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Wallop-Breaux Trust Fund

Statement of
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Before the
Subcommittee on Coast Guard and Navigation
House Committee on Merchant Marine
and Fisheries



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Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to testify about our work on the Boat Safety Account of the Aquatic Resources Trust Fund, or as it is popularly known, the Wallop-Breaux Trust Fund. The purpose of this account, which is administered by the Coast Guard, is to help support recreational boating safety activities.

At your request our work focused on how states and the Coast Guard spent trust fund moneys, and the adequacy of the Coast Guard's administration of the program. We will also discuss the proposal to increase the amount of funding to the Boat Safety Account as delineated in H.R. 3918.

Our testimony today will concentrate on four points: (1) states mainly spend their federal grant moneys on upgrading law enforcement equipment, (2) the Coast Guard uses its share to offset its boating safety operating expenses, (3) Coast Guard oversight of state grants, although adequate, is essentially ministerial, and (4) providing additional money to the Boat Safety Account may not increase boating safety.

In doing our work, we focused on six states--California, Maryland, Minnesota, Nebraska, New York, and Virginia. We selected these states, in cooperation with the Committee, because they represent a range of geographic locations, program sizes, and other factors. However, activities in those states may not be representative of activities in the 54 participating states¹. We

¹Includes 49 states and American Samoa, the District of Columbia, the Northern Marianas, Puerto Rico, and the Virgin Islands.

also discussed program activities with Coast Guard officials and analyzed state reports and responses to a Coast Guard questionnaire.

WALLOP-BREAUX TRUST FUND

The trust fund, established in fiscal year 1985, consists of two accounts, each with its own earmarked revenue sources. The Boat Safety Account receives its revenues from the first \$45 million of gasoline taxes attributable to motorboat fuel sales. By law, no revenues may be transferred into the account if the transfer will result in increasing the account's balance to more than \$45 million. Thus, the full \$45 million cannot be transferred if the account contains unobligated balances from previous years. Because of this restriction, transfers into the account were limited in fiscal years 1985 and 1986 to \$15.5 million and \$37.5 million, respectively. The replenishment in fiscal year 1987 was the maximum \$45 million.

Surplus motorboat fuel taxes are deposited in the Sport Fish Restoration Account to assist state fish restoration and management projects. In fiscal years 1985 through 1987 this account received \$135.4 million from excess motorboat fuel taxes. The Sport Fish Restoration Account also receives revenues from excise taxes on fishing equipment and imported vessels. The Department of the Interior's Fish and Wildlife Service manages this account. (Att. I presents information on the distribution of motorboat fuel tax revenues.)

STATE SPENDING OF
BOAT SAFETY FUNDS

About two-thirds of the \$45 million for the Boat Safety Account is allocated to states according to a three-part formula. The first third of the money is allocated equally to all states; the second third is allocated to states according to their proportion of registered boats; the final third is allocated to states according to their proportion of total expenditures on state recreational boating safety programs. (Att. II lists the amounts allocated to each state.)

The law requires that states match federal funds dollar-for-dollar. In most cases, this requirement does not present a problem and states request all the funds available to them. According to data reported to the Coast Guard, states spend about \$4 of their own money for every \$1 of federal money.

Except for Guam and Vermont, which chose not to participate, all states received most of the funding to which they were entitled. We did find, however, that six states did not request a total of \$1,041,783 of fiscal year 1987 funds available to them. According to Coast Guard officials, these states have relatively small boating safety programs and cannot provide enough matching funds to justify their full allocation. Officials in Nebraska, a state that was part of our detailed review, offered a different explanation. They said that the Coast Guard's instructions on how to apply for some elements of the grants are so confusing that they decided not to request the full allocation.

The law also provides that, once amounts are allocated to a state, they must be obligated within 3 years or else they revert back to the Coast Guard for reallocation. Although this requirement also does not present a problem in most cases, we did find that eight states are at risk of losing about \$605,016 of fiscal year 1985 money if they do not obligate it by this September.

To find out how states spent federally provided funds under this program, we reviewed state reports to the Coast Guard, analyzed state responses to a questionnaire sponsored by the Coast Guard and the National Association of State Boating Law Administrators, and spoke with officials in six states. According to our analysis of 47 questionnaire responses, in fiscal year 1987, states spent about 45 percent of their federal funds on equipment and supplies for law enforcement and boating safety education. They also spent about 17 percent on safety inspections and marine casualty investigations, 14 percent on boating access, 10 percent on education, and the remaining 14 percent for other purposes.

State officials told us that they used federal funds mainly to replace worn or outdated boats, motors, and other law-enforcement equipment. They also told us that they concentrated on equipment for two reasons: because it was administratively easier to buy equipment with federal funds than with state funds and because it would be easier to deal with a potential reduction in available

funding by postponing equipment purchases than by laying off people.

COAST GUARD SPENDING
OF BOAT SAFETY FUNDS

The Coast Guard annually receives up to 2 percent of the amount available for state grants, to administer the program. In fiscal years 1987 and 1988, the Coast Guard retained the maximum proportion--2 percent--which corresponded to \$600,000. It also received one-third of revenues for the Boat Safety Account--\$15 million. In both cases, the Coast Guard has used such funds to offset its ongoing expenses. The Coast Guard is not required to use these funds to expand existing activities or initiate new activities, and it has not done so.

According to the Coast Guard, the \$15 million it receives annually from the Boat Safety Account represents only a fraction of the more than \$200 million a year it spends on activities related to recreational boating safety. It derives this figure by estimating the proportion of time spent in its operating programs on boating safety activities. For example, the Coast Guard estimated that 33 percent of its Search and Rescue Program activities benefited recreational boaters. Because that program's total costs in fiscal year 1987 were estimated to be about \$415 million, the Coast Guard estimated that about \$136 million worth of services were provided to recreational boaters. Adding that amount to similarly derived figures for the Recreational Boating Safety

and Short-Range Aids to Navigation Program yields a total estimated value of services of \$237 million.

COAST GUARD OVERSIGHT

OF STATE ACTIVITIES

Although the Coast Guard's oversight of state boating safety activities provided adequate controls over program funding, it has been essentially limited to ministerial matters. It requires states to submit applications, a budget of total expenses expected to be incurred, a narrative description of ongoing and planned boating safety activities, and quarterly financial reports. Coast Guard officials use this information to monitor state programs and to determine whether they are meeting the dollar-for-dollar matching requirement. Also, as federal grantees, the states are subject to periodic public accounting audits of their grant funds.

The two Coast Guard people who oversee state activities told us that their time is fully occupied by the cited activities and that they do not attempt to determine how effectively states are spending the grant money. Such information could contribute to more informed budget decisions about the benefits of such grants. Moreover, they are not in a position to improve effectiveness by identifying particularly worthwhile education programs, for example, in some states and encouraging other states to implement them.

Even within the limited range of the Coast Guard's oversight, we found a problem--inconsistent categorization of state expenditures. The Coast Guard requires the states to report

expenditures on the basis of four categories: law enforcement, education, administration, and public access. However, while we found Maryland categorized its expenditures on supplies and equipment for aids to navigation as being related to law enforcement, New York set up a new reporting category--safety--to report similar expenditures. Thus, in compiling national data, the Coast Guard recorded New York's "safety" expenditures as "other." Because these expenditures represented \$3.3 million, or 70 percent, of the state's expenditures that year, this inconsistency presents a misleading picture of how New York spent its boating safety money. We found similar inconsistencies in reports filed by 14 other states. When we brought these inconsistencies to the attention of Coast Guard officials, they told us that they were aware of the inconsistencies and hoped to eliminate future problems by revising the reporting form.

ADEQUACY OF FEDERAL FUNDING
FOR THE BOAT SAFETY ACCOUNT

Current funding arrangements for the Aquatic Resources Trust Fund reflect a continuing evolution over the past three decades. The \$45-million cap on the Boat Safety Account dates from the Highway Revenue Act of 1982. It increased the federal excise tax on motor fuels from 4 cents to 9 cents a gallon and increased the amounts for the Boat Safety Account from \$20 million to \$45 million.

However, the cap has not been adjusted to reflect substantial growth in motorboat fuel tax revenues. When the Trust Fund was

established, total motorboat fuel tax revenues for fiscal year 1985-88 were expected to be about \$65 million, based on the Department of the Treasury's estimate that motorboat fuels accounted for three-fourths of one percent (0.75) of gasoline sales. At these levels, it was expected that the Boat Safety Account would receive about two-thirds, and the Sport Fish Restoration Account about one-third, of total motorboat fuel revenues.

However, in 1987, Treasury changed its methodology for estimating motorboat fuel consumption.² Accordingly, total revenues increased from \$69 million in fiscal year 1986 to \$98 million in fiscal year 1987 and are projected to grow to \$128 million in 1993. If the \$45-million cap remains intact, the Boat Safety Account's share will decline from two-thirds to a little more than one-third of the total.

Raising the cap and allocating more funds to the Coast Guard as proposed by H.R. 3918 would not necessarily result in more Coast Guard funding for boating safety because such funds may continue to be used to merely offset expenditures for ongoing safety programs. Similarly, it is uncertain how much safer recreational boating would be if state grants were increased. In 1985, the Coast Guard tried to assess the relationship between (1) the number of state boating fatalities and (2) size of state program budgets and amounts budgeted for law enforcement and

²Tax Policy: Allocating Motorboat Fuel Excise Taxes to the Aquatic Resources Trust Fund (GAO/GGD-87-43BR, June 1987).

education. The study concluded that available data were not sufficient to determine whether a relationship exists.

We reached a similar conclusion last year.³ We found that, once boating population and program size were taken into account, available data showed virtually no direct relationship between the number of boating deaths and either the share of federal funding or the percentages spent on enforcement, education, and administration. Evaluating state program effectiveness is restricted by the lack of data on how states spend program funds, benefits those funds produce, differences in state vessel registration systems, and a lack of comparability among state fatality rates. However, we recognize that obtaining and analyzing better data may be difficult and will likely require additional resources.

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In summary, the states are generally receiving all of the Boat Safety Account revenues available to them and spending them primarily on law enforcement. While motorboat fuel tax revenues have grown significantly higher than the \$45 million cap on the Boat Safety Account, providing additional funds may not increase safety for two reasons: first, increases in the Coast Guard's share of the fund would probably continue to be used to offset its already high operating expenses for boating safety; second, the contribution of these revenues to safer boating at the state level

³Department of Transportation: Enhancing Policy and Program Effectiveness Through Improved Management(GAO/RCED-87-3S, July 1987).

is unclear because there are insufficient data to determine if a relationship exists between state boating fatalities and size of state program budgets.

This concludes my prepared statement, Mr. Chairman. We will be pleased to address your questions.

AQUATIC RESOURCES TRUST FUND
Distribution of Motorboat Fuel Taxes
(in millions of dollars)

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Total</u>
Total revenues from motorboat fuel taxes	\$65.9	\$69.3	\$98.2	\$233.4
Replenishment of Boat Safety Account to \$45 million	\$15.5	\$37.5	\$45.0	\$ 98.0
Excess revenues transferred to the Sport Fish Restoration Account	\$50.4	\$31.8	\$53.2	\$135.4

Source: Department of Treasury

STATE RBS ALLOCATIONS

STATE	FY1985	FY1986	FY1987	STATE TOTALS
1 ALABAMA	\$285,199	\$660,021	\$603,553	\$1,548,773
2 AMERICAN SAMOA	80,899	172,869	172,893	426,661
3 ARIZONA	177,636	397,273	344,809	909,718
4 ARKANSAS	242,495	536,281	545,712	1,324,488
5 CALIFORNIA	798,399	1,682,130	1,930,041	4,410,570
6 COLORADO	124,502	271,691	275,974	672,167
7 CONNECTICUT	169,501	350,394	336,426	856,321
8 DELAWARE	134,832	272,877	291,509	699,218
9 DIST OF COL	149,889	284,249	254,760	688,898
10 FLORIDA	724,874	1,439,786	1,174,076	3,338,736
11 GEORGIA	277,666	607,125	632,228	1,517,019
12 GUAM	0	0	0	0
13 HAWAII	144,487	321,305	329,273	795,065
14 IDAHO	133,465	297,785	288,378	719,628
15 ILLINOIS	275,320	510,415	549,944	1,298,689
16 INDIANA	215,984	443,260	484,370	1,143,614
17 IOWA	247,894	484,736	505,178	1,237,808
18 KANSAS	129,132	280,496	279,276	688,904
19 KENTUCKY	210,333	474,225	433,420	1,117,978
20 LOUISIANA	291,607	648,080	691,339	1,631,026
21 MAINE	154,395	309,454	344,680	808,529
22 MARYLAND	720,783	1,358,420	1,557,758	3,636,961
23 MASSACHUSETTS	244,366	558,220	872,737	1,675,323
24 MICHIGAN	558,485	1,215,350	1,113,456	2,887,291
25 MINNESOTA	518,540	1,066,185	1,066,761	2,654,586
26 MISSISSIPPI	218,091	425,681	461,922	1,105,693
27 MISSOURI	328,590	698,578	724,524	1,751,692
28 MONTANA	109,837	234,936	232,950	577,723
29 NEBRASKA	110,399	232,724	231,196	574,319
30 NEVADA	113,427	262,347	248,005	623,779
31 NEW HAMPSHIRE	106,787	229,804	236,721	573,312
32 NEW JERSEY	375,665	703,746	756,421	1,795,832
33 NEW MEXICO	107,582	233,612	230,694	571,888
34 NEW YORK	307,467	947,557	1,018,957	2,273,981
35 NORTH CAROLINA	225,617	477,883	498,536	1,201,936
36 NORTH DAKOTA	102,271	210,357	213,982	526,610
37 NORTHERN MAR	80,928	172,979	173,358	427,265
38 OHIO	470,360	1,013,735	1,088,427	2,572,522
39 OKLAHOMA	270,902	545,640	522,990	1,339,532
40 OREGON	260,765	436,773	442,960	1,088,498
41 PENNSYLVANIA	313,334	726,693	680,880	1,720,907
42 PUERTO RICO	108,449	215,221	225,532	549,202
43 RHODE ISLAND	98,402	211,159	212,630	522,191
44 SOUTH CAROLINA	291,458	598,602	617,271	1,507,331
45 SOUTH DAKOTA	95,745	215,002	220,739	535,486
46 TENNESSEE	209,708	467,556	427,976	1,105,240
47 TEXAS	600,075	1,305,017	1,199,149	3,107,241
48 UTAH	136,846	286,850	308,774	732,470
49 VERMONT	99,128	217,448	0	316,576
50 VIRGIN ISLANDS	87,579	186,881	175,432	449,891
51 VIRGINIA	243,787	417,510	427,686	1,088,983
52 WASHINGTON	168,162	472,885	352,707	993,754
53 WEST VIRGINIA	118,799	226,137	236,371	575,307
54 WISCONSIN	365,556	779,879	777,400	1,922,835
55 WYOMING	90,611	203,471	202,626	496,708
TOTAL:	\$13,099,998	\$27,992,250	\$28,219,370	\$69,311,618

Source: U.S. Coast Guard