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Resources, Community, and  
Economic Development Division

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April 30, 1997

The Honorable Judd Gregg  
Chairman  
The Honorable Ernest F. Hollings  
Ranking Minority Member  
Subcommittee on Commerce,  
Justice, State, and the Judiciary  
Committee on Appropriations  
United States Senate

The Honorable Harold Rogers  
Chairman  
The Honorable Alan B. Mollohan  
Ranking Minority Member  
Subcommittee on Commerce,  
Justice, State, the Judiciary, and  
Related Agencies  
Committee on Appropriations  
House of Representatives

Subject: National Oceanic and Atmospheric Administration: Unobligated  
Carryover Balances for Fiscal Year 1997

As agreed with your offices, we are providing you with information on the National Oceanic and Atmospheric Administration's (NOAA) unobligated funds that were carried over from fiscal year 1996 into fiscal year 1997 to support the agency's program activities.<sup>1</sup> Our objective was to identify the unobligated carryover balances that were available at the beginning of fiscal year 1997 that could possibly be used to reduce NOAA's fiscal year 1998 budget request. We analyzed the information that NOAA provided to us to determine program areas with large carryover balances and obtained and analyzed NOAA's reasons for these balances. We did not obtain information on unexpended obligations, which represent the portion of NOAA's authority that has been obligated for goods and services but for which the agency has not yet incurred costs. In

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<sup>1</sup>Unobligated carryover balances represent the portion of prior years' budget authority that has not been obligated.

addition, we did not verify the financial data that NOAA provided to us from its financial information system.

### SUMMARY

As discussed in enclosure 1, NOAA had an unobligated carryover balance of about \$257.2 million at the end of fiscal year 1996 that it carried into fiscal year 1997. The balance consisted of \$162.3 million in NOAA's Operations, Research, and Facilities account and \$94.9 million in its other special accounts. We focused our review on the carryover balances in the Operations, Research, and Facilities account. The largest carryover balances were in the fisheries programs (\$35.8 million) and the satellite programs (\$105 million).

According to NOAA, most of the fisheries programs' carryover balance was attributable to emergency supplemental funds, which were released in fiscal year 1995 for disaster relief for depleted fisheries. NOAA expects to obligate the balance of these funds in fiscal year 1997. However, we noted that as a result of efforts to reduce the unobligated carryover balance for fisheries programs, in fiscal year 1996 NOAA obligated more than it was allotted in five of nine budget line items by "prefunding" some 1997 contracts and grants. Although NOAA said that it would restore all of the funds used for prefunding to the affected accounts in fiscal year 1997 (using funds appropriated in 1997), this practice reduced the fisheries programs' fiscal year 1996 carryover balance to an amount that was about \$9.7 million less than it otherwise would have been.

The satellite programs' carryover balance resulted from contractor delays and a review by the Department of Commerce's Inspector General, which recommended that NOAA not transfer additional funding authority to the National Aeronautics and Space Administration (NASA), which procures and launches NOAA's weather satellites, until needed for contracts. When NOAA transfers funding authority to NASA, it considers the money obligated, even though NASA may not have committed the funds to a specific contract. The satellite programs' carryover balance was reduced from \$105 million to \$84.5 million at the beginning of fiscal year 1997, primarily as a result of a \$20 million congressional rescission. However, we found that this amount did not include about \$75.6 million in unobligated authority that resided with NASA at the beginning of fiscal year 1997. These funds had been transferred to NASA but not committed to contracts. Thus, the satellite programs had a total of \$160.1 million in unobligated funds at the beginning of fiscal year 1997.

After considering the satellite programs' total estimated funding and projected obligations through fiscal year 1998, we estimate that NOAA will have about \$111.1 million in unobligated funds at the end of fiscal year 1998. This estimate assumes that NOAA will receive its total 1998 budget request for the satellite programs. In the past, NOAA's budget provided NASA with 3 months of forward-funding from its unobligated balance to pay for NASA's expenses due in

the first quarter of the following fiscal year. At the end of our review, NOAA said that as a result of our work, it would forward-fund only 1 month of new budget authority, which we estimate will be about \$37 million. Therefore, using 1 month of forward-funding, we estimate that NOAA will have about \$74.1 million in unobligated funds that could be considered excess at the end of fiscal year 1998. Thus, this amount could be used to reduce NOAA's 1998 request for the satellite programs.

In addition, about \$4.4 million in unobligated carryover funds is available in two special funds that were initially established to promote fisheries and to aid the Gulf of Mexico shrimp industry after Hurricane Andrew. These funds could be rescinded or used to reduce NOAA's fiscal year 1998 budget request. Another \$2.6 million in unobligated carryover funds and \$1.5 million in requested funds would be available if the Congress decides not to approve the purchase of new sonar equipment for the NOAA's fleet.

### AGENCY COMMENTS

We provided a draft of this report to the Department of Commerce for review and comment. Commerce suggested some technical clarifications, which have been incorporated in the enclosure. Commerce also commented on the following two issues.

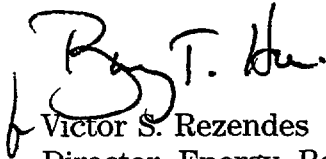
First, Commerce said that NOAA has agreed to transfer 2 months of forward-funding to NASA under the satellite programs. This is a change from NOAA's position at the end of our review when NOAA officials said that they would forward-fund for 1 month. According to Commerce, 2 months of forward-funding will prevent any program disruptions at the beginning of the fiscal year. However, Commerce did not address how this change in policy will affect the estimated unobligated carryover balance at the end of fiscal year 1998. While 2 months of forward-funding is a move in the right direction, we continue to believe that NOAA should work towards 1 month, which would result in an estimated \$74.1 million in unobligated funds at the end of fiscal year 1998.

Second, Commerce said that the unobligated carryover funds (\$2.6 million) that NOAA planned to use to buy new sonar equipment for use on NOAA vessels should not be rescinded even if that equipment is not purchased. Although NOAA planned to use these funds for new sonar equipment, NOAA said that it does not plan to acquire the equipment unless the Congress agrees with the acquisition. Commerce also pointed out that these funds were not appropriated specifically for the purchase of sonar equipment. Therefore, Commerce said that if the Congress determines that it does not want NOAA to use the funds to acquire the sonar equipment, then the moneys should be left to support other critical activities funded by that appropriation account. Commerce said that since the funds were appropriated by the Congress for broader purposes and the Congress did not specifically intend those funds to be used for the equipment that NOAA is proposing to acquire, there is no basis for a rescission.

While we do not disagree with Commerce's argument against a rescission, we continue to believe that if these unobligated carryover funds are not used for the purpose identified in NOAA's budget documents—the purchase of new sonar equipment—the Congress could consider reducing NOAA's fiscal year 1998 appropriation request by that amount. Although Commerce believes that NOAA can obligate these funds for other important activities, ultimately the Congress will decide how, or if, NOAA should use these funds.

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We performed our work from October 1996 through March 1997 in accordance with generally accepted government auditing standards. Please contact me on (202) 512-3841 if you or your staff have any questions. Major contributors to this report were Ronald E. Stouffer; Marcus R. Clark, Jr.; and Gary Malavenda.



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

Enclosure

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

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**Review of National Oceanic and  
Atmospheric Administration's  
Unobligated Carryover Balances for  
Fiscal Year 1997**

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**GAO Objectives**

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- Within the National Oceanic and Atmospheric Administration's (NOAA) budget, identify unobligated funds carried over from fiscal years 1996 to 1997 by line item.
  - Select program areas with large carryovers.
  - Obtain the agency's justification for the carryover balances and make judgments based on reasonableness.
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GAO Background--NOAA's Mission

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- NOAA's mission is to monitor, describe, and predict changes in the Earth's environment and conserve and manage the nation's coastal and marine resources to ensure sustainable economic opportunities.

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**GAO** Background--NOAA Program Activities

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- National Marine Fisheries Service (NMFS)
  - National Weather Service (NWS)
  - National Environmental Satellite, Data, and Information Service (NESDIS)
  - National Ocean Service (NOS)
  - Oceanic and Atmospheric Research (OAR)
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**GAO** Background--NOAA Appropriation  
Accounts

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- NOAA's budget is organized under five major program activities (NMFS, NWS, NESDIS, NOS, and OAR)--and a sixth activity, Program Support.
- NOAA receives most of its funds under a single Operations, Research, and Facilities (ORF) appropriation--but several "special" accounts receive money from separate appropriations or other sources.

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GAO Summary of NOAA Budget  
(Dollars in millions)

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<b>Program activity</b>	<b>FY 1996</b>	<b>FY 1997</b>	<b>FY 1998 request</b>
NMFS	\$281.6	\$323.4	\$338.3
NWS	606.0	638.0	642.5
NESDIS	471.5	447.6	470.1
NOS	175.3	204.2	224.8
OAR	225.9	253.2	248.1
Program support	132.5	71.7	77.2
<b>Total</b>	<b>\$1,892.8</b>	<b>\$1,938.1</b>	<b>\$2,001.0</b>

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**GAO NOAA Budget--Continued**

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- The budget totals do not reflect reimbursables or appropriations made to the other NOAA special accounts. NOAA's FY 1998 request totals \$2.051 billion when considering these accounts.
  - NOAA's FY 1998 request separates out money for the procurement of major systems and the construction of facilities in a new capital asset account.
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GAO NOAA Unobligated Carryover  
Balances (Dollars in millions)

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<u>Appropriation</u>	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>
ORF	\$52.9	\$92.3	\$91.6	\$162.3
Others	144.4	158.6	111.2	94.9
<b>Total</b>	<b>\$197.3</b>	<b>\$250.9</b>	<b>\$202.8</b>	<b>\$257.2</b>

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**GAO Unobligated Carryover Within the  
NOAA ORF Account (\$ millions)**


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Program activity	FY 1996 ending unobligated carryover
NMFS	\$35.8
NWS	8.1
NESDIS	105.0
NOS	10.3
OAR	1.3
Program support	1.8
<b>Total</b>	<b>\$162.3</b>

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**GAO ORF Program Activities--NMFS**

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- Unobligated carryover of \$35.8 million (22 percent of ORF carryover).
  - According to NOAA, most of the carryover is attributable to emergency supplemental funds for disaster relief for depleted fisheries, which were released in FY 1995. NMFS expects to obligate the remaining amount in 1997.
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**GAO NMFS--Continued**

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- As a result of an "all out" effort to reduce its FY 1996 unobligated carryover, NMFS obligated more than allotted in 5 of 9 line items. In doing so, NMFS reduced its carryover by about \$9.7 million by prefunding some 1997 contracts and grants.
  - NMFS paid for these activities with funds that would not have been obligated on other programs, including the Disaster Relief Fund, until FY 1997. NMFS said that it will restore all funds used for prefunding to the affected programs in FY 1997.
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**GAO ORF--NWS**

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- Very small carryover (\$8.1 million) compared to appropriation--over \$600 million or one-third of NOAA's budget.
  - Carryover due to (1) NWS money owed to Commerce (but not yet paid) for Working Capital Fund and an employee compensation fund (\$3.3 million) and (2) delayed procurement contracts and construction work in the weather modernization program (\$4.8 million).
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**GAO ORF--NESDIS**

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- The four NESDIS satellite programs--the Geostationary Operational Environmental Satellite (GOES), the Polar-Orbiting Operational Environmental Satellite (POES), Environmental Observing Services (EOS), and Data and Information Services-- collectively had a large carryover (\$105 million) due to (1) delays in the satellite programs and (2) a Commerce Inspector General review, which recommended that obligational authority not be turned over to NASA until needed for contracts.
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**GAO NESDIS--Continued**

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- NOAA considers money transferred to NASA, which procures and launches satellites, as obligated. The IG says NESDIS "hid" unneeded money at NASA to avoid carryover. NOAA has transferred over \$700 million since 1994.
  - Steps have been taken to reduce the carryover balance. NOAA reprogrammed \$23.6 million to other programs (effective in FY 1996), and the Congress rescinded \$20 million at the beginning of 1997, reducing the carryover to \$84.5 million (\$105 million less the \$20 million rescission and about \$0.5 million allocated to NOAA's management fund).
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**GAO NESDIS-Opportunities to Reduce the  
FY 1998 Budget Request**

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- NOAA's reported carryover did not include unobligated funds residing with NASA at the end of FY 1996 (\$75.6 million). Thus, the total NESDIS 1996 unobligated carryover was \$160.1 million.
  - This carryover, along with program slowdowns, and a change in NASA's forward-funding policy, will lead to a \$74.1 million unobligated carryover at the end of FY 1998 for the satellite programs if NESDIS receives its total FY 1998 request. See the following table.
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## GAO Estimated NOAA Satellite Unobligated Carryover at the End of FY 98 (\$M)

Resources available/needed	POES	GOES	EOS	DATA & INFO	TOTAL
Beginning FY 97 NESDIS carryover	\$71.7	\$11.8	\$0.3	\$0.7	\$84.5
Beginning FY 97 NASA carryover	43.1	32.5	0	0	75.6
Total beginning FY 97 NESDIS carryover	114.8	44.3	0.3	0.7	160.1
FY 97 NESDIS appropriation	176.3	175.5	51.0	44.8	447.6
FY 98 NESDIS budget estimate	134.4	241.5	50.3	43.8	470.0
Total estimated resources available through FY 98	425.5	461.3	101.6	89.3	1,077.7
FY 97 projected obligations	240.5	168.3	51.3	45.5	505.6
FY 98 projected obligations	154.2	212.6	50.4	43.8	461.0
Total estimated funds needed through FY 98	394.7	380.9	101.7	89.3	966.6
Estimated ending FY 98 unobligated carryover	30.8	80.3	N/A	0	111.1
NASA 1 month forward funding for 1st qtr. FY 99	10.3	26.7	N/A	N/A	37.0
Estimated beginning FY 99 NOAA carryover less forward funding	\$20.5	\$53.6	N/A	N/A	\$74.1

Note: Totals may not add due to rounding.

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**GAO** NESDIS--NASA Forward-Funding

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- NOAA's budget contains forward-funding for NASA to pay for expenses due in the first quarter of the next fiscal year.
  - Until now, NOAA provided NASA with 3 months of unobligated reserves for forward-funding.
  - At the end of our review, NOAA said that it would begin forward-funding only 1 month of new budget authority as a result of our work.
  - However, in commenting on a draft of this report, NOAA said it would begin using 2 months of forward-funding.
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**GAO NESDIS Funds Awaiting Close-out Audits**

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- About \$0.4 million of NESDIS funds in NASA GOES and POES subcontracts awaiting close-out at the time of our review.
- NOAA relies on NASA to identify and reobligate these funds. However, NOAA considers these funding adjustments when it prepares its budget execution plans and budget requests for the subsequent year.

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**GAO ORF--NOS**

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- Small unobligated carryover--\$10.3 million (about 6 percent of ORF carryover total).
  - Proposed new sonar equipment to be financed in part by ORF and Fleet Modernization Fund on hold (total \$2.64 million, including about \$0.4 million in NOS) pending a decision on the future of the NOAA fleet. If decision made to not fund, this amount could be rescinded.
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**GAO** NOAA's Special Accounts

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- 14 different accounts. Many do not receive appropriated funds. NOAA wants to consolidate some in ORF.
  - Fisheries Promotional Fund--about \$1 million could be rescinded. NOAA expects to propose transferring these funds to ORF to use as needed. This will require new legislation, according to NOAA.
  - Fleet Modernization Fund--carried over \$2.25 million for sonar equipment and is requesting another \$1.5 million for FY 1998. Obligation is awaiting final decision on the future of the fleet. NOAA wants to move this Fund into ORF.
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**GAO** NOAA's Special Accounts--  
Construction

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- Construction--about \$22 million carryover expected at end of FY 1997, primarily associated with projects earmarked by the Congress. NOAA expects to build these facilities but could not provide us with specific funding plans for many of the projects.
  - NOAA considers construction needs during its annual budget process but does not have a long-range construction plan that prioritizes needed new construction, the possible consolidation of facilities, and preventative maintenance. NOAA's newly created Facilities Council expects to develop a long-range facilities construction plan.
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**GAO Other Issues--Hurricane Andrew Aid**

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- Hurricane Andrew carryover (\$3.4 million) for aid to the Gulf shrimp industry under P.L. 102-368 (Sept. 23, 1992). These funds have not been apportioned to NOAA to obligate--but are considered part of NOAA's carryover. The funds could be rescinded.
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**GAO Summary**

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- NOAA program offices were very attentive to reducing unobligated carryover balances in 1996. NMFS reduced its carryover by about \$9.7 million by prefunding some 1997 contracts and grants.
  - NOAA's satellite office will have about \$74 million in unobligated funds at the end of FY 1998 under current funding and obligation projections. This amount could be used to reduce NOAA's 1998 request.
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**GAO Summary Continued**

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About \$4.4 million available in the Hurricane Andrew and the Fisheries Promotional funds that could be used to reduce NOAA's FY 1998 budget request. NOAA's 1998 budget request could be reduced by another \$4.1 million (\$2.6 million in unobligated carryover plus \$1.5 million in new money requested) if the Congress decides not to approve the obligation of funds for new sonar equipment for the NOAA fleet.

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