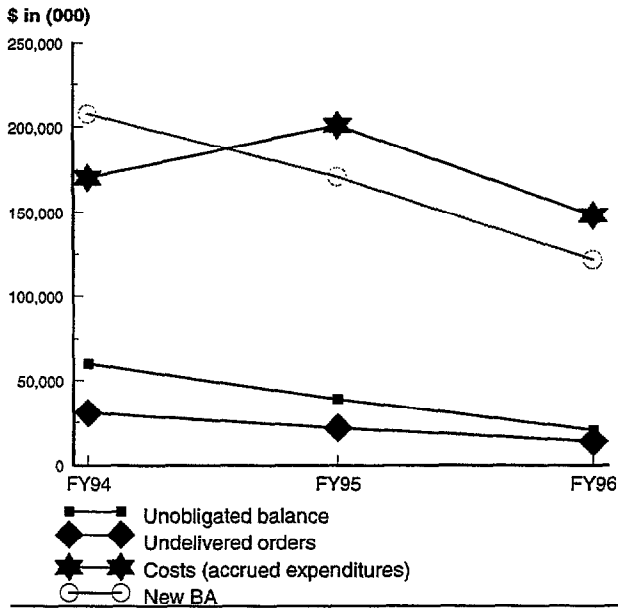
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- Corps has reduced unobligated carry-over balances between fiscal year 1994 and the end of fiscal year 1996
  - General Investigations from almost \$60 million to about \$20 million
  - Construction General from \$538 million to about \$181 million
-

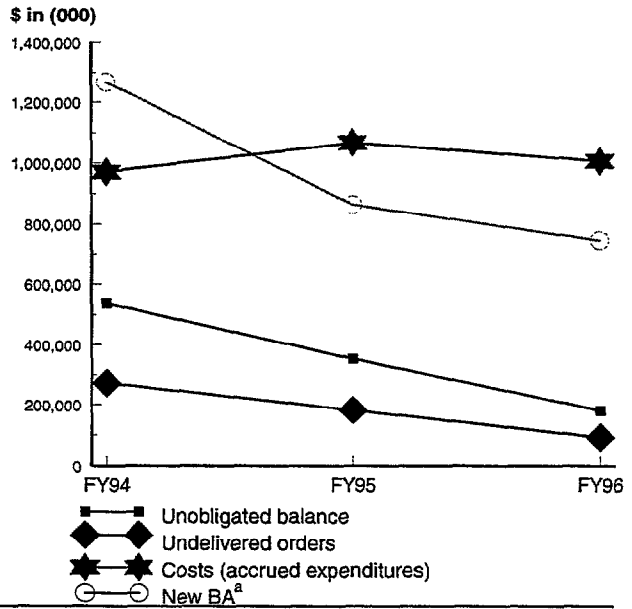


# GAO Corps of Engineers

**Trends in Carryover, Costs, and Budget Authority (BA) for General Investigations Account**



**Trends in Carryover, Costs, and Budget Authority (BA) for Construction General Account**



<sup>a</sup> Includes new budget authority from the Inland Waterways Trust Fund: FY94-\$134,446, FY95-\$54,509, and FY96-\$58,750.

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GAO Corps of Engineers

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- Potentially excess funds
    - General Investigations - 4 projects totaling \$2.4 million
    - Construction General - 5 projects totaling \$2.9 million
    - All these funds are earmarked for specific projects
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GAO Corps of Engineers

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- Division Reorganization Plan
    - Fiscal year 1998 budget request based on earlier plan; justification based on current plan
    - Cost and savings information will not be available until after implementation
    - At least \$4.25 million available to implement plan
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**GAO Bureau of Reclamation**

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- Scope: Selected activities from the
    - Construction account
    - Operation and Maintenance account
    - Central Valley Project Restoration Fund
    - Small Reclamation Projects Loan program
    - California Bay-Delta Ecosystem Restoration program
    - Central Utah project (Interior)
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GAO Bureau of Reclamation

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- Bureau has taken various actions to manage its carryover balances:
    - Incorporate such balances in budget request
    - Periodically review projects' implementation/expenditures and transfer excess funds
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GAO Bureau of Reclamation

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- Bureau justified most of the fiscal year 1996 carryover balances that we reviewed
  - Nevertheless, reductions totaling \$118.4 million could be applied to the fiscal year 1998 budget request
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GAO Bureau of Reclamation

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- Construction
    - \$3.9 million from the San Gabriel Basin project
    - \$2.8 million from the Animas LaPlata project
  - Central Valley Project Restoration Fund
    - \$14 million allocated for a Water Acquisition Reserve within this fund
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GAO Bureau of Reclamation

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- Small Reclamation Projects loans
  - \$4.4 million from the Tohono O'Odham Nation--Schuk Toak loan
- Bay-Delta Ecosystem Restoration
  - \$93.3 million



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