

REPORT TO
THE CONGRESS OF THE UNITED STATES

**REVIEW OF COST-SHARING ARRANGEMENTS
WITH THE STATE OF OREGON
FOR THE OPERATION OF FISH HATCHERIES**

**BUREAU OF COMMERCIAL FISHERIES
UNITED STATES FISH AND WILDLIFE SERVICE
DEPARTMENT OF THE INTERIOR**



BY
**THE COMPTROLLER GENERAL
OF THE UNITED STATES**

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COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

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To the President of the Senate and the
Speaker of the House of Representatives

Herewith is our report on our review of cost-sharing arrangements entered into by the Bureau of Commercial Fisheries, United States Fish and Wildlife Service, Department of the Interior, and the State of Oregon for the operation of fish hatcheries.

Since fiscal year 1953, the Federal Government has borne all increases in the operation and maintenance costs incurred under cost-sharing agreements with the State of Oregon for the joint financing of operations at four State fish hatcheries which were expanded and modernized with Federal funds under the Columbia River Fishery Development Program. On the basis of the operating costs experienced at the hatcheries immediately preceding and following expansion, we believe that Federal participation in the operating costs of the hatcheries exceeded its proportionate share by about \$720,000 through June 30, 1965.

Federal participation in the annual costs of operating and maintaining existing State hatcheries which were expanded under the program has increased substantially since the initial cost-sharing agreement was entered into for fiscal year 1953, while the State's participation has remained virtually unchanged. This situation occurred primarily because the Fish and Wildlife Service did not provide in its initial agreements for a proportionate sharing of subsequent cost increases. In addition, the Fish and Wildlife Service did not consider the State's most recent cost experience in arriving at the State's share of annual operating costs. Unless the cost-sharing arrangements are revised to provide for increased State financial participation, we believe that the Government will continue to incur costs in excess of its proportionate share in future years. On the basis of planning information available at this time, we estimate that additional costs of \$316,000 will be incurred during fiscal years 1966 through 1968.

We brought the matters discussed in this report to the attention of the State Fisheries Director, Oregon Fish Commission, and were advised that under existing legislation the State believed it was in no

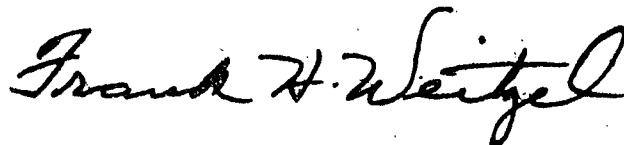
way legally obligated to pay any portion of the operation and maintenance costs of hatcheries constructed or reconstructed under the Columbia River Fishery Development Program, but he stated that the State would continue to pay a fixed amount annually until a different arrangement could be made.

The Department of the Interior advised us that it was inclined to agree that a greater cost participation in the operation and maintenance of the fish hatcheries by the State of Oregon was desirable. The Department stated that it was ready and willing to negotiate revised cost-sharing agreements under which the State would pay a fixed percentage of the total operating costs of the hatcheries on the basis of the most recent cost information available.

In view of the willingness expressed by the Department to negotiate revised cost-sharing agreements, we are not making a recommendation at this time. We are requesting that the Secretary of the Interior advise us of the final actions taken on this matter; and, as a part of our continuing review of the activities of the Department, we are planning to evaluate the results of these actions.

We are reporting this matter to the Congress to point out the need for the Department to provide for a more proportionate division of financial participation by the Federal Government and by the State of Oregon in the operating costs of these hatcheries.

Copies of this report are being sent to the President of the United States, the Secretary of the Interior, and the Governor of the State of Oregon.



Acting Comptroller General
of the United States

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INTRODUCTION

The General Accounting Office has made a review of cost-sharing agreements entered into by the Bureau of Commercial Fisheries, United States Fish and Wildlife Service, Department of the Interior, and the State of Oregon for operation and maintenance costs of four State fish hatcheries which were expanded and modernized with Federal funds under the Columbia River Fishery Development Program (CRFDP). Our attention was directed to these cost-sharing agreements during a survey of CRFDP activities in which we observed that the Federal participation in the annual costs of operating and maintaining existing State hatcheries which had been expanded under the CRFDP had increased substantially since the initial cost-sharing agreement was entered into for fiscal year 1953, while the State's participation had remained virtually unchanged. Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Our review dealt primarily with the procedures followed in arriving at the Federal Government's and the State's shares of the annual operation and maintenance costs of the State hatcheries which had been expanded with Federal funds to meet the requirements

of the CRFDP. We did not make an overall evaluation of the CRFDP and the costs incurred thereunder. We reviewed laws and regulations pertaining to the organization and functions of the Bureau of Commercial Fisheries and to the establishment of the CRFDP; we examined pertinent operating and financial records relating to the CRFDP at the Bureau's Pacific Region, Seattle, Washington, the Bureau's CRFDP office, Portland, Oregon, and the Oregon Fish Commission, Portland, Oregon; and we interviewed responsible Bureau officials. We examined cost-sharing agreements entered into by the State of Oregon and the United States Army, Corps of Engineers, Portland District, Portland, Oregon, for joint financing of State-operated hatcheries expanded or relocated by the Corps.

Principal officials of the Department of the Interior, the United States Fish and Wildlife Service, and the Bureau of Commercial Fisheries having responsibility for the activities discussed in this report are listed in appendix I on pages 23 through 25 of this report.

BACKGROUND INFORMATION

GENERAL

The Bureau of Commercial Fisheries was created as a separate entity in the overall reorganization of the United States Fish and Wildlife Service, as authorized by the Fish and Wildlife Act of 1956 (16 U.S.C. 742a et seq.). The basic responsibilities of the Bureau under this act are to prevent the destruction and depletion of the nation's commercial fishery resources and to encourage their maximum utilization by conducting research, by investigations and studies, and by providing marketing, informational, and other services for the commercial fishing industry and the general public.

COLUMBIA RIVER FISHERY DEVELOPMENT PROGRAM

The Columbia River Fishery Development Program, which is administered by the Bureau, was authorized by the act of May 11, 1938, as amended by the act of August 8, 1946 (16 U.S.C. 755-757). These acts authorized the Secretary of the Interior to establish a cooperative program with the States of Oregon, Washington, and Idaho to mitigate damage to migratory fish runs caused by the construction of Federal water resource projects in the Columbia River Basin.

The act of May 11, 1938, authorized and directed the Secretary of the Interior to establish one or more salmon cultural stations in the Columbia River Basin in each of the three cited States and to perform certain other functions related to the preservation of migratory fish runs. The act of August 8, 1946, had the purpose of providing a framework within which a cooperative program to mitigate fishery damage caused by Federal water resource projects could be established, using the facilities of both the States and the Federal Government. To accomplish this purpose, the act authorized

the Secretary of the Interior to enter into agreements with the respective States for the joint and coordinated development and maintenance of the fishery resources in the Columbia River Basin. The act also removed the obligation of the Secretary of the Interior to maintain facilities constructed under the program and required the States to provide the necessary title or interest in lands which might be needed in connection with any construction or improvement program.

Pursuant to this authority, the Fish and Wildlife Service on June 30, 1948, entered into a cooperative agreement with the fish and game agencies of the States of Oregon, Washington, and Idaho, which formed the basis for State participation in the CRFDP. The agreement covered primarily the construction of facilities to mitigate fishery damage and provided that the question of maintenance of facilities would be subject to the terms of future agreements between the States and the Fish and Wildlife Service.

Under this agreement, a number of activities have been carried out under the CRFDP, including the clearance of obstructions from streams to permit the passage of fish, the construction of fishways over waterfalls, the construction and installation of screening devices at irrigation diversions, and the construction or expansion and operation of hatcheries and other facilities for the protection and development of salmon and steelhead trout. Although certain phases of the CRFDP are carried out by Bureau of Commercial Fisheries personnel, the program activities are carried out primarily through contract arrangements with the Bureau of Sport Fisheries and Wildlife and the fish and game agencies of the States of Idaho, Oregon, and Washington. The States of Oregon and Washington have participated in all major program activities while the State of

Idaho has participated only in stream-clearance activity and the construction of various types of fish passageways.

At June 30, 1965, 21 hatcheries were being operated under the CRFDP, of which 14 were new facilities constructed with Federal funds on lands provided by the States of Oregon and Washington. The other seven hatcheries were in existence prior to the inception of the CRFDP but were expanded and modernized with Federal funds to meet CRFDP requirements. Three of these seven hatcheries were owned and operated by the Bureau of Sport Fisheries and Wildlife and four hatcheries were owned and operated by the State of Oregon. This report deals with the cost-sharing agreements entered into with the State of Oregon for the operation and maintenance of the four State hatcheries which were expanded with Federal funds to meet CRFDP requirements.

The Fish and Wildlife Service has followed the practice of providing all operation and maintenance costs for newly constructed hatcheries and for Federal facilities which were expanded to meet CRFDP requirements. Where State facilities were expanded, the Fish and Wildlife Service and the State, pursuant to the legislation which authorized the CRFDP and in accordance with the provisions of the agreement of June 30, 1948, have entered into annual cost-sharing agreements to jointly finance operation and maintenance costs of the hatcheries.

FINDING

NEED TO REVISE COST-SHARING AGREEMENTS WITH THE STATE OF OREGON FOR THE OPERATION OF FISH HATCHERIES

Since fiscal year 1953, the Federal Government has borne all increases in the operation and maintenance costs incurred under cost-sharing agreements with the State of Oregon for the joint financing of operations at four State fish hatcheries which were expanded and modernized with Federal funds. On the basis of the operating costs experienced at the hatcheries immediately preceding and following expansion, we believe that Federal participation in the operating costs of the hatcheries exceeded its proportionate share by about \$720,000 through June 30, 1965. This situation occurred primarily because the Fish and Wildlife Service did not provide in its initial agreements for a proportionate sharing of subsequent cost increases. In addition, the Fish and Wildlife Service did not consider the State's most recent cost experience in arriving at the State's share of annual operating costs. Unless these agreements are revised to provide for increased State financial participation, we believe that the Government will continue to incur costs in excess of its proportionate share in future years. On the basis of planning information available at this time, we estimate that additional costs of \$316,000 will be incurred during fiscal years 1966 through 1968.

In the early 1950's, the Fish and Wildlife Service used Columbia River Fishery Development Program funds to modernize and expand the production capacity of the Big Creek, Ox Bow, Klaskanine, and Bonneville fish hatcheries which were owned and operated by the Fish Commission of the State of Oregon (Oregon Fish Commission).

Since expansion of the State's facilities, the Fish and Wildlife Service has entered into annual cost-sharing agreements with the State to jointly finance the operations of the four hatcheries. The initial cost-sharing agreement for the first full fiscal year of expanded operations at the Big Creek hatchery was entered into on June 17, 1952. With regard to the portion of operating costs to be borne by the State, the Preliminary Project Statement, Plans, Specifications, and Estimates for Operations, which was prepared by the State and accepted by the Fish and Wildlife Service and on which the agreement was based, stated, in pertinent part, that:

"Prior to the time the Big Creek Hatchery Facilities were enlarged, replaced and modernized with Federal funds under the Lower River Program, all operating and maintenance funds were provided by the State agency at an approximated annual cost of \$13,770. The cost of operating and maintaining the facility, as enlarged and modernized with Federal funds, is considered a proper cost of the Lower River Program. Accordingly, the attached estimates of the cost of operations and maintenance provides that the State will pay a minimum of \$13,770 of such costs and any remaining costs will be reimbursed to the State from Federal funds."

Thus it appears that the initial cost-sharing agreement was entered into to recognize the State's responsibility for the cost of operating the hatchery before expansion with Federal funds and the Federal Government's responsibility for the additional cost of operating the hatchery resulting from expansion with Federal funds to meet CRFDP requirements.

Our review disclosed that, about 4 months before entering into this agreement and before entering into additional agreements, officials of the Fish and Wildlife Service began to question the equity of fixing the State's share of hatchery operating costs at minimum amounts and requiring the Federal Government to finance all

cost increases applicable to the State facilities in existence before expansion. By letter dated February 25, 1952, to the Regional Director, Portland, Oregon, the Chief, Division of Administration, Fish and Wildlife Service, stated:

"It appears that the State's cost on Big Creek may have been fixed at the amount expended during a prior year before expansion of facilities. If the principle involved is that the State will continue to bear a cost equivalent to that necessary for operation of the facilities prior to expansion under the Lower River Program, the method seems fallacious inasmuch as it does not take into account higher salaries, increased materials prices and factors attributable to current inflated conditions. Similarly, the present method would not be flexible under deflated conditions. In other words, using the present method, it seems likely that a portion of the State's regular operations is being subsidized from Federal funds.

"In view of the foregoing, we believe that a better method would be to fix the cost responsibility of the two agencies at percentages of the entire operation."

Notwithstanding the foregoing observations, the initial cost-sharing agreements for the remaining three hatcheries and all subsequent annual renewals of the cost-sharing agreements through fiscal year 1965 contained the same types of financing arrangements as those in the initial agreement.

In addition, the Solicitor, Department of the Interior, in a formal opinion addressed to the Director, Fish and Wildlife Service, dated September 12, 1955, on ownership of the Big Creek hatchery and other facilities, commented on the Federal and State obligations for maintaining the hatcheries. The Solicitor stated that, beginning in about fiscal year 1951, requests had been made for Federal funds to cover the cost of maintenance of the enlarged Big Creek and similar facilities, even though the act of

August 8, 1946, had deleted from the act of May 11, 1938, the Federal obligation to maintain these facilities. He further stated that:

"It is true that the Preliminary Project Statement and Plans, Specifications and Estimates for Operation [for the fiscal year 1953 cost-sharing agreement] contained a reference to the fact that prior to the enlargement of the Big Creek Hatchery facilities, the cost of operating the hatchery was approximately \$13,770, and it is also true that the estimate has remained unchanged in the 1953 and 1954 maintenance agreements. However, there is no continuing obligation on the part of the United States to pay all or any part of the costs of operation in excess of \$13,770. As a matter of fact, the original statement referred to indicated that this sum was a minimum obligation of the State."

Bureau records show that on January 31, 1956, the Regional Director, Fish and Wildlife Service, Portland, Oregon, met with fish and game agency representatives of the States of Oregon and Washington for the purpose of discussing the financial responsibility of the Federal Government for providing operation and maintenance funds for the CRFDP. In this meeting, the Regional Director stated that the Federal Government would continue to provide funds for additional recurring costs resulting from the construction of new, or the enlargement of existing, facilities and that the States would continue to provide funds for operation of their facilities and activities in existence prior to expansion.

The records available for our review contained no evidence to specifically indicate the intent of the Fish and Wildlife Service and the Oregon Fish Commission regarding Federal-State responsibilities at the time the initial agreements were entered into for jointly financing operation and maintenance costs of the expanded

hatcheries. In response to our inquiry concerning the intent of the contracting parties, the Acting Regional Director, Bureau of Commercial Fisheries, advised us that:

"The intent of Federal-State participation in the operation and maintenance of the Big Creek, Ox Bow, Klaskanine, and Bonneville hatcheries was to maintain the State's interest in these enlarged hatcheries. Since the State operated hatcheries at these sites prior to enlargement, it was deemed desirable not to dissolve this investment and responsibility. As nearly as we can determine, no thought was then given to the effect of inflation upon the cost sharing arrangements which were initiated on a flat dollar basis, according to past hatchery costs."

Precontract documentation does not show whether the State's contribution, once computed, was intended to remain fixed. Our review disclosed, however, that the State's contribution, as set forth in the initial cost-sharing agreements, has remained unchanged through June 30, 1965. The State's initial share of annual operating costs for the Big Creek hatchery, as proposed by the State and accepted by the Fish and Wildlife Service, was determined by averaging the State's annual operating costs for the 4-year period ended June 30, 1950. This same period was also used in arriving at the State's share of annual operating costs for the Ox Bow, Klaskanine, and Bonneville hatcheries even though more current cost data was available, since the expansion at these hatcheries did not begin until fiscal years 1952, 1953, and 1954, respectively.

Before expansion began at each hatchery, the State experienced significant increases in operating costs which were typical of increases occurring at other State hatcheries not associated with the CRFDP. For example, the State's cost of operating the Big Creek hatchery in fiscal year 1947 was about \$9,500 compared with fiscal

year 1950 operating costs of about \$21,200, or an increase of about 123 percent. Data available for our review showed that the cost of operating each hatchery during the last full fiscal year before expansion was substantially greater than the average operating costs for fiscal years 1947 through 1950, which were used in establishing the State's minimum annual share of hatchery operating costs, as shown below. (App. II on p. 26 of this report shows the State's expenditures for operation of the four hatcheries from fiscal year 1947 through the fiscal years in which expansion was completed.)

<u>Hatchery</u>	<u>Initial cost-sharing agreement</u>	<u>Cost of operation before expansion (note a)</u>	<u>Average costs 1947-50 used as basis for State's share</u>	<u>Difference borne by Government</u>
Big Creek	June 1952	1950 \$21,191	\$13,770	\$ 7,421
Ox Bow	Sept. 1952	1951 9,257	6,776	2,481
Klaskanine	June 1954	1952 18,397	15,735	2,662
Bonneville	Dec. 1954	1953 <u>36,745^b</u>	<u>24,369</u>	<u>12,376</u>
		<u>\$85,590</u>	<u>\$60,650</u>	<u>\$24,940</u>

^aOperating costs for the last full fiscal year of hatchery operations before expansion, exclusive of capital expenditures.

^bThe State's records show operating costs of \$30,181 for fiscal year 1953, exclusive of fish-food costs. The State's records further show that in fiscal year 1952 a large quantity of fish food which was also used to satisfy fish-food needs during fiscal years 1953 and 1954 was purchased and charged to the Bonneville hatchery. We estimate that the fish-food expense applicable to fiscal year 1953 was about \$6,565, on the basis of the quantity of fish produced and reared in that year.

By averaging operating costs for the 4-year period, the Fish and Wildlife Service did not fully consider the State's most recent annual cost experience before expansion of the hatcheries and did not recognize the rising trend in annual operating costs being experienced by the State during the 4-year period. As a result, the State's initial share of operating costs was about \$24,940, or 29 percent less than the State's most recent annual cost experience.

Further, despite continuing increases in the cost of operating the four hatcheries after expansion with Federal funds, the State's minimum share, as established for the initial cost-sharing agreements, has remained unchanged in all subsequent annual agreements through fiscal year 1965. Consequently, the Federal Government has financed virtually all cost increases occurring at the hatcheries since expansion. A schedule summarizing, by fiscal year, the total Federal and State shares of expenditures since the first full fiscal year after expansion of each hatchery is shown below. Appendix III on page 28 of this report shows the Federal and State shares of expenditures by individual hatchery.

Fiscal year	<u>Actual expenditures (to nearest \$100)</u>				Total (<u>100 percent</u>)
	<u>Federal</u>		<u>State</u>		
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	
1953	\$ 23,400	62.2	\$ 14,200	37.8	\$ 37,600
1954	51,800	77.1	15,400	22.9	67,200
1955	120,800	74.0	42,500	26.0 ^b	163,300
1956 ^a	119,700	61.4	75,100	38.6 ^b	194,800
1957	148,100	69.6	64,600	30.4 ^b	212,700
1958	180,500	74.8	60,800	25.2	241,300
1959	164,500	73.0	60,700	27.0	225,200
1960	185,400	75.3	60,700	24.7	246,100
1961	211,000	77.7	60,700	22.3	271,700
1962	228,200	79.0	60,700	21.0	288,900
1963	251,000	80.5	60,800	19.5	311,800
1964	229,300	79.0	60,800	21.0	290,100
1965	<u>245,200</u>	80.2	<u>60,700</u>	19.8	<u>305,900</u>
	<u>\$2,158,900</u>		<u>\$697,700</u>		<u>\$2,856,600</u>

^aFirst full fiscal year of expanded operation at all four hatcheries.

^bThe State contributed an amount in excess of its minimum annual share, even though its minimum share was increased, because of under-contributions in previous years.

The increases in hatchery operating costs after Federal expansion at each hatchery resulted primarily from general cost increases and changes in hatchery operations rather than from additional Federal construction. For example, since the initial agreements were entered into, hatchery superintendents' salaries have increased over 60 percent and hatcherymen's salaries have increased 62 percent to 85 percent. Total salary costs at the four hatcheries, which were \$90,800 in fiscal year 1956--the first full year of expanded operations at all four hatcheries--increased to \$117,000 in 1958, to \$133,200 in 1961, and to \$150,200 in 1965, even though the number of full-time hatchery employees decreased by one during the same period. Fish-food costs also increased because of rising prices and because the general practice in recent years has been to rear fish to a heavier average weight before releasing them. The Regional Director, Bureau of Commercial Fisheries, agreed that the State would have experienced similar cost increases even if the hatcheries had not been expanded with Federal funds but had remained in operation as State facilities.

Under the existing cost-sharing agreements, the Government bears all increases in cost regardless of whether such increases are applicable to State or to Federal operations because the State's share of costs has remained virtually unchanged since the initial agreements were entered into. If proportionate cost sharing had been maintained, the State's current share of operating costs would be significantly higher.

We believe that an agreement under which the State and the Federal Government would contribute annually a fixed percentage of the total cost of operating and maintaining each hatchery would have provided a more appropriate basis for sharing in all cost

increases or decreases occurring after expansion of the hatcheries. The percentage of participation by the State and the Federal Government could have been determined for each hatchery by comparing the State's cost of operating each hatchery for the last full year before expansion began with the cost of operating and maintaining the hatchery for the first full year after expansion was completed.

For example, expansion of the Big Creek hatchery began in fiscal year 1951 and was completed in fiscal year 1952. The State's cost of operating the hatchery for fiscal year 1950 was about \$21,200, or 56.3 percent of the cost of operating the expanded facility during fiscal year 1953. Had proportionate cost sharing been established on the basis of operating costs preceding and following expansion, the Federal Government's and the State's shares of all operating costs after expansion would have been 43.7 percent and 56.3 percent, respectively. Consequently, the State's share of hatchery operating costs during fiscal years 1953 through 1965 would have been about \$421,800, or \$238,700 more than the State's actual contribution of about \$183,100.

Had proportionate cost sharing been provided for on this basis at each hatchery, we estimate that the State's share of operating costs for fiscal years 1953 through 1965 at the Big Creek, Ox Bow, Klaskanine, and Bonneville hatcheries would have been about \$1,418,000, or \$720,000 more than the State's actual contribution of about \$698,000 during that period.

Unless the annual cost-sharing agreements are revised to provide for increased State financial participation, we believe that the Government will continue in future years to incur costs in excess of its proportionate share. Planning documents prepared by the Bureau of Commercial Fisheries in cooperation with the State of

Oregon available at this time indicate that in fiscal years 1966 through 1968 the State's contribution for operation of the hatcheries will remain at the same minimum amounts as those set forth in the initial cost-sharing agreements. On the basis of this information, we estimate that additional costs of \$316,000 will be incurred during fiscal years 1966 through 1968.

We recognize that there are other methods which could be used to establish proportionate cost sharing. One alternative method would be to establish at the beginning of each fiscal year the amount to be contributed by the State and by the Federal Government. Under this method, the State's and the Federal Government's shares of operating costs would change from year to year as a result of changes in salary costs, in material or fish-food costs, and in costs of hatchery operations associated with preexpanded State facilities and facilities constructed with Federal funds.

The Fish and Wildlife Service was aware of the rising trend in operating costs preceding expansion and should have recognized that cost increases occurring after expansion would apply to both the State facilities and the facilities constructed with Federal funds; however, the State's share of annual hatchery operating costs remained unchanged in cost-sharing agreements through June 30, 1965. In contrast, we noted that the Portland District, Corps of Engineers, Department of the Army, negotiated a change in similar hatchery cost-sharing agreements with the Oregon Fish Commission, providing that the Corps and the State each pay a fixed percentage of the total annual operating costs of the hatcheries, thus indicating that appropriate arrangements can be entered into with the State of Oregon to provide for a proportionate sharing of future cost increases at the hatcheries discussed in this report.

State comments and our evaluation thereof

The matters discussed in this report were brought to the attention of the State Fisheries Director, Oregon Fish Commission, who advised us in October 1965 that:

"We have been unable to secure any evidence which demonstrates that the State has any financial responsibility for the operation and maintenance of the four hatcheries in question, and until reasonable proof is presented it is our contention that the State is under no obligation to share in such costs. However, because the State has been paying a fixed amount toward these costs for a number of years, we will continue to do so until a different arrangement can be made. Budgets are prepared sufficiently in advance as to prevent any immediate change in financing without seriously affecting operations."

The State Fisheries Director stated further that the results of legal research on the act of May 11, 1938, as amended by the act of August 8, 1946, confirmed the State's contention that it is in no way legally obligated to pay any portion of the operation and maintenance costs of hatcheries constructed or reconstructed under the CRFDP.

We agree that the basic legislation which authorized the CRFDP does not specifically require the State to participate financially in the operation of fish hatcheries. However, the act of August 8, 1946, established the basic framework for the CRFDP as a cooperative program between the States and the Federal Government and removed the Federal responsibility to maintain facilities constructed under the program. The act authorized the Secretary of the Interior to enter into agreements with the States of Oregon, Washington, and Idaho for the joint and coordinated development and maintenance of the fishery resources of the Columbia River Basin. Thus

the responsibility for operation and maintenance of facilities constructed under the CRFDP was made subject to agreement between the States and the Fish and Wildlife Service.

On June 30, 1948, the Fish and Wildlife Service and the fish and game agencies of the respective States, including the Oregon Fish Commission, entered into a cooperative agreement which formed the basis for State participation in the CRFDP. This agreement provided that the cost of operation and maintenance of facilities constructed or reconstructed under the CRFDP would be the subject of further agreements between the contracting parties.

Subsequently, the Fish and Wildlife Service and the Oregon Fish Commission, under the authority contained in the legislation which authorized the CRFDP and acting in accordance with the provisions of the agreement of June 30, 1948, entered into cost-sharing agreements to jointly finance the operation and maintenance costs of the four hatcheries discussed in this report. The State's share of operating costs under the initial cost-sharing agreements was based on operating costs incurred before expansion of the hatcheries with Federal funds. The manner in which the State's share was computed in the initial agreements indicates acceptance by both the State and the Federal Government of a division of financial responsibility under which the State would pay the cost of operating and maintaining the facilities in existence before expansion with Federal funds and the Federal Government would pay the cost of operating and maintaining the facilities resulting from expansion with Federal funds.

In addition, we noted that budget justifications for the CRFDP, which have been prepared by the Fish and Wildlife Service and presented to the appropriations committees of the Congress,

have indicated that such a division of financial responsibility did exist. The budget justifications have generally stated that funds requested for operation and maintenance reflect only the additional recurring costs resulting from the construction of new, or the enlargement of existing, facilities and that funds for facilities and activities in operation prior to the inception of the CRFDP would continue to be provided by the respective State or Federal agency involved. However, as shown by this report, the Government has borne all cost increases at the hatcheries regardless of whether such increases were applicable to State or Federal operations, while the State's share of cost has remained virtually unchanged since the initial cost-sharing agreements were entered into.

Moreover, the Solicitor, Department of the Interior, in commenting on the Federal and State obligations for maintaining the hatcheries, has stated that the original cost-sharing agreement indicated that the State's share of operating costs as contained therein was only the minimum obligation of the State and that there is no continuing obligation on the part of the Federal Government to pay all or any part of the costs of operating the hatcheries.

While we agree that the basic legislation which authorized the CRFDP does not specifically require the State to participate financially in the operation of fish hatcheries, our report is directed toward the need for the Department to provide for a more proportionate division of financial participation between the State and the Federal Government under the cost-sharing agreements for the operation of the hatcheries.

Department comments and our conclusion

We brought these matters to the attention of the Department of the Interior and proposed that the Secretary require the Director, Bureau of Commercial Fisheries, to negotiate revised cost-sharing agreements with the State of Oregon to provide that the costs necessary for operation of State facilities in existence prior to expansion by the Government should be borne by the State, either through the application of a fixed percentage of total hatchery costs or by annual determinations of the amount of costs properly associated with the preexpanded State facilities.

In August 1965, the Department advised us that it was inclined to agree that a greater cost participation in the operation and maintenance of fish hatcheries by the State of Oregon was desirable. The Department stated that the Bureau of Commercial Fisheries was ready and willing to negotiate revised cost-sharing agreements similar to those negotiated by the Corps of Engineers, under which the State would pay a fixed percentage of the total operating costs of the hatcheries based on the most recent cost information available. The Department stated also that, after allowing a reasonable period for the State to perform legal research to provide a basis for determining its obligations with respect to the hatcheries involved, the Bureau of Commercial Fisheries would make a concerted effort to renegotiate existing agreements.

The increased Federal participation through the years in the costs of hatchery operations, as discussed in this report, could have been avoided if the rising trend in operating costs being experienced by the State before Federal expansion of the facilities had been recognized and provided for in the joint cost-sharing agreements. We believe that the primary responsibility rests with

the Department's contracting officials for reasonably ensuring that such cost-sharing arrangements are fair and equitable to both parties and that the Government does not incur costs in excess of its proportionate share.

In view of the willingness expressed by the Department of the Interior to negotiate revised cost-sharing agreements under which the State and the Federal Government would each pay a fixed percentage of total hatchery operating costs on the basis of the most recent cost information available, we are not making a recommendation at this time. We are requesting that the Secretary advise us of the final actions taken on this matter; and, as a part of our continuing review of the activities of the Department, we are planning to evaluate the results of these actions.

APPENDIXES

PRINCIPAL OFFICIALS OF THE DEPARTMENT OF THE INTERIOR
THE UNITED STATES FISH AND WILDLIFE SERVICE, AND
THE BUREAU OF COMMERCIAL FISHERIES
HAVING RESPONSIBILITY FOR ADMINISTRATION OF THE
ACTIVITIES DISCUSSED IN THIS REPORT

Tenure of office
From To

DEPARTMENT OF THE INTERIOR

SECRETARY OF THE INTERIOR:

Stewart L. Udall	Jan. 1961	Present
Fred A. Seaton	June 1956	Jan. 1961
Douglas McKay	Jan. 1953	Apr. 1956
Oscar L. Chapman	Dec. 1949	Jan. 1953

UNDER SECRETARY OF THE INTERIOR:

John A. Carver, Jr.	Jan. 1965	Present
James K. Carr	Jan. 1961	July 1964
Elmer F. Bennett	Sept. 1958	Jan. 1961
O. Hatfield Chilson	Mar. 1957	Sept. 1958
Clarence A. Davis	Sept. 1954	Jan. 1957
Ralph A. Tudor	Mar. 1953	Aug. 1954
Vernon D. Northrop	Sept. 1952	Mar. 1953
Richard D. Searles	Apr. 1951	Aug. 1952

ASSISTANT SECRETARY OF THE INTERIOR--FISH
AND WILDLIFE AND PARKS (note a):

Stanley A. Cain	May 1965	Present
Frank P. Briggs	Mar. 1961	Feb. 1965
Ross L. Leffler	Jan. 1957	Jan. 1961

PRINCIPAL OFFICIALS OF THE DEPARTMENT OF THE INTERIOR

THE UNITED STATES FISH AND WILDLIFE SERVICE, AND

THE BUREAU OF COMMERCIAL FISHERIES

HAVING RESPONSIBILITY FOR ADMINISTRATION OF THE

ACTIVITIES DISCUSSED IN THIS REPORT (continued)

		<u>Tenure of office</u>	
		<u>From</u>	<u>To</u>

DEPARTMENT OF THE INTERIOR (continued)

ASSISTANT SECRETARY OF THE INTERIOR--PUB-
LIC LAND MANAGEMENT (supervision over
the United States Fish and Wildlife
Service transferred to the Assistant
Secretary for Fish and Wildlife by Fish
and Wildlife Act of 1956):

Roger C. Ernst	June 1957	Sept. 1960
O. Hatfield Chilson	Oct. 1956	Mar. 1957
Wesley A. D'Ewart	Oct. 1955	July 1956
Orme Lewis	Feb. 1953	Sept. 1955
Joel D. Wolfson	July 1952	Feb. 1953
Dale E. Doty	June 1950	May 1952

ASSISTANT SECRETARY FOR ADMINISTRATION:

Vacant	Dec. 1965	Present
D. Otis Beasley	Sept. 1952	Dec. 1965
Vernon D. Northrop	May 1950	Aug. 1952

UNITED STATES FISH AND WILDLIFE SERVICE (note b)

COMMISSIONER OF FISH AND WILDLIFE:

Clarence F. Pautzke	June 1961	Present
Arnie J. Suomela	Mar. 1957	Feb. 1961

DIRECTOR, BUREAU OF COMMERCIAL FISHERIES:

Donald L. McKernan	Apr. 1957	Present
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PRINCIPAL OFFICIALS OF THE DEPARTMENT OF THE INTERIOR
THE UNITED STATES FISH AND WILDLIFE SERVICE, AND
THE BUREAU OF COMMERCIAL FISHERIES
HAVING RESPONSIBILITY FOR ADMINISTRATION OF THE
ACTIVITIES DISCUSSED IN THIS REPORT (continued)

<u>Tenure of office</u>	
<u>From</u>	<u>To</u>

FISH AND WILDLIFE SERVICE (note b)

DIRECTOR:

John L. Farley
Albert M. Day

May	1953	Feb.	1957
Apr.	1946	May	1953

^aTitle changed from Assistant Secretary of the Interior--Fish and Wildlife, effective June 4, 1965.

^bPursuant to the Fish and Wildlife Act of 1956 (16 U.S.C. 742a-742j), the United States Fish and Wildlife Service succeeded to and replaced the then existing Fish and Wildlife Service which had established the Columbia River Fishery Development Program in 1949. The United States Fish and Wildlife Service is composed of the Bureau of Sport Fisheries and Wildlife and the Bureau of Commercial Fisheries, the latter of which was assigned administrative responsibility for the Columbia River Fishery Development Program by Fish and Wildlife Service Reorganization Memorandum No. 12, Revised, dated October 6, 1958.

STATE OF OREGON EXPENDITURES FOR HATCHERY OPERATIONS
FROM FISCAL YEAR 1947 THROUGH FISCAL YEAR
IN WHICH EXPANSION WAS COMPLETED

<u>Hatchery</u>	<u>Fiscal year ended June 30</u>	<u>State expendi- tures</u>	<u>Comments</u>
Big Creek	1947	\$ 9,515	Expansion started October 1950. Prior to completion of expansion, the Federal Government entered into a project agreement dated November 19, 1951, to cover operation and maintenance costs for fiscal year 1952. Hatchery operating costs for fiscal year 1952 totaled \$20,983, of which the Federal Government paid \$12,100 and the State paid \$8,883. The initial agreement which provided for cost-sharing was entered into on June 17, 1952, to cover fiscal year 1953.
	1948	12,019	
	1949	12,353	
	1950	21,191	
	1951	17,313	
Ox Bow	1947	6,334	Expansion started December 1951. Initial cost-sharing agreement entered into on September 19, 1952. During fiscal year 1953, the Federal Government paid \$13,315 and the State paid \$6,885 of the total cost of operating and maintaining the hatchery of \$20,200.
	1948	6,416	
	1949	5,304	
	1950	9,048	
	1951	9,257	
Klaskanine	1952	9,202	Expansion started August 1952. Initial cost-sharing agreement entered into on June 16, 1954, to cover fiscal year 1955.
	1947	14,895	
	1948	13,028	
	1949	12,734	
	1950	22,284	
	1951	17,561	
	1952	18,397	
	1953	15,069	

STATE OF OREGON EXPENDITURES FOR HATCHERY OPERATIONS

FROM FISCAL YEAR 1947 THROUGH FISCAL YEAR

IN WHICH EXPANSION WAS COMPLETED (continued)

<u>Hatchery</u>	<u>Fiscal year ended June 30</u>	<u>State expendi- tures</u>	<u>Comments</u>
Bonneville	1947	\$28,101	Expansion started August 1953.
	1948	18,786	Initial cost-sharing agreement en-
	1949	18,703	tered into on December 21, 1954.
	1950	31,884	During fiscal year 1955, the Fed-
	1951	30,502	eral Government paid \$24,357 and
	1952	38,650 ^a	the State paid \$35,090 of the total
	1953	36,745 ^a	cost of operating and maintaining
	1954	35,491 ^a	the hatchery of \$59,447.

^aState's records for fiscal years 1952, 1953, and 1954 show costs of \$33,033, \$30,181, and \$32,607, respectively, exclusive of fish-food costs. The State's records also show that in fiscal year 1952 a large quantity of fish food which was also used to satisfy fish-food needs during fiscal years 1953 and 1954 was purchased and charged to the Bonneville hatchery. On the basis of the quantity of fish produced and reared during 1952, 1953, and 1954, we estimate that the fish-food expense applicable to those three years was \$5,617, \$6,565, and \$2,884, respectively.

FEDERAL AND STATE SHARES OF EXPENDITURES
SINCE FIRST FULL FISCAL YEAR AFTER EXPANSION AT EACH HATCHERY
(ROUNDED TO \$100)

Fiscal year	Big Creek				Ox Bow				Klaskanine	
	Federal expenditures	Per- cent	State expenditures	Per- cent	Federal expenditures	Per- cent	State expenditures	Per- cent	Federal expenditures	Per- cent
1953	\$ 23,400	62.2	\$ 14,200	37.8	\$ -	-	\$ -	-	\$ -	-
1954	27,000	74.0	9,500	26.0	24,800	80.8	5,900	19.2	-	-
1955	50,500	75.8	16,100 ^a	24.2	33,000	78.0	9,300 ^a	22.0	37,300	68.6
1956	32,900	63.9	18,600 ^a	36.1	32,100	80.1	8,000 ^b	19.9	30,900	60.7
1957	33,700	70.1	14,400	29.9	31,200	79.6	8,000 ^b	20.4	34,700	68.4
1958	39,500	74.1	13,800	25.9	44,200	86.7	6,800	13.3	32,600	67.5
1959	37,800	73.3	13,800	26.7	33,400	83.1	6,800	16.9	32,600	67.5
1960	48,300	77.8	13,800	22.2	40,600	85.7	6,800	14.3	42,100	72.8
1961	47,400	77.5	13,800	22.5	48,700	87.8	6,800	12.2	47,500	75.2
1962	57,600	80.7	13,800	19.3	48,400	87.7	6,800	12.3	63,400	80.2
1963	50,100	78.4	13,800	21.6	71,200	91.3	6,800	8.7	69,900	81.6
1964	53,700	79.6	13,700	20.4	44,000	86.7	6,800	13.3	58,300	78.7
1965	<u>64,100</u>	82.3	<u>13,800</u>	17.7	<u>45,400</u>	87.0	<u>6,800</u>	13.0	<u>60,400</u>	79.3
Total	<u>\$566,000</u>		<u>\$183,100</u>		<u>\$497,000</u>		<u>\$85,600</u>		<u>\$509,700</u>	

^aState contribution was increased to compensate for deficiency in prior years contribution.

^bState contributed an amount over its minimum annual share.

<u>Klaskanine</u>		<u>Bonneville</u>				<u>Total</u>		<u>Total</u>	
<u>State</u> <u>expend-</u> <u>itures</u>	<u>Per-</u> <u>cent</u>	<u>Federal</u> <u>expend-</u> <u>itures</u>	<u>Per-</u> <u>cent</u>	<u>State</u> <u>expend-</u> <u>itures</u>	<u>Per-</u> <u>cent</u>	<u>Federal</u> <u>expend-</u> <u>itures</u>	<u>Per-</u> <u>cent</u>	<u>State</u> <u>expend-</u> <u>itures</u>	<u>Per-</u> <u>cent</u>
\$ -	-	\$ -	-	\$ -	-	\$ 23,400	62.2	\$ 14,200	37.8
-	-	-	-	-	-	51,800	77.1	15,400	22.9
17,100 ^b	31.4	-	-	-	-	120,800	74.0	42,500	26.0
20,000 ^b	39.3	23,800	45.5	28,500 ^b	54.5	119,700	61.4	75,100	38.6
16,000	31.6	48,500	64.9	26,200 ^b	35.1	148,100	69.6	64,600	30.4
15,700	32.5	64,200	72.4	24,500	27.6	180,500	74.8	60,800	25.2
15,700	32.5	60,700	71.3	24,400	28.7	164,500	73.0	60,700	27.0
15,700	27.2	54,400	69.0	24,400	31.0	185,400	75.3	60,700	24.7
15,700	24.8	67,400	73.4	24,400	26.6	211,000	77.7	60,700	22.3
15,700	19.8	58,800	70.7	24,400	29.3	228,200	79.0	60,700	21.0
15,800	18.4	59,800	71.0	24,400	29.0	251,000	80.5	60,800	19.5
15,800	21.3	73,300	75.0	24,500	25.0	229,300	79.0	60,800	21.0
<u>15,700</u>	<u>20.7</u>	<u>75,300</u>	<u>75.6</u>	<u>24,400</u>	<u>24.4</u>	<u>245,200</u>	<u>80.2</u>	<u>60,700</u>	<u>19.8</u>
<u>\$178,900</u>		<u>\$586,200</u>		<u>\$250,100</u>		<u>\$2,158,900</u>		<u>\$697,700</u>	