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Resources, Community, and  
Economic Development Division

B-260014

March 8, 1995

The Honorable Duncan Hunter  
Chairman  
The Honorable Ike Skelton  
Ranking Minority Member  
Subcommittee on Military Procurement  
Committee on National Security  
House of Representatives

In a May 25, 1994, request, the former chairman of the Military Applications of Nuclear Energy Panel, House Committee on Armed Services, asked us to provide information on the use of no-year funding for defense-related activities. No-year funding refers to appropriations that do not restrict the time by which funds must be obligated. Since the Panel no longer exists, the former chairman's office asked us to provide this information to your Subcommittee.

Specifically, we were asked to obtain information on (1) the period of availability of funding at agencies for activities similar to the defense activities performed by the Department of Energy (DOE) and (2) the likely impact on DOE if time limits were placed on its funding for defense-related activities.

In summary, both DOE and the Department of Defense (DOD) conduct defense-related activities. DOE receives no-year funding for all of its activities, while DOD's appropriations generally specify that the funds be obligated within specified time frames. For example, in fiscal year 1995, DOD received 1-year funds for its operation and maintenance activities and 2-year funds for its research and development activities. Other agencies also conduct functional activities similar to DOE's. Although some of these agencies receive no-year funding for such activities, others receive 1-year or multiyear funding.

If DOE's no-year funding were replaced by specific-year appropriations, the agency would have to change its methods

of recordkeeping to track funds by period of availability; other federal agencies already must do this. In any event, DOE must modify its accounting process to comply with the requirement in the National Defense Authorization Act for Fiscal Year 1995 that requires DOE, beginning with fiscal year 1997, to account by fiscal year for the no-year funding received for its defense-related activities. With no-year funding, DOE can request reallocation of unobligated funds indefinitely.<sup>1</sup> In the past, DOE has used this method to meet changing needs. If no-year funding were replaced by specific-year appropriations, any reallocation request would have to be made within the time in which the funding is available for obligation.

#### BACKGROUND

When appropriating funds to agencies--providing authority to incur obligations--the Congress sets the amount, purpose, and time frame during which the funds will be available. Limitations on the time funds are available for obligation are set at the discretion of the Congress and are included in appropriations in different ways. Unless stated otherwise in the act, appropriations are for 1 year. When a specific time frame is set, it is generally 1 to 5 years. However, some appropriations do not restrict the time available to obligate funds but state that funds are "to remain available until expended" or "to remain available without fiscal year limitation." This is generally referred to as no-year funding.

The provisions of law that require the closing of accounts and prohibit the obligation or expenditure of remaining funds do not apply to no-year funds. In contrast, funds with time limits must comply with the National Defense Authorization Act for Fiscal Year 1991, which provides that any funds--whether obligated or unobligated--remaining at the end of their specified period of availability are available to an agency for an additional 5 years. During this period, however, the funds can only be used to adjust or increase the amount of outstanding obligations or liquidate these balances. After that, the appropriation

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<sup>1</sup>DOE can request approval from its congressional oversight committees to reallocate funds to purposes other than those originally specified in the appropriation by reprogramming within an existing appropriation account or by transfers between accounts.

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accounts are closed and any remaining balances are canceled.

All of DOE's fiscal year 1995 appropriations--\$17.5 billion--were no-year funds. Defense-related activities accounted for \$10.3 billion, or 57 percent, of DOE's appropriations. Historically, DOE's activities have included nuclear weapons research, development, and testing and the production of nuclear weapons for our national defense. The facilities conducting these activities are operated by private firms and universities under contract with DOE.

THE AVAILABILITY OF FUNDING FOR SIMILAR ACTIVITIES IN OTHER FEDERAL AGENCIES

Both DOE and DOD receive funds for defense or defense-related activities. While in the past DOE received a small amount of specific-year funds, in fiscal years 1994 and 1995 its appropriations for all of its activities, including defense programs, have been no-year funds. In contrast, the appropriations for DOD generally specify that the funds are to be obligated within specified periods. For example, in fiscal year 1995 DOD's operation and maintenance activities are funded with 1-year funds, research and development activities are funded with 2-year funds, and construction activities are funded with 5-year funds. However, DOD does receive no-year funds for a few activities such as environmental cleanup.

No-year funding is also provided to other federal agencies for a variety of purposes. A review of the 10 fiscal year 1995 appropriation acts for the major executive departments and agencies showed that the Congress provided some no-year funding in each of the appropriations. For example:

- The Department of Commerce's National Oceanic and Atmospheric Administration received \$1.8 billion in no-year funding for operations, research, and facilities.
- The Department of Health and Human Services received over \$138.6 million in no-year funding for its Health Care Policy and Research.

In addition, we found that while DOE and other agencies receive no-year funding for certain activities, other agencies receive 1-year funding or multiyear funding for similar activities. (The enclosure to this correspondence provides examples of funding provided to other federal

agencies that conduct functional activities similar to those conducted by DOE.)

APPLYING TIME LIMITS TO DOE'S OBLIGATIONAL AUTHORITY WOULD REQUIRE ACCOUNTING CHANGES

Currently, DOE and its contractors<sup>2</sup> maintain accounts that do not indicate the fiscal year for which the funds were appropriated for DOE programs. For example, each year DOE adds the new funds appropriated for a program to any carryover balances remaining from prior years, and the new funds become part of the funds available for obligation. Other agencies maintain specific-year funds in separate accounts by appropriation to ensure that (1) new obligations are not charged against funds that have expired (i.e., the specified period during which the funds are available for obligation has expired); (2) expired funds are only used to adjust or increase the amount of outstanding obligations or liquidate the obligations that were incurred during the period the funds were available; and (3) any unexpended funds remaining 5 years after expiration are canceled.<sup>3</sup>

If time limitations were applied to DOE's funds, DOE and its contractors would have to establish accounts to track each appropriation by year, like other federal agencies are already doing. DOE would also have to modify its accounting and reporting processes in order to comply with the Office of Management and Budget's and Department of the Treasury's requirements that apply to specific-year funds. According to DOE's financial management and accounting officials, because there would be more accounts, more work would be needed to keep track of obligations and expenditures by fiscal year. However, as we said earlier, beginning with fiscal year 1997, the National Defense Authorization Act for Fiscal Year 1995 directs DOE to account by fiscal year for defense-related activities even though the agency may receive no-year funding.

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<sup>2</sup>The contractors managing and operating DOE's facilities are required to maintain accounting systems that provide data to DOE's accounting system on the use of agency funds. Any change in DOE's system would require similar changes in the contractors' systems.

<sup>3</sup>Any obligations liquidated more than 5 years after the expiration of the funds are charged to available appropriations.

DOE defense program officials said that time limits on the availability of funds would limit their ability to respond to changing program missions by reallocating funds. Because no-year funds remain available until spent, DOE can currently reallocate any unobligated funds to a new purpose without time limits. If DOE's funds were available for specified periods, the agency could reallocate the funds only during the specified period when the funds are available for obligation. Thus, DOE argues that since the process for getting approval to reprogram and transfer funds can take several months or longer, its ability to meet changing program needs would be more restricted than it is currently.

For several years, we have reported on DOE's high year-end balances of uncosted obligations--obligations DOE has made to its contractor for goods and services that have not yet been provided and for which costs have not been incurred.<sup>4</sup> Because of the high uncosted balances related to DOE's defense-related programs, the Congress directed the agency to account for the no-year funds on a fiscal-year basis to help in tracking how the funds were used. The Congress was concerned that DOE is not making maximum use of its funds or is requesting more funds than it needs to meet its obligations. However, even if time limits were placed on DOE's funding, resulting in additional tracking of the funds, the high unexpended balances would not necessarily be eliminated. First, any remaining no-year funds would remain available indefinitely. Second, even funds with time limits remain available for an additional 5 years, as long as they are obligated during the period of availability.

Because of its ongoing contractual relationship with its contractors, DOE would likely continue to obligate the bulk of its funds to contractors even if the funds had specific periods of availability. Once obligated to contractors, the funds would still be available for 5 years after they expire, before DOE has to liquidate the obligations as provided under the 1991 National Defense Authorization Act.

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<sup>4</sup>Energy Management: Systematic Analysis of DOE's Uncosted Obligations Is Needed (GAO/T-RCED-92-41, Mar. 24, 1992); Energy Management: Additional Uncosted Balances Could Be Used to Meet Future Budget Needs (GAO/RCED-94-26, Oct. 26, 1993); and Energy Management: Use of Uncosted Balances to Meet Budget Needs (GAO/RCED-94-232FS, June 6, 1994).

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We conducted our work between August 1994 and February 1995 in accordance with generally accepted government auditing standards.

To obtain information for this correspondence, we interviewed accounting and financial management officials and defense programs officials at DOE headquarters. We reviewed federal budget and appropriations documents and guidance from the Office of Management and Budget and the Department of the Treasury on tracking and reporting the status of appropriations. We also reviewed our guidance on appropriation law and related GAO reports.

We discussed the facts presented in this correspondence with DOE officials, including the Acting Director of the Budget Analysis Division, who generally concurred with the accuracy of the facts presented but raised two issues related to no-year funding. First, the officials said that they believe funds with time limits would not result in better management of scarce resources because no-year funds give DOE the flexibility to adjust to meet higher priority needs that develop after the budget requests are submitted. Second, defense program officials said that they believe they are effectively managing their funds because they have decreased the defense programs' uncosted balances by using them to reduce the amount of new budget authority.

We have already recognized DOE's concern that funds with time limits would reduce the amount of time the Department has to reallocate the funds for uses other than their original purpose. As noted earlier, uncosted balances would not necessarily be affected if DOE were to receive funds with time limits.

We are sending copies of this correspondence to Representative John M. Spratt, Jr.; the Secretary of Energy; and the Director, Office of Management and Budget. We will also make copies available to others on request. If you have any further questions concerning this correspondence, you may reach me at (202) 512-3841.

  
Victor S. Rezendes  
Director, Energy and  
Science Issues

Enclosure

**TYPES OF FUNDING PROVIDED FOR SELECTED ACTIVITIES AT DOE AND  
OTHER FEDERAL AGENCIES**

Dollars in Thousands

Federal agency/ department	Account type	Availability <sup>a</sup> (years)	Fiscal year 1993 outlays
	<b>Research activities</b>		
Commerce	Operations, research, and facilities (NOAA)	No year	\$1,573,040
	Scientific and technical research services (NIST)	No year	\$184,104
DOD	Research, development, test and evaluation (Air Force)	2	\$12,338,221
	Research, development, test and evaluation (Defense-wide)	2	\$9,204,125
	Research, development, test and evaluation (Navy)	2	\$8,944,299
	Research, development, test and evaluation (Army)	2	\$6,218,191
DOE	Fossil energy research and development	No year	\$411,138
	General science and research activities	No year	\$1,436,295
DOT	Research, engineering, and development (Airport and Airway Trust Fund) (FAA)	No year	\$212,312
	Operations and research (NHTSA)	3	\$57,847
Education	Rehabilitation services and disability research	1	\$1,983,848
	Education research, statistics, and improvement	1	\$232,165
EPA	Program and research operations	1	\$875,200
	Research and development	2	\$293,141

Federal agency/ department	Account type	Availability <sup>a</sup> (years)	Fiscal year 1993 outlays
HHS	Disease control, research, and training	No year	\$1,412,925
	Health care policy and research	No year	\$87,571
Interior	Surveys, investigations, and research	1	\$623,072
NASA	Research and development (space flight, research, and supporting activities)	1	\$7,086,123
	Research and program management (space flight, research, and supporting activities)	1	\$1,621,639
NSF	Research and related activities (Defense-related activities)	2	\$1,943,468
USDA	Agricultural Research Service	1	\$677,167
	Cooperative State Research Service	No year/1	\$400,193
	Forest research	2	\$187,398
VA	Medical and prosthetic research	2	\$246,030
	Environmental restoration and waste disposal activities		
DOD	Environmental restoration (Defense)	No year <sup>b</sup>	(\$2,340)
DOE	Defense environmental restoration and waste management	No year	\$4,234,806
	Nuclear Waste Disposal Fund	No year	\$262,133
	Defense nuclear waste disposal	No year	\$95,528



Federal agency/ department	Account type	Availability <sup>a</sup> (years)	Fiscal year 1993 outlays
EPA	Hazardous Substance Superfund	No year/1	\$1,418,070
	Leaking Underground Storage Tank Trust Fund	No year/1	\$80,033
	Oil spill response	No year	\$6,222
USDA	Rural water and waste disposal grants	No year	\$240,425
	Hazardous waste management	No year	\$19,658
	Solid waste management grants	1	\$2,711
	Construction Activities		
DOD	Construction, general (Corps of Engineers)	No year	\$999,449
	Military construction (Defense-wide)	5	\$511,930
	Military construction (Navy)	5	\$884,636
	Military construction (Army)	5	\$802,159
	Military construction (Army National Guard)	5	\$223,520
	Military construction (Air Force)	5	\$900,575
DOE	Defense environmental restoration and waste management	No year	\$4,234,806
DOT	Acquisition, construction, and improvements (Defense-related activities) (Coast Guard)	2, 3, and 5	\$310,814
Interior	Construction program (Bureau of Reclamation)	No year	\$287,865
NASA	Construction of facilities (space flight, research, and supporting activities)	2 <sup>c</sup>	\$556,766

Federal agency/ department	Account type	Availability <sup>a</sup> (years)	Fiscal year 1993 outlays
VA	Construction (major projects)	No year	\$396,568
	Construction (minor projects)	No year	\$153,351
	Operation and Maintenance Activities		
DOD	Operation and maintenance (Army)	1	\$20,542,507
DOE	Weapons activities	No year	\$4,339,406
	Materials support and other defense programs	No year	\$2,378,945

Note: The abbreviations are: Department of Defense (DOD), Department of Energy (DOE), Environmental Protection Agency (EPA), Federal Aviation Administration (FAA), Department of Health and Human Services (HHS), National Aeronautics and Space Administration (NASA), National Highway Traffic Safety Administration (NHTSA), National Institute of Standards and Technology (NIST), National Oceanic and Atmospheric Administration (NOAA), National Science Foundation (NSF), Department of Agriculture (USDA), and Veterans Administration (VA).

<sup>a</sup>The period of time--1 year, multiyear (2 or more), and no-year (no limit)--that funds are available for obligation.

<sup>b</sup>Funds are available until transferred.

<sup>c</sup>Once obligated, the funds are authorized to become no-year funds.

Source: Budget of the United States Government, appendix, fiscal year 1995.

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