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Testimony

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Committee on Commerce, Science, and Transportation,
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NASA BUDGET

**Potential Shortfalls in Funding
NASA's 5-Year Plan**

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Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to testify before the Subcommittee today on the National Aeronautics and Space Administration's (NASA) 5-year program. Our review of NASA's 5-year plan is continuing and our analysis is not complete at this time. We have not yet reviewed cost estimates for individual development programs within the plan. But I would be pleased to share with you our preliminary observations.

NASA's annual budget has grown steadily in current dollars from fiscal year 1988 when it was \$9 billion, to \$14 billion in fiscal year 1991. There was a good deal of optimism during this period that NASA would continue growing at this rate. For example, in the summer of 1990, in preparation for the fiscal year 1992 budget submission, NASA proposed a 5-year program in which its annual appropriation would reach nearly \$25 billion by fiscal year 1995. Some large projects were beginning to grow and new programs were being initiated.

However, the Budget Enforcement Act of 1990 set limits on discretionary spending that have severely constrained the funding allocations for discretionary programs including NASA. For fiscal year 1992, Congress was able to provide NASA only a modest increase of about 3 percent, about equal to inflation. The Senate, in its appropriations report last year, advised NASA to expect roughly a 3

to 5 percent increase for fiscal year 1993 and directed the agency to submit a strategic plan that anticipates more modest budget growth through fiscal year 1995. While NASA's fiscal year 1993 budget submission of about \$15 billion (about a 4.5 percent increase) is within the congressional guidance, we are concerned that a bow wave of planned but unfunded program requirements is being pushed to the out-years.

NASA's current 5-year plan estimates ongoing programs and schedules will require \$90.4 billion through fiscal year 1997. This excludes approximately \$2 billion for development of the Advanced Solid Rocket Motor (ASRM) and the Comet Rendezvous Asteroid Flyby (CRAF) which are proposed for termination in the President's budget and which NASA assumes will not be appropriated. For purposes of our analysis today, we have retained these programs in NASA's 5-year planning line for a total of \$92.4 billion. We do this for two reasons. First, there are indications that some in Congress oppose terminating the ASRM, which accounts for most of the \$2 billion, and NASA has taken no action to slowdown, defer, or terminate the program. Secondly, even if the ASRM were terminated, there would be near-term costs associated with its termination.

For NASA to realize \$92.4 billion in budget authority from fiscal year 1993 through 1997, as its current plan reflects, its budgets would have to increase significantly each year to an appropriation of over \$21 billion by fiscal year 1997. Moreover, this includes

no leeway for the unanticipated cost growth that commonly occurs in large research and development projects such as those in the NASA program.

While no one can predict the future with certainty, we feel NASA's planning is overly optimistic given the President's budget proposal and the fiscal constraints established on discretionary spending by the Budget Enforcement Act. Although the "wall" between defense and other discretionary spending will come down in fiscal year 1994, this will not change the overall seriousness of the fiscal situation. While the Congress will have more flexibility to determine the distribution of spending, Congress will be faced with difficult choices between deficit reduction and helping to meet a wide variety of important national needs.

The mismatch between NASA's currently estimated program funding requirements and the President's budget is illustrated in the chart in attachment I and detailed in the table in attachment II. Besides the President's fiscal year 1993 budget proposal of \$15 billion annually, the chart shows two other funding paths: a straight-line extension of the \$14.3 billion fiscal year 1992 appropriation, and the Congressional Budget Office (CBO) baseline projections which include increases for inflation. All three alternatives involve significant shortfalls and raise concerns about NASA's 5-year program planning.

The President has proposed level funding for NASA of about \$15 billion for fiscal years 1993-97. This would provide a 5-year total of about \$75 billion, requiring reductions in NASA programs of approximately \$17.4 billion through fiscal year 1997 (\$92.4 billion - \$75 billion). The proposed termination of ASRM and CRAF, if approved, would provide up to \$2 billion of the needed savings but that would still leave a gap of \$15.4 billion to come from other sources, as yet unidentified.

A simple extension of NASA's fiscal year 1992 appropriated level of about \$14.3 billion would provide a 5-year funding total of about \$71.5 billion for NASA programs, leaving a shortfall of about \$21 billion (\$92.4 billion - \$71.5 billion).

The CBO baseline on the chart includes full inflation adjustments for discretionary programs--that is, it would preserve the current (fiscal year 1992) appropriation in real dollars but provides no increase (or loss) in buying power in future years. This path for NASA spending would provide approximately \$79.5 billion over the next 5 years, leaving a shortfall against current planned programs of about \$13 billion (\$92.4 billion - \$79.5 billion).

In summary, there appears to be a serious mismatch between NASA's program plans and the budget resources that seem likely to be available. NASA's recently prepared strategic plan does not address this mismatch. Without a meaningful strategic plan, NASA

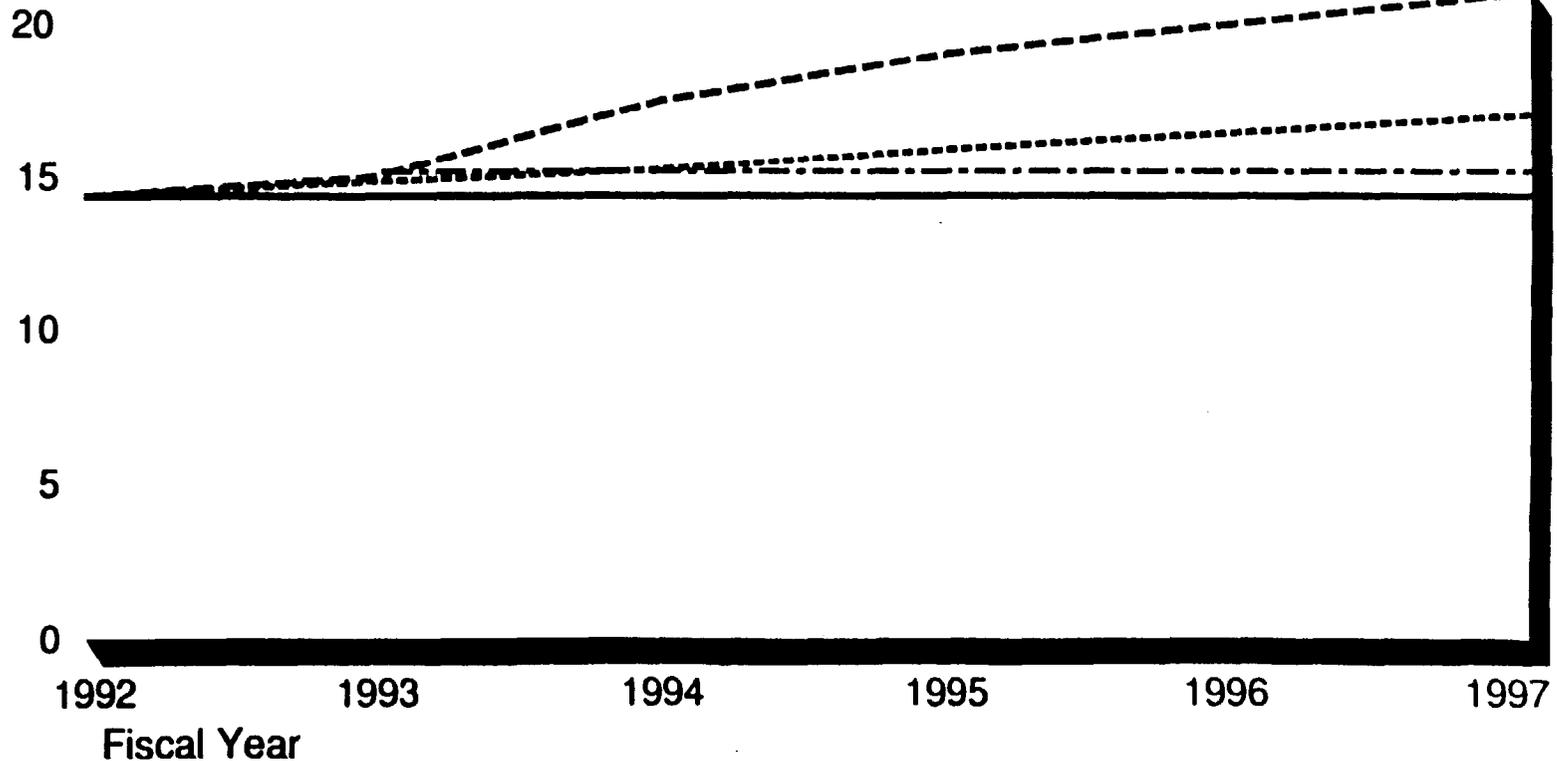
will be forced to make significant adjustments to its spending plan each year to make up for lower than expected funding. This can lead to program cutbacks, terminations and stretchouts as costs are pushed into the future.

The impact of this type of mismatch between planning and funding can be seen in the situation in the Department of Defense during the 1980s. A similar "bow wave" of programs developed there as many new programs were started when it looked as if defense budgets might be growing indefinitely. When a funding slow-down occurred in the mid 1980s, a funding gap similar to what NASA faces became apparent. Our work during that period showed that too many development and acquisition programs were underway --more than could be funded at the future funding levels being proposed by the President. Weapons systems programs have had to be stretched out, restructured, or in some cases terminated to accommodate the lower funding. The earlier such a gap is recognized and plans adjusted, the more stable and efficient development and acquisition programs can be.

This concludes my prepared statement. I would be pleased to respond to your questions.

GAO Potential Shortfalls in Funding NASA's 5-Year Plan

25 Dollars in Billions



- NASA's program plan for fiscal years 1992-97
- CBO baseline
- .-.- President's fiscal year 1993 submission
- Level budgets from fiscal year 1992 base

**NASA 5-Year Program Plan Compared
With Alternate Funding Levels
(Dollars in Billions)**

Funding Alternative	Fiscal Year						Total FY 93-97
	1992 Base	1993	1994	1995	1996	1997	
NASA's Program Plan	14.3	15.0	17.4	19.0	20.0	21.0	92.4
Extension of 1992 Base Funding Level	14.3	14.3	14.3	14.3	14.3	14.3	71.5
Shortfall		.7	3.1	4.7	5.7	6.7	20.9
Extension of FY 1993 Level--President's Budget Submission		15.0	15.0	15.0	15.0	15.0	75.0
Shortfall		0	2.4	4.0	3.0	6.0	17.4
CBO Baseline--Growth for Inflation Only	14.3	14.8	15.3	16.0	16.4	17.0	79.5
Shortfall		.2	2.1	3.0	3.6	4.0	12.9