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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 Institute of Standards and Technology: Carryover Balances for Fiscal Year 1997

As agreed with your offices, we are providing you with information on our review of the National Institute of Standards and Technology's (NIST) carryover balances for fiscal year 1997. Our objective was to identify the unobligated and obligated but unexpended balances carried over from fiscal year 1996 to fiscal year 1997 that could be used to reduce NIST's fiscal year 1998 budget request.¹ We first identified these balances for NIST's major programs by obtaining relevant budget data from NIST's budget office and then obtaining explanations from program managers of the reasons for these carryover balances. The NIST programs included in our review were the Advanced Technology Program

¹Unobligated carryover balances represent the portion of prior years' budget authority that has not yet been obligated. Obligated but unexpended balances represent the portion of NIST's budget authority that has been obligated for goods and services but for which the agency has not yet incurred costs.

(ATP), the Manufacturing Extension Partnership (MEP) program, and the NIST new construction program.

SUMMARY

As discussed in enclosure I, the budget for NIST's major program areas has declined from about \$851 million in fiscal year 1995 to about \$588 million in fiscal year 1997—a reduction of about 31 percent. Most of this decrease can be attributed to a reduction of over \$200 million in the ATP budget and a congressional decision not to provide new funding for the new construction program in fiscal year 1997. During this same period, the unobligated carryover balances of the programs we reviewed also declined significantly, from about \$267 million to an estimated \$6.7 million, or 1 percent of NIST's obligational authority available during fiscal year 1997.

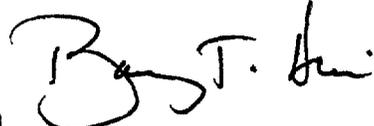
A number of factors contributed to the decline in unobligated carryover balances, including the reduction in available budget authority and NIST's decision to obligate funds during fiscal years 1995 and 1996 for the future years of ongoing ATP projects. By forward funding, or obligating funds for the future years of ongoing ATP projects, NIST was able to reduce its unobligated carryover balance at the end of fiscal year 1996 to about \$42 million. We also note in our enclosure that as unobligated carryovers for ATP and the other NIST programs have declined, carryovers of obligated but unexpended funds have increased. This increase can be explained by the increase in program obligations, caused, in part, by the forward funding for ATP and the NIST grant process, which may delay the expenditure of funds for some time after they are obligated.

ATP officials told us that they expect to obligate all of the funds available to them—\$225 million in new appropriations in fiscal year 1997, plus the \$42 million in unobligated carryover from 1996—by the end of fiscal year 1997. However, we question ATP's ability to completely obligate all of these funds. At the time of our review, ATP had not yet begun to review most of the proposals for the seven separate new competitions announced earlier in fiscal year 1997. The review, selection, and approval of individual ATP project proposals from the private sector can be a lengthy process. In addition, the Department of Commerce was just beginning a study of ATP's funding policy in response to congressional concerns about the size and potential growth of the ATP program. Actions taken as the result of this review could affect the timing and award of new ATP projects throughout the remainder of fiscal year 1997.

AGENCY COMMENTS

We provided a draft of this report to the Department of Commerce for review and comment. The Department said that it generally agreed with our report, indicating that the data and conclusions were consistent with the information agency staff provided to us. In addition, the Department said that our concern about the ability of the ATP program to obligate available funds was "understandable," but that it anticipates selecting all awardees by the end of the fiscal year. Also, Commerce provided us with a technical clarification, regarding budget terminology, which we incorporated into our report.

We performed our review from October 1996 through March 1997 in accordance with generally accepted government auditing standards. If you have any questions, please contact me on (202) 512-3841. Major contributors to this report were Ronald E. Stouffer and Richard E. Iager.


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

Enclosure

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

**Review of National Institute of Standards
and Technology's Carryover Balances
for Fiscal Year 1997**

GAO Objectives

- For selected National Institute of Standards and Technology (NIST) programs, determine program funds and carryover balances of unobligated and unexpended funds.
 - Obtain agency explanations for any carryover balances and make judgments on their reasonableness.
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GAO **Background--Overview of NIST
Mission**

- The NIST mission is to
 - assist industry in the development of technology to improve product quality,
 - modernize manufacturing processes to ensure product reliability, and
 - facilitate rapid commercialization of products based on new scientific discoveries.
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GAO

Background--NIST Program Areas

- The major program areas of NIST are:
 - Advanced Technology Program (ATP),
 - Manufacturing Extension Partnership (MEP),
 - NIST Laboratory System, and
 - National Quality Program (NQP)
 - NIST has also been pursuing a 10-year program of new construction and renovation of its campuses in Gaithersburg, MD, and Boulder, CO.
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GAO NIST Appropriation Accounts

- Industrial Technology Services (ITS), which funds ATP and MEP.
 - Scientific and Technical Research and Services (STRS), which funds the NIST Laboratory System and the National Quality Program.
 - Construction of Research Facilities (CRF), which funds new construction, renovation, and maintenance of NIST facilities in Boulder and Gaithersburg.
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GAO NIST Appropriations Summary--
(Dollars in millions)

- Appropriated funds for the major activities have declined since 1995 because of major cuts in ATP and CRF. NIST appropriations are available until expended.

<u>Program</u>	<u>FY</u> <u>1995</u>	<u>FY</u> <u>1996</u>	<u>FY</u> <u>1997</u>	<u>Percent</u> <u>change</u>
ITS				
ATP	\$431.0	\$221.0	\$225.0	-47.8
MEP	90.6	80.0	95.0	+4.9
STRS	265.0	259.0	268.0	+1.1
CRF	<u>64.7</u>	<u>60.0</u>	<u>0.0</u>	<u>-100.0</u>
Total	\$851.3	\$620.0	\$588.0	- 31.0

**GAO NIST APPROPRIATIONS REQUEST
FOR FY 1998 (Dollars in millions)**

- NIST has requested \$692.6 million for its major programs for FY 1998. Only maintenance funds were requested for CRF.

<u>Program</u>	<u>1998 request</u>	<u>Increase</u>
ITS		
ATP	\$275.6	\$50.6
MEP	123.4	28.4
SRTS	276.9	8.9
CRF	<u>16.7</u>	<u>16.7</u>
Total	\$692.6	\$104.6

GAO Program Areas Selected for Review

- On the basis of funding levels and program importance, we selected ATP, MEP, and CRF for detailed review. There has been strong congressional interest in ATP and the efforts to construct new NIST facilities.
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**GAO Unobligated Carryovers for the
Selected NIST Programs**

- Unobligated carryovers, in millions, for NIST programs have been declining and are expected to decrease to \$6.7 million by the end of FY 1997.

Program	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997 (est.)</u>
ATP	\$136.4	\$41.7	0.0
MEP	35.8	3.0	0.0
CRF	94.5	46.0	\$6.7
Total	\$266.7	\$90.7	\$6.7

GAO Explanation of Unobligated
Carryovers--ATP

- ATP officials told us that the \$41.7 million carryover for FY 1996 was largely the result of delays in obligating funds to certain joint venture projects, as well as the termination of several others. ATP officials currently say that there will be little or no carryover of unobligated funds at the end of FY 1997.

GAO Explanation of Unobligated
Carryovers--ATP Continued

- Traditionally, ATP has obligated projects only on a year-to-year basis. Only two competitions from FY 1994 have been multiyear obligated (forward funded) at the point of award.
 - In FY 1995 and FY 1996, ATP multiyear obligated all of the in-progress, annually funded projects from FY 1994 and prior-year competitions because of concern about the future of the program. This helped to decrease the program's unobligated balance.
 - In FY 1997, ATP said that it will only fund (obligate) projects on a year-to-year basis, although Commerce is "relooking" at ATP's funding policy as the result of congressional interest.
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**GAO Explanation of Unobligated
Carryovers--ATP Continued**

- ATP may have difficulty obligating all funds in FY 1997 for the following reasons:
 - Slow start announcing new competitions (most were not announced until after January 1997).
 - Heavy workload. Seven new competitions announced and general competition from the end of FY 1996 to manage.
 - At the end of March 1997, no funds had been obligated for the new competitions.
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GAO Explanation of Unobligated Carryovers--
MEP

- MEP officials told us last year, during our review, that they did not anticipate any substantial carryover of unobligated funds. MEP ended the year with an unobligated carryover of only \$3 million. MEP officials said that they do not anticipate any unobligated carryover at the end of FY 1997.

**GAO Explanation of Unobligated
Carryovers--CRF**

- CRF had an unobligated carryover of \$46.1 million at the end of FY 1996 for several reasons. This amount was reduced by a \$16 million rescission of funds.
 - The Congress informally directed the de-obligation of \$43 million, because of concerns expressed by the Department of Commerce's Inspector General.
 - The Inspector General's concerns about a proposed solicitation designed to simplify the contracting approach, referred to as the "Omnibus Contract approach," halted the contracting initiative for the construction for the Advanced Technology Laboratory.
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GAO Explanation of Unobligated Carryovers --CRF Continued

- CRF officials told us that all but \$6.7 million of the carryover from FY 1996 will be used for safety and capacity maintenance of NIST facilities. The \$6.7 million will be used to furnish and equip the Advanced Chemical Sciences Laboratory, now under construction. According to NIST officials, the Congress told them that no more funds would be provided for the construction or equipping of this laboratory.
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**GAO Unexpended Carryovers for Selected
NIST Programs--(Dollars in millions)**

- Carryovers of unexpended obligations have been increasing, as unobligated funds have been decreasing. Since FY 1995, ATP and MEP unexpended balances have increased by about 43 percent and 300 percent, respectively.

<u>Program</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997 (est.)</u>
ATP	\$308.7	\$419.3	\$442.6
MEP	34.2	104.2	136.6
CRF	67.5	74.1	63.3
Total	\$410.4	\$597.6	\$642.5

**GAO Explanation for Carryovers of
Unexpended Obligations--ATP**

- ATP officials provided several reasons for the balances.
 - The timing of obligations and expenditures are tied to the cycles of individual competitions and renewals for those competitions. Many times obligations of one year are not expended until the following year or longer.
 - Changes in the planned renewals contributes to this balance.
 - Multiyear obligation (forward funding) for all competitions/projects initiated in FY 1994 and prior years increased this balance.
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GAO Explanation for Carryovers of
Unexpended Obligations--MEP & CRF

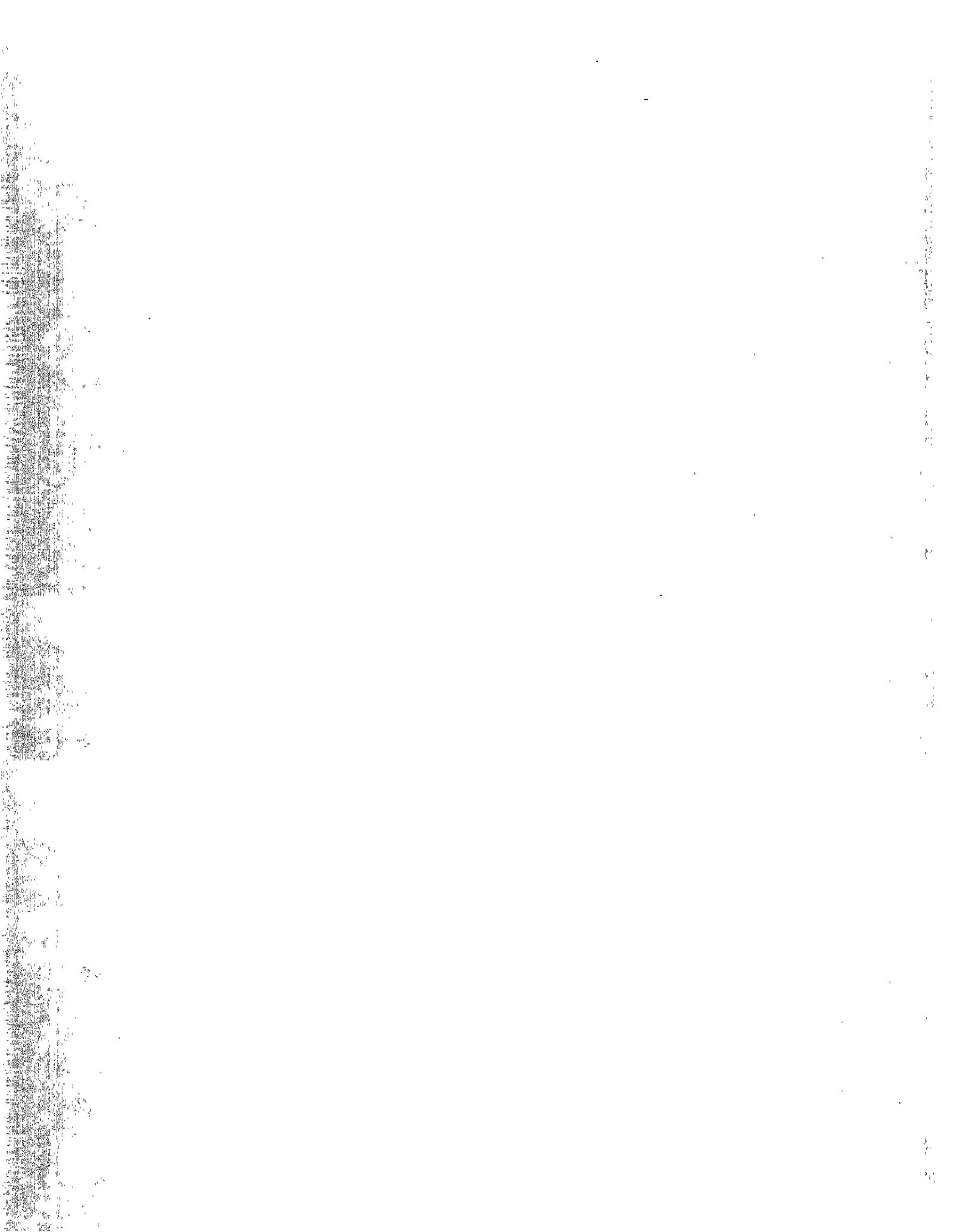
- MEP officials said that the timing of their competitions for centers and other program activities are not always closely linked to the fiscal year time frame and, therefore, contribute to the carryovers.
 - According to CRF officials, unexpended obligations are to be expected with construction contracts. The prudent management and expense of obligations or delays in contract phases can contribute to the size of unexpended balances.
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GAO Summary

- Total appropriations for the NIST major programs have declined over the past 3 years, especially for ATP and CRF. Cutbacks have resulted in an overall budget reduction of \$263.3 million in NIST appropriations since FY 1995.
 - The unobligated balances for each of our selected programs has also declined. According to NIST budget officials, this is due primarily to reduced congressional funding for certain NIST programs, specifically ATP and the construction program. NIST currently estimates that for FY 1997, unobligated carryovers will be about \$6.7 million.
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GAO Summary Continued

- ATP officials may be more hopeful than justified in their ability to process, select, award, and obligate most of their funds for the seven new competitions and the FY 1996 general competition by the end of this fiscal year.
 - ATP's apparently flexible policy on when to multiyear obligate projects permits control of unobligated balances but increases their unexpended obligations. ATP's funding could be controlled by setting limits in the appropriations act.
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