BY THE U.S. GENERAL ACCOUNTING OFFICE

Report To The Chairman, Subcommittee On Public Lands And Reserved Water Committee On Energy And Natural Resources United States Senate

Corps Of Engineers' And Bureau Of Reclamation's Recreation Construction Backlogs

The Army's Corps of Engineers and the Department of the Interior's Bureau of Reclamation have large backlogs of construction projects for recreation. Recreation is a component of some of the agencies' water resources projects whose primary objectives include navigation, flood control, and hydroelectric power. For the Corps and Bureau construction projects receiving appropriations for fiscal year 1982, recreation construction backlogs totaled $755 million and $188 million, respectively, as of the beginning of fiscal year 1982. These amounts represented about 3 percent of the agencies' estimated total costs for the projects with unfunded recreation components. The reasons for the backlogs include funding limitations, lack of funding priorities, and competing funding demands such as authorization of new projects.

A January 26, 1983, GAO report on the Corps' and the Bureau's total construction backlogs presented the Congress with a number of options to deal with the backlogs, including funding increases, increased cost sharing by nonfederal sponsors, and setting funding priorities. These options also apply to the recreation construction backlogs.

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RESOURCES, COMMUNITY, AND ECONOMIC DEVELOPMENT DIVISION

B-210325

The Honorable Malcolm Wallop
Chairman, Subcommittee on Public Lands
and Reserved Water
Committee on Energy and Natural Resources
United States Senate

Dear Mr. Chairman:

In response to your request, we have reviewed the recreation construction backlogs at six federal agencies. As agreed with your office, this report discusses the $943 million recreation construction backlogs (estimated unfunded future costs for authorized projects) for water projects funded in fiscal year 1982 for the Army's Corps of Engineers and the Department of the Interior's Bureau of Reclamation. A separate report discussing the backlogs of Interior's National Park Service, Bureau of Land Management, and U.S. Fish and Wildlife Service and the Department of Agriculture's Forest Service will be issued later.

Specifically, this report discusses the (1) Corps of Engineers' and Bureau of Reclamation's organization, responsibilities, and procedures regarding project planning and construction, (2) size of the recreation construction backlogs, and (3) reasons for the backlogs. (See apps. I through IV.) The recreation components of Bureau and Corps projects include such things as campgrounds, picnic areas, and boat-launching facilities.

For fiscal year 1982 the Congress appropriated $1.4 billion for 218 Corps water construction projects. Of these 218 projects, 86 had unfunded recreation construction components with estimated unfunded future Corps costs totaling $755 million at the start of fiscal year 1982.[1] The $755 million is about 4 percent of the Corps' total estimated project costs of $20.2 billion for the 86 projects. The Corps is attempting to have local interests cost share $251 million of the $755 million. In commenting on a draft of this report, the Army stated that a large portion of the $251 million would not be budgeted due to a lack of local support.

The Congress appropriated $549 million in construction funds for 71 Bureau projects for fiscal year 1982, of which 16 had

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[1]App. III lists the individual Corps projects receiving appropriations for fiscal year 1982 with unfunded recreation construction components.

unfunded recreation construction components.[2] These 16 projects and 4 other projects to construct only recreation and fish and wildlife facilities had an estimated $188 million of unfunded future Bureau recreation costs, or 2 percent of the Bureau's total estimated project costs of $9.3 billion.

Reasons for the backlogs, not only for the recreation components but for the construction projects in general, include funding limitations, lack of funding priorities, and competing funding demands such as authorization of new projects and increasing operating and maintenance costs. (See app. II.)

Our January 26, 1983, report,[3] which analyzed the Corps' and the Bureau's general water project construction backlogs, presented the Congress with three options to deal with the backlogs. These options, which also apply to the recreation construction backlogs, are (1) funding increases, (2) increased cost sharing by nonfederal sponsors, and (3) setting funding priorities. (App. VI contains the report digest.)

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objective in this review was to determine the status of the Corps' and the Bureau's recreation construction backlogs for all projects funded in fiscal year 1982. To attain our objective, we analyzed the agencies' budget justification data for fiscal years 1982 and 1983. The Corps and the Bureau refer to these projects as "active" because they expect these projects to be completed. Appendix V describes the other project categories the agencies used which are not reflected in the backlog information in this report.

As agreed with your office, we used fiscal year 1982 project data because, at the time of our review, 1982 was the latest fiscal year for which the Corps and the Bureau had received specific appropriations from the Congress.[4]

For each project we obtained information on (1) the project's name and location, (2) the project's total estimated federal (Corps, Bureau, and other federal agencies) and nonfederal construction and recreation construction costs, (3) federal and nonfederal expenditures for construction, including recreation

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[2]App. IV lists the individual Bureau projects receiving appropriations for fiscal year 1982 with unfunded recreation construction components.

[3]Water Project Construction Backlog--A Serious Problem With No Easy Solution (GAO/RCED-83-49, Jan. 26, 1983).

[4]For fiscal year 1983 the Corps and the Bureau were operating under a continuing resolution--Pub. L. No. 97-377.

construction, through fiscal year 1981, and (4) the estimated additional funds needed to complete the project's recreation component at the start of fiscal year 1982. The projects were primarily for construction at unfinished sites although some were for additional construction or rehabilitation at completed sites. We analyzed project cost data to identify the federal funds needed to accomplish the projects' recreation components. Total recreation construction costs for some of the projects are to be shared with nonfederal entities.

To determine the reasons for the recreation construction backlog, we used information developed for our January 1983 report which measured the Corps' and the Bureau's construction cost changes from project authorization to fiscal year 1982. The 1983 report also showed the extent to which the Corps' and the Bureau's construction backlog costs had increased and the reasons for the increases. These reasons, which are discussed in appendix II, generally apply to recreation construction as well.

For the prior report, we did not verify the propriety of the Corps' and Bureau's construction cost figures because of time constraints, the volume of data involved, and the large number of field offices that we would have had to visit. For these same reasons, we did not verify the agencies' cost figures used in this report. Agency officials concurred that the cost information used in the prior report was the best available. However, they said that they believed the data on estimated additional costs of completing active projects was overstated because some of the work would probably never be accomplished for such reasons as lack of local support and poor benefit/cost ratios. To supplement the information developed in our prior report and to distinguish recreation construction from general construction, we reviewed and analyzed pertinent documents, laws, studies, data, reports, and other information and interviewed Corps and Bureau officials.

The Corps' $755 million and the Bureau's $188 million recreation construction backlogs include funds appropriated but not obligated by the agencies as of the beginning of fiscal year 1982. While these funds should not be included in the agencies' recreation construction backlogs, Corps and Bureau records used to develop appendixes III and IV generally do not identify what portion of these funds are to be obligated for recreation. Although we were not able to specifically identify the recreation portion of the unobligated funds, our analysis of the specific projects involved indicated that these funds would be a very small portion of the agencies' recreation construction backlogs.

The Bureau allocates a portion of total project costs, including the cost to construct the water structure, to recreation. Recreation costs for the Bureau in this report represent those specific costs to construct or repair recreation facilities and not the total project costs the Bureau allocated to recreation.

Except as discussed above, we made the review in accordance with generally accepted government auditing standards. In addition, Interior's Office of the Inspector General, the Corps' Division of Audits, and the Army Audit Agency did not have any ongoing or planned reviews of the agencies' overall recreation construction backlogs.

AGENCY COMMENTS AND OUR EVALUATION

In its comments (see app. VIII), Interior said that the report accurately presents the status of recreation construction in the Bureau of Reclamation.

According to the Army (see app. IX), it partially concurs in our reasons for the recreation construction backlog but believes the major reasons for the backlog are "(1) policy/funding priority changes and (2) timing (the work is not physically ready)." The policy/funding priority changes involve a Corps effort to enter into 50-50 cost-sharing agreements with local interests for the recreation construction on 34 projects that were originally to be funded entirely by the Corps.

We believe that the policy/funding priority changes are more a means of reducing the recreation construction backlog than a major reason for it. Because of these policy/funding priority changes which were initiated at the start of fiscal year 1982, some of the recreation construction in the backlog--$35 million in fiscal year 1983 and, according to a Corps official, a much lesser amount in fiscal year 1982 which could not be readily determined--was not carried out pending final decisions as to how much recreation will be built for these 34 projects and who will pay for the construction. However, the 34 projects affected by the funding changes represent the older projects in the backlog. If it had not been for what we consider the primary reasons--funding limitations, lack of funding priorities, and competing funding demands--for the overall backlog, most of these projects might have had their recreation facilities constructed by now.

Similarly, we believe that although timing may be a factor, it is not a major reason for the backlog because the primary reasons that we identified for the overall construction backlog also delayed the recreation construction. That is, the recreation facilities, generally one of the last project components to be constructed, are not physically ready for construction because the overall projects have been delayed for the reasons we cite.

The Army also questioned the practicality of two of our options to deal with the backlog--funding increases and setting funding priorities. These options were the ones most frequently suggested by various water resource officials, including Corps officials, contacted during our review of the Corps' total backlog. (See app. VII.)

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As arranged with your office, we are sending copies of this report to the Secretaries of Defense and the Interior and other interested parties.

Sincerely yours,

J. Dexter Peach
Director

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ABBREVIATIONS

GAO	General Accounting Office
O&M	operation and maintenance
OMB	Office of Management and Budget

CORPS OF ENGINEERS' AND BUREAU OF RECLAMATION'S WATER PROJECT PLANNING AND AUTHORIZATION

This appendix describes the Corps of Engineers' and the Bureau of Reclamation's water project responsibilities, organization, and planning processes for water resources projects.

CORPS OF ENGINEERS

The Corps' water resources responsibilities originated with an 1824 act (4 Stat. 32) for improving rivers and harbors for navigation. Since then, the Congress has enlarged the Corps' responsibilities to include a variety of functions--flood control, irrigation, municipal and industrial water supply, hydroelectric power, fish and wildlife enhancement, beach erosion protection, and recreation.

The Secretary of the Army directs the Corps in its civil works program. The Assistant Secretary of the Army (Civil Works) and the Office of the Chief of Engineers are responsible for the Corps' major program areas. Most of the Corps' civil works program is carried out by its 11 division offices and 36 district offices. The district offices, which perform the major operations, are responsible for planning, designing, constructing, operating, and maintaining water projects.

The Corps' process for initiating, planning, and authorizing a project requiring specific congressional authorization consists of four phases: (1) study authorization, (2) study accomplishment, (3) study review and project construction authorization, and (4) preconstruction planning, engineering, and designing. In fiscal year 1982, the Corps began conducting the third and fourth phases concurrently for some projects.

Normally, a request from local citizens to members of the Congress for federal assistance to solve a water resources problem provides the impetus for a project study. The Congress authorizes the Corps to study the problem and to report its findings and recommendations. After the study is authorized, the Corps requests funds through the budget process for study accomplishment. Once funded, the study emphasizes identifying the problems, concerns, needs, and opportunities of the study area and developing preliminary alternatives, if warranted. The principal water resource development functions addressed in Corps studies are navigation, flood control, beach erosion control, and hydroelectric power. Projects involving these functions may also offer opportunities to address problems and needs for water supply, recreation, and fish and wildlife. The district engineer submits the completed study to the division office for review before it is transmitted to the Corps' Board of Engineers for Rivers and Harbors. Reports on features of the Flood Control, Mississippi River and Tributaries Project are sent to the Mississippi River Commission instead of the Board.

Upon receiving the study, the Board or Commission assesses the district's and division's recommendations and issues its findings and recommendations to the Chief of Engineers. The Chief then requests comments on the study from the Governors of the affected states and federal agencies before preparing the final report. Reviews are then made by the Secretary of the Army and the Office of Management and Budget (OMB) before the Secretary submits the project report, including the cost-benefit analysis, to the Congress for project authorization. After enough preconstruction work, such as detailed plans and firm cost estimates, has been completed to initiate the construction contracting phase, the Secretary of the Army enters into formal agreements, including legally binding cost-sharing agreements for recreation facilities, with nonfederal entities. The Congress then appropriates funds so that construction can begin.

BUREAU OF RECLAMATION

At its inception in 1902, the Bureau's sole mission was the reclamation of arid and semiarid western lands. Since then, the Bureau's responsibilities have expanded to constructing and operating multipurpose water projects that supply municipal and industrial water; irrigation; hydroelectric power; and fish, wildlife, and recreation opportunities. The Bureau is directed by the Assistant Secretary of the Interior (Land and Water Resources). The Commissioner of Reclamation--the Bureau's chief official--manages the seven regional offices and the Engineering and Resource Center which are responsible for planning, design, construction, operation, and maintenance activities.

The Bureau's planning procedures, as revised in May 1982, consist of two basic stages--project investigation and advance planning. Project investigation can result in a plan recommending that the Congress authorize construction of a water resources project. The advance planning stage is to accomplish all preconstruction activities such as collection of design data and environmental compliance before construction begins.

The project investigation stage begins with a Bureau regional office preparing a draft study plan of a specific water resource problem or project and submitting it to the Commissioner's office and the Bureau's Engineering and Research Center for review. Approved study plans are used to support Bureau requests for project investigation funds. After funds are appropriated, the regional office initiates a study. During the study, a preliminary findings report is prepared for determining if further project study is warranted. For those projects worthy of additional study, the regional office proceeds with the study, including an analysis of alternatives, and completes the study with a recommended project plan. The recommended plan is discussed in a plan formulation working document which is used as a basis to support the Bureau's request for advance planning funds. The regional director's planning report/draft environmental statement is then prepared. The Commissioner's office and the Engineering and Research Center review the preliminary findings report, the plan

formulation working document, and the planning report/draft environmental statement as they are prepared.

After advance planning funds are appropriated, a preconstruction report is prepared which includes more detailed project specifications, better cost estimates, and information on other studies and activities necessary before construction, such as additional environmental compliance work. The preconstruction report is an internal document which guides construction once construction funds are appropriated.

Concurrent with preparing the advance planning report, the planning report/draft environmental statement is sent for review to the Environmental Protection Agency and is made available for comments by other federal and state agencies and the public. During this period, the regional director notifies the Commissioner's office whether the project is still viable based on advance planning work done. The Bureau then incorporates the comments on viable projects into the planning report/final environmental statement which is sent to the Secretary of the Interior and OMB for review before being sent to the Congress. The Congress then considers authorizing and appropriating funds for project construction. The authorizing legislation places an appropriations ceiling on the project which cannot be exceeded, except for an amount for inflation, without obtaining further congressional authorization. When recreation development is to be cost shared, a nonfederal public entity must agree to share the cost of development and assume all responsibility for operating, maintaining, and replacing recreation facilities before recreation construction can begin.

LEGISLATION AFFECTING WATER PROJECT RECREATION PLANNING

Water project authorizations historically have had little opposition in the Congress. However, during the 1960's and 1970's, the public became concerned with the environmental and social consequences of federal water construction projects. In responding to these concerns, the Congress tried to develop objective water project construction criteria through various legislative initiatives. One law resulting from these efforts is the Federal Water Project Recreation Act of 1965 (Pub. L. No. 89-72).

The 1965 act requires that federal water agencies, such as the Corps and Bureau, give consideration to recreation opportunities in planning federal water resources projects. Specifically, if prior to construction nonfederal bodies agree in writing with the federal agency constructing the project to pay one-half or more of the separable initial recreation costs and to administer the recreation facilities at their own expense upon completion, the recreation costs and benefits will be included in the project's cost-benefit study. If no such agreement is reached, recreation benefits will not be included in the cost-benefit study and only recreation facilities necessary for public health and safety will be provided.

REASONS FOR THE RECREATION CONSTRUCTION BACKLOG

As we reported in our January 1983 report,[1] various factors contribute to the total construction backlog which, for projects funded in fiscal year 1982, was $22.7 billion for the Corps and $12.8 billion for the Bureau. The reasons--funding limitations, lack of funding priorities, competing funding demands such as increasing operating and maintenance costs, authorization of new projects, and studies of potential projects--are generic in that they apply to construction projects in general, including the recreation components. A brief discussion of these factors follows.

FUNDING LIMITATIONS

In recent years, water project construction funding has undergone intense scrutiny while project costs have increased. The Congress, in seeking ways to reduce federal spending, appears willing to reexamine federal funding for many water resource projects. The Reagan administration's Economic Recovery Package of February 1981 recommended an 11-percent across-the-board reduction in water project construction programs.

In our January 1983 report we identified inflation as the major cause for cost increases in both Corps and Bureau projects. Corps construction funding in recent years has not been sufficient to compensate for inflation. For the construction projects considered active in 1982, Corps records showed that from project authorization to fiscal year 1982, inflation accounted for 51 percent of the cost increases; design and modification changes, 40 percent; and other factors such as scope and estimating changes, 9 percent.

We also reported that for fiscal years 1974-82 the Bureau had not received sufficient appropriations to prevent its general construction backlog, including recreation, from growing. Bureau data also reflects the significant role inflation has had in enlarging the original cost estimates. Data on 19 projects, for example, showed that inflation accounted for 81 percent of their cost increases. Updated cost estimates based on more complete data accounted for 11 percent of the increases, and the remaining 8 percent was the result of such things as changes in project scope and design.

In the Emergency Jobs Appropriations (Pub. L. No. 98-8, Mar. 24, 1983), the Congress provided $85 million to the Corps and $65 million to the Bureau for general construction which supplemented the fiscal year 1983 continuing resolution appropriations. Because our report presents the recreation construction backlogs at the start of fiscal year 1982, the funds provided in this legislation do not affect the backlog figures.

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[1] Water Project Construction Backlog--A Serious Problem With No Easy Solution (GAO/RCED-83-49, Jan. 26, 1983).

LACK OF FUNDING PRIORITIES

Neither the Corps nor the Bureau rank construction projects in their annual budget requests for the Congress to use in appropriating funds. In 1979 we reported[2] that the failure to do so had contributed to the backlog because funding was insufficient to fund all projects at their optimum level. As a result, projects, including those most economically and environmentally sound, were delayed, allowing inflation to increase costs. In our 1983 report we cited priority-setting systems as a means of reducing the agencies' backlogs because the Congress and the administration would know which projects have the highest priority so that available funds could be maximized. Lower priority projects could then be postponed, scaled down, or deauthorized.

INCREASING OPERATING AND MAINTENANCE COSTS

Increased operation and maintenance (O&M) activities have been taking greater percentages of both agencies' budgets because projects are being completed that must be operated and maintained. Also, as existing projects age, they require increased maintenance. Corps officials said that given tight budget trends, the increasing O&M expenditures have come largely at the expense of construction work, and they believe that the trend will continue despite funds provided in the Emergency Jobs Appropriations. This law appropriates, in addition to the $85 million discussed earlier, $164 million to the Corps for general O&M and emergency requirements resulting from recent flooding. Corps officials said that these funds will help but will not reverse the overall trend of O&M increasing as a percentage of the Corps' total budget.

Unlike the Corps, the Bureau receives most of its annual O&M funds from reimbursements to the federal government through contracts with users of water from federal projects. For example, during fiscal years 1980-82, the Bureau received about 85 percent of its total O&M funds through reimbursements. The Special Assistant to the Commissioner of Reclamation said he believes that increasing O&M costs have not been funded at the expense of project construction funds.

AUTHORIZATION OF NEW PROJECTS

Newly authorized project starts also added to the backlog. The Congress authorized new projects while the Corps and the Bureau lacked the funds to complete their existing projects. Recently, both the Corps and the Bureau have been seeking additional guaranteed financing and cost sharing for new projects from nonfederal entities, realizing that economic conditions no longer allow significant federal financing of a major water project construction program. Greater nonfederal financial support for new

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[2] Congress Needs Reliable Cost Estimates and Established Priorities for Allocating Funds for Water Resources Projects (PSAD-79-13, Jan. 29, 1979).

projects will not resolve the backlog of current projects but only reduce future federal expenditures for new projects. However, expanded cost sharing is limited by the additional financial responsibility nonfederal entities would be willing to assume.

Full funding of water resources projects could also keep newly authorized projects from adding to the recreation backlog.[3] However, the obligating agency would have to be given full obligational authority to contract for the entire project of which the recreation portion is generally a nominal amount.

WATER PROJECT STUDIES

The Corps and the Bureau requested appropriations totaling about $170 million in fiscal year 1983 for studies to find solutions to water problems. These funds add to the competition for appropriations and may reduce the dollars available for project construction. The amount requested is small relative to the construction budget and would have little impact on reducing the backlog. However, as a result of these studies, new projects may be authorized, which will add to the recreation backlog if cost-sharing agreements for recreation construction are signed. If cost-sharing agreements are not signed, the Bureau or the Corps only provides facilities necessary for public health and safety.

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[3]Under the full funding concept, budgetary resources to cover a program's or project's total cost are provided at the time the program or project is undertaken.

LIST OF ACTIVE CORPS CONSTRUCTION PROJECTS

RECEIVING APPROPRIATIONS FOR FISCAL YEAR 1982

WITH RECREATION COMPONENTS

State and project name	Total est. Corps cost[a]	Federal and nonfederal total est. recreation costs	Federal and nonfederal recreation expenditures thru FY 1981	Federal and nonfederal recreation balance to complete	Corps' recreation balance to complete
	(000 omitted)				
Alabama:					
Jones Bluff Lock and Dam	$ 84,600	$ 9,309	$ 6,767	$ 2,542	$ 2,542[b]
Tennessee-Tombigbee Waterway	1,830,000	69,085	3,902	65,183	65,183[b]
West Point Lake	131,900	22,871	20,800[c]	2,071	2,071[b]
Alaska:					
Chena River Lakes	280,385	2,250	0	2,250	1,125
Arizona:					
Phoenix and vicinity (stage 2 and remaining work)	321,000	29,843	0	29,843	14,922[d]
Arkansas:					
Channel Improvement	5,206,000	2,279	1,064	1,215	1,215
McClellan-Kerr Arkansas River Navigation System Locks and Dams	543,000	19,619	19,541	78	78[b]
Mississippi River Levees	1,725,000	2,512	1,312	1,200	1,200
Ouachita and Black Rivers	278,000	31,545	4,071	27,474	27,474[b]
St. Francis Basin	315,663	220	120	100	100
California:					
Cucamonga Creek	113,000	4,399	0	4,399	2,200[d]
Dry Creek (Warm Springs) Lake and Channel	315,000	43,730	750	42,980	42,980[b]

State and project name	Total est. Corps cost[a]	Federal and nonfederal total est. recreation costs	Federal and nonfederal recreation expenditures thru FY 1981	Federal and nonfederal recreation balance to complete	Corps' recreation balance to complete
	(000 omitted)				
California:					
New Melones Lake	$ 380,000	$ 55,780	$ 3,080	$ 52,700	$ 52,700[b]
Sacramento River Bank Protection Project	110,000	3,090	1,151	1,939	1,939[d]
San Francisco Bay and Stockton	173,000	5,500	0	5,500	2,750[d]
Santa Paula Creek Channel	34,600	1,626	0[c]	1,626	813[d]
Colorado					
Chatfield Lake	93,200	10,472	9,815	657	657
Florida:					
Central and Southern Florida	1,460,000	57,589	0	57,589	28,795[d]
Four River Basins	263,000	7,375	0	7,375	7,375[e]
Port Everglades Harbor	34,100	340	0[c]	340	170
Georgia:					
Richard B. Russell Dam and Lake	507,000	18,140	141	17,999	17,999[e]
Hawaii:					
Barbers Point Harbor	57,900	860	0	860	860
Idaho:					
Dworshak Dam and Reservoir	329,000	10,499	8,050	2,449	2,449[b]
Illinois:					
Lock and Dam No. 26 Mississippi River at Alton	776,000	8,140	0	8,140	4,070[d]
Smithland Locks and Dam	276,700	9,317	0	9,317	9,317[b]

State and project name	Total est. Corps cost[a]	Federal and nonfederal total est. recreation costs	Federal and nonfederal recreation expenditures thru FY 1981	Federal and nonfederal recreation balance to complete	Corps' recreation balance to complete
	(000 omitted)				
Indiana:					
Cannelton Locks and Dam	$ 97,000	$ 2,614	$ 1,568[c]	$ 1,046	$ 1,046
Newburgh Locks and Dam	104,700	1,240	629[c]	611	611[b]
Uniontown Locks and Dam	100,900	3,983	3,049[c]	934	934
Iowa:					
Red Rock Lake	4,750	4,051	2,182[c]	1,869	1,869
Saylorville Dam	105,050	20,390	9,900	10,490	10,490[b]
Kansas:					
Clinton Lake	57,300	8,753	8,573[c]	180	180
El Dorado Lake	91,100	15,217	389	14,828	7,414
Pearson-Skubitz Big Hill Lake	17,400	4,042	1,603[c]	2,439	2,439
Kentucky:					
Big South Fork National River and Recreation Area	103,522	22,250	7	22,243	22,243
Cave Run Lake	79,900	20,729	9,565	11,164	11,164[b]
Laurel River Lake	59,400	13,336	5,038	8,298	8,298[b]
Paintsville Lake	61,000	5,250	0	5,250	5,250[e]
Taylorsville Lake	99,400	24,252	0	24,252	12,126
Yatesville Lake	93,800	11,530	0[c]	11,530	11,530[e]
Louisiana:					
Atchafalaya Basin	2,800,000	13,200	0	13,200	6,600[d]
Red River Waterway-Mississippi River to Shreveport	1,404,000	46,440	0	46,440	23,220[d]
Tensas Basin	655,000	4,829	4,001	828	828[b]

State and project name	Total est. Corps cost[a]	Federal and nonfederal total est. recreation costs	Federal and nonfederal recreation expenditures thru FY 1981	Federal and nonfederal recreation balance to complete	Corps' recreation balance to complete
	(000 omitted)				
Maryland:					
Bloomington Lake	$ 174,300	$ 3,575	$ 915	$ 2,660	$ 2,660
Minnesota:					
Mankato and North Mankato	96,500	1,260	117	1,143	572
Mississippi River Lock and Dam No. 1	42,600	484	0[c]	484	484
Mississippi:					
Yazoo Basin	1,616,000	25,785	19,728	6,057	6,057[b]
Missouri:					
Clarence Cannon Dam and Reservoir	303,000	24,182	16,410	7,772	7,772[b]
Harry S. Truman Dam and Reservoir	543,000	55,173	16,126	39,047	39,047[b]
Little Blue River Lakes	161,000	17,138	4,000	13,138	13,138[e]
Long Branch Lake	19,800	5,416	918	4,498	2,249
Smithville Lake	88,300	12,872	11,784[c]	1,088	1,088[e]
Montana:					
Libby Dam-Lake Koocanusa	489,000	5,921	4,087[c]	1,834	1,834
Nebraska:					
Papillion Creek and Tributaries	51,200	6,482	1,423	5,059	5,059[e]
New York:					
Cattaraugus Harbor	4,500	34	0	34	17[d]
Ellicott Creek	15,900	555	0[c]	555	278[d]
Irondequoit Bay	3,310	735	0[c]	735	368[d]
North Carolina:					
B. Everett Jordan Dam and Lake	143,000	43,520	2,750	40,770	40,770[b]

State and project name	Total est. Corps cost[a]	Federal and nonfederal total est. recreation costs	Federal and nonfederal recreation expenditures thru FY 1981	Federal and nonfederal recreation balance to complete	Corps' recreation balance to complete
	(000 omitted)				
North Carolina:					
Falls Lake	$ 165,000	$ 38,793	$ 341	$ 38,452	$ 38,452[e]
Ohio:					
Alum Creek Lake	56,700	9,645	7,467	2,178	2,178[b]
Caesar Creek Lake	65,000	17,215	11,565	5,650	5,650[b]
Mill Creek	249,000	9,723	0	9,723	4,662
Point Place	8,900	111	0	111	56[d]
William H. Harsha Lake	54,800	16,534	12,309[c]	4,225	4,225[b]
Willow Island Locks and Dam	78,100	2,133	593	1,540	1,540[b]
Oklahoma:					
Arcadia Lake	92,000	12,968	1	12,967	12,967[e]
Copan Lake	72,000	3,456	29	3,427	3,427[b]
Sardis Lake	54,900	3,066	176	2,890	2,890[b]
Skiatook Lake	112,000	10,726	53	10,673	10,673[b]
Oregon:					
Applegate Lake	95,500	3,679	3,556[c]	123	123
Bonneville Second Powerhouse	662,000	2,957	0	2,957	2,957[b]
Willow Creek Lake	37,000	215	0	215	215
Pennsylvania:					
Tioga-Hammond Lakes	192,700	12,125	10,546[c]	1,579	1,579[b]
Puerto Rico:					
Portugues and Bucana Rivers	295,000	7,579	0	7,579	7,579[e]
Texas:					
Aquilla Lake	50,000	1,058	183	875	875[b]
Arkansas-Red River Basins Chloride Control Area (Area VIII)	52,800	73	0	73	73

State and project name	Total est. Corps cost[a]	Federal and nonfederal total est. recreation costs	Federal and nonfederal recreation expenditures thru FY 1981	Federal and nonfederal recreation balance to complete	Corps' recreation balance to complete
	(000 omitted)				
Texas:					
Lakeview Lake	$ 220,000	$ 27,400	$ 0	$ 27,400	$ 27,400[e]
Cooper Lake and Channels	101,317	12,992	0	12,992	12,992[b]
Ray Roberts Lake	286,100	22,515	0	22,515	22,515[e]
San Gabriel River	146,000	20,243	14,440	5,803	5,803[b]
Washington:					
Chief Joseph Dam Additional Units	362,000	3,270	150	3,120	3,120[b]
Lower Granite Lock and Dam	321,600	9,583	9,219	364	364
West Virginia:					
Beech Fork Lake	47,300	14,350	5,010	9,340	9,340[b]
Burnsville Lake	54,500	8,560	766	7,794	7,794[b]
R.D. Bailey Lake	193,000	8,960	402	8,558	8,558[b]
Stonewall Jackson Lake	201,000	19,050	0	19,050	19,050[e]
Project total	$20,201,674	$1,150,607	$282,132	$868,475	$755,030

[a]The Corps, with its fiscal year 1981 budget request, began including an allowance for future inflation in its cost estimates for scheduled construction projects to give the Congress a better estimate of total project costs. The total estimated cost figures are as of June 1983.

[b]These are projects for which the Corps originally intended to fund the entire recreation cost. However, starting in fiscal year 1982, the Corps changed its policy concerning the entire funding of recreation facilities and initiated an effort to develop cost-sharing agreements with local interests to cost share $331 million for 34 projects. As of September 5, 1983, the Corps had provided exemptions to this policy for about $80 million in recreation construction on 10 of these projects. The Corps is still attempting to cost share on a 50-50 basis the other $251 million. The Corps has been unsuccessful in developing any cost-sharing agreements on these projects and is uncertain how much of this amount will eventually be funded solely by the Corps, cost shared, or eliminated from the project. In commenting on our draft report, the Army stated that a large portion of the $251 million would not be budgeted due to a lack of local support.

[c]Includes actual expenditures for fiscal year 1980 plus allocations for fiscal year 1981.

[d]Project subject to cost-sharing provisions of Pub. L. No. 89-72, but the Corps and the nonfederal entity had not signed a cost-sharing agreement as of June 1983. If an agreement is signed, the Corps generally requires that the nonfederal entity provide its portion of the funds before recreation construction begins. If an agreement is not signed, the Corps will provide only those recreation facilities necessary for public health and safety.

[e]The Corps pays all recreation costs initially and is to be reimbursed by the nonfederal entity for half of the costs.

LIST OF ACTIVE BUREAU CONSTRUCTION PROJECTS

RECEIVING APPROPRIATIONS FOR FISCAL YEAR 1982

WITH RECREATION COMPONENTS

State and project name	Total est. Bureau cost[a]	Federal and nonfederal total est. recreation costs	Federal and nonfederal recreation expenditures thru FY 1981	Bureau's recreation balance to complete
	(000 omitted)			
Arizona:				
Central Arizona Project	$ 2,988,745	$ 1,427	$ 157	$ 1,270[b]
California:				
Central Valley Auburn-Folsom South	1,968,434	23,027	5,559	17,468
San Felipe Division	338,834	330	0	330[b]
Recreation facilities at existing reservoirs (Nevada, Colorado)	2,808	2,808	1,527	1,281[b]
Colorado:				
Fryingpan-Arkansas	480,750	35,485	25,359	10,126
Miscellaneous items[c]	71,805	53,918	15,454	38,464
San Luis Valley - Closed Basin Division	74,869	1,739	25	1,714[b]
Nebraska:				
Pick-Sloan Missouri Basin Program-North Loup Div.	252,080	1,060	19	1041[b]
Pick-Sloan Missouri Basin Program--O'Neill Unit	364,560	5,400	69	5,331[b]

State and project name	Total est. Bureau cost[a]	Federal and nonfederal total est. recreation cost	Federal and nonfederal recreation expenditures thru FY 1981	Bureau's recreation balance to complete
	(000 omitted)			
Nevada:				
Washoe Project	259,137	119,611	119,390	221
New Mexico:				
Brantley	243,046	3,376	0	3,376[b]
Miscellaneous items[c]	8,479	4,811	3,134	1,677
North Dakota:				
Pick-Sloan Missouri Basin Program Garrison Diversion Unit	1,097,592	13,900	2,619	11,281[b]
Pick-Sloan Dickinson Unit	6,454	54	0	54
Oklahoma:				
McGee Creek	170,133	14,959	2,640	12,319[b]
Oregon:				
Tualatin Project	57,302	3,360	0	3,360[b]
Texas:				
Nueces River Project	85,988	20,311	3,929	16,382[b]
Utah:				
Miscellaneous items[c]	168,809	84,137	23,049	61,088
Washington:				
Columbia Basin Project-Third Powerplant	667, 000	6,846	6,077	769[b]
Wyoming				
Miscellaneous items[c]	10,946	1,250	613	637
Project total	$9,317,771	$397,809	$209,620	$188,189

[a]The Bureau does not include an allowance for inflation in its project cost estimates.

[b]Project subject to cost-sharing provisions of Pub. L. No. 89-72. The Bureau pays all recreation costs and is reimbursed by the nonfederal entity for half the costs.

[c]Includes such items as recreational and fish and wildlife facilities. The Bureau does not count these items as a project.

CORPS OF ENGINEERS' AND BUREAU OF RECLAMATION'S CONSTRUCTION PROJECT CLASSIFICATIONS

The Corps and the Bureau use various categories to describe the status of construction projects. Both agencies classify projects as either "complete," "active," or "inactive." The Corps also uses a "deferred" category. Active projects are those that the agencies expect to complete. A project can remain active even though it is not funded in a fiscal year. Inactive Bureau projects are those that the agency is not currently considering funding, while inactive Corps projects will not likely be built for a number of reasons, such as costs exceeding benefits or lack of local support. Corps projects labeled as deferred are those that need to be restudied to determine whether they are economically justified or if local interests are currently able to fulfill their agreed-upon responsibilities, such as financing, rights-of-way, and easements, for the projects they do not oppose. The following tables, which were presented in GAO/RCED-83-49, summarize the dollar value of the agencies' authorized water projects not completed at the beginning of fiscal year 1982.

Corps of Engineers

Category	Number of projects	Total estimated federal cost	Expenditures thru FY 1981[a]	Balance to complete after FY 1981
		(billions)		
Active:				
Funded for construction for FY 1982	218	$38.1	$15.4	$22.7
Not funded for construction for FY 1982	252	14.7	1.5	13.2
Total active	470	52.8	16.9	35.9
Deferred	132	1.9	.1	1.8
Inactive	230	5.8	.1	5.7
Total	832	$60.5	$17.1	$43.4

[a]Includes actual expenditures through fiscal year 1980 plus allocations for fiscal year 1981.

Bureau of Reclamation

Category	Number of projects	Total estimated federal cost	Expenditures thru FY 1981[a]	Balance to complete after FY 1981
		(billions)		
Active:				
Funded for construction for FY 1982	71	$19.3	$6.5	$12.8
Not funded for construction for FY 1982	5	1.3	-	1.3
Total active	76	20.6	6.5	14.1
Inactive	26	2.4	.2	2.2
Total	102	$23.0	$6.7	$16.3

[a]Includes actual expenditures through fiscal year 1980 plus allocations for fiscal year 1981.

D I G E S T

Whenever costs to construct Federal projects increase during the year by more than the amount appropriated, a construction backlog develops. Concerned about the Corps of Engineers' and Bureau of Reclamation's water project construction backlog, the Chairman, Subcommittee on Investigations and Oversight, House Committee on Public Works and Transportation, asked GAO to review those agencies' authorized water projects that need funds to complete construction. Among other things, GAO was asked to determine the impact of escalating costs on the construction backlog, the reasons for the cost increases, and options for dealing with the backlog.

IS THERE A WATER PROJECT CONSTRUCTION BACKLOG?

Yes. Using the latest data available (October 1, 1981), the Corps and the Bureau had 934 authorized water projects needing about $60 billion to complete construction. In recent years, the trend has been 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. For example, the Bureau had a 19-year backlog in 1974 which climbed to 23 years in 1982 based on appropriations provided in those years. (See pp. 6 to 16.)

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

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

GAO assessed the water resource project backlog issue by analyzing the 289 Corps and

Bureau projects funded for construction for fiscal year 1982. 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--as of October 1, 1981. The remaining 645 authorized projects were not included in GAO's analyses due to the uncertainty of their future funding although the agencies consider many to be viable projects. (See pp. 1, 4, 7, and 11.)

GAO's analyses included a range of appropriation levels that the Corps and the Bureau have experienced in recent years. Further, GAO applied varying inflation rates in its analyses of the Bureau projects since Bureau cost estimates do not include an amount for future inflation as was done by the Corps for its projects. The analyses did not consider new construction starts or other project cost increases.

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. (See p. 9.)

The Bureau would not be able to eliminate its backlog of $12.8 billion assuming 4 percent or more inflation rates and appropriations of $440 million (Bureau construction appropriations have averaged about $503 million over the past 10 years). 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. (See pp. 10 to 15.)

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 stated that the backlog amounts should be less than those used by GAO in its analyses. For example, the Corps believes its construction backlog is about $15.4 billion rather than the $22.7 billion GAO used in its analyses. (See p. 10.)

Also, some of the 289 projects GAO used in its analyses may not be completed because future funding may not be sufficient to construct all water projects contemplated in a timely manner. Factors such as new construction starts and increasing operation and maintenance costs suggest future funding could be a problem. However, the decision whether to complete the 289 projects rests with the Congress. (See pp. 1, 6, 7, 16, and 21.)

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

Yes. New construction starts and increasing operation and maintenance costs add to the competition for available water resource funds. 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. (See pp. 16 to 20.)

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. This compares to the Bureau's 9 percent in 1973 and 26 percent in 1982. (See pp. 16 to 19.)

Agency officials told GAO that this trend is likely to continue in the foreseeable future because additional operation and maintenance moneys will be needed as additional projects are completed and others get older. Corps officials are concerned about this upward trend in operation and maintenance costs, because of its impact on funds available for construction.

Tear Sheet

Unlike the Corps, most of the Bureau's operation and maintenance funding comes from moneys reimbursed to the Federal Government through contracts with users of Federal project water. (See pp. 16 to 20.)

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

The Corps does, but its impact has been small. The Bureau has none. Although 453 Corps projects have been deauthorized pursuant to the Water Resources Development Act of 1974, as amended (Public Law 93-251), the program 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; consequently, they probably would not have been constructed anyway. A major reason for this legislation was to eliminate the backlog of authorized but unfunded and locally unsupported projects, but Corps officials said that it has had minimal impact on Corps operations since the projects that have been deauthorized were inactive for some time. (See pp. 20 and 21.)

ARE THERE OTHER ALTERNATIVES FOR REDUCING THE BACKLOG?

According to Corps, Bureau, and other water resource officials, several alternatives offer opportunities to reduce the construction backlog, such as providing additional funding and establishing a priority ranking system so that, if sufficient funds are not available for all projects, only the highest priority ones would be funded for construction. Additional funding for the construction programs could be provided by either increasing the annual water construction appropriation or having non-Federal entities share more costs. However, increased funding is questionable. Current economic conditions are creating keen competition among programs for dollars, making it uncertain

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. (See pp. 22 to 25.)

Setting priorities for water construction projects will require objective criteria to be developed to rank projects for funding. This, however, will not be an easy task since many factors--economic, social, environmental, and political--will need to be considered and evaluated. (See pp. 24 and 25.)

GAO did not obtain comments from the Corps of Engineers or the Bureau of Reclamation. However, the matters covered in the report were discussed with the agencies' officials and their views were included in the report where appropriate. (See p. 5.)

OUR EVALUATION OF THE DEPARTMENT OF THE ARMY'S COMMENTS

According to the Army (see app. IX), it partially concurs in our reasons for the recreation construction backlog; however, it believes that the major reasons for the backlog are "(1) policy/funding priority changes and (2) timing (the work is not physically ready)." The policy/funding priority changes were initiated at the start of fiscal year 1982 by the Corps to reduce its recreation construction cost on 34 projects by having local interests cost share these costs on a 50-50 basis. The recreation costs of the projects affected by this change, estimated at $331 million, were originally to be funded totally by the Corps. As of September 5, 1983, the Corps had provided exemptions to this policy for about $80 million of the $331 million. The Corps is still attempting to cost share the other $251 million. However, it has been unsuccessful in developing any cost-sharing agreements and is uncertain how much of this amount will eventually be funded by the Corps, cost shared, or eliminated from the projects. In its comments, the Army said that a large portion of the $251 million would not be budgeted due to lack of local support.

We believe that the policy/funding priority changes are more a means of reducing the backlog than a major reason for it. The policy/funding priority changes were initiated at the start of fiscal year 1982 as a means of reducing the backlog. Some recreation construction--$35 million in fiscal year 1983 and, according to a Corps official, a much lesser amount in fiscal year 1982 which could not be readily determined--was not carried out pending final decisions as to how much recreation will be built for these 34 projects and who will pay for the construction. However, these 34 projects generally represent the older projects in the recreation backlog, all having been authorized before the Federal Water Project Recreation Act of 1965. If it had not been for what we consider the primary reasons for the overall construction backlog and the recreation backlog, most of these projects might have had their recreation facilities completed by now.

We also believe that timing is not a major reason for the backlog. We recognize that, as long as there is a construction program, there will be a backlog of recreation construction because recreation facilities are one of the last components to be constructed. However, the primary reasons that we have identified for the overall construction backlog affected the entire construction schedule, thus delaying all construction, including recreation construction. Consequently, the recreation facilities for these delayed projects were not physically ready for construction. While we agree that timing is a factor, we do not consider it a major reason for the backlog.

The Army also commented that funding limitations contribute only minimally to the recreation backlog and that authorization of

new projects and increasing operation and maintenance costs have not been valid reasons for either the recreation or water construction backlog in recent years. Our analysis of the Corps total construction backlog, as presented in our January 26, 1983, report, showed that project funding has not been sufficient to offset inflation and other cost increases. Since recreation is part of this backlog and generally the last to be funded, we disagree with the Army's comment that funding limitations contribute only minimally to the backlog. We also take partial exception to the Army's comment that the authorization of new projects and increasing O&M costs have not been valid reasons for either the recreation or water construction backlog in recent years. We agree with the Army concerning the impact in recent years of new projects; however, as we discuss in appendix II, increased O&M activities have been taking a greater percentage of the Corps' budget. Corps officials told us that, given tight budget trends, the increasing O&M expenditures have come at the expense of construction work. They also expressed concern about this upward trend in O&M costs because of the potential for less dollars being given for water resource construction.

The Army questions the practicality of two of the three options which we presented in our January 26, 1983, report for the Congress to deal with the backlogs. These options also apply to the recreation construction backlogs. In its comments, the Army referred to the Assistant Secretary of the Army's (Civil Works) statement on our January 26, 1983, report before the Subcommittees on Water Resources and Investigations and Oversight, House Committee on Public Works and Transportation, during which he concluded that option 2, increased cost sharing, has the greatest potential to reduce the backlog, and that options 1 (funding increases) and 3 (funding priorities) were indicated as being unrealistic. The options presented in our January 26, 1983, report were the ones most frequently suggested by various water resource officials we contacted during our review, including those at the Corps. Our report recognized that these options had both advantages and disadvantages, including those cited by the Assistant Secretary in drawing his conclusions concerning these options. Further, we indicated that these options were not mutually exclusive and could be implemented in various combinations.

The Army also commented on the effect the authorization of new projects would have on the recreation construction backlog. According to the Army, the authorization of new projects will not significantly increase the recreation construction backlog because most new project recommendations will include less recreation development than in the past and will require 50-50 up-front cost sharing. In addition, the Army would like to see the project authorization and funding decisions brought into closer coincidence to control the backlog. Although the analysis in our January 26, 1983, report indicates that it is likely that the Corps' overall backlog of water construction projects will continue to increase, we agree with the Corps that it is possible for

the recreation construction backlog to decrease if projects include less recreation development and 50-50, up-front cost sharing. Further reductions may also be attained through the use of cost-sharing agreements for recreation projects that were originally intended to be financed entirely by the Corps.

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

SEP - 1 1983

Mr. J. Dexter Peach
Director, Resources Community and
Economic Development Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Peach:

As requested in your letter of August 3, 1983, this agency has reviewed the referenced draft report. Generally speaking, the draft report accurately presents the status of recreation construction in the Bureau of Reclamation.

We have recorded our report comments directly in the draft report. If you need any additional assistance, feel free to contact the Bureau directly.

Sincerely,

Garrey E. Carruthers
Assistant Secretary for
Land and Water Resources

Enclosure

GAO NOTE: Interior's comments were generally of an editorial and clarification nature. We made the suggested changes where necessary.

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON, D.C. 20310

15 SEP 1983

Mr. J. Dexter Peach
Director, Resources, Community,
and Economic Development Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Peach:

This is in response to your August 3, 1983, letter to the Secretary of Defense requesting comments on the draft GAO report, "Corps of Engineers' and Bureau of Reclamation's Recreation Construction Backlogs," GAO/RCED-83-216, (OSD Case No. 6324).

Although the draft GAO report contains no conclusions or recommendations, it does address the Army Corps of Engineers recreation construction backlog generally in context with the GAO final report "Water Project Construction Backlog — A Serious Problem With No Easy Solution," dated January 26, 1983, GAO/RCED-83-49 (OSD Case No. 6200). In this respect, I refer you to the official Department of Defense comments on your January 26, 1983, report. These comments were provided to GAO with my letter of March 28, 1983, to the Honorable Charles A. Bowsher, Comptroller General of the United States.

In addition, I have enclosed specific comments on the relevant findings in the draft report pertaining to the Army Corps of Engineers recreation construction backlog. Suggested corrections to the draft report also are enclosed.

Sincerely,

WRGianelli

William R. Gianelli
Assistant Secretary of the Army
(Civil Works)

Enclosure

DEPARTMENT OF DEFENSE COMMENTS ON
GAO DRAFT REPORT (GAO CODE NO. 148113)
"CORPS OF ENGINEERS' AND BUREAU OF RECLAMATION'S
RECREATION CONSTRUCTION BACKLOGS"
OSD CASE NO. 6324

SUMMARY OF FINDINGS

* * * * *

FINDINGS

FINDING A: FOR FISCAL YEAR 1982 THE CONGRESS APPROPRIATED $1.4 BILLION FOR 218 CORPS WATER CONSTRUCTION PROJECTS. Of these 218 projects, GAO found that 84 had unfunded recreation construction components with an estimated unfunded future Corps cost totaling $732 million at the start of Fiscal Year 1982. Appendix III lists the individual Corps projects with unfunded recreation construction components as of the beginning of Fiscal Year 1982. The $732 million is four percent of the Corps' total estimated project costs of $20 billion for the 84 projects.

[GAO COMMENT: See page 1 of letter.]

RESPONSE: DOD concurs that a recreation backlog exists, however, the GAO estimate of the backlog is overstated. At the start of Fiscal Year 1982, construction of recreation facilities at 34 ongoing projects was not scheduled pending development of cost-sharing agreements with local interests for construction and non-Federal operation and maintenance, consistent with projects for which recreation facilities are being constructed under the provisions of the Federal Water Project Recreation Act of 1965 (PL 89-72), as amended. The estimated total cost of the unscheduled recreation facilities at projects under construction was $331 million in Fiscal Year 1982. About $80 million of that backlog has subsequently been excluded from the policy requiring local cost sharing agreements. A large portion of the remaining work probably will not be budgeted, due to lack of local support.

[GAO COMMENT: Footnote b was added to page 12, to reflect this response.]

FINDING B: THE CORPS' $732 MILLION RECREATION CONSTRUCTION BACKLOG INCLUDES FUNDS APPROPRIATED BUT NOT OBLIGATED AS OF THE BEGINNING OF FISCAL YEAR 1982. Corps records used to develop Appendix III generally do not identify what portion of these funds are to be obligated for recreation. Although GAO was unable to specifically identify the recreation portion of the unobligated funds, its analysis of the specific projects involved indicated that these unobligated funds would be a nominal portion of the Corps recreation construction backlog.

[GAO COMMENT: See page 3 of letter.]

RESPONSE: DOD concurs. Because recreation facilities are one of the last components to be constructed, delays in project construction also delays the construction of recreation facilities and funds remain unobligated. Also see response for Finding A.

FINDING C: REASONS FOR THE RECREATION CONSTRUCTION BACKLOG. GAO found that the reasons for the recreation construction backlog includes funding limitations, lack of funding priorities, and competing funding demands such as authorization of new projects and increasing operating and maintenance costs. These are the same factors which GAO reported that contributed to the total construction backlog in its report "Water Construction Backlog — A Serious Problem With No Easy Solution" (GAO/RCED-83-49, January 26, 1983). GAO stated that these reasons are generic in that they apply to construction projects in general, including the recreation components.

[GAO COMMENT: See page 2 of letter and page 4, app. III.]

RESPONSE: DOD partially concurs. The major reasons for the recreation construction backlog are (1) policy/funding priority changes and (2) timing (the work is not physically ready). The budgets for Fiscal Years 1983 and 1984 include new recreation at continuing projects where non-Federal sponsors agree to cost share in the construction and agree to operate and maintain the facilities. As noted in the response for Finding A, remaining work is put into an "unscheduled balance to complete" status and should not be considered part of the backlog. Plans are not being made to construct additional facilities, except those facilities needed for health and safety at reservoir projects under construction which do not have such facilities. In addition to unscheduled work, a substantial portion of the backlog consists of work that could not be constructed today. It includes some unstarted projects or project elements which require further design or which cannot be initiated until other work is performed. Funding limitations contribute only minimally to the recreation backlog. Authorization of new projects and increasing operation and maintenance cost have not been valid reasons for either the recreation or water construction backlog in recent years.

[GAO COMMENT: See agency comments and our evaluation on page 24.]

FINDING D: OPTIONS TO DEAL WITH THE RECREATION CONSTRUCTION BACKLOG. The GAO January 26, 1983, report (App. VI contains the report digest), analyzed the Corps' general water construction backlog and presented the Congress with three options to deal with the backlog. GAO found that these options (1) funding increases, (2) increased cost sharing by non-Federal sponsors, and (3) setting funding priorities also apply to the recreation construction backlog.

[GAO COMMENT: See page 2 of letter.]

RESPONSE: DOD nonconcurs. In the statement on the water project construction backlog by the Assistant Secretary of the Army (Civil Works) on February 23, 1983, before the Subcommittees on Water Resources and Investigations and Oversight, of the House Committee on Public Works and Transportation, House of Representatives, it was concluded that option 2, increased cost sharing, has the greatest potential to reduce the backlog: options 1 and 3 were indicated to be unrealistic.

[GAO COMMENT: See agency comments and our evaluation on page 25.]

FINDING E: GREATER NON-FEDERAL FINANCIAL SUPPORT FOR NEW PROJECTS. The Corps has been seeking additional guaranteed financing and cost sharing for new projects from non-Federal entities, realizing that economic conditions no longer allow significant Federal financing of a major water project construction program. GAO found that greater non-Federal financial support for new projects will not resolve the backlog of current projects but only reduce future Federal expenditures for new projects. Expanded cost sharing is limited by the additional financial responsibility non-Federal entities would

be willing to assume. Full funding of water resources projects, however, could keep newly authorized projects from adding to the recreation backlog.1/ However, the obligating agency would have to be given full obligational authority to contract for the entire project of which the recreation portion is generally a nominal amount.

[GAO COMMENT: See pages 5 and 6, app. II.]

1/Under the full funding concept, budgetary resources to cover a program's or project's total cost are provided at the time the program or project is undertaken.

RESPONSES: DOD partially concurs. The authorization of new projects will not significantly increase the recreation construction backlog. In most cases, new project recommendations include less recreation development than in the past and will require 50-50 up-front cost sharing. In addition, we believe the authorization decision and construction funding decision should be brought into closer coincidence to control the backlog. Project authorization in the absence of assured initial construction funding would be an empty gesture. The mechanism which will keep the interval between authorization and funding as short as possible is innovative financing of construction projects. The rationale for advocating greater non-Federal participation in project cost sharing is two-fold. First, to the extent that beneficiaries actually are responsible for financing project construction, a burden on the Federal budget is removed and the limited dollars that are available can be spread among a larger number of projects. Second, innovative financing provides a "market test" of a project's value. Finally, the backlog will be reduced by innovatively financing unstarted authorized projects or project elements of ongoing construction projects. Also see responses for Findings A and C.

[GAO COMMENT: See agency comments and our evaluation on pages 25 and 26.]

FINDING F: NEW STUDIES MAY ADD TO THE RECREATION CONSTRUCTION BACKLOG.
The Corps and the Bureau requested appropriations totaling about $170 million in Fiscal Year 1983 for studies to find solutions to water problems. These funds add to the competition for appropriations and may reduce the dollars available for project construction. The amount requested is small relative to the construction budget and would have little impact on reducing the backlog. However, as a result of these studies, new projects may be authorized, which will add to the recreation backlog if cost sharing agreements for recreation construction are signed. If cost-sharing agreements are not signed, the Bureau or the Corps only provides facilities necessary for public health and safety.

[GAO COMMENT: See page 6, app. II.]

RESPONSE: DOD partially concurs. New studies could increase the backlog of recreation construction. Recreation facility construction would be dependent on the non-Federal interests willingness and ability to contribute during construction the 50 percent cost share required under PL 89-72. Also see response for Finding E.

[GAO COMMENT: The Army is essentially agreeing and reiterating its position concerning future backlog reductions.]

Suggested corrections to the report follow:

a. Page 5, second para., last sentence: The variety of functions also should include "irrigation, municipal and industrial water supply, hydroelectric power, and fish and wildlife enhancement."

b. Page 5, fourth para., last sentence: Change 1983 to 1982.

c. Page 5, last sentence: Change "Reports on the Mississippi River valley..." to "Reports on features of the Flood Control, Mississippi River and Tributaries project..."

[GAO COMMENT: We made the above corrections in the final report.]

GAO NOTE: Projects and costs in the final report have been revised to reflect more current information after the draft report was sent to the Department of the Army for comment.

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