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

~~9761~~

March 12, 1979

B-115398

[Proposed RESCISSIONS of Budget Authority Pursuant to]

To the President of the Senate and the Speaker of the House of Representatives (2000001)

On January 31, 1979, the President's fifth special message for fiscal year 1979 was transmitted to the Congress pursuant to the Impoundment Control Act of 1974. The special message proposed ten new rescissions of budget authority totaling \$914.6 million, six new deferrals affecting \$1,169.8 million and revisions to six previously proposed deferrals increasing certain withholdings by \$28.8 million.

Based upon the current legislative calendar, the 45-day period of continuous session during which the funds may be withheld pending congressional consideration of a rescission bill will end March 27, 1978.

Budget documents establish that formal reserves were established for some of the proposed rescissions on the following dates.

- R79-3: 1-18-79
- R79-4: 1-19-79
- R79-5: 1-16-79
- R79-6: 1-22-79
- R79-7: 1-22-79
- R79-8: 1-2-79
- R79-9: 1-19-79
- R79-10: 1-2-79
- R79-11: 1-22-79



As noted, some budgetary reserves (R79-8, 10) were established almost 4 weeks before they were reported to the Congress, and most withholdings were in effect for at least 2 weeks prior to the transmission of the 5th special message to the Congress. In this connection, we must again point out that delays in reporting impoundments do not comply with either the requirements or spirit of the Impoundment Control Act. Moreover, while all ten proposals were published on January 22, 1979, in the Appendix to the Fiscal Year 1980 Budget, they were not reported to the Congress until 9 days later--January 31, 1979. The delay in reporting these rescission

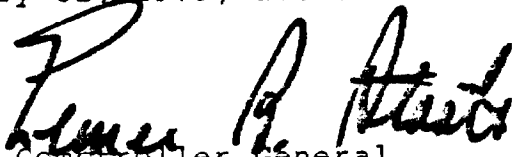
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OGC-79-7
Report

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proposals has resulted in increasing the period during which the funds may be held pending consideration of a rescission bill.

Our specific comments on the information submitted in the special message of January 31, 1979, are enclosed.



Comptroller General
of the United States

Enclosure

GAO COMMENTS ON THE PRESIDENT'S FIFTH
SPECIAL MESSAGE FOR FISCAL YEAR 1979

Except as noted below, ^{generally} we conclude that the information provided in the 5th special message is correct and that the actions being proposed have been clearly and accurately stated.

DEPARTMENT OF ENERGY *ABC 000912*

R79-2 Fossil Energy
Fossil Energy Construction
89X0214

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

R79-3 National Institutes of Health *ABC 00022*
Buildings and Facilities
75X0838

R79-4 Health Resources Administration
Health Resources
7590712 756/90712

In this rescission proposal, the executive branch seeks to rescind \$167.9 million which has been determined to be unnecessary to the conduct of certain Federal health professions training programs. Specifically identified as unneeded is funding for capitation grants, nursing student and institutional assistance, health professions non-service student loans and emergency medical training grants.

The special message states that the funds proposed for rescission are "unnecessary to program needs for meeting the goal of providing health services to the medically underserved." And it is noted that increased emphasis is "being placed on the needs-based student assistant grant and loan programs of the Office of Education." However, as discussed below, the special message leaves unclear whether the funds proposed for rescission are considered by the Administration to be simply unneeded to meet the stated goal of providing health services to the medically underserved or, to the extent that funding is needed, whether Office of Education programs will

accommodate those individuals who will no longer obtain educational assistance through the Health Resources Administration.

Our comments on the effect of the proposed rescission on various aspects of the health professions program follow.

Nursing Student Loans and Scholarships

Program representatives stated they did not know whether funds for Office of Education (OE) programs were increased to allow for additional participation by student nurses so that such individuals could either continue to receive support through revolving loan funds at the nursing schools or qualify for assistance through OE programs.

Nurse Traineeships

Division of Nursing representatives stated that they did not know whether funds for OE programs would be available to allow for additional participation by nurse trainees. Moreover, if the traineeships were not funded by OE or other nursing programs, many students currently receiving traineeships may have to interrupt their education.

Nurse Educational Assistance Research Grants

Program representatives suggested that the proposed rescission could put the nursing research program behind in finding answers to unresolved questions that could improve the delivery of primary care.

Advanced Nurse Training

Division of Nursing representatives stated that while the proposed rescission would not impact on the Department of Health, Education, and Welfare's (HEW) priority on maldistribution programs, the proposed rescission could impact on the nursing profession's goal of having nurses with Masters or Ph.D. degrees assume leadership roles.

Nursing Special Projects

The justification states, in effect, that the proposed rescission would not affect projects that impact on maldistribution and the disadvantaged. Division of Nursing

representatives indicated that, because of the timing of their grant funding process, they were not sure whether the proposed rescission, if approved, would result in the loss of funding for projects dealing with maldistribution and the disadvantaged. This would depend on the method the Health Resources Administration uses to implement the funding reduction.

Health Professions Capitation

Representatives for the capitation grant program stated that the justification and the estimated effects were reasonable but may be incomplete. The justification only discussed the potential impact on medical schools, but not on other health-profession related schools namely, dentistry, veterinary, optometry, podiatry, and pharmacy. Potential impact on these schools, according to the program representatives, could be as follows:

- the existing shortage in podiatrists could increase;
- the private schools' tuition could be increased to compensate for the loss of Federal capitation funds;
- the enrollment and faculty in schools could be reduced; and
- existing OE programs at such schools as may have student loan funds available but at a higher interest rate for the student.

Also, in our staff study entitled, "Federal Capitation Support and its Role in the Operation of Medical Schools," HRD-78-105, May 16, 1978, we stated that withdrawal of Federal capitation support may have serious consequences for some medical schools, particularly those with only limited access to resources from other Federal, State, and private sources. In addition, we noted that medical school officials expressed concern that an attempt to replace Federal capitation support by increasing tuition could bring a marked change in the socio-economic characteristics of the student body and require program reductions.

Health Professions Student Loans

Representatives for the health professions student loan program stated that the estimated impact of the rescission may not have been fully addressed since, even if students were able to obtain alternative funding sources, the interest rates would likely be higher.

Program officials also pointed out that the proposed rescission does not provide for continuation of funding or phase-out support for those students participating in the program who were still in school.

Emergency Medical Training

Representatives for emergency medical training stated that "need" for the program is not the issue underlying the rescission proposed. Rather, the issue is whether the program should be initiated or funded at the local level with local resources. If these programs were in fact funded at the local level, there would not be an impact from the proposed rescission according to program representatives. However, program representatives did not know whether the local level would be able, or willing, to fund this program. The justification for this program did not indicate or identify the extent to which the proposed rescission would result in termination of funding for noncompeting continuation grantees.

Nursing Capitation Grants

The justification apparently is based upon the position there is no longer a shortage of nurses. In this regard, Section 951 of the Nurses Training Act of 1975 directed HEW to submit to the Congress annual reports on the supply of, and requirements for, nurses. Division of Nursing representatives pointed out in response to our questions that HEW has drafted, but not yet released, its report to Congress on nursing requirements. The representatives, therefore, said they could not respond to our question whether there is a shortage of nurses until the findings of the report on the "requirements" for nurses were approved by HEW and released to Congress.

The justification for the proposed rescission did not mention that many nursing schools qualify for capitation

assistance based upon their agreeing, among other things, to increase the number of enrolled disadvantaged individuals. Consequently, program representatives feel that a rescission may impact on HEW's priority to increase disadvantaged representation in nursing. The justification did not discuss the potential impact to nursing schools resulting from the loss of Federal capitation funds.

R79-5 Office of Education
Special projects and training
7590270

Objective goals

House
Some of
The proposed rescission and reprogramming actions contained in the above rescission message appear to be at variance with congressional expectations regarding ~~the conduct of the career education incentive programs.~~ Specifically, for fiscal year 1979, the executive branch requested \$10.1 million for career education demonstration projects and nothing for the career education incentives program. The House Committee on Appropriations rejected this proposal and recommended \$35 million for career education incentives. The Senate Committee on Appropriations agreed with the basic House approach and recommended \$30 million for career incentives. The conferees compromised at \$32.5 million for career incentives and agreed to a zero appropriation for career education demonstration grants. It appears that the executive branch is now proposing to effectuate its original plan for fiscal year 1979 despite the prior committee rejection of that plan as evidenced in the appropriation process.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

R79-6 Subsidized Housing Programs
(State Housing Finance and Development
Agencies)
86X0165

Att. 00033

R79-7 New Community Development Corporation
New Community Assistance Grants
86X0149

Att. 00033

DEPARTMENT OF THE INTERIOR

R79-8 Bureau of Mines
Helium Fund
14X4053

NATIONAL AERONAUTICS AND SPACE
ADMINISTRATION

ABC 00036

R79-9 Research and program management
 8090103

FOREIGN CLAIMS SETTLEMENT COMMISSION

ABC 00048

R79-10 Payment of Vietnam Prisoner of War Claims
 79X0104

SMALL BUSINESS ADMINISTRATION

ABC 00002

R79-11 Salaries and Expenses
 7390100

SBA's fiscal year 1979 budget request for salaries and expenses totaled \$165.1 million. However, the Congress appropriated \$200 million. In appropriating the additional \$34.9 million, the Congress intended that SBA allocate additional resources to its non-lending activities. See, for example H. Rept. 95-1565 at page 27 (1978). The additional funds were also to be used to increase SEA's staffing. SEA subsequently prepared a plan for utilizing the additional funds. Upon reviewing SEA's plan, the Office of Management and Budget (OMB) approved SEA's use of \$20,235,000 of the additional funds and directed that the remaining \$14,665,000 be rescinded. OMB's contention in not approving the use of the \$14,665,000 was that SBA had not adequately justified its use. The amounts being rescinded do not represent a reduction of expenditures below the level originally requested by SEA.

DEPARTMENT OF AGRICULTURE

ABC 00042

D79-3A FOREST SERVICE
 Expenses, Brush Disposal
 12X5206

ABC 00074

DEPARTMENT OF COMMERCE

D79-47 National Oceanic and Atmospheric Administration
 Operations, research and facilities
 13X1450

D79-7A National Oceanic and Atmospheric Administration
Fisheries Loan Fund
137/04317

DEPARTMENT OF DEFENSE *At 11/20/05*

D79-9A Department of Defense-Civil
Wildlife conservation, Army
Wildlife conservation, Navy
Wildlife conservation, Air Force

DEPARTMENT OF ENERGY

D79-48 Uranium Enrichment-Operating Expenses
89X0226
(Energy Science and Defense Activities
Operating Expenses - 39X0210)

DEPARTMENT OF THE INTERIOR

D79-46A Bureau of Land Management
Oregon and California Grant Lands
14X5136

DEPARTMENT OF JUSTICE *At 11/20/03*

D79-49 Community Relations Service
Salaries and expenses
1590500

A program official told us that one effect of this deferral would be to cause a reduction in the full-time permanent staff of the Community Relations Service (CRS); with personnel cuts to be made in the headquarters staff, primarily in the administrative area. We were told that one possible way of implementing such a staff reduction would be to terminate the employment of some personnel if such individuals cannot be absorbed into other program components of the Department of Justice. Our information is that a total of nine staff positions would be eliminated in such an event.

Another effect of this deferral is a possible reduction of 40 percent of the travel resources available to the CRS which would be likely to have an adverse impact on CRS' ability to effectively carry out its mission.

We were also told that CRS is considering a freeze in promotions, quality step increases, and recruitment of temporary personnel to meet the reduced budget. Furthermore, CRS' training budget has been reduced by about 50 percent.

A CRS official also told us that, despite the personnel and administrative restrictions described above, such actions would not be sufficient to achieve the reduction of \$572,000 proposed in this deferral and that, as a result, CRS would be likely to end fiscal year 1979 with a budget deficit of at least \$139,000.

DEPARTMENT OF LABOR *Abc 0009*

D79-50 Employment and Training Administration
 Employment and Training Assistance
 1690174

Based on an updated estimate "other budgetary resources" are \$50-\$70 million rather than \$120,600,000 as shown in the message. If this updated estimate proves to be accurate the Department could have, after the deferral, as little as \$668,067,000 available for the 1979 program. This would fund only about 902,000 jobs rather than the one million jobs stated in the deferral message.

In connection with this deferral, we are considering whether the matter has been properly classified as a deferral of budget authority or, rather, whether the subject funds should have been proposed for rescission. We hope to complete our analysis of this issue in the near future and will report our conclusion to the Congress, as appropriate. In our recently released report, "More Effective Management is Needed to Improve the Quality of the Summer Youth Employment Program," HRD-79-45, February 20, 1979, we pointed out numerous problems with the summer youth employment program and recommended that program management be improved before the program is authorized to grow.

DEPARTMENT OF TRANSPORTATION *Abc 00029*

D79-20A Federal Aviation Administration
 Facilities and Equipment (Airport and
 Airway Trust Fund) FAA

B-115398

D79-51 Urban Mass Transportation Administration
Urban Mass Transportation Fund
(Interstate Transfers)
69X1119

DEPARTMENT OF THE TREASURY

ACC 00038

D79-40A Office of the Secretary
Antirecession Financial Assistance
Fund 208/90108

TENNESSEE VALLEY AUTHORITY

ACC 00108

D79-52 Payment to Tennessee Valley
Authority Fund
54X4110