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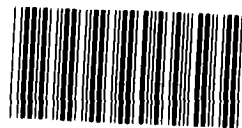
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BY THE COMPTROLLER GENERAL
Report To The Chairman
Committee On Appropriations
House Of Representatives
OF THE UNITED STATES

An Analysis of DOD's Family
Housing Management Account
And Lease Construction Agreements

The Department of Defense can legally re-program funds appropriated to operate and maintain family housing units controlled by the military services. This flexibility is provided for in laws creating the family housing management account and appropriating a lump sum amount called "operation, maintenance" to fund family housing programs.

Overseas, the Department has been given the authority to enter into lease construction agreements for family housing rental units before it receives funds appropriated for the leases. Such leases, provided they meet certain statutory limits on rental rates, are authorized under 10 U.S.C. 2675, and are meant to enable the Department to obtain adequate housing for military families.



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CED-80-53
FEBRUARY 2, 1980





COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-197149

The Honorable Jamie L. Whitten, Chairman
Committee on Appropriations
House of Representatives *HSE00300*

Dear Mr. Chairman:

On July 31, 1979, you asked that we examine the Department *AGC0005* of Defense family housing management account for fiscal years 1977, 1978, and 1979 to determine whether funds have been transferred among specified functional areas within the account without congressional approval, how transferred funds are to be used and if they are used for that purpose, and what the committee could do to assure that funds are used for the purposes justified in the Defense family housing budget.

You also asked that we examine the Department of Defense family housing overseas leasing program to determine if the Department can legally enter into lease construction agreements before passage of appropriation laws, whether lease terms under the lease construction agreements are full-year leases, and the amount required in fiscal year 1981 for increased costs for existing leases.

The results of our review are summarized below and discussed in more detail in the appendix.

- The Department of Defense can reprogram funds appropriated to operate and maintain military-controlled family housing units. The laws creating the family housing management account and appropriating the funds as a lump sum entitled "operation, maintenance" permit this flexibility.
- In situations where funds are appropriated on a lump-sum basis, we have consistently expressed the view that subdivisions of an appropriation contained in budget justifications are not legally binding upon the department or agency concerned unless they are carried over to the appropriation act itself.
- Funds are transferred, and in some cases retransferred, during the fiscal year at the Department of Defense, Service Secretary, major command, and installation commander levels. The installation commanders obligate

and spend the funds as conditions warrant and report obligations in a manner that does not permit a comparison with budget justifications.

--For analysis purposes we devised a method, which Department of Defense officials said was reasonable, to compare estimated obligations to budget amounts; we found that in fiscal year 1977 funds obligated for operation were \$41.4 million less than the budget amount and funds obligated for maintenance were \$35 million more than the budget amount. The differences were larger for fiscal years 1978 and 1979.

--The Department of Defense does enter into lease construction agreements for family housing units before it receives appropriations to fund the additional family housing rental units. Such leases, provided that their rental rates are within the statutory limits, are authorized under 10 U.S.C. 2675, as amended, and therefore are within the exceptions of the Anti-Deficiency Act, 31 U.S.C. 665.

--The lease terms for the lease construction agreements reviewed were for either 5 or 10 years, with renewable rights.

--The amount estimated for increased costs in fiscal year 1981 for existing Army, Navy, and Air Force domestic leases is \$1.8 million and for foreign leases is \$5.4 million, a total of \$7.2 million.

Since establishment of the family housing management account by Public Law 87-554, July 27, 1962, the Congress has appropriated funds as a lump sum to operate and maintain military-controlled family housing. To assure that funds are used for the specific purposes justified in the budget, the military construction appropriation act could specify amounts for the purposes justified in the budget or use some other type of restrictive language. Although this restriction would give the Congress greater control over the use of the funds, it would eliminate some of the flexibility lump-sum appropriations provide the Secretary of Defense to administer the account.

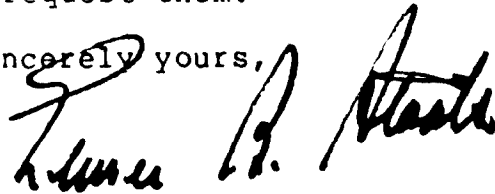
Other avenues are open for the Department of Defense to maintain its management flexibility and the Congress' confidence in its budget justifications. The Appropriation Committees could establish in the fiscal year 1981 military construction appropriation bill a requirement that the Department give advance notice of major reprogramming of family housing operation and maintenance funds. This requirement would benefit both groups by giving the committees important budgetary information without necessarily decreasing the Department's flexibility to undertake needed reprogrammings.

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At your request, we did not obtain written agency comments on the matters discussed in this report. However, we did discuss our work with agency officials during the course of our review, and their comments are included where appropriate.

As arranged with your office, we are sending copies of this report to the House Committee on Armed Services; Senate Committees on Armed Services and Appropriations, Subcommittee on Defense; the Director, Office of Management and Budget; and the Secretaries of Defense, the Army, Navy, and Air Force 2 days after you receive the report. Copies will also be made available to interested parties who request them.

Sincerely yours,



Comptroller General
of the United States



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ANALYSIS OF DOD'S
FAMILY HOUSING MANAGEMENT ACCOUNT
AND LEASE CONSTRUCTION AGREEMENTS

INTRODUCTION

On July 31, 1979, the Chairman, House Committee on Appropriations, asked us to examine the Department of Defense (DOD) family housing management account to determine (1) whether funds are transferred among specific functional areas within the account without congressional approval, (2) how the funds transferred are to be used and if they are used for that purpose, and (3) what the committee could do to assure that funds are used for the purpose justified in the DOD family housing budget. The chairman's concern arose from information DOD presented during hearings on fiscal year 1980 appropriation requests for the family housing management account indicating that leasing funds have been reprogrammed during the last 2 fiscal years without congressional approval.

According to testimony presented, DOD transferred about \$40 million in surplus leasing funds which became available for reprogramming after DOD changed its method of obligating funds for multiyear leases. Before 1978, DOD obligated the full rental amount of a multiyear lease when the lease was signed, and therefore the fiscal years 1978 and 1979 budgets were developed on this basis. However, the Office of Management and Budget (OMB) advised DOD that according to section 807(j) of the Department of Defense Appropriation Act of 1978, Public Law 95-111, September 21, 1977, annual funds could be obligated only for 12 months at a time. Therefore, in July 1978 DOD began obligating family housing leases on a 12-month basis. This series of events made about \$40 million available for reprogramming.

Additionally, the Chairman asked us to examine DOD's family housing overseas leasing program to determine (1) if DOD can legally enter into lease construction agreements before passage of appropriation laws, (2) whether the lease terms under the lease construction agreements are full-year leases, and (3) the amount required in fiscal year 1981 to cover increased costs for existing leases.

SCOPE OF REVIEW

We reviewed the budget justifications and supporting documents and the family housing management account for fiscal years 1977, 1978, and 1979 at the Office of the Secretary of Defense (OSD) and military headquarters levels. We interviewed OSD and military officials who prepare the family housing budget and administer the account. We also interviewed military headquarters officials in charge of the family housing lease construction agreements and reviewed their records.

Because neither DOD nor the military services report the information in the way or detail needed to answer the questions we asked, we devised a method that would compare estimated obligations to budget amounts.

First we adjusted the original fiscal years 1977, 1978, and 1979 budget amounts to equal the actual amounts appropriated. Since amounts obligated are not reported in the same detail as used in budget justifications but are reported in totals for operation and maintenance only, we used DOD reports of funds obligated by object classification and obtained an amount for leasing. After subtracting the leasing amount from the operation amount, we spread the adjusted operation and total maintenance obligation amounts to each of the budget accounts using a percentage relationship obtained from DOD cost accounting reports. We then compared the estimated obligation amounts to the adjusted budget amounts to determine whether obligations were over or under the budget amounts.

DOD and military housing officials said that our method is reasonable and that the amounts shown for obligations over or under budget amounts represent a fair estimate considering the lack of a system to provide the needed information.

We discussed our work with the Defense Audit Service and reviewed its current work and recent reports dealing with military family housing. Neither its current work nor reports dealt with the issues in this report.

DOD CAN REPROGRAM FAMILY HOUSING
OPERATION AND MAINTENANCE FUNDS

DOD can reprogram funds appropriated to operate and maintain military-controlled family housing units. The laws creating the family housing management account and appropriating the funds as a lump sum entitled "operation, maintenance" permit this flexibility.

Law creating the account provides
a flexible management framework

The family housing management account was established pursuant to section 501(a) of Public Law 87-554, July 27, 1962 (42 U.S.C. 1594a-1). Section 1549a-1 states that:

"--For the purpose of providing improved management and administration of funds appropriated or otherwise made available to the Department of Defense for family housing programs there is hereby established on the books of the Treasury Department the Department of Defense family housing management account (hereinafter referred to as the "management account").

"--The management account shall be administered by the Secretary of Defense as a single account. Into such account there shall be transferred (1) the unexpended balance of the funds established pursuant to subsections (g) and (h) of section 404 of the Housing Amendments of 1955, and (2) appropriations hereafter made to the Department of Defense, for the purpose of, or which are available for, the payment of costs arising in connection with the construction, acquisition, replacement, addition, expansion, extension, alteration, leasing, operation, or maintenance of family housing, including the cost of principal and interest charges, and insurance premiums, arising in connection with the acquisition of such housing, and mortgage insurance premiums payable under section 222(c) of the National Housing Act (12 U.S.C. §1715m(c)) and (3) notwithstanding any other provision of law, for the purpose of debt service, proceeds of the handling and the disposal of family housing of the Department of Defense, including related land and improvements, whether handled or disposed of by the Department of Defense or any other Federal Agency, but less those expenses payable pursuant to section 204(b) of the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. §485(b)), to remain available until expended.

"--Obligations against the management account may be made by the Secretary of Defense, in such amounts as may be specified from time to time in appropriation Acts, for the purpose of defraying, in the manner and the extent authorized by law, the costs referred to in subsection (b) of this section."

DOD Instruction 7150.6, July 25, 1978, implementing Public Law 87-554, divides the account into four major categories--construction, debt payment, energy consumption metering, and operation and maintenance. For budget justification purposes, operation is subdivided into subordinate accounts of management, services, utilities, furnishings, miscellaneous, and leasing. Maintenance is subdivided into subordinate accounts of maintenance and repair of dwellings, maintenance and repair of exterior utilities, other real property, and alterations and additions.

Lump-sum appropriation
provides flexibility

Although the budget is justified using the subordinate operation and maintenance accounts, the amount is appropriated as a lump sum entitled "operation, maintenance" and no restrictions are placed on this lump-sum appropriation with the exception in the 1979 act that not less than \$635 million of the amount appropriated for operation and maintenance shall be used for maintenance of real property. Lump-sum appropriations give DOD management flexibility.

The Military Construction Appropriation Acts for 1977 and 1978 (Public Law 94-367, July 16, 1976, and Public Law 95-101, August 15, 1977, respectively) are substantially similar in language to the act for 1979 (Public Law 95-374, September 18, 1978) which reads as follows:

"FAMILY HOUSING, DEFENSE"

"For expenses of family housing for the Army, Navy, Marine Corps, Air Force, and Defense agencies, for construction, including acquisition, replacement, addition, expansion, extension and alteration and for operation, maintenance, and debt payment, including leasing, minor construction, principal and interest charges, and insurance premiums, as authorized by law, \$1,679,865,000, to be obligated and expended in the Family Housing Management Account established pursuant to section 501(a) of Public Law 87-554, in not to exceed the following amounts:

For the Army:
Construction, \$60,560,000;

For the Navy and Marine Corps:
Construction, \$33,446,000;

For the Air Force:
Construction, \$35,335,000;

For Defense agencies:
Construction, \$3,024,000;

For Department of Defense:
Debt payment, \$148,100,000;
Operation, maintenance,
\$1,399,400,000;

Provided, that the amounts provided under this head for construction, and for debt payment, shall remain available until September 30, 1983: Provided further, that of the amounts appropriated for operation and maintenance, not less than \$635,000,000 shall be available only for the maintenance of real property facilities."

LANGUAGE IN BUDGET JUSTIFICATIONS MUST BE INCLUDED IN THE ACT TO BE BINDING LEGALLY

In situations where funds are appropriated as a lump sum, we have consistently expressed the view that subdivisions of an appropriation contained in budget justifications are not legally binding upon the department or agency concerned unless they are carried over to the appropriation act itself. For example, this opinion was expressed in two Comptroller General decisions issued in 1975 (LTV Aerospace Corporation, 55 Comp. Gen. 307 (1975) and Newport News Shipbuilding and Dry Dock Company, 55 Comp. Gen. 812 (1975)).

In LTV Aerospace Corporation, we said that:

"In this regard, Congress has recognized that in most instances it is desirable to maintain executive flexibility to shift around funds within a particular lump-sum appropriation account so that agencies can make necessary adjustments for unforeseen developments, changing requirements, incorrect price estimates, wage-rate adjustments, changes in the international situation, and legislation enacted subsequent to appropriations. Fisher, 'Reprogramming of Funds by the Defense Department,' 36 The Journal of Politics, 77, 78 (1974). This is not to say that Congress does not expect that funds will be spent in accordance with budget estimates or in accordance with restrictions

detailed in Committee reports. However, in order to preserve spending flexibility, it may choose not to impose these particular restrictions as a matter of law, but rather to leave it to the agencies to 'keep faith' with the Congress. See Fisher, supra, at 82."

* * * * *

"Accordingly, it is our view that when Congress merely appropriates lump-sum amounts without statutorily restricting what can be done with those funds, a clear inference arises that it does not intend to impose legally binding restrictions, and indicia in committee reports and other legislative history as to how the funds should or are expected to be spent do not establish any legal requirements on Federal agencies."

* * * * *

"As observed above, this does not mean agencies are free to ignore clearly expressed legislative history applicable to the use of appropriated funds. They ignore such expressions of intent at the peril of strained relations with the Congress. The executive branch--as the Navy has recognized--has a practical duty to abide by such expressions. This duty, however, must be understood to fall short of a statutory requirement giving rise to a legal infraction where there is a failure to carry out that duty." 55 Comp. Gen. 318-25 (1975).

FUNDS ARE TRANSFERRED AMONG ACCOUNTS

Funds are transferred, and in some cases retransferred, during the fiscal year at the DOD, Service Secretary, major command, and installation commander levels. Installation commanders obligate and spend the funds as conditions warrant and report obligations in a manner that does not permit comparison with budget justifications.

OSD transfers the funds in a lump sum to the three Service Secretaries in the three major categories of construction, operation and maintenance, and debt payment. The Service Secretaries transfer a separate amount for both operation and maintenance to each of their major commands. The commands transfer the separated amounts for both operation and maintenance down to each of their installation commanders on a quarterly allocation.

During the fiscal period, installation commanders obligate and spend the funds as needed. For example, climatic conditions could dictate the need to obligate more or less funds for utilities. The installation commander could "transfer" his funds to meet his obligations or seek more funds from the command level. The need for these additional funds could go all the way back to the Service Secretaries, who could transfer funds among commands or seek additional funds from the OSD level. The installation commanders report obligations in a manner that does not permit comparison with budget justifications.

DOD and military housing officials said that managing an inventory of about 388,000 housing units worldwide necessitates this type of flexibility. Operating and maintaining housing units for military dependents presents installation commanders with management problems that are somewhat different from those associated with the other installation facilities. These officials believe that installation commanders need a system that can adjust to day-to-day situations and permits the transfer of funds to meet changing needs.

FUNDS OBLIGATED DIFFER FROM BUDGET AMOUNTS

For analysis purposes we devised a method, which DOD officials said was reasonable, that would compare estimated obligations to budget amounts. We found that in fiscal year 1977, funds obligated for operation were \$41.4 million less than the budget amount and funds obligated for maintenance were \$35 million more than the budget amount. The differences were larger for fiscal years 1978 and 1979, as shown on page 9.

For fiscal years 1977, 1978, and 1979 we adjusted each of the subordinate operation (leasing is shown separately) and maintenance accounts in the DOD budget justification to equal actual amounts appropriated.

Amounts obligated for each of the subordinate accounts are not reported to the OSD or Service Secretary level in budget detail but in totals for operation and maintenance. Using DOD reports of obligation by object classifications for family housing expenses, we were able to obtain an amount for leasing for each of the three fiscal years. After subtracting that amount from operation for each year, we spread the adjusted operation and total maintenance obligation amounts to each of the respective subordinate accounts using a percentage relationship obtained from DOD cost accounting reports, which are presented by subordinate accounts.

DOD and military housing officials said that since neither DOD nor the military services report the information in the way or the detail needed to answer the questions as asked, our method is reasonable and that the difference for the subordinate operation and maintenance accounts shown on page 9 represents a fair estimate given the lack of a system to provide readily the needed information. They said, also, that the difference should be shown as a percent difference from the adjusted budget justification amount and both should be viewed in the context of a budget of about \$1.5 billion to operate, maintain, and lease about 388,000 housing units worldwide.

Schedule Of Obligations
Over or (Under) Adjusted Budget Appropriations

	<u>FY 1978</u>		<u>FY 1978</u>		<u>FY 1979 (note a)</u>	
	<u>Amount</u> <u>(\$000</u> <u>omitted)</u>	<u>Percent</u>	<u>Amount</u> <u>(\$000</u> <u>omitted)</u>	<u>Percent</u>	<u>Amount</u> <u>(\$000</u> <u>omitted)</u>	<u>Percent</u>
Operations:						
Management	3,776	5.8	1,926	2.6		
Services	(3,043)	(7.4)	1,903	4.4		
Utilities	(34,461)	(9.5)	(34,612)	(8.6)		
Furnishings	(7,243)	(8.1)	(2,888)	(3.2)		
Miscellaneous	<u>(352)</u>	(6.5)	<u>(201)</u>	(3.7)		
Total	<u>(41,323)</u>	(7.3)	<u>(33,872)</u>	(5.5)	<u>(40,123)</u>	(6.0)
Leasing	<u>(77)</u>	(0.1)	<u>(25,979)</u>	(29.7)	<u>(13,501)</u>	(15.4)
Total operations	<u>(41,400)</u>	(6.3)	<u>(59,851)</u>	(8.5)	<u>(53,624)</u>	(7.1)
Maintenance:						
Dwellings	25,543	6.8	47,648	9.9		
Exterior utilities	1,015	3.6	(2,962)	(8.2)		
Other real property	6,862	18.2	12,036	25.2		
Alteration and additions	<u>1,615</u>	57.2	<u>694</u>	16.2		
Total	<u>35,035</u>	7.9	<u>57,416</u>	10.1	<u>51,343</u>	7.9
Net difference (note b)	(6,365)	(0.6)	(2,435)	(0.2)	(2,281)	(0.2)

a/Data by subfunction not yet available for fiscal year 1979.

b//Net differences consist of unrealized reimburseable obligating authority and unobligated funds reverting to OSD.

INFORMING THE APPROPRIATION COMMITTEES
OF MAJOR PROGRAM CHANGES

Avenues are open for DOD to maintain its management flexibility as well as the Congress' confidence in its budget justifications. DOD could give the Appropriation Committees advance notice of major reprogramings, which would give the committees important budgetary information without necessarily decreasing DOD's flexibility to undertake needed reprogramings.

The Congress has clearly recognized the legal effect of enacting nonrestrictive appropriation acts. Since establishment of the family housing management account by Public Law 87-554, July 27, 1962, the Congress has appropriated funds as a lump sum to operate and maintain military-controlled family housing. To assure that funds are used for the specific purpose justified in the budget presentations, the military construction appropriation act could specify line item amounts for the subordinate accounts or use some other restrictive language. Although this restriction would give the Congress greater control over use of the funds, it would eliminate some of the flexibility non-restricted appropriations provide the Secretary of Defense to administer the account.

As stated earlier, ignoring clearly expressed legislative history concerning the use of appropriated funds does have its perils. In commenting on reprogramming in its report on the DOD appropriation bill for fiscal year 1974, the House Committee on Appropriations noted:

"In a strictly legal sense, the Department of Defense could utilize the funds appropriated for whatever programs were included under the individual appropriation accounts, but the relationship with the Congress demands that the detailed justifications which are presented in support of budget requests be followed. To do otherwise would cause Congress to lose confidence in the requests made and probably result in reduced appropriations or line item appropriation bills." (See H. Rept. No. 93-662, 93rd Cong., 1st sess., p. 16.)

DOD apparently has been sensitive to the Congress' desire to maintain close scrutiny and control over appropriated funds. DOD has issued a set of policy guidelines on reprogramming (DOD Directive 7250.5, Jan. 14, 1975, and DOD Instruction 7250.10, Jan. 14, 1975) that in certain instances, which do not necessarily include family housing actions, contemplate obtaining Appropriation and Armed Services Committees' approval.

In retrospect, the reprogramming of approximately \$40 million in funds originally programed for leasing and later transferred to the maintenance account to cover a shortfall resulting from the dollar devaluation in Europe would have been an opportunity for DOD to have applied the thrust of its policy guidance on reprogramming.

DOD and military housing officials said that the need exists to maintain both the flexibility given to the Secretary of Defense to administer the account and to better inform the appropriate committees when certain circumstances, such as the reprogramming of leasing funds, occur. They felt that discussing the day-to-day reprogramming actions as they occur would be burdensome. They felt that they have highlighted these actions, in summary form, during past testimony on the military construction appropriation bills.

We are not suggesting that day-to-day reprogramming actions should be submitted to the committees for approval. This would unnecessarily burden both groups. However, the Appropriation Committees could establish in the fiscal year 1981 military construction appropriation bill a requirement that DOD give advance notice of major reprogramming of family housing operation and maintenance funds. This requirement, in our opinion, would benefit both groups and would provide important budgetary information for the committees to consider without necessarily decreasing DOD's flexibility to undertake needed reprogramings. This parallels a recommendation we made in an earlier report 1/ that the Congress require DOD to provide more information reporting and analysis of variations between budget justifications and actual outcomes.

DOD CAN LEGALLY SIGN LEASE CONSTRUCTION
AGREEMENTS BEFORE IT RECEIVES APPROPRIATIONS

DOD does enter into lease construction agreements for family housing units before it receives appropriations to fund the additional family housing rental units. Such leases, provided that their rental rates are within the statutory limits, are authorized under 10 U.S.C. 2675, as amended, and therefore are within the exceptions of the Anti-Deficiency Act (31 U.S.C. 665).

1/"Analysis of Department of Defense Unobligated Budget Authority" (PAD-78-34, Jan. 13, 1978.)

Lease construction is a building program used in foreign countries to obtain adequate housing for military families. Investors agree to construct housing and DOD agrees to lease that housing, when constructed, for military families. No funds are recorded as obligated until the units are occupied and, as discussed on page 1, funds are obligated for 1 year at a time and not for the full term of the lease in the first fiscal year of the lease, as was the practice before 1978.

In accordance with 10 U.S.C. 2675, the Secretaries of the military departments may acquire by lease, in any foreign country, structures and real property relating thereto that are needed for military purposes. A lease under this section may not be for a period of more than 5 years, except that a lease for military family housing may be for more than 5 but not more than 10 years.

If the average estimated annual rental during the term of the lease is more than \$250,000, DOD must report the proposed lease to the House and Senate Committees on Armed Services and wait 30 days before the lease can be signed.

You asked us to determine if DOD is actually entering into lease construction agreements before receipt of appropriations. We reviewed 13 Army, Navy, and Air Force lease construction agreements with average estimated annual rental of over \$250,000. The following schedule shows that, on the average, lease construction agreements are being signed about 2 fiscal years prior to receipt of appropriations.

Schedule of Selected
Lease Construction Agreements

<u>Location</u>	-----Fiscal year-----		
	<u>Committee</u> <u>approved</u>	<u>Lease/construct</u> <u>agreement signed</u>	<u>Initial funds</u> <u>used</u>
<u>Army:</u>			
Ansbach-Sachsen Am Wasserturm, Germany	77	78	a/ 80
Gerbrunn Im Aeusseren Kirschberg, Germany	77	79	(b)
Fuerth-Poppenreuth, Germany	78	78	79
Fuerth-Poppenreuth, Germany	78	78	a/ 80
<u>Navy:</u>			
Holy Loch, Scotland	78	78	(b)
La Maddalena, Italy	78	79	a/ 81
<u>Air Force:</u>			
Camp New Amsterdam, Netherlands	74	75	77
Kalkar, Germany	77	78	79
Lakenheath, Mildenhall, U.K.	77	78	a/ 80
Hahn, Germany	77	78	a/ 80
Spangdahlem, Germany	77	79	a/ 80
Torrejon, Spain	77	(b)	(b)
Bentwaters/Woodbridge, U.K.	77	(b)	(b)

a/Estimated.

b/No estimate to date.

A question can be raised as to whether this practice represents a violation of 31 U.S.C. 665(a), popularly known as the Anti-Deficiency Act, which prohibits executive officers of the Government from subjecting the Government to liabilities and expenditures in excess of those contemplated by the law. Section 665 states:

"(a) No officer or employee of the United States shall make or authorize an expenditure from or create or authorize an obligation under any appropriation or fund in excess of the amount available therein; nor shall any such officer or employee involve the government in any contract or other obligation, for the payment of money, or for any purpose, in advance of appropriations made for such purpose, unless such contract or obligation is authorized by law."

In our opinion, DOD's practice does not impinge on 31 U.S.C. 665 since these leases are expressly authorized under 10 U.S.C. 2675 and therefore would fall within the exception of section 665(a) for contracts or obligations "authorized by law."

We note, however, that in an earlier report ^{1/} we said that congressional and executive "full-funding" budget action on programs and activities with multiyear commitments was a sound budgetary policy and procedure. The full-funding concept entails the provision of funds at the outset for the total estimated cost of a given item. This practice gives the Congress and the public knowledge of the full dimensions and costs of any item when it is first presented for funding. We believe this knowledge facilitates congressional decision-making with respect to funding priorities within the budget year spending ceiling. Programs compete on a more equitable basis under the full-funding concept since it emphasizes the full Federal investment involved in each new start. Incrementally funded multiyear programs enjoy an advantage in competing for dollars in that only a portion of their total cost is requested each year. The fact remains, however, that once a commitment is made, the Federal Government may find it difficult to terminate the project. Therefore, full funding would increase Congress' initial control and oversight over total spending and outlays in future years. We feel that this is one of the primary objectives of the Congressional Budget and Impoundment Control Act of 1974, Public Law 93-344.

We recognize, however, that providing budget authority for full program costs in 1 year would require a higher budget authority ceiling in the concurrent resolutions on the budget than would currently be required by providing budget

^{1/}"Further Implementation of Full Funding in the Federal Government" (PAD-78-30, Sept. 7, 1978.)

authority for partial costs for the same programs under incremental funding. In short, the political realities of implementing the full-funding concept Government-wide may be difficult to accept.

LEASE TERMS ARE
FOR EXTENDED PERIODS

The lease terms for the lease construction agreements we reviewed are for 5 or 10 years, with renewable rights.

Public Law 95-82, August 1, 1977, amended 10 U.S.C. 2675 authorizing leasing of military family housing units in foreign countries for terms up to 10 years. (The previous limit was 5 years.) DOD requested the change, stating that a longer term could induce investors to provide rental housing at lower rates since they could recoup costs over a longer period--10 versus 5 years.

EXISTING LEASES ARE ESTIMATED TO COST
ABOUT \$7.2 MILLION MORE IN 1981

The Army, Navy, and Air Force estimate that the increased costs in fiscal year 1981 for existing leases are as follows:

	<u>Leases</u>		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
Army	\$590,000	\$3,712,000	\$4,302,000
Navy	714,152	780,000	1,494,152
Air Force	<u>509,739</u>	<u>858,100</u>	<u>1,367,839</u>
Total	<u>\$1,813,891</u>	<u>\$5,350,100</u>	<u>\$7,163,991</u>

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