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REPORT TO THE CONGRESS

Civil Agencies Make Limited Use
Of Cost-Benefit Analysis
In Support Of Budget Requests

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

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JAN. 14, 1975

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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

This is our report on how civil agencies make limited use of cost-benefit analysis in support of budget requests.

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).

Copies of this report are being sent to the Director, Office of Management and Budget, and the heads of the civil departments and agencies

A handwritten signature in cursive script, reading "James B. Stacks".

Comptroller General
of the United States

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ABBREVIATIONS

GAO	General Accounting Office
HUD	Department of Housing and Urban Development
OMB	Office of Management and Budget

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

CIVIL AGENCIES MAKE LIMITED
USE OF COST-BENEFIT ANALY-
SIS IN SUPPORT OF BUDGET RE-
QUESTS

D I G E S T

WHY THE REVIEW WAS MADE

Cost-benefit analysis compares a program's costs and measurable benefits in dollars, if possible, and should include a comparison of similar data for alternatives. In response to an extensive GAO survey of the information needs of the Committees and Members of Congress, many said they needed more cost-benefit data. GAO, therefore, as part of its work pursuant to section 204 of the Legislative Reorganization Act of 1970, reviewed the extent that cost-benefit data was available to support budgetary information provided to the Congress.

FINDINGS AND CONCLUSIONS

GAO visited 8 major departments and agencies and looked into 19 budget requests totaling \$18.6 billion for fiscal year 1973. Funds requested were substantially greater than funds appropriated for fiscal year 1972. Of the 19 budget requests GAO reviewed, no formal analysis of any type had been made on 5. For these and three other budget requests, agency officials stated that cost-benefit analysis was not or could not be done. GAO did not make a detailed study of these cases but from information available tended to agree with agency officials. GAO believes, however, that the other 11 requests were susceptible to cost-benefit analysis.

Agency officials said that about 100 analyses, of various types, had been done in support of the budget requests. GAO selected over half the documents for review and determined that only three could be considered cost-benefit analyses. There were 35 documents containing limited analysis with the remainder containing descriptive or nonanalytical data.

All but the three studies that qualified as cost-benefit analyses were difficult to identify with specific budget requests. The other studies were prepared in response to specific issues raised by agency officials, the Office of Management and Budget (OMB), or the Congress. They did not relate directly to the budget request but dealt with portions of programs covered by the budget request. They are of limited value for budgetary analysis or review. 27

Recognizing that all budget items are not susceptible to cost-benefit analysis, GAO nonetheless believes some programs for which such analysis had not been done were susceptible to this analytical technique. For instance:

- 2 --Food and Nutrition Service's Special Feeding Program. 513
- 3 --Urban Mass Transportation Administration's Capital Facilities Grants. 230

GAO cannot say that cost-benefit analyses for those programs

would have resulted in different budget requests or appropriations but believes that such analyses would have been useful to the Congress in reaching budget decisions.

Cost-benefit analysis is also one of the techniques which may be useful in conducting program evaluations of existing programs, particularly when alternative courses are under consideration.

OMB Circular A-11, which tells agencies what data must be submitted in support of their budget requests, encourages agencies to prepare and submit a variety of analytical data, including cost-benefit analysis, when appropriate.

The circular, however, does not make cost-benefit analysis mandatory, and, in the majority of cases in which GAO believes such analysis is practical, it has not been done.

Since the Congress desires more cost-benefit data for use in the budgeting process, GAO believes that steps should be taken to make more such data available to it.

RECOMMENDATION

In considering ways to promote better program analysis by executive agencies (see below), OMB should give priority to revising OMB Circular A-11 to provide more specific guidance for agencies in deciding when cost-benefit analysis should be undertaken, particularly when budget requests involve considerable increases in funds for specific programs. GAO suggests that factors included in

the recommendation section of chapter 3 be considered in establishing such guidelines.

AGENCY ACTIONS AND UNRESOLVED ISSUES

OMB has established a division to promote better analysis on the part of executive agencies in arriving at program decisions and cites two studies that have potential in this respect. OMB said that these projects will result in a number of recommendations responsive to the concerns expressed by GAO and that they may include new or revised circulars.

OMB also has said its policy is to make agencies explain why analyses have not been made in susceptible program areas. OMB points out that cost-benefit analyses are not possible for all programs, a position with which GAO agrees, but it did not indicate any definite plans to provide any further guidance.

Because OMB requirements have not produced analyses broad enough to meet congressional needs, GAO believes additional guidance would be useful.

MATTERS FOR CONSIDERATION BY THE CONGRESS

GAO is bringing this to the attention of the Congress as part of its work pursuant to the Legislative Reorganization Act of 1970, as amended by the Congressional Budget Act of 1974 (titles I through IX, Public Law 93-344), which directs the Comptroller General to take specific steps to improve the usefulness of fiscal, budgetary, and program-related data developed within the executive branch.

CHAPTER 1

INTRODUCTION

The Congress is interested in receiving more information on the costs and benefits of Government programs. It has included requirements for such information in legislation authorizing certain programs in the Legislative Reorganization Act of 1970 (Public Law 91-510) which gave us certain responsibilities in this area and in the Congressional Budget Act of 1974 (titles I through IX of Public Law 93-344). Committees and Members of Congress also have asked us to make analysis of costs and benefits of various programs.

The report of the Committee on Rules and Administration, dated March 6, 1974, which accompanied the Senate version of the 1974 act (S. 1541), stated the intent of the Congress to expand its activities with respect to program evaluation and policy analysis. The report stated in part:

"In order to insure that federal expenditures have maximum impact in achieving national goals it is necessary to investigate whether program objectives are still relevant, whether programs are achieving their intended purpose, and whether there are alternative ways of achieving those objectives which are preferable according to cost effectiveness criteria or other explicit standards. Since a primary function of budgeting is to achieve maximum benefit for a given level of expenditure, evaluation is an integral component of the budgetary process."

The 1974 act, as passed, provides for review and evaluation by standing committees and states that such committees may rely on analysis of costs in conjunction with benefits, among other techniques.

Program evaluation compares results achieved by a program with goals established for the program and may include the possible effect of alternatives. The technique of cost-benefit analysis may be useful in conducting program evaluation, particularly when alternative courses are under consideration.

The Legislative Reorganization Act, as amended by the Congressional Budget Act of 1974, contains several provisions intended to improve the Congress' fiscal control over expenditures. It directs the Secretary of the Treasury; the Director, Office of Management and Budget (OMB); and the Comptroller General to take certain specific steps to improve the usefulness to the Congress of fiscal, budgetary, and program-related data developed within the executive branch.

The legislative histories of these acts show that the Congress recognized that time and staff limitations were such that the Congress could not process and evaluate the huge volume of analyses, reports, and other information available to decisionmakers in the executive branch.

To provide greater assistance to the Congress in reviewing such analyses, section 204 of the 1970 act, as amended, directs the Comptroller General upon request to assist congressional committees in analyzing and assessing program reviews or evaluation studies prepared by and for any Federal agency.

We interviewed members of 44 committees and 69 individual Members of Congress or their staffs and found that many wanted more cost-benefit data.

In view of the expressed interest of the Congress, we undertook a review of data available in civil agencies to determine whether cost-benefits or other analysis had been done that would be useful to the Congress. For our review, we defined cost-benefit analysis as a comparison of costs and measurable benefits, in dollars if possible, of a program and any alternatives. The benefits could include the criterion that society as a whole will be better off by a program's being undertaken or not or by some alternative program being undertaken. Our definition could also include analysis to determine which is the most economical way of accomplishing a given legislative program objective if data on measures related to that objective and on program cost were available for each alternative.

We limited our review to civil agencies because the Department of Defense made a similar study of its own, which was reported in Department of Defense Economic Analysis and Program Evaluation Survey, November 1, 1973.

According to this study, the 597 Department of Defense organizations contacted reported that 18.5 percent always used economic analysis in decisionmaking, 51.9 percent used it on selected projects, and the remaining 29.6 percent indicated economic analysis was not applicable or not used in their organizations. Economic analysis was defined as a systematic approach to comparing the costs and benefits of alternative courses of action. The Department of Defense results were obtained by summarizing questionnaires sent to the 597 organizations.

Since the President's budget for fiscal year 1974 was still under development at the time we made our review, we chose to use an earlier year to prevent conflicts in the use of budget data. To determine whether the situation had changed, we revisited all the agencies included in our original study and discussed the data supporting the fiscal year 1975 budget with them. We did not, however, examine the data as thoroughly as that for fiscal year 1973.

From the 1973 budget, we identified all civil agency budget activities for which increases totaled 25 percent or more of the fiscal year 1972 request and at least \$5 million. We used this test to select the budget areas in which to review available analyses because we believed that (1) the large increases involved would be an indicator of the level of congressional interest and (2) the new budget items or those undergoing substantial increases might be expected to have been subjected to

cost-benefit or other types of analysis by agencies and departments. Using these criteria, we identified 191 budget activities as our guide to potential areas for review. From these we selected 19 which in total represented 83 percent of the total of increases requested for the 191 budget activities.

Our review consisted of discussions with program administration, budget, and analysis officials at both department and agency levels. We also reviewed selected analyses identified by these officials as being related to 1 of the 19 budget activities and made available to us by them; we attempted to relate the selected analyses to the budget activities.

CHAPTER 2

LITTLE COST-BENEFIT DATA WAS AVAILABLE

Cost-benefit analysis is not practical for every Government program. In some cases assessment of the benefits in dollar terms may be too time consuming, and in others the state of the art is not sufficiently advanced, particularly when measuring expected benefits.

After reviewing the 19 budget activities and the analyses made available to us, we concluded that in 11 activities, or about 60 percent of the cases, such analysis was practical and warranted. The 19 activities we examined and an indication of whether cost-benefit analysis in support of the budget request would or would not have been practical are shown on page 5.

In response to our inquiries, agency personnel indicated that, although a number of analyses had been prepared, few were cost-benefit analyses which could be related directly to budget activities. Agency officials said that no formal analysis of any type had been done in support of 5 of the 19 budget activities reviewed. For the remaining 14, the officials said that about 100 analyses had been done. Documents containing results of 54 of these were selected for review. We did not select the others because agency officials indicated that these had only a casual relationship to the budget activities.

Of the 54 documents reviewed, we considered that 38 contained sufficient analytical effort to be called analyses. (See app. 1.)^{1/}

The other 16 documents were descriptions of reports of various types. For example:

1. Community Development Evaluation Series No. 12--The Changing Demand for Local Capacity--An Analysis of Functional Programming and Policy Planning presented a detailed description of how the program was designed to work but did not relate expected costs to expected gains or other type of analytical data.
2. Model Cities: A Report on Progress consisted of a series of articles on such topics as aging, crime, day care, and drug abuse. However, it contained little cost, benefit, or other analytical data to be considered a cost-benefit analysis.

^{1/}Agency officials expressed some concern that certain documents which had been given to us (identified as being by agency staff) should not be regarded as presenting agency position. No doubt the results of many of the analyses were not accepted as official agency position--we are only including them because they illustrate the type of documents available to various decisionmakers during the FY 1973 budget cycle.

	Amount of fiscal year 1972 budget <u>request</u>	Amount of fiscal year 1973 budget <u>request</u>	Amount of <u>increase</u>
(000 omitted)			
Department of Agriculture:			
Commodity Credit Corporation:			
Set-Aside Payments:			
Feed Grains	\$ 1,060,000	\$ 1,968,000	\$ 908,000
Farmers Home Administration:			
Low Income Building Loans (individuals)	793,000	1,050,000	257,000
Moderate Income Building Loans (individuals)	762,000	1,009,000	247,000
Food and Nutrition Service:			
Special Feeding Program	366,565	457,693	91,128
Department of Health, Education and Welfare:			
Office of Education:			
Education Revenue Sharing (note a) (additional amounts beyond funds provided by antecedent programs)	-	223,911	223,911
Emergency School Aid Act (note a)	500,000	1,000,000	500,000
Welfare Reform:			
Provisions of Welfare Reform Act (note a)	-	450,000	450,000
Social and Rehabilitation Service:			
Social Services	838,200	1,266,348	428,148
Treasury Department:			
General Revenue Sharing (note a and b)	2,250,000	5,000,000	2,750,000
Department of Housing and Urban Development:			
Community Development:			
Urban Community Development Revenue Sharing (additional amounts beyond funds provided by antecedent programs) (note a)	-	490,000	490,000
Model Cities--Supplementary Grants to City Demonstration Agencies (note a)	439,039	622,000	182,961
Housing Management:			
Low-Rent Public Housing	886,000	1,105,000	219,000
Housing Payments--Homeowners Assistance	251,000	428,000	177,000
Housing Payments--Rental Housing Assistance	86,400	194,000	107,600
National Aeronautics and Space Administration:			
Research and Development:			
Space Flight Operations	641,000	976,100	335,100
Department of Labor:			
Manpower Administration Emergency Employment Assistance (note a)	990,766	1,237,850	247,084
Department of Transportation:			
Urban Mass Transportation Administration:			
Capital Facilities Grants	264,200	528,900	264,700
Federal Highway Administration:			
Federal-Aid Highways--Urban Systems	50,000	140,000	90,000
Veterans Administration:			
Medical Care:			
Outpatient Care (note a)	357,770	447,169	89,399
Total	<u>\$10,535,940</u>	<u>\$18,593,971</u>	<u>\$8,058,031</u>

a/Activities for which agency officials stated cost-benefit analysis in support of the budget request was not done or could not be done. We did not make a detailed study of these cases but from information available tended to agree with agency officials.

b/Although cost-benefit analysis in advance was not deemed feasible, Treasury officials interviewed in May 1974 stated that a complete evaluation of the program would be conducted during the next year.

From our analysis of the 38 analytical studies, we concluded that only 3 of them (items 24, 27, and 28 in app. I) could be considered cost-benefit analyses.

<u>Department or agency</u>	<u>Budget activity</u>	<u>Study title</u>
National Aeronautics and Space Administration	Research and Development: Space Flight Operations	Economic Analysis of the Space Shuttle System
Transportation	Federal-Aid Highways--Urban Systems	Parts I and II of the 1972 "National Highway Needs Report"
Health, Education, and Welfare	Social Services	Employer Subsidized Child Care

Recognizing that not all budget items are susceptible to cost-benefit analysis, we nonetheless believe that some programs for which such analysis had not been done were susceptible to this analytical technique. For instance:

- Food and Nutrition Service's Special Feeding Program.
- Urban Mass Transportation Administration's Capital Facilities Grants.

The remaining 35 studies appeared to have been made in response to requests for information on specific issues by agency officials, OMB, or the Congress. A number of these studies were narrower in scope than the budget activity, and others could not be related directly to a specific budget activity. These studies may be useful, but the inability to relate them to the budget directly could make them of limited value for budgetary analysis or review. For example:

The Department of Agriculture identified the study, An Evaluation of the Pilot Food Certificate Program in Chicago, Illinois, and Bibb County, Georgia (item 32 in app. I), as being an evaluation of a pilot project funded under the budget activity "Special Feeding Program." This study attempted to measure those direct nutritional benefits that could be attributed to the project and included a discussion of alternative ways of reaching the same objectives. The study did not include data concerning the future cost or size of this project or its relationship to the request for an increase in the budget activity we were reviewing.

Agency officials stated that an understanding of a budget activity would require a review of numerous analyses, including some which did not specifically address the budget activity. For example, Department of

Agriculture officials identified 30 separate analyses which they believed should be reviewed to gain an understanding of the Special Feeding Program budget activity. Ten of these studies addressed specific aspects of the Special Feeding Program whereas the other 20 did not. These 20 do provide, however, an understanding of certain aspects of nutrition and eating habits that are important in understanding the problem area. These 20 are mostly evaluations of local projects, conducted by staffs of nearby universities or of the Department's research activities. A number of these could be helpful in preparing plans and budgets for the projects which were studied, but it is not possible to relate individual studies of this type directly to the Department's budget request, without additional summarization and analysis.

We believe that it would not normally be feasible for interested Committees or Members of Congress to review such large quantities of analyses and to speculate on the budget impact each had.

We inquired into the requirements of OMB Circular A-11, which explains to agencies what data must be furnished with budget estimates submitted by the agencies. We found no firm requirements for cost-benefit studies. There was an indication that such information was desirable and should be submitted to OMB when appropriate, but there was no outright requirement for it. Circular A-11 dated June 1971, which was in effect during the fiscal year 1973 budget preparation, stated that the explanation should cover:

"Effectiveness of the present program or expected effectiveness of the proposed increase or new program. This should include identification of past or on-going analyses of performance/effectiveness and cost/effectiveness, and their specific findings. If cost/effectiveness measures are not available, or such analysis is not under way, this should be explicitly stated, and the reasons therefor. Comparisons with returns from related on-going programs should also be included."

When we asked why formal cost-benefit analyses were not performed, the reasons given by agency officials included:

- It was difficult to place quantitative measures on the benefits and/or costs of a program.
- Because of funding limitations, no analysis could be done; or, if done, it was too costly to prepare documentation.
- There was a limited number of qualified staff available to do an adequate analysis.
- The existing management information system was not capable of identifying, collecting, and reporting costs by the necessary categories of the program structure.
- There sometimes was not enough time allowed to implement a program on schedule and also perform a cost-benefit analysis.

--A program might involve uncontrollable outlays as governed by law and therefore no analysis was believed necessary.

We did not evaluate these statements; however, OMB has recently informed us of the establishment of a new division whose responsibilities as we understand them will address issues such as these.

We also discussed our report with officials responsible for preparing the budget in each of the eight agencies or departments whose budget activities are involved in this report. With exception of the Department of Housing and Urban Development (HUD), which indicated a considerable increase in the level of cost-benefit and program evaluation efforts, it appeared the situation was little different than that which existed during the fiscal year 1973 budget preparation.

CHAPTER 3

CONCLUSIONS, AGENCY COMMENTS, AND RECOMMENDATIONS

CONCLUSIONS

Although Congress has specifically indicated an interest in more cost-benefit information and OMB has concurred in its desirability, little of such information is currently available which would be useful for congressional review of specific budget requests. We therefore believe that more positive steps should be taken to provide more of such information to the Congress.

Considering the hundreds of items in the budget each year, it is not, in our judgment, practical to try to obtain current cost-benefit studies of all of them. It therefore seems most practical to try to concentrate on new proposed programs and those programs for which sizable budget increases are requested.

We brought these matters to OMB's attention, suggesting that OMB establish a firm requirement for cost-benefit analysis for new proposed programs or those for which sizable increases are proposed and making such studies is practical. We also suggested that specific criteria be established as to when such studies should be required. OMB's comments on our suggestions follow.

AGENCY COMMENTS

In responding to our report (see app. II), the Associate Director for Management and Operations of OMB said that OMB agreed that more and better analyses could be done by agencies in arriving at program decisions. He cited some studies now underway which may meet the needs for such data in program areas involving child nutrition and urban mass transit. He said also that the Evaluation and Program Implementation Division, headed by a Deputy to the Associate Director, had recently been established to improve the quality and quantity of program evaluation information used in agency and OMB decisionmaking processes. Current projects of this new division, according to the Associate Director, address the issues of building evaluation components into new Government programs and managing evaluation programs to better serve decisionmakers. Also these projects will result in recommendations responsive to the concerns in our report, and they may include new or revised OMB circulars.

Although he agreed in general with the need for more of such data, the Associate Director said that experience had shown that simply requiring such studies was not sufficient and might prove counter productive. In support of this view, he pointed to the limited resources available for such analyses and concluded that agencies could not be expected to be all encompassing in the scope of their analyses each year. He further pointed out that cost-benefit analysis had its limitations and

that it was most useful when the program objectives or outputs could be quantified and decreasingly useful as objectives or outputs became more difficult to quantify.

We believe that OMB's establishing a group dedicated to promoting greater use of cost-benefit and program evaluation techniques is an important development. It should tend to spur overall Government efforts in these areas. We also agree that all agencies cannot be expected to be all encompassing in the scope of their analyses each year. Moreover, the state-of-the-art in making cost-benefit studies is not sufficiently advanced to make it possible to do such work for all programs. Nonetheless, revising existing guidance to be more specific regarding when such studies should be made (see p. 7) would help agencies and OMB budget examiners, who enforce the requirements, in deciding whether agency reasons for not making such studies are appropriate.

Another point made in the OMB response was that the use of analytical techniques to resolve specific issues confronted by program managers was a legitimate use of such resources. We concur in this view. Our point in bringing this out was that such analysis, while useful to agency management, is not the type of data that is most useful to the Congress in meeting its needs as we understand them.

RECOMMENDATIONS

We recommend that OMB, in considering new or revised circulars, give priority to revising OMB Circular A-11 to provide more specific guidance for agencies in deciding when cost-benefit analysis should be undertaken. The guidance should require consideration of such analysis for:

- All programs requiring reauthorization before the next fiscal year's appropriation.
- Programs exceeding certain dollar thresholds for both size and change from year to year.
- Proposed programs.
- All proposed pilot tests or programs in a development phase (if the program is implemented, a cost-benefit study will help to establish criteria for evaluation after the program is established).

ANALYTICAL STUDIES PERTAINING
TO BUDGET ACTIVITIES REVIEWED

	<u>Study title</u>	<u>Agency</u>	<u>Relationship to program</u>
1.	Citizen Participation in the Model Cities Program, Community Development Evaluation Series No. 2, A summary of a study "Citizen Participation in the Model Cities Program," Booz Allen Public Administration Services, Inc., June 30, 1971.	HUD	Based on a survey of 15 model cities.
2.	The Model Cities Program, A History and Analysis of the Planning Process in Three Cities: Atlanta, Georgia; Seattle, Washington; Dayton, Ohio. Study done by Marshall Kaplan, Gans, and Kahn, May 1969.	HUD	A brief description and capsule evaluation of the planning experience in three model cities.
3.	The Model Cities Program, A Comparative Analysis of the Planning Process in Eleven Cities, Atlanta, Georgia; Cambridge, Massachusetts; Dayton, Ohio; Denver, Colorado; Detroit, Michigan; Gary, Indiana; Pittsburgh, Pennsylvania; Reading, Pennsylvania; Richmond, California; Rochester, New York; San Antonio, Texas. Study done by Marshall Kaplan, Gans and Kahn, 1970.	HUD	Presentation of a detailed comparative analysis of the initial Model Cities planning period in a number of 11 first-round cities.

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<u>Study title</u>	<u>Agency</u>	<u>Relationship to program</u>
4. Planned Variations: First Year Survey, Community Development Evaluation Series No. 7, U. S. Department of Housing and Urban Development, October 1972. (by agency staff)	HUD	Evaluation of the planned variations demonstration for the purpose of determining the impact of the planned variation process on the cities' planning and management capabilities.
5. Housing Management Report on an Interim Funding Strategy for the Public Housing Program, Study Done by Urban Institute, September 8, 1972.	HUD	Study of alternative funding methods for the Public Housing Program and recommendations of major features of an interim strategy.
6. Options Considered in Development of Funding System. (by agency staff)	HUD	An evaluation of the present "forward funding" system of the operation of the low-rent public housing.
7. A "Work-Cost Rent" Plan. (by agency staff)	HUD	A proposal for alternative methods for payment of rent for units in low-rent public housing.
8. Evaluation of HUD Role in Public Housing. (by agency staff)	HUD	A survey of some 113 Public Housing Projects in 12 cities was conducted for examining the effects of Federal policies, controls, regulations, and funding on public housing.
9. A New Strategy for Meeting Low Income Housing Needs, February 16, 1973. (by agency staff)	HUD	An analysis of a new strategy for low-income housing needs.
10. Secretary Held Residential Properties and Mortgage Notes. (by agency staff)	HUD	A fact-finding paper describing the residential properties acquired by HUD through foreclosure actions on defaulted Federal Housing Administration insured loans, and the mortgage loans held by the Secretary.

	<u>Study title</u>	<u>Agency</u>	<u>Relationship to program</u>
11.	The Role of Federal Government in Housing, October 27, 1972. (by agency staff)	HUD	An examination of the reasons the Government is involved in housing and its financing.
12.	A National Housing Assistance Program--A New Table for an Old Recipe, Irving Welfeld, Office of the Deputy Under Secretary, February 3, 1972, Revised April 10, 1972. (by agency staff)	HUD	HUD's discussion of a national housing assistance program for which the stated goal is to translate the congressional mandate of "a decent home and suitable living environment for every American family" into a reality.
13.	Minimizing Fluctuations in the Supply of Funds for Housing, October 30, 1972. (by agency staff)	HUD	Discussion of the environment affecting the supply of funds for housing and of the nature of alternative measures available to stabilize the flow of funds.
14.	Estimates of Prospective Capital Investment in Urban Public Transportation, by Frank M. Graves & Ralph E. Rechel, Institute of Public Administration, October 15, 1969.	Department of Transportation	An analysis of U. S. capital investment to be made in urban public transportation equipment and facilities during the 10-year period 1970-79.
15.	Programs Issue Paper for FY 1974 Spring Preview: Federal Support for Rail Rapid Transit, Department of Transportation, Urban Mass Transportation Administration, August 1972. (by agency staff)	Department of Transportation	An analysis of the increasing Federal support for urban mass transportation capital investments.

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	<u>Study title</u>	<u>Agency</u>	<u>Relationship to program</u>
16.	1972 National Transportation Report, Present Status--Future Alternatives, Executive Summary, U.S. Department of Transportation, July 1972. (by agency staff)	Department of Transportation	A future outlook of transportation, estimates of investment needs and program priorities, analyses of selected issues in urban and intercity transportation, and guidelines for future action by Federal, State, and local governments and the private sector.
17.	Program Issue Paper for FY 1974 Spring Preview: Implementation of Project Selection Criteria, Department of Transportation, Urban Mass Transportation Administration, June 1972. (by agency staff)	Department of Transportation	An analysis and description of guidelines (project selection criteria) for implementation of capital grants.
18.	1968 National Highway Needs Report, A Study Transmitted By the Secretary Of The Department of Transportation to the Congress, in accordance With the Requirements of Section 3, Senate Joint Resolution 81, Public Law 89-139, February 1968. (by agency staff)	Department of Transportation	An analysis of the present highway transportation deficiencies and an analysis of those that can be foreseen in the next two decades. Descriptions of cost-benefit analyses performed on Federal Highway Administration Programs.
19.	An Approach to Multiregional Urban Transportation Policy Planning, by Harold Kassoff and David S. Gendell, Federal Highway Administration Transportation Resource Allocation Study (TRANS), January 1971. (by agency staff)	Department of Transportation	An analysis of the research undertaken with the specific objective of developing an analytical capability for multiregional urban transportation policy planning.

	<u>Study title</u>	<u>Agency</u>	<u>Relationship to program</u>
20.	TRANS Technical Notes: Description of TRANS Analysis Procedures, by David S. Gendell, Harold Kassoff, and Thomas J. Hillegass, June 1971. (by agency staff).	Department of Transportation	An analysis of the TRANS approach which provides a set of analytical tools which can assess the consequences of a broad range of alternative transportation investment policies.
21.	Effects of Varying Policies and Assumptions on National Highway Requirements, by David S. Gendell, Harold Kassoff, and Thomas J. Hillegass, also consultants Creighton-Hamburg, Inc., Peak, Marwick, Mitchell and Co., and Alan M. Voorhees and Associates, August 1972.	Department of Transportation	An analytical policy planning study where computerized modeling techniques were developed to look at the effect of varying priority emphasis on the national highway program.
22.	A Multi-Model National Urban Transportation Policy Planning Model, by Edward Weiner, Harold Kassoff, and David S. Gendell, August 1972. (by agency staff)	Department of Transportation	An analysis of the current operating version of the urban TRANS project and its application in the 1972 National Transportation Study.
23.	1970 National Highway Needs Report With Supplement, Prepared In Response to Section 3, Public Law 89-139, and Section 17, Public Law 90-495, by the U. S. Dept. of Transportation, Federal Highway Administration, Bureau of Public Roads, December 1969. Date of Report, September 1970. (by agency staff)	Department of Transportation	An analysis of the results of a systematic nationwide functional highway classification study made in cooperation with State highway departments and local governments.

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<u>Study title</u>	<u>Agency</u>	<u>Relationship to program</u>
24. Parts I and II of the 1972 National Highway Needs Report, Communication From the Secretary of Transportation Transmitting Parts I and II of the 1972 National Highway Needs Report, House Document No. 92-266. (by agency staff)	Department of Transportation	An evaluation and recommendation in the use of Federal funds by State and local governments. An analysis of the needs reported by the States, consideration of the costs and benefits associated with meeting the needs and of developing financial programs to implement such alternatives.
25. Evaluation of the Emergency School Assistance Program, Volume I: Summary and Volume II: Design and Findings of Phase I Survey, by Dr. Kenneth F. Gordan, Mr. Carl Blozan, and Mr. Paul Dienemann, Resource Management Corporation, September 15, 1971.	Department of Health, Education, and Welfare, Office of Education	An evaluation of school district grants examined for measuring the effectiveness of the Emergency School Assistance Program.
26. Excerpts from FY 1973 Office of Education Appropriations Hearings, pp. 754 and 755.	Department of Health, Education, and Welfare, Office of Education	House of Representatives hearings indicating lack of formal evaluations of many Office of Education programs.
27. Employer Subsidized Child Care, By Donald G. Ogilvie, Inner City Fund, January 1972.	Department of Health, Education, and Welfare	Examines the cost of alternative models of employer involvement and the potential economic benefits associated with improved turnover, absenteeism, tardiness, and recruiting.
28. Economic Analysis of the Space Shuttle System, Volumes I, II, and III. Study directed by Klaus P. Heiss and Oskar Morgenstern, Mathematica, Inc., January 31, 1972.	National Aeronautics and Space Administration	An analysis to identify the economically best reusable Space Transportation System among all the possible alternatives.

	<u>Study title</u>	<u>Agency</u>	<u>Relationship to program</u>
29.	USDA 1/ Study of the Effect of Payment Limitations on the Set-Aside Programs, Response to Resolution S. 153, March 9, 1972. (by agency staff)	Department of Agriculture	A study of changes in farming operations by producers who earned \$55,000 or more under the 1970 Upland Cotton, Feed Grain, or Wheat Programs. A comparative analysis of these producers' 1970 and 1971 farming operations as reported by 371 ASCS 2/ county offices in 33 States.
30.	USDA--A Progress Report: The Role of Public Law 480 In Supply Management, Emphasis FY 1970, Part I--Wheat, Part II--Upland Cotton, and Part III--Rice, November 1970, January 1971 and June 1971. (by agency staff)	Department of Agriculture	An analysis of the role of Public Law 48 in FY 1970 in managing the U. S. supplies of wheat, cotton, and rice. Cost effectiveness measures are provided for each major export program and for the three principle ways in which domestic supply adjustments are achieved.
31.	Preliminary Management Information Report, USDA, Food and Nutrition Service, November 1971. (by agency staff)	Department of Agriculture	An analysis of nine programs of the Food and Nutrition Service, Department of Agriculture.
32.	An Evaluation of the Pilot Food Certificate Program in Chicago, Illinois, and Bibb County, Georgia. A Research Report Prepared by: Dr. Robert E. Wunderle and Dr. David L. Call, Graduate School of Nutrition, Cornell University, Ithaca, New York.	Department of Agriculture	An evaluation of the Pilot Food Certificate Program in Chicago, Ill., and Bibb County, Ga., by examining the impact of the program on infants' dietary nutrient intakes and food consumption patterns, the milk intakes of women, and the operations of health clinics and retail food stores.

APPENDIX I

<u>Study title</u>	<u>Agency</u>	<u>Relationship to program</u>
33. Analysis of Rural Housing Loans Which Do Not Add to the Housing Supply, Rural Development Program Issue Paper, concluding supplement to Interim Progress Report of 5-14-70, October 8, 1970. (by agency staff)	Department of Agriculture	An analysis of the characteristics of buyers and sellers of older homes that needed no repair.
34. Impact of Proposed USDA-HUD Housing and USDA Water and Sewer Program on the U.S. Economy, October 1968. (by agency staff)	Department of Agriculture	An analysis of a proposed housing program that will put significant price pressures on the lumber supply and the housing construction labor supply.
35. Continued Increase in Average Size of FHA <u>3</u> /Housing Loans, Memo to William A. Carlson, Director, from Charles R. Miller, Analyst, June 14, 1971. (by agency staff)	Department of Agriculture	An analysis of the reasons for increased average size of loans.
36. Report to the Congress on Rural Financial Assistance, June 10, 1971. (by agency staff)	Department of Agriculture	An analysis of credit for rural development and those financial assistance programs folded into the proposed revenue sharing for rural development. Contains some recommendations on Federal financial assistance in relation to the national objectives of improving the quality of life in rural America and achieving a better geographical balance in economic growth and population through rural development.

<u>Study title</u>	<u>Agency</u>	<u>Relationship to program</u>
37. The Cost-Effectiveness of Mobile Homes in Meeting Housing Needs in Rural Areas. (by agency staff)	Department of Agriculture	A review of recent experience under the HUD and Veterans Administration mobile home credit programs, an examination of the costs and effectiveness of mobile homes in meeting needs for rural housing and assesses a prospective role for FHA in providing credit for mobile homes.
38. Impact of the Expanded Food and Nutrition Education Program on Low-Income Families: An In-depth Analysis, Agricultural Economic Report No. 220, February 1972. (by agency staff)	Department of Agriculture	An evaluation of the Expanded Food and Nutrition Education Program and an analysis of the success of the program in teaching better nutrition and food consumption practices to families in poverty.

1/United States Department of Agriculture.

2/Agricultural Stabilization and Conservation Service.

3/Federal Housing Administration.

APPENDIX II

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JUL 23 1974

Mr. D. L. Scantlebury
Director, Division of Financial
and Management Studies
General Accounting Office
441 G Street, N. W. - Room 6001
Washington, D. C. 20548

Dear Don:

Your draft report on the use of cost-benefit and other analyses in support of budget requests indicates that you agree that a significant amount of analysis has been done by the agencies' studies, but that they tend to make inadequate use of cost-benefit analysis. Further, the report indicates that when cost-benefit analysis is utilized, the emphasis is on application to specific issues and tends not to relate to the budget request in total. Your draft goes on to recommend that the Office of Management and Budget establish a firm requirement for cost-benefit analysis for new programs or those for which sizable increases are proposed when such analysis is practical. We also note your use of the term "cost benefit analysis."

We agree that more and better analysis can be done by agencies in arriving at program decisions and subsequent budget levels. In fact, considerable additional work is already well under way on the two programs noted in your report: the Food and Nutrition Service's child nutrition program and the Urban Mass Transportation Administration's capital facilities grants. The Department of Agriculture is conducting a study of the child nutrition program for the Congress and we understand that cost-benefit information will be included in its report. With respect to the capital grant program of the Urban Mass Transportation Administration, the Department of Transportation is presently developing planning and evaluation procedures and criteria for major mass transit investment alternatives at the metropolitan level. A fundamental element of these

analyses of alternatives will be a heavy reliance on such techniques as cost-benefit and cost-effectiveness analysis. This discipline will also foster greater reliance on quantitative output measures of program performance with which to compare alternative investment strategies and investment levels.

With respect to your concern that analyses are limited to specific issues or portions of programs covered by budget requests, we feel that such a limitation, if properly applied, is prudent utilization of the limited resources generally available for such analyses. Realistically, agencies cannot be expected to be all-encompassing in the scope of their analyses each year.

It is our policy to require that an agency's presentation and justification of its budget request to OMB include identification of past or on-going analyses of cost-benefit or cost-effectiveness, and the results obtained. In addition, the lack of such analyses must be identified and defended. We believe that this policy constitutes a firm requirement for cost-benefit analysis, when appropriate. Recognizing that the time available for budget review is limited, we require transmittal of such analyses as part of the budget request only on an exception basis when the issues being considered warrant the more detailed information.

We are concerned that your proposed criteria to determine application of cost-benefit analysis are based primarily on funding levels or changes in funding levels. The question of when to apply this analytical technique is often a difficult determination. Our policy recognizes that cost-benefit analysis has its limitations. It is most useful when the program objectives or outputs can be quantified and increasingly less useful as objectives and outputs become more difficult to quantify. We consider cost-benefit analysis to be one of a number of techniques which may be useful in resolving questions of whether to establish or continue programs. Any such technique only serves to sharpen the focus for managers during the decision-making process and can never really supplant skilled judgment.

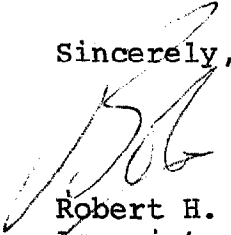
APPENDIX II

As you may know, OMB Director Roy Ash recently established a new Evaluation and Program Implementation Division, headed by a Deputy to the Associate Director for Management and Operations. The principal mission of that Division is to improve the quality and quantity of program evaluation information used in agency and OMB decision-making processes. A preliminary review of program evaluation efforts in selected Federal agencies was recently completed. A copy of this review was provided to your office.

Current projects of the New Division address the issues of building evaluation components into new Government programs, and managing evaluation programs to better serve decision-making. Another project, designed to better relate evaluation planning to the budget process, will get under way later this year. These projects will result in a number of recommendations responsive to the concerns in your draft report. They may include new or revised OMB circulars, technical assistance to agency evaluation programs, and legislative proposals, among other things. I believe this broad-gauged approach is most likely to achieve the improvements you and I agree are necessary.

In summary, we agree that continued and even increased utilization of analytical techniques (such as cost-benefit analysis) are needed. The intent of our present policy is to emphasize their use, when appropriate. Experience has shown that a simple reporting requirement, however attractive, is not sufficient to do the job and may prove to be counter-productive. Your involvement in our evaluation projects is most welcome. We shall be happy to discuss our comments further should you deem it necessary.

Sincerely,



Robert H. Marik
Associate Director for
Management and Operations

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