



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

OFFICE OF GENERAL COUNSEL

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July 23, 1986

Mr. Larry F. Laurent
Special Assistant Attorney
General
Environmental and Natural
Resources Group
P.O. Box 12548
Austin, Texas 78711-2548

Dear Mr. Laurent:

This is in reply to your letter of April 30, 1986, expressing displeasure with, among other things, GAO's statement concerning the way the State of Texas allocated interest accrued on oil overcharge distributions. I apologize for the delay in getting back to you.

First, we still believe that the Department of Energy correctly concluded that interest accrued by states on the Warner Amendment overcharge funds, Pub. L. No. 97-377 § 155, (96 Stat. 1830, 1919 (1982)), is to be used only for the specific programs and purposes selected by the Congress to carry out the underlying consent orders. That is, the funds are to be used under Warner and, therefore, under the Exxon distribution for the benefit of overcharged consumers of petroleum products. For this reason, we do not agree with the position concerning the use of interest set forth in the State of Iowa's letter to Energy, a copy of which was provided to us some time ago.

Second, we are pleased that Texas took legislative action to allocate interest accrued under oil overcharge settlement distributions, including a reallocation of Warner Amendment interest. We presume this legislation will apply to the Exxon funds as well. My testimony on February 24, 1986, before the Oversight and Investigations Subcommittee of the House Committee on Energy and Commerce summarized the findings and conclusions in our February 14, 1985 report, and discussed the results of responses to Energy's survey of the states' uses of Warner Amendment funds. I did not update our report solely for the purpose of the 1986 hearing, but stated clearly that the information provided was as of the date of our report. I am sending a copy of your letter and attachments to our Resources, Community and Economic Division, so it can bring its files up to date if, necessary.

Mr. Laurent

Finally, in my February 24 testimony, I also addressed current proposals to eliminate the bulk of Federal energy conservation funding. As you noted, the Warner Amendment and, therefore, the Exxon decision, require the states to use the overcharge proceeds to supplement other funds available to the states for energy conservation, not to supplant these funds. I agree. However, as I stated, this duty is imposed only on the states; nothing in the Warner Amendment requires the continued funding of the designated programs by the Federal Government. This matter is one to be resolved by the Federal budget process, and not by this Office.

Sincerely yours,



(Mrs.) Rollee H. Efros
Associate General Counsel