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# **REPORT TO THE HOUSE COMMITTEE ON THE BUDGET**

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

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## **Revolving Funds: Full Disclosure Needed For Better Congressional Control**

Because of the way some revolving funds are currently included in the Federal budget, the total amount of Government activities is understated--for example, by an estimated \$28 billion in fiscal year 1978.

Inconsistent classification of budget accounts causes inconsistent reporting for essentially similar programs.

GAO recommends that revolving funds should be accounted for differently than they are now. This will cause changes in the budget process, especially in the disclosure of financial information. GAO also recommends that common criteria be established for classification of budget accounts.



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

B-115398

The Honorable Butler Derrick  
Chairman, Task Force on Budget  
Controllability  
Committee on the Budget  
House of Representatives

Dear Mr. Chairman:

In response to your request, we are reporting on various aspects of revolving funds--an important means of financing Government programs--and assessing the effects such financing techniques have on congressional control over the budget. This report is the first of a series which is aimed at assuring consistent application of budget principles.

Our review was made pursuant to your request and under the provisions of title VIII of the Congressional Budget Act of 1974 (P.L. 93-344).

We are sending copies of this report to the Director, Congressional Budget Office; the Secretary of the Treasury; and the Director, Office of Management and Budget.

Sincerely yours,

A handwritten signature in cursive script that reads "James P. Stacks".

Comptroller General  
of the United States

COMPTROLLER GENERAL'S  
REPORT TO THE  
HOUSE COMMITTEE ON  
THE BUDGET

REVOLVING FUNDS: FULL  
DISCLOSURE NEEDED FOR BETTER  
CONGRESSIONAL CONTROL

D I G E S T

The Congress establishes revolving funds to finance Federal programs which carry on a businesslike cycle of operations. Receipts from program operations are earmarked for future operations of the fund. Revolving funds became popular during the 1930s when many of the large Government corporations were founded. Although the number of funds has not grown recently, revolving fund financial transactions have. "The Budget of the U.S. Government" for fiscal year 1977 lists 185 revolving fund accounts with projected receipts of \$70.6 billion and gross outlays (payments) of \$75 billion--approximately 20 percent of the total Federal receipts and outlays projected for the year. (See pp. 2 to 9.)

Revolving funds are divided into three major groups (see pp. 4 to 6):

- Public enterprise: Business conducted primarily with customers outside the Government. These funds have the greatest impact upon congressional control.
- Intragovernmental: Business conducted primarily within and between Federal agencies.
- Trust revolving: Business conducted with receipts held by the Government in a fiduciary (i.e., trust) capacity.

In 1967, the President appointed the Commission on Budget Concepts to review Federal budget concepts and recommend changes in the Federal budget process. The Commission made two recommendations which have had a direct and lasting impact on revolving funds and their inclusion in the budget: (1) financial activities of public enterprise revolving funds should be included in the budget totals on a net outlay basis and (2) there should be a consistent classification of revolving fund accounts in the budget.

Since enacting the Congressional Budget Act of 1974, the Congress has become more involved in the Federal budget process, especially in setting priorities among Federal functions. Because of the major changes in the budget process brought about by the act, GAO believes the practice of net outlay accounting for public enterprise revolving funds should be changed. Reporting public enterprise revolving funds in the Federal budget on a net outlay basis is misleading and understates the true magnitude of Government activities as well as the impact of individual revolving fund programs; thus, the Congress does not have the most complete information for making future budget decisions.

Steps should also be taken to reinforce the 1967 Commission's recommendation for consistent application of revolving fund criteria. Questions exist concerning accounts presently classified as revolving funds. (See pp. 42 to 58.)

#### NET OUTLAY ACCOUNTING

Although revolving fund transactions are presently accounted for in the budget on a net basis, the level of financial activity carried on by revolving funds would most clearly be shown by recording total outlays (i.e., on a gross basis). For example, of the \$33.6 billion of Government financial activity projected to be conducted with the public through public enterprise revolving funds in fiscal year 1977, only \$5.8 billion was included in the 1977 budget outlay totals. The \$27.8 billion in receipts was deducted from the \$33.6 billion in outlays and was not included. This \$27.8 billion was, in effect, treated as if it were not part of the budget. (See p. 62.)

Although fiscal year 1977 budget data is used throughout this report (see p. 1), the conclusions and recommendations presented would not change if 1978 budget data were used.

The Director of the Office of Management and Budget should make appropriate changes in current budget procedures which will result

in financial activities of public enterprise revolving funds being reflected in the Federal budget on a gross basis.

#### REVOLVING FUND CRITERIA

Revolving funds are not established by the Congress on the basis of any uniform criteria as to when revolving fund financing is necessary or appropriate. Moreover, authorizing legislation does not always clearly provide that a revolving fund is to be established. GAO, the Treasury, and the Office of Management and Budget provide different criteria for the classification of accounts as revolving funds. Some accounts classified as revolving funds do not meet the written criteria. For instance, although the criteria specifies that an activity should be self-financing, outlays often exceed receipts by large amounts in many public enterprise revolving funds. When this happens, the funds must receive some form of additional budget authority through appropriation acts. Other programs, with operations similar to revolving fund programs, have not been established as such by the Congress.

Together with the executive branch, the Congress should develop and utilize a common criteria for establishing and classifying all revolving funds.

Before establishing any additional revolving funds, the Congress should study the full financial implications of each new proposal and incorporate the findings of such a study in reports and documents on the legislation.

The Director of the Office of Management and Budget should periodically review, in depth, all established revolving funds in the budget to determine whether (1) they still meet the established criteria for revolving funds and (2) the accounts should continue to operate as revolving funds. The results of such reviews should be given to congressional committees, the Department of the Treasury, the Congressional Budget Office, and GAO.

### AGENCY COMMENTS

While the Office of Management and Budget agreed in principle with most of GAO's recommendations, it objected to GAO's recommendation that public enterprise revolving funds be included in the Federal budget totals on the basis of total expenses. In GAO's view, the Congressional Budget Act of 1974, with its greater congressional involvement in the budget process, requires full and complete disclosure of information to the Congress.

The House Appropriations Committee agreed with the thrust of the recommendations. The Department of the Treasury and the Congressional Budget Office believe GAO's recommendations merit serious consideration. These agencies and the Office of Management and Budget pointed out that GAO's recommendations, if adopted, will require changes in the budget process, especially in the methods of reporting and disclosing financial information. Making these changes will require coordination among concerned parties. GAO believes this should be done and will assist in the task.

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ABBREVIATIONS

CBO	Congressional Budget Office
CCC	Commodity Credit Corporation
FmHA	Farmers Home Administration
GAO	General Accounting Office
GNMA	Government National Mortgage Association
HUD	Department of Housing and Urban Development
OMB	Office of Management and Budget
SBA	Small Business Administration

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## CHAPTER 1

### SCOPE AND DEFINITION

#### PURPOSE AND SCOPE OF REPORT

This report was undertaken at the request of the House Budget Committee's task force on budget controllability as part of a series of reports dealing with legislative, financial, and administrative practices that affect the ability of the Congress to control Federal spending. These studies are intended to assist the Congress in distinguishing between controllable and other programs (a distinction required by the Congressional Budget Act). In addition, they are intended to gather data and develop concepts for practical application by the Congress in improving the controllability of the Federal budget.

The extent of our review was to study the overall use of revolving fund financing throughout the Federal Government and its implications for congressional control. Although individual revolving fund accounts are cited frequently throughout the report as examples, no individual accounts were studied in depth or audited by GAO for this report. No projections can be made from any single example because there are three broad classifications of revolving funds, each classification unique and varying greatly from the others. Also, there are 185 revolving fund accounts included in the budget, which finance vastly different programs and activities and vary in size from several thousand dollars to several billion dollars.

The source for most of the statistics and financial information used in this report is from an analysis of "The Budget of the U.S. Government," 1977, its "Appendix," and the Office of Management and Budget (OMB) computer tape of this information. Therefore, financial data for fiscal years 1976 and 1977 are OMB estimates.

Fiscal year 1978 budget data became available after the analyses in this report were completed but before the report was published. Since no changes have been made in the budget system, changing statistics throughout the report to reflect fiscal year 1978 data would have required an extensive effort without significantly changing financial data or in any way changing the substance of the report's conclusions or recommendations. For example, \$27.8 billion in receipts from public enterprise revolving fund activity was deducted from \$33.6 billion in gross outlays so that only \$5.8 billion was included in the fiscal

year 1977 budget outlay totals. This compares with \$8.6 billion included in the fiscal year 1978 budget outlay totals.

Other information in the report came from various sources, such as previous reports on revolving funds, legislative histories, and general studies on the budget process and congressional control. Numerous interviews were held with officials at OMB and Treasury and with congressional staff members from various committees.

The report is divided into six sections, the first part of which is a general discussion of the characteristics of the various categories of revolving funds. This is followed by a discussion of the history and growth of revolving funds and how revolving funds are financed. Executive and legislative branch criteria for revolving fund establishment and classification are discussed in detail along with several examples of questionable classification of funds. The largest segment of the report deals with specific aspects of congressional control as it relates to revolving funds. The final section consists of our conclusions and recommendations.

#### WHAT IS A REVOLVING FUND?

The general term "revolving fund" designates a fund established by the Congress to finance a cycle of operations through amounts received by the fund. A Government activity can thus finance a business-like cycle of operations with a revolving fund. In concept, expenditures from the revolving fund generate receipts which, in turn, are earmarked for new expenditures, thereby making the Government activity a self-sustaining enterprise. The concept is aimed at selected Government programs in which a buyer/seller relationship exists to foster an awareness of receipts versus outlays through business-like programming, planning, and budgeting. Such a market atmosphere is intended to create incentives for customers and managers of revolving funds to protect their self-interest through cost control and economic restraint, similar to those that exist in the private business sector. In theory, most revolving funds are intended to become self-sufficient and not in need of annual appropriations from the Congress to operate, thus often eliminating the need for systematic congressional control of revolving fund operations.

All revolving funds are established by act of Congress. Proposals to establish revolving funds come from either the executive branch (individual agencies or OMB) or from congressional sources. The legislative procedure for establishing revolving funds is generally the same as that for

establishing any Federal program. For revolving funds, however, the Congress provides authority for a program to collect and earmark receipts from program activities which in turn will be used to finance future operations rather than requiring the regular appropriations process for periodic program financing.

Appropriation action is generally required to furnish the revolving fund with a corpus (i.e., initial working capital), although other means are sometimes used (see p. 33). The corpus has to be sufficient for the activity to finance its operating costs until the time that it receives reimbursement from users. Thereafter, appropriation involvement is usually limited to restoring the corpus for losses incurred by the fund (capital impairment) or to limit administrative or personnel costs. As a result, congressional control over the level of revolving fund program activities is generally unnecessarily removed from the appropriations process because the revolving fund depends on business demand for its revenue, which is not under the control of the Congress.

#### The President's Commission on Budget Concepts

The recommendations of the President's Commission on Budget Concepts (1967), <sup>1/</sup> which are discussed frequently throughout this report, had a direct and lasting effect on budget concepts and definitions related to revolving funds. This is especially true regarding both budget treatment and consistent classification standards for revolving funds. Consistent with the Commission's recommendations, revolving funds are accounted for in the budget on a net outlay rather than a gross outlay basis. That is, receipts from funds operations are subtracted from gross outlays with only the net outlay amount being reflected in the budget totals. The Commission was also concerned with the need for consistency in treatment of budget concepts and definitions because, in the Commission's opinion, this directly affects budget accounting practices. These issues and our related recommendations, which are at some variance with the recommendations of the President's Commission (i.e., contrary to present budget practices), are discussed in this report as follows:

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<sup>1/</sup>"Report of the President's Commission on Budget Concepts and Staff Papers and Other Materials Reviewed by the President's Commission," Washington, D.C., Oct. 1967.

--The issues relating to reporting revolving fund financial activity on a net instead of a gross outlay basis in the budget totals are raised most notably in chapter 6 and appendix I.

--The Commission's stand on the importance of standard budgetary concepts and definitions regarding establishment and classification of revolving funds is discussed in chapters 4 and 6.

### TYPES OF REVOLVING FUNDS

Revolving funds are divided into three major groups-- public enterprise, intragovernmental, and trust revolving-- defined and discussed below. 1/

#### Public enterprise

This group of accounts (Treasury account symbols 4001-4499) includes funds which are established by specific statutory provisions and are credited with collections primarily from outside the Government. These receipts are earmarked to finance a continuing cycle of Government-owned, business-type operations in which outlays generate receipts. Each of the Government-owned corporations 2/ (except Federal Prison Industries and Federal Deposit Insurance Corporation) operates with one or more public enterprise funds. 3/ Most public enterprise funds have a corpus invested by the Government. The most common uses of these funds are:

--Direct lending operations, such as the Small Business Administration business loan program, the program for loans to Indians, and various lending programs of the Department of Housing and Urban Development (HUD).

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1/Specific characteristics of the three types of revolving funds are discussed in more detail in the "Criteria for Revolving Fund Financing" section of this study, pages 48 to 53.

2/As defined by section 101 of the Government Corporation Control Act, which is discussed on pages 65 to 67.

3/The Federal Prison Industries is classified as an intragovernmental revolving fund because receipts are primarily from other Government funds. Federal Deposit Insurance Corporation is classified as a trust revolving fund because no Government capital has been provided.

--Transportation services, such as the Panama Canal, the U.S. portion of the St. Lawrence Seaway, and the Alaska Railroad.

--Guarantee funds, including various loan guarantee programs of the Veterans Administration and the lease guarantee revolving fund of the Small Business Administration.

### Intragovernmental

These accounts (Treasury account symbols 4500-4999) are credited with collections that are earmarked by law to carry out a cycle of Government-owned, business-type operations primarily within and between Federal agencies, rather than outside the Government as in public enterprise funds. Most intragovernmental revolving funds also have a corpus invested by the Government. Charges made by these funds should be based upon costs incurred in the performance of a service or the procurement, inventory management, storage, and distribution of supplies and material. According to OMB's fund classification listed in their "Examiner's Handbook," the intragovernmental revolving funds category includes five separate types of accounts--industrial funds, stock funds, supply funds, working capital funds, and management funds. <sup>1/</sup> The most common uses of these funds are:

--Central agency services and supplies, such as the Government Printing Office revolving fund, the Federal buildings fund and the general supply fund of the General Services Administration, and the revolving fund of the Civil Service Commission.

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<sup>1/</sup>Management funds (Treasury account symbols 3900-3999) are authorized by law to be established from moneys derived from two or more appropriations to carry out a common purpose or project usually not involving a cycle of operations. A variety of such funds within the agencies finance items such as centralized research, engineering, telephone, and maintenance services. This group also includes those funds called consolidated working funds, whereby agencies utilize the general authority granted by law to accept advance payments from other agencies or bureaus for agreed upon undertakings, largely for the benefit of the paying account. Except where otherwise authorized, such advances are accounted for through consolidated working funds. The authority to establish consolidated working funds is contained in the Economy Act, 31 U.S.C. 686. An analysis of management funds, by agency, appears in appendix IV.

--Intra-agency services and supplies. Most executive departments and larger independent agencies operate with a working capital fund for financing office supply storerooms, reproduction services, and other services common to many of the organizations within the agency. The Department of Defense has several industrial funds and stock funds primarily for the sale of services, supplies, and materials within the Department.

### Trust revolving

Trust revolving funds (Treasury account symbols 8400-8499) are credited with collections earmarked by law and held by the Government in a fiduciary capacity for use in financing a cycle of business-type operations to carry out specific purposes or programs. The most common uses of these funds are:

- Employee insurance funds. The Civil Service Commission administers life insurance and health benefit funds for employees and retired employees.
- Government-sponsored enterprises without capital. The Federal Deposit Insurance Corporation, the Milk Market orders assessment fund of the Department of Agriculture, and the Comptroller of the Currency's fund are illustrative of enterprises included in this group.

### GENERAL CHARACTERISTICS OF REVOLVING FUNDS

Designation of a fund as a revolving fund depends primarily upon whether its nature and operations meet certain criteria used for fund classification and not on whether it is called a revolving fund in the authorizing legislation. The law need not use the words "revolving funds" in order to establish such a fund.

All revolving funds:

1. Involve earmarking receipts. Generally the receipts are available without further action by the Congress, but are subject to such limitations as the Congress may impose annually.
2. Maintain accounts on an accrual basis reflecting the resources, liabilities, revenues earned, and costs of operation. Most revolving funds are also expected to make a disclosure, at least for budget purposes,



of obligations incurred which have not yet accrued into liabilities. Intragovernmental funds are expected to disclose accepted customers' orders which have not yet accrued into receivables.

3. Are included in the budget totals on a net basis (outlays less receipts). Gross figures are disclosed in the detailed schedules for each fund.

Most revolving funds:

1. Have a fixed amount of capital.

--Some funds have capital which is subject to adjustment from year to year.

--A few funds were started without a capital contribution or the original capital has been retired.

--Some public enterprise funds have authority to borrow from the Treasury or directly from the public.

2. Own the assets used in carrying out their program. (Real estate is commonly excepted.)

3. Are required to submit statements of financial conditions, revenue and expense, and the source and application of funds for Treasury reporting purposes. Generally such statements (except the source and application of funds) are required to be printed in the budget appendix for all revolving funds. Treasury generally requires quarterly reports for revolving funds, although some exceptions permit less frequent reporting.

4. Operate as close to a break-even basis as possible.

--Nearly all intragovernmental revolving funds are required by law to do so by obtaining revenue to cover the costs they incur.

--Most public enterprise funds are expected to operate on a break-even basis. Many such funds, however, require appropriations from the general fund for current subsidy or ultimately to restore the impairment of capital; it may be provided that excess income is returned to the general fund as a capital transfer.

--Cost includes depreciation of equipment and accrued annual leave to those employees paid by the fund,

although in some cases this does not include administrative expenses.

5. Like other accounts, are generally subject to audit by GAO.

#### SCOPE OF REVOLVING FUNDS

The fiscal year 1977 budget appendix contains 193 revolving fund accounts, including both on-budget and off-budget accounts--approximately 15 percent of the more than 1,200 budget accounts. Projected financial activity in these accounts is \$89.9 billion in receipts and \$105.4 billion in gross outlays for fiscal year 1977. Excluding the 8 revolving funds which are off-budget <sup>1/</sup> and, therefore, do not appear in the aggregate budget figures, 185 revolving funds have receipts of \$70.6 billion and gross outlays of \$75.0 billion.

Eighty-seven of the 185 on-budget revolving funds are public enterprise funds, with receipts of \$27.8 billion and gross outlays of \$33.6 billion estimated for fiscal year 1977. Eighty-four <sup>2/</sup> of the revolving funds are intragovernmental funds and 14 are trust revolving funds. If off-budget revolving funds are included in the totals, however, the total for public enterprise funds is increased considerably: 93 funds with \$43 billion in receipts and \$51 billion in gross outlays, which is approximately half of the total revolving fund accounts and dollar transactions.

The following table shows the number of revolving funds by category (together with their receipts and gross outlays) included in the fiscal year 1977 budget.

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<sup>1/</sup>Activities of off-budget revolving funds are discussed in detail in "Off-Budget Activities of the Federal Government," by the House Budget Committee (H. Rept. 94-1740).

<sup>2/</sup>Includes 43 management funds with receipts and gross outlays of \$1.4 billion. This analysis includes management fund figures.

SCOPE OF REVOLVING FUNDS  
FOR FISCAL YEAR 1977  
(in billions of dollars)

	ON-BUDGET			OFF-BUDGET			TOTAL		
	No. Accounts	Receipts	Gross Outlays	No. Accounts	Receipts	Gross Outlays	No. Accounts	Receipts	Gross Outlays
Public enterprise	87	\$ 27.8	\$ 33.6	6	\$ 15.2	\$17.4	93	\$ 43.0	\$ 51.0
Intragovernmental	84 <sup>a/</sup>	37.7	37.5	2	4.1	13.0	86 <sup>a/</sup>	41.8	50.5
Trust revolving	14	5.1	3.9	0	0	0	14	5.1	3.9
<b>TOTAL</b>	<b>185</b>	<b>\$ 70.6</b>	<b>\$ 75.0</b>	<b>8</b>	<b>\$ 19.3</b>	<b>\$30.4</b>	<b>193</b>	<b>\$ 89.9</b>	<b>\$105.4</b>

<sup>a/</sup> Includes 41 management funds with receipts and gross outlays of \$1.4 billion.  
All analysis includes management fund figures.

All major functional categories of the budget and all major agencies contain revolving fund accounts. <sup>1/</sup> The functional category with the largest number of revolving fund accounts is Commerce and Transportation with 26 on-budget public enterprise accounts. For fiscal year 1977, estimated receipts are \$10.1 billion and gross outlays are \$12.1 billion. The functional breakdown is important because the Congressional Budget Act requires the Congress to estimate outlays, budget authority, and tax expenditures for each functional category of the budget. The relationship of functional categories of revolving funds to budget control is discussed on page 68.

The agency which has the greatest level of financial activity from revolving funds is the Department of Defense, with 13 intragovernmental accounts totaling receipts of \$30.9 billion and gross outlays of \$30.7 billion estimated for fiscal year 1977. The Department of Agriculture has the greatest level of financial activity for public enterprise revolving funds in fiscal year 1977 with receipts and gross outlays projected to total \$12.7 billion. Although the Department of Housing and Urban Development has a greater number of public enterprise accounts, the greater financial activity in the Department of Agriculture is due to the Commodity Credit Corporation, insurance programs, and rural housing and development programs.

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<sup>1/</sup> Tables showing the distribution of revolving funds by agency, function, and congressional committee jurisdiction are in appendix IV.

The House Banking and Currency Committee has jurisdiction over the largest number of public enterprise accounts--27, all of which are Federal housing programs and large banking programs, such as the Export-Import Bank and Federal Savings and Loan Insurance Corporation. These accounts are projected to have receipts of \$15.3 billion and gross outlays of \$18 billion. The Armed Services Committee has the largest number of intragovernmental revolving fund accounts because the military management, stock, and industrial funds are under this Committee's jurisdiction.

## CHAPTER 2

### HISTORY AND GROWTH OF

#### REVOLVING FUNDS

##### HISTORY OF REVOLVING FUNDS

The first use of the revolving funds concept cannot be accurately documented. However, the Navy Department is generally credited with setting the precedent with its financing of two accounts, which are discussed below.

Even though the term "revolving fund" was not used, the General Account of Advances, created in 1878, was a sort of annual revolving fund composed of the total of annual appropriations of the Navy. Disbursing officers paid for materials purchased on the basis of vouchers drawn on the General Account of Advances and were later charged against the annual appropriations requisitioning materials. The account derived its capital through annual appropriations made to the Navy. Each year, therefore, the fund temporarily ceased to "revolve" until its capital was replenished.

The Act of March 3, 1893, 27 Stat. 715, 723, making appropriations for the naval service for fiscal year 1894, authorized and directed the Secretary of Treasury to cause the General Account of Advances "to be charged with the sum of two hundred thousand dollars" and further provided that this amount be carried to the credit of

"a permanent naval-supply fund to be used \* \* \* in the purchase of ordinary commercial supplies for the naval service, and to be reimbursed from the proper naval appropriations whenever the supplies purchased under said fund are issued for use."

In a letter to the Secretary of the Navy, dated April 23, 1923, the Comptroller General indicated that the General Account of Advances was authorized solely to consolidate available appropriations into one fund from which disbursements could be made. He suggested, therefore, the desirability of issuing instructions that no disbursements be made from naval funds unless there is a balance in an appropriation to which such disbursements could be immediately charged.

Because of the Comptroller General's views, the Navy recommended legislation to provide a continuing appropriation for a special working fund. This was subsequently approved in the act of May 28, 1924, which provided fiscal year 1925 appropriations for the naval service.

The use of the revolving fund concept was expanded in the form of public enterprise funds during the 1930s as a direct result of the Government's efforts to offset the effects of the depression by establishing several Government corporations. For example, the Reconstruction Finance Corporation was established January 22, 1932 (Public Law 72-2), to aid in financing agriculture, commerce, and industry; to encourage small business; and to help in promoting maximum employment and production. The corporation has since been dissolved. Examples of other public enterprise revolving funds which were established during the depression and which are still in existence include the Tennessee Valley Authority (1933), Federal Housing Administration (1934), and Commodity Credit Corporation (1938).

Perhaps the largest growth in the use of both public enterprise and intragovernmental revolving funds took place in the late 1940s and early 1950s. This growth was the direct result of the recommendations made by the Commission on Organization of the Executive Branch of the Government (1949), chaired by Herbert Hoover. The Hoover Commission used the Navy working fund, noted above, as an example of the financing method which should be adopted by the other military services and civilian agencies. For example, one of the Commission's specific recommendations was for the establishment of a central supply organization which would "have authority to determine policies for all elements of the supply function in all civilian agencies, including those in the legislative and judicial branches, and the Government owned corporations." <sup>1/</sup> The General Services Administration was thus established under the provisions of the Federal Property and Administrative Services Act of 1949 (63 Stat. 379). In addition, several military revolving funds were established in 1949 as a part of the amendments to the National Security Act (Public Law 81-216). The broad objectives of this legislation correspond with the views of

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<sup>1/</sup>Task force report on the Federal Supply System (app. B), p. 24, Jan. 1949.

the Hoover Commission that this type of financing method tended to

- consolidate operating and fiscal responsibilities under single management and
- make practical the consumer use of available facilities and inventories and reduce or eliminate the overlapping and duplication of services and facilities.

Perhaps the best known revolving fund today, the Post Office Department (Postal Service), was also a result of the Hoover Commission recommendations. The Department (Postal Service) operated under as many as 58 separate annual appropriations for over 150 years before it became a revolving fund as recommended by the Commission.

Some other examples of revolving funds created shortly after the Hoover Commission recommendations were issued are:

- Army, Navy, Marine Corps, and Defense Stock Funds, established August 10, 1949 (10 U.S.C. 2208).
- Army, Navy, Air Force, and Defense Industrial Funds, established August 10, 1949 (10 U.S.C. 2208).
- Army, Navy, Air Force, and Defense Production Guarantees, established September 8, 1950 (50 U.S.C. App. 2091).
- Vessel Operation Revolving Fund, established June 2, 1951 (46 U.S.C. 1241a).
- Virgin Islands Corporation Revolving Fund, established June 30, 1949 (48 U.S.C. 1407e).

#### GROWTH OF REVOLVING FUNDS

Essentially, there are two methods that can be used to measure the overall growth patterns of revolving funds: (1) the number of revolving funds and (2) the dollar amounts of fund transactions. Of the two methods, the level of financial transactions of the revolving funds furnishes a better overall picture of revolving fund growth. The number of revolving funds can be very misleading if it is considered without also comparing the level of financial transactions.

For example, between 1973 and 1974 one public enterprise account, the Postal Service, was moved from the budget totals to off-budget status. This one item represented less than 1 percent of the total number of such accounts, but its gross outlays were over \$10 billion in 1973, or about 30 percent of all public enterprise outlays, which was a significant reduction in public enterprise funds dollar totals. A brief analysis of the growth patterns for each of the three categories of revolving funds follows.

#### GROWTH IN NUMBER OF FUNDS 1/

Following is a bar graph showing the number of intragovernmental and public enterprise revolving funds for selected years. 2/ The number of trust revolving fund accounts are not included in the totals because, except for fiscal years 1975 through 1977, information was not available.

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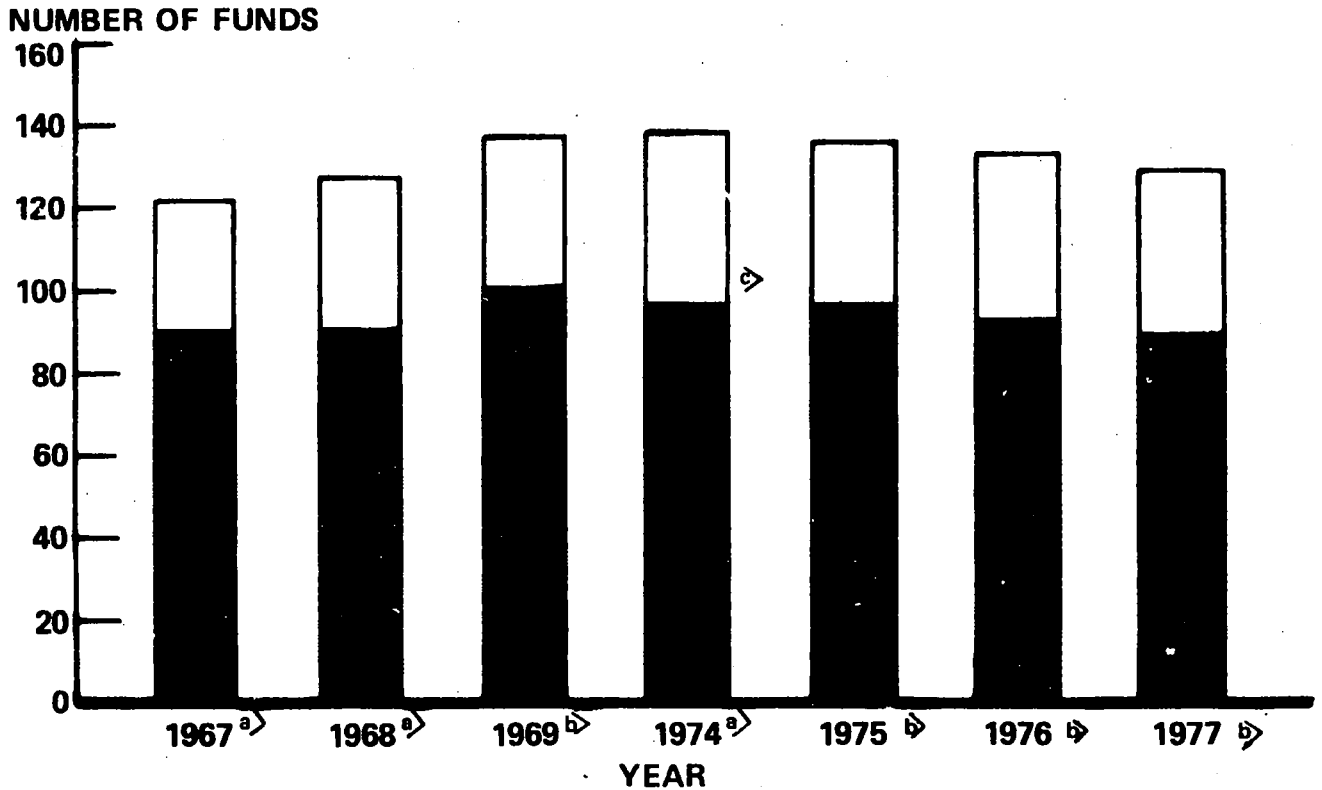
1/The number of revolving fund accounts used in the analysis was obtained from the OMB computer tape of the fiscal year 1977 budget document (the appendix). OMB, as part of its account identification code, uses a code to identify the different types of fund accounts on the computer tape. Number codes 3, 4, or 8 in position 10 of the identification code indicate public enterprise revolving funds, intragovernmental revolving funds, and trust revolving funds, respectively.

If a revolving fund account had any transactions within the fiscal year, no matter how small, it was counted. For example, for one of the accounts OMB computer tapes show that the account's only transactions in fiscal year 1975 amounted to outlays of \$1,000, and they project no transactions at all in fiscal year 1976. The account was included in our figures for 1975 but not 1976.

2/The time periods included in the graph are those dates where the individual fund account figures were available. In addition, the time periods of the graph are not as of the same date of the year--some are as of June 30 while others are as of January 1. In our opinion, however, they represent the approximate number of individual revolving funds during that year.



NUMBER OF INTRAGOVERNMENTAL AND  
PUBLIC ENTERPRISE REVOLVING FUNDS



a) AS OF JUNE 30

b) AS OF JANUARY 1

c) GAO ESTIMATE

□ INTRAGOVERNMENTAL FUNDS

■ PUBLIC ENTERPRISE FUNDS

The total number of revolving fund accounts has increased from a total of 121 funds in 1967 to 135 in 1975, a 12-percent increase. These totals are projected by OMB to decrease in fiscal years 1976 and 1977 to 132 and 128, respectively.

The growth patterns in the numbers of accounts in the different categories of revolving funds follows.

### Public enterprise funds

The number of public enterprise funds has remained relatively steady over the past 11 years. For example, the number of funds in fiscal year 1967 was 88, rose to a high of 99 in 1969, and is projected to decline to 87 in 1977.

During the time periods for which figures were available, the total number of revolving funds has not significantly changed. The biggest yearly net increase took place between 1968 and 1969 when 10 new public enterprise funds were added. 1/

### Intragovernmental funds

The number of intragovernmental revolving funds increased from a low of 33 in 1967 to a high of 43 in 1974, a 30-percent increase. According to the fiscal year 1977 budget the number of intragovernmental funds is estimated to be 41 in 1977. As indicated in the graph, the largest net growth took place during two periods, 1967-68 and 1969-74. The latter was the period where individual figures were not available. (Although management funds are in the OMB identification code as intragovernmental revolving funds, they have not been included in our analysis.) In summary, there has been only limited growth in the actual number of intragovernmental revolving funds over the past 11 years.

### Trust revolving funds

The number of trust revolving accounts was not readily available for the time prior to fiscal year 1975. We were able to determine, however, that there were 12 such accounts in 1967. For fiscal years 1975, 1976, and 1977 the number of trust revolving funds totaled 13, 14, and 14, respectively (last 2 years are estimates). It seems that there have been few net variations in the number of these funds.

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1/See GAO report entitled "Financing Agency Programs Other Than by Direct Appropriation--Revolving Funds," B-140389, Mar. 6, 1970.

## GROWTH IN AMOUNT OF DOLLAR TRANSACTIONS

A more meaningful measurement of the growth of revolving funds, other than simply the number of such funds, is obtained by analyzing their dollar transactions. While only the net outlays of the revolving funds are included in the budget totals, the receipts and gross outlays are included in the detailed information on accounts in the budget appendix. This data (receipts and outlays) is available for individual accounts because it shows the extent of business the revolving fund transacts. This same information does not appear on an aggregate basis in the budget totals, and, as a result, the extent of business conducted by all revolving funds is not reflected in the budget totals.

The estimated total receipts for the three categories of (on-budget) revolving funds in fiscal year 1977 was 20 percent of the total Federal budget receipts projected by OMB.

### Schedule of Combined Revolving Funds

#### Receipts and Outlays

(billions)

	<u>FY 1974</u>	<u>FY 1975</u>	<u>FY 1976</u>	<u>FY 1977</u>	Percentage growth, <u>1974-77</u>
Gross outlays	\$53.6	\$63.5	\$74.0	\$74.9	40
Gross receipts	<u>47.8</u>	<u>56.7</u>	<u>66.5</u>	<u>70.6</u>	48
Net outlays	<u>\$ 5.8</u>	<u>\$ 6.8</u>	<u>\$ 7.5</u>	<u>\$ 4.3</u>	

As shown in the above schedule, for fiscal years 1974 through 1977--the last 2 years are estimates--the combined receipts for all three types of revolving funds have grown by 48 percent while the combined outlays increased by 40 percent. Because of the greater growth in the receipts, the gap between them and gross outlays was reduced from \$5.8 billion in 1974 to \$4.3 billion in 1977. Discussion of the growth within the individual categories of funds follows.

## Public enterprise funds

The receipts for these funds increased 64 percent between 1974 and 1977, from \$17 billion to \$27.8 billion; gross outlays increased from \$23 billion to \$33.6 billion, or 46 percent. Net outlays, the only amount included in the budget figures, were \$6 billion in 1974 and estimated at \$5.8 billion in 1977. Much of the dollar transaction projected growth between 1974 and 1977 was the direct result of adding new accounts as revolving funds. For example, the Department of the Treasury added the "New York City Seasonal Financing Fund" account, which increased its receipts and gross outlays by about \$2 billion. Also, the Export-Import Bank was brought back into the budget in fiscal year 1977, thereby increasing on-budget receipts by about \$2.2 billion and gross outlays by about \$3.5 billion.

A substantial amount of the growth, however, was the increase in the amount of transactions of the established accounts. For example, the Farmers Home Administration's receipts are projected to increase from \$3.7 billion in 1974 to \$9.1 billion in 1977 while gross outlays are projected to increase by \$3.1 billion. The Panama Canal Company dollar transactions increased about 50 percent during the same period, and the Tennessee Valley Authority's receipts went from \$900 million to about \$2 billion while its gross outlays increased from \$1.3 billion to \$3.1 billion. Similar increases are projected in the public enterprise funds of the Veterans Administration, Federal Savings and Loan Insurance Corporation, and Interior Department.

While a part of this growth obviously can be accounted for by inflation, much of the increase has been the growth in the amount of business undertaken by the public enterprise accounts.

The 10 largest on-budget public enterprise accounts, with their projected gross outlays for fiscal year 1977, are listed below.

<u>Agency</u>	<u>Account</u>	<u>Outlay</u> (000 omitted)
1. Department of Agriculture	Rural Housing Insurance Fund	\$5,461
2. Independent	Export-Import Bank of the United States	3,509
3. Department of Agriculture	Commodity Credit Corporation	3,427
4. Independent	Tennessee Valley Authority	3,097
5. Department of Housing and Urban Development	Federal Housing Administra- tion Fund	2,279
6. Department of the Treasury	New York City Seasonal Financing Fund	2,100
7. Department of Agriculture	Agricultural Credit Insurance Fund	2,004
8. Department of Transportation	Urban Mass Transportation Fund	1,585
9. Department of Housing and Urban Development	Special Assistance Functions Fund	1,321
10. Department of Housing and Urban Development	Urban Renewal Fund--Capital Grants	1,000

The following schedule shows the number of the public enterprise fund accounts as well as their related gross outlays, by agency, for fiscal years 1975 through 1977.

DISTRIBUTION OF PUBLIC ENTERPRISE REVOLVING FUNDS  
BY AGENCY FOR FISCAL YEARS 1975, 76, AND 77  
(in millions of dollars)

Agency	Fiscal Year 1975		Fiscal Year 1976		Fiscal Year 1977	
	No. Accts.	Gross Outlays	No. Accts.	Gross Outlays	No. Accts.	Gross Outlays
Funds Appropriated to the President	8	\$ 690	7	\$ 743	6	\$ 497
Department of Agriculture	7	11,171	7	12,850	7	12,666
Department of Commerce	8	26	8	34	7	33
Department of Defense--Military	4	43	3	12	3	11
Department of Defense--Civil	1	251	1	278	1	306
Department of Health, Education, and Welfare	7	253	7	336	7	287
Department of Housing and Urban Development	19	9,474	17	12,616	15	6,622
Department of Interior	8	301	8	508	8	603
Department of Transportation	4	795	4	1,412	4	1,643
Department of Treasury	5	1	4	1,301	4	2,101
Environmental Protection Agency	1	1	1	1	1	1
Energy Research & Development Agency			1	3		
General Services Administration	4	2	4	2	3	2
Veterans Administration	8	794	8	882	8	950
Other Independent Agencies	11	4,555	11	4,590	13	7,925
Total Budget Accounts	95	\$28,354	91	\$35,568	87	\$33,647
Off-Budget Accounts	7	17,630	7	19,713	6	17,386
Total	102	\$45,984	98	\$55,281	93	\$51,033

Intragovernmental funds

Intragovernmental revolving fund receipts <sup>1/</sup> and expenditures are not included in the budget totals. To include these financial transactions in the budget total would be substantially misleading and would inflate the budget totals because the same funds would be counted as both receipts and expenditures. Furthermore, the funds do not circulate with the public at large. Though the practice of excluding these transactions is financially sound and generally accepted throughout the Government, the Congress should be aware that total dollar transactions within these accounts is substantial and growing.

Between fiscal years 1974 and 1977 total receipts from intragovernmental accounts are projected to increase from \$27.8 billion to \$37.7 billion, or 36 percent. The projection for gross outlays during the same time period is \$28.0 billion to \$37.5 billion, or 34 percent. Much of the increase can be attributed to inflation.

<sup>1/</sup>These receipts come from other appropriation accounts which are included in the budget.

Almost 90 percent of the projected growth in the dollar transactions between 1974 and 1977 took place in 14 accounts. These 14 accounts, noted below, accounted for a growth of \$9.1 billion in receipts and \$8.6 billion in gross outlays.

#### Size and impact of larger intragovernmental funds

The size and impact that intragovernmental funds can have is illustrated by the following examples.

1. Defense industrial funds. In fiscal year 1975 the five Defense industrial funds operated over 100 Defense activities employing about 37,000 military and 298,000 civilian personnel (about 27 percent of Department of Defense's civilian work force) and had gross outlay transactions totaling about \$9.9 billion. To give some basis for comparison, these industrial funds equate with the U.S. Steel Corporation, the 14th largest industrial corporation in the United States during 1974. 1/

2. General Services Administration. Four General Services Administration funds--Federal Building, General Supply, Federal Telecommunications, and Automatic Data Processing--provided \$2.8 billion in goods and services to Government agencies during fiscal year 1975.

3. Department of Defense stock funds. Within the Department of Defense there are five stock funds: each military service operates a fund to provide for its own needs, and, in addition, the Defense Supply Agency Fund buys common-type items to sell to the other services. During fiscal year 1975 the five Defense stock funds had gross outlays of \$15.7 billion.

The following schedule shows the number of intragovernmental fund accounts as well as their related gross outlays, by agency, for fiscal years 1975 through 1977.

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1/See GAO report entitled "27 Years' Experience With Defense Industrial Funds," FGMSD-76-51, Oct. 5, 1976.

DISTRIBUTION OF INTERGOVERNMENTAL FUNDS<sup>a/</sup>  
BY AGENCY FOR FISCAL YEARS 1974, 75, AND 77  
(in millions of dollars)

Agency	Fiscal Year 1974		Fiscal Year 1975		Fiscal Year 1977	
	No. Accts.	Gross Outlays	No. Accts.	Gross Outlays	No. Accts.	Gross Outlays
Legislative Branch	2	\$ 493	2	\$ 574	2	\$ 667
Judiciary	1	*	1	*		
Executive Office of the President	4	2	4	2		
Funds Appropriated to the President	5	12	3	7	5	7
Department of Agriculture	8	110	6	138	4	127
Department of Commerce	11	131	8	171	7	167
Department of Defense--Military	13	26,863	13	28,936	13	30,715
Department of Defense--Civil	2	807	2	845	1	946
Department of Health, Education, and Welfare	14	241	11	274	10	301
Department of Housing and Urban Development	3	30	3	63	2	51
Department of Interior	13	90	13	93	12	92
Department of Justice	2	62	3	78	3	84
Department of Labor	5	54	5	91	5	90
Department of State	2	15	2	15	2	17
Department of Transportation	5	146	5	166	4	164
Department of Treasury	4	119	4	134	4	131
General Services Administration	8	2,875	9	3,249	7	3,429
Veterans Administration	2	264	2	429	2	431
Other Independent Agencies	7	41	5	47	3	45
Total Budget Accounts	110	\$32,356	101	\$35,314	84	\$37,472
Off-Budget Accounts	1	7,549	1	7,860	2	12,976
Total	111	\$39,905	102	\$43,174	86	\$50,448

\* Less than one million

<sup>a/</sup> Includes management funds

### Trust revolving funds

The receipts of the trust revolving accounts during fiscal years 1974 through 1977 have grown at a faster rate than gross outlays--66 percent versus 49 percent. The dollar totals for receipts went from \$3 billion to a projected \$5.1 billion, while related gross outlays went from \$2.5 to \$3.8 billion.

The following four accounts were the larger trust revolving funds:

	<u>Fiscal year 1977 estimates</u>	
	<u>Receipts</u>	<u>Gross outlays</u>
	(in millions)	
Employees Health Benefits Fund	\$2,971	\$2,895
Employees Life Insurance Fund	859	460
Federal Deposit Insurance Corporation Fund	836	68
Department of Treasury Assessment Fund	79	83



The schedule below shows the number of trust revolving fund accounts as well as their related gross outlays, by agency, for fiscal years 1975 through 1977.

DISTRIBUTION OF TRUST REVOLVING FUNDS  
BY AGENCY FOR FISCAL YEARS 1975, 76, AND 77  
(in millions of dollars)

Agency	Fiscal Year 1975		Fiscal Year 1976		Fiscal Year 1977	
	No. Accts.	Gross Outlays	No. Accts.	Gross Outlays	No. Accts.	Gross Outlays
Department of Agriculture	1	\$ 20	1	\$ 22	1	\$ 24
Department of Defense--Military	1	96	1	112	1	196
Department of Defense--Civil	1	*	1	*	1	*
Department of Justice	1	7	1	8	1	9
Department of Transportation <u>a/</u>	2	41	2	41	2	52
Department of Treasury	1	66	1	79	1	83
General Services Administration	1	6	1	6	1	6
Veterans Administration	1	30	1	38	1	42
Other Independent Agencies	4	2,582	5	2,829	5	3,442
Total <u>a/</u>	13	\$2,948	14	\$3,135	14	\$3,854

\* Less than one million

a/ Includes right-of-way revolving fund

## CHAPTER 3

### FINANCING REVOLVING FUNDS

Public enterprise, intragovernmental, and trust revolving funds obtain their financing from a variety of sources. These sources can be classified into two major categories: receipts (including contributions) and budget authority (i.e., appropriations, authority to borrow from the Treasury and the public, and contract authority). These methods are discussed in detail in the following sections.

#### RECEIPTS

A unique characteristic of all revolving funds is the earmarking of receipts to finance designated programs or activities, generally without any further action by the Congress. The source of the receipts for the three types of revolving funds ranges over a wide spectrum of activities. The following are some examples of the sources of receipts for some individual funds.

#### Public enterprise

Tennessee Valley Authority--Sales of electric power and fertilizer.

Commodity Credit Corporation--Loan principal repayments, interest income, receipts from dollar sales, and receipts from sales of foreign currency.

Export-Import Bank--Loan repayments, interest income, and fees for guarantees on private loans.

Federal National Mortgage Association--Principal and interest on mortgage purchases, sales of mortgages, and fees for service in handling mortgage purchases.

Community Disposal Operations Fund--Farmers Home Administration--Sales of real property.

Servicemen's Group Life Insurance Fund--Insurance premiums.

Revolving Fund for Certification and Other Services--Food and Drug Administration--Fees for certification of drugs and food additives.

Canteen Service Revolving Fund--Veterans Administration--  
Sales of merchandise to hospitalized veterans.

Alaska Railroad Revolving Fund--Rail line operations.

After the original authorization, congressional action is not generally required to use these receipts. In some cases, however (e.g., some wholly owned corporations), the Congress will consider the budgets and may enact annual limitations on funds for items such as program or operating and administrative expenses or may limit the use of receipts for these items. The Export-Import Bank serves as an example of this type of congressional control. (See pp. 77 to 79.)

### Intragovernmental

Department of Defense Funds--Typical activities financed by the five Defense industrial funds include shipyards, arsenals, depots, and printing plants, which in turn store, distribute, repair, and overhaul such things as planes, trucks, weapons, and electronic equipment. They also provide services such as transportation, public works, and research and development. Intragovernmental revolving fund receipts are from customer payments, which in turn come from the customers' appropriations.

General Supply Fund--General Services Administration--This revolving fund furnishes about 38,000 supply items in common use by Federal agencies, leases motor vehicles to other agencies, and reconditions office equipment.

Government Printing Office Revolving Fund--Prints, binds, and distributes materials for the Congress and other agencies, as well as furnishes paper, inks, and similar supplies to such agencies.

Bureau of Engraving and Printing Fund--Supplies U.S. currency, food coupons, and postage stamps as well as internal revenue, customs, and saving stamps issued by the United States. It also prints a variety of commissions and certificates.

### Trust revolving

Most of the receipts of trust revolving funds come from the contributions of the potential beneficiaries of said trusts. The largest trust revolving funds are those of the Civil Service Commission, which deals with U.S. life insurance

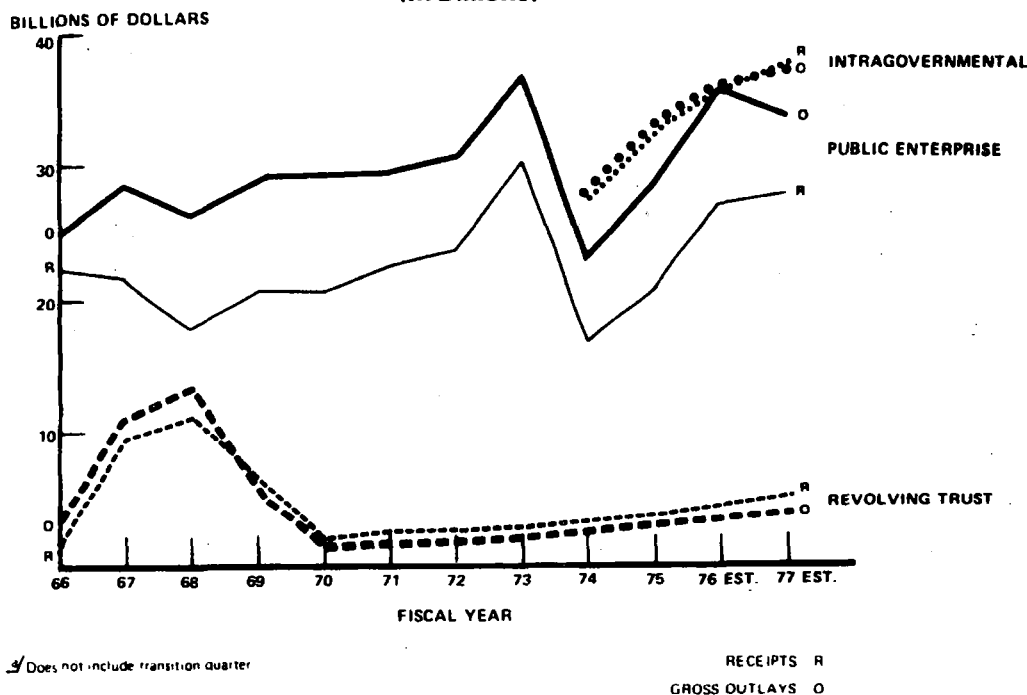
and health benefits, and the Federal Deposit Insurance Corporation, which gets insurance premiums from user banks for the protection of individual depositors.

RELATIONSHIP BETWEEN RECEIPTS AND OUTLAYS

The combined total receipts for the three types of revolving funds was about \$56.4 billion in fiscal year 1975 and is projected to be \$70.6 billion in fiscal year 1977. These combined receipts total an amount that would equal 19 percent of the current budget receipt estimates. Public enterprise receipts alone were \$20.8 billion in 1975.

The graph below shows the relationship of receipts and outlays for each type of revolving fund.

**RELATIONSHIP OF RECEIPTS VS. OUTLAYS FOR FISCAL YEARS 1966 THROUGH 1977** (NOTE J)  
(In Billions)



One of the major issues of revolving funds concerns the method of accounting for the funds' activities. Receipts of public enterprise revolving funds are netted against outlays in the budget. Public enterprise transactions on a gross basis are an integral part of Federal financial activity. Under current practices as recommended by the President's Commission on Budget Concepts (1967), however, receipts are omitted from any comprehensive presentation of the Government's fiscal program. The netting of receipts against gross

outlays conceals the factors that determine the net outlay amounts. These factors can have significant economic importance.

While gross receipts of public enterprise revolving funds indicate the value placed on the services provided by the organization, the netting of receipts against gross outlays tends to understate the total size of the budget relative to the national economy. Whenever a new revolving fund is enacted or an existing revolving fund grows, the budget outlays do not increase as rapidly as they would if accounted for on a gross basis. The changing of an account to a revolving fund causes reported budget outlays to decrease even though the rate of outlays may remain the same or even increase.

While intragovernmental and trust revolving funds gross receipts and outlays do not have the same effect as the public enterprise fund accounts, as noted above, their overall activities are significant. 1/

### Public enterprise

#### Comparison of receipts and outlays

As shown in the table below, while the aggregate dollar totals of receipts and gross outlays of public enterprise revolving funds have in some years appeared to maintain a relatively consistent relationship with each other, there were wide differences. For example, between fiscal years 1973 and 1974 total receipts decreased by \$13.2 billion (the Postal Service was taken out of the total) and total gross outlays decreased by \$13.4 billion, almost a 1-to-1 ratio. On the other hand, between 1974 and 1975 receipts increased by about \$3.8 billion while outlays increased \$5.4 billion.

For each of the 10 years, gross outlays exceeded receipts by a substantial amount, and over the 10-year period receipts averaged about 76 percent of gross outlays.

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1/The effect on budget controllability of accounting for revolving funds on a net instead of a gross basis is discussed in more detail in ch. 5 and app. I of this report.

Public Enterprise Revolving Funds

Total Receipts and Outlays

(billions)

<u>Fiscal year</u>	<u>Receipts</u>	<u>Gross outlays</u>	<u>Percentage of receipts to outlays</u>
1977	\$27.8	\$33.6	82.7
1976	27.1	35.6	76.1
1975	20.8	28.4	73.2
1974	17.0	23.0	73.9
1973	30.2	36.4	82.9
1972	23.4	30.9	75.7
1971	22.4	29.7	75.4
1970	20.6	29.1	70.7
1969	20.6	29.0	71.0
1968	<u>17.9</u>	<u>26.5</u>	67.5
Total	<u>\$227.8</u>	<u>\$302.2</u>	75.7

Analysis of receipts and outlays of individual funds

The following schedule shows some examples of individual funds where the amount of receipts was substantially exceeded by outlays. In one example, Department of Transportation's Urban Mass Transportation fund, the receipts equaled only a small percentage of the program. In fiscal year 1976 receipts are estimated to be \$220,000 while outlays are estimated at \$1.2 billion. In 1977 receipts are estimated to equal \$210,000 while outlays are projected to be \$1.6 billion. Further analysis of this revolving fund can be found on page 54. The way these funds are reimbursed for losses by the Government (i.e., subsidy) is discussed at the end of this chapter. (See pp. 33 to 41.)

Examples of Public Enterprise Revolving Funds  
in which Outlays Exceed Receipts

(000,000 omitted)

	FY 1973		FY 1974		FY 1975		FY 1976		FY 1977	
	Receipts	Outlays	Receipts	Outlays	Receipts	Outlays	Receipts	Outlays	Receipts	Outlays
Student Loan Insurance Fund	\$ (a)	\$ (a)	\$ (a)	\$ (a)	\$ 21	\$ 132	\$ 34	\$ 141	\$ 49	\$ 140
Federal Housing Administration	1,192	2,025	1,203	2,066	1,298	2,386	1,286	2,447	1,449	2,279
Urban Mass Transportation	1	415	1	419	1	753	.2	1,240	.2	1,585
Small Business Administration	411	1,708	447	1,179	463	1,060	649	1,121	662	1,032
Tennessee Valley Authority	809	1,176	937	1,338	1,249	2,016	1,794	2,906	2,047	3,097

a/Information not available.

An analysis of several individual funds <sup>1/</sup> indicates that the relationship between receipts and outlays can be highly volatile. The following schedule shows examples where wide and very unpredictable relationships exist between fund receipts and outlays. The reasons for these changes, according to OMB officials, are discussed in more detail in appendix III.

Receipts and Outlays of Individual  
Public Enterprise Revolving Funds

(000,000 omitted)

	FY 1973 gross		FY 1974 gross		FY 1975 gross	
	Receipts	Outlays	Receipts	Outlays	Receipts	Outlays
Government National Mortgage Association	\$3,036	\$2,057	\$2,303	\$2,250	\$2,052	\$4,156
Commodity Credit Corporation	5,982	9,471	4,379	5,570	3,297	4,038
Farmers Home Administration	4,710	4,412	3,729	5,257	8,261	7,059
Foreign Assistance	250	739	326	572	492	688
Small Business Administration	411	1,708	447	1,179	463	1,060

<sup>1/</sup>Although individual accounts are cited frequently throughout this report as examples, no individual accounts were studied on an indepth basis. OMB examiners were our source for information on fluctuations of individual funds discussed above and in appendix III. We did not verify this information by audit.

## Intragovernmental

### Comparison of receipts and outlays

Overall dollar amounts of receipts and gross outlays for intragovernmental funds were not available in the budget as they were for public enterprise funds. Our analysis of such amounts was limited to fiscal years 1974 through 1977.

The nature of intragovernmental funds is such that their receipts come principally from other accounts' appropriations and they are supposed to furnish the goods and services close to total costs. As a result, the receipts of these accounts relate very closely to gross outlays both in totals as well as the individual accounts. This can be seen clearly in the following schedule, which shows the total intragovernmental funds' receipts and gross outlays for the last 4 fiscal years.

### Receipts and Outlays of Intragovernmental Funds

(billions)

	<u>FY 1974</u>	<u>FY 1975</u>	<u>FY 1976</u>	<u>FY 1977</u>
Gross outlays	\$28.1	\$32.4	\$35.3	\$37.5
Receipts	<u>27.8</u>	<u>32.3</u>	<u>35.3</u>	<u>37.7</u>
Net outlays	\$ <u>.3</u>	\$ <u>.1</u>	\$ <u>0</u>	\$ <u>-.2</u>

The individual accounts had a similarly close relationship between receipts and outlays. For example, in 1975 the General Services Administration supply fund had receipts of \$1,287 million and gross outlays of \$1,295 million. The Army stock fund in 1977 is projected to have receipts of \$3,772 million and outlays of \$3,763 million.

### Receipts from nonfederal sources

Certain laws permit certain collections to be credited as reimbursements to general fund appropriations. Such collections from outside the budget are identified as reimbursements from nonfederal sources to distinguish them from reimbursements from other accounts within the budget. Analysis of the intragovernmental revolving funds shows that in fiscal year 1975, 28 of the 110 accounts had some receipts



from nonfederal sources. These amounted to \$3.1 billion in fiscal year 1975 and are estimated to be \$3.6 billion in 1976 and \$3.8 billion in 1977.

Stock funds . Most of the nonfederal receipts are for the sales of supplies and materials from Department of Defense stock funds to outside parties (e.g., foreign military sales). The following schedule shows the amount of receipts from nonfederal sources for fiscal year 1975, as well as the percentage of the total fund receipts for each of the four services' stock funds.

Source of Stock Fund Receipts  
FY 1975

(billions)

<u>Stock fund</u>	<u>Receipts</u>	<u>Nonfederal receipts</u>	<u>Percentage nonfederal</u>
Air Force	\$4.6	\$1.3	28
Army	3.4	1.0	29
Marine Corps	.2	.1	45
Navy	<u>2.3</u>	<u>.6</u>	26
Total	<u>\$10.5</u>	<u>\$3.0</u>	29

Non-stock-funds. For the remaining intragovernmental revolving funds--non-stock-fund accounts--that have receipts from nonfederal sources, the level of such receipts was generally only a minor part of their total receipts. There are, however, a few exceptions, examples of which can be seen in the following fiscal year 1977 projections.

	<u>Total receipts</u>	<u>Nonfederal receipts</u>
	(000 omitted)	
Bureau of Engraving and Printing Fund 15-20-4502-0-4-803	\$123,496	\$39,582
Alcohol Drug Abuse and Mental Health Administra- tion--Lexington Addiction Research Center 09-30-4551-0-4-551	356	356
Social Security Administra- tion's Working Fund (note a) 09-60-3904-0-4-601	25,300	18,600

a/Consolidated working fund

Trust revolving

Comparison of receipts and outlays

The receipts of trust revolving funds generally exceed the outlays and the gap is widening. Between fiscal years 1974 and 1977 the excess of receipts over outlays grew from \$500 million to \$1.2 billion. Two accounts provide the majority of these receipts: the Civil Service Commission's Employees Life Insurance Fund, \$398 million, and the Federal Deposit Insurance Corporation Fund, \$767 million (fiscal year 1977 figures). For the other 12 accounts the receipts and outlays are about equal.

BUDGET AUTHORITY

As defined by the Congressional Budget Act, the term "budget authority" means authority provided by law to enter into obligations which will result in immediate or future outlays involving Government funds. Most budget authority is enacted annually in appropriation acts after consideration by the Congress. Several types of budget authority have been termed "backdoor," however, because the legislation that permits the obligation of funds was enacted outside the normal appropriations process.

The most common forms of backdoor authority (see pp. 36 to 41) are borrowing authority, contract authority, and entitlements. 1/

Although the criteria for revolving funds state that they are intended to be self-sustaining, budget authority for revolving funds is granted by the Congress:

1. To provide initial or additional capital, representing the corpus of the fund, either through regular appropriations, borrowing authority, or contract authority.

2. To provide for operating and administrative costs, generally through regular appropriations.

3. To make up for losses, representing a subsidy to the program through appropriations for capital impairment.

### Appropriations

Congressional control over revolving funds through the appropriations process can be direct or, as is the case with intragovernmental revolving funds, indirect. Direct congressional control is exercised through passage of initial appropriations to establish the corpus of the revolving fund. After the fund has been established, direct congressional control is exercised on certain funds through appropriations acts which specify limitations on operating and administrative expenses, personnel ceilings, and expenditures. 2/ For intragovernmental revolving funds, indirect control is maintained by limiting appropriations available to user organizations. For example, shipyard spending is constrained by revenues resulting from customer orders, and customers are in turn constrained in placing orders by the amount of appropriations made available by the Congress.

There are appropriations, however, which do not result in the exercise of congressional control over revolving funds; namely, appropriations to make up for losses of the fund or appropriations to liquidate contract authority. For example,

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1/In addition, the Congressional Budget Act differentiates between new and old spending authority, which is discussed on page 70 of this report.

2/See pages 65 to 67 for a discussion of limitations on operating and administrative expenses of certain public enterprise funds brought about by the Government Control Act.

Commodity Credit Corporation appropriations are "after the fact" of actual expenditures and are in the form of appropriations for "repairment of capital." In this case, the appropriation is in response to what has already occurred (the obligation had been incurred 2 fiscal years before the request for appropriations) and therefore does not represent control over what obligations or outlays will be made by the Corporation in future operations. The realized losses for fiscal year 1975 subject to reimbursement were \$709.6 million, and the prior cumulative losses not yet appropriated for were \$189.1 million (a total of \$898.7 million). The Agriculture and Related Agencies Appropriations Act for fiscal year 1977 (Public Law 94-351) contained the following to reimburse Commodity Credit Corporation for its prior cumulative losses not yet appropriated.

"To reimburse the Commodity Credit Corporation for net realized losses sustained in prior years, but not previously reimbursed, pursuant to the Act of August 17, 1961 (15 U.S.C. 713a-11, 713a-12), \$189,053,000."

The following table shows the number of revolving fund accounts, by fund category, for which appropriations were requested from the Congress during fiscal years 1975 through 1977 and the amounts requested. The table is divided between current authority, which includes budget authority enacted by the Congress in or immediately preceding the fiscal year in which it becomes available, and permanent authority, which includes the amount of authority becoming available during the period without new action by the Congress. The changes in the amounts of appropriations requested between fiscal years 1975 and 1977 are due mainly to Commodity Credit Corporation's appropriations dropping from \$4.1 billion in 1975 to \$2.8 billion in 1976 and to \$.9 billion in 1977. Another major reason for fluctuations between fiscal years during this period was the one-time appropriations request of \$2.3 billion in 1976 to establish the New York City Seasonal Financing Fund. Most of the requested appropriations are to make up for operating losses.

No appropriations were requested for trust revolving fund accounts during the fiscal years under consideration. This may be misleading, however, because \$10 million was requested to be appropriated in fiscal year 1976 for the establishment of the Harry S Truman Memorial Scholarship Trust Fund. The \$10 million is accounted for in a general fund account as budget authority to be invested by the Secretary of the Treasury in interest-bearing securities of the United States and was transferred to the revolving fund account.

Total Revolving Fund Accounts  
Receiving Appropriations During  
Fiscal Years 1975-77

(000 omitted)

	<u>Public enterprise</u>		<u>Intragovernmental</u>		<u>Total</u>	
	<u>Number of accounts</u>	<u>Amount</u>	<u>Number of accounts</u>	<u>Amount</u>	<u>Number of accounts</u>	<u>Amount</u>
FY 1975 (actual):						
Current authority	19	\$5,309,209	2	\$ 15,000	21	\$5,324,209
Permanent authority	<u>7</u>	<u>8,686</u>	<u>0</u>	<u>0</u>	<u>7</u>	<u>8,686</u>
Total FY 1975	<u>26</u>	<u>\$5,317,895</u>	<u>2</u>	<u>\$ 15,000</u>	<u>28</u>	<u>\$5,332,895</u>
FY 1976 (estimate):						
Current authority	21	\$6,151,253	7	\$ 89,700	28	\$6,240,953
Permanent authority	<u>6</u>	<u>8,730</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>8,730</u>
Total FY 1976	<u>27</u>	<u>\$6,159,983</u>	<u>7</u>	<u>\$ 89,700</u>	<u>34</u>	<u>\$6,249,683</u>
FY 1977 (estimate):						
Current authority	16	\$2,535,167	4	\$294,700	20	\$2,829,867
Permanent authority	<u>5</u>	<u>8,476</u>	<u>0</u>	<u>0</u>	<u>5</u>	<u>8,476</u>
Total FY 1977	<u>21</u>	<u>\$2,543,643</u>	<u>4</u>	<u>\$294,700</u>	<u>25</u>	<u>\$2,838,343</u>

## Borrowing authority

Borrowing authority, also called "authority to spend debt receipts," is a form of backdoor authority that permits a Federal agency to incur obligations and to make payments for specified purposes out of money borrowed from either the Treasury or from the public. <sup>1/</sup> Funds realized from the sale of public debt securities to finance agency activities came into use in 1932 to finance the Reconstruction Finance Corporation, discussed on page 12.

Authority to spend debt receipts requires approval by the Congress. Legislation containing this authority has the same force and effect as an appropriation and is so treated in Treasury accounts and reports and in the President's budget documents.

Generally, authority to borrow from the Treasury is without fiscal year limitation; however, the outstanding balance on the amount borrowed is usually limited. The amount so authorized, together with collections and earnings realized under the program, remains available to the agency for an indefinite period. The amounts borrowed are generally credited by the Treasury to a revolving fund account for the borrowing agency; repayments reduce the agency's operating funds and restore the authorization for additional borrowing. However, some repayments are nonrestoring and thus act to reduce the agency's borrowing authority.

Such agency borrowing, along with borrowing by the Treasury, constitutes the "gross Federal debt," as the term is used in the summary tables of "The Budget of the U.S. Government." Since the disbursement of such borrowed money is a part of budget outlays, the authorizations to use borrowed money constitute a type of budget authority. The repayment of agency borrowing, however, like the Treasury's repayment of the public debt, is not counted as a budget outlay in order to prevent double counting.

The Federal Financing Bank was created in December 1973 under the Treasury Department as an off-budget agency to assist and coordinate agency borrowing and Government-guaranteed borrowing. Beginning financial operations in May 1974, the

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<sup>1/</sup>As with contract authority, the Congressional Budget Act limits new borrowing authority (except in certain instances) to the extent or amount provided in appropriations acts. (See p. 70.)

Bank was given authority to purchase agency debt and Government-guaranteed obligations and, in turn, to finance these transactions by borrowing from the Treasury or the public. (See section on p. 71 dealing with congressional attempts to control revolving funds.)

The table on page 38, extracted from "Special Analyses of the United States," fiscal year 1977, shows the public enterprise funds which borrowed from the public, from Federal agency funds, or from the Federal Financing Bank and the amounts of such borrowings. The table also shows the amounts which OMB estimates will be outstanding at the end of fiscal year 1977.

Following is an example of an appropriations action to reimburse a fund for losses due to such borrowing.

#### GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

##### PAYMENT OF PARTICIPATION SALES INSUFFICIENCIES

"For the payment of such insufficiencies as may be required by the Government National Mortgage Association, as trustee, on account of outstanding beneficial interests or participations in assets of the Department of Housing and Urban Development (including the Government National Mortgage Association) authorized by the Independent Offices and Department of Housing and Urban Development Appropriation Act, 1968, to be issued pursuant to section 302(c) of the Federal National Mortgage Association Charter Act, as amended, \$21,265,000." 1/

#### Contract authority

Contract authority is made available to a revolving fund authorizing the fund to incur obligations in excess of amounts available in the fund prior to an appropriation. 2/ Contract authority does not provide funds to pay the obligations and thus requires a subsequent appropriation, or the realization

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1/Department of Housing and Urban Development Appropriations Act for fiscal year 1977 (Public Law 94-378).

2/The Congressional Budget Act limits new contract authority (except in certain instances) to the extent or amount provided by appropriation acts. (See p. 70.)

**AGENCY BORROWING<sup>1</sup> (in millions of dollars)**

Description	Borrowing or repayment (-) of debt				Debt out- standing, end 1977 estimate
	1975 actual	1976 estimate	TQ estimate	1977 estimate	
<b>Borrowing from the public:</b>					
Agriculture: Farmers Home Admin. <sup>2</sup> .....	-1	-----	-----	-25	291
Defense.....	-87	-92	-25	-98	900
Health, Education, and Welfare <sup>2</sup> .....	-1	-----	-----	-4	125
<b>Housing and Urban Development:</b>					
College housing loans <sup>2 3</sup> .....	-1	-----	-----	-----	-----
Public facility loans <sup>2 3</sup> .....	-----	-----	-----	-----	-----
Federal Housing Administration.....	61	90	19	50	576
Housing for the elderly <sup>2</sup> .....	-*	-----	-----	-----	64
Gov. National Mortgage Association <sup>2</sup> .....	-73	-41	-17	-99	545
Revolving fund (liquidating pro- grams) <sup>2 3</sup> .....	*	-----	-----	-4	391
Veterans Administration <sup>2</sup> .....	-44	-39	-18	-55	553
Export-Import Bank <sup>4</sup> .....	-295	4	-----	-789	2,144
Postal Service.....	-----	-----	-----	-----	250
Small Business Administration <sup>2</sup> .....	-1	-----	-----	-55	227
Tennessee Valley Authority.....	-570	-100	-----	-----	1,975
All other.....	-11	-*	-*	-----	2
<b>Total, borrowing from the public<sup>4</sup>....</b>	<b>-1,023</b>	<b>-178</b>	<b>-41</b>	<b>-1,079</b>	<b>8,042</b>
<b>Borrowing from other funds:</b>					
Agriculture: Farmers Home Admin. <sup>2</sup> .....	1	-----	-----	-21	156
Defense.....	-19	-15	-2	-14	128
Health, Education, and Welfare <sup>2</sup> .....	1	-----	-----	-3	65
<b>Housing and Urban Development:</b>					
College housing loans <sup>2 3</sup> .....	1	-----	-----	-----	-----
Public facility loans <sup>2 3</sup> .....	-----	-----	-----	-----	-----
Federal Housing Administration.....	18	-3	-----	-----	67
Housing for the elderly <sup>2</sup> .....	*	-----	-----	-----	33
Gov. National Mortgage Association <sup>2</sup> .....	4	-----	-----	-62	442
Revolving fund (liquidating pro- grams) <sup>2 3</sup> .....	*	-----	-----	-4	211
Veterans Administration <sup>2</sup> .....	4	-----	-----	-----	549
Export-Import Bank.....	-6	-4	-----	-----	-----
Small Business Administration <sup>2</sup> .....	1	-----	-----	-46	117
Tennessee Valley Authority.....	-51	-----	-----	-----	-----
<b>Total, borrowing from other funds....</b>	<b>-46</b>	<b>-22</b>	<b>-2</b>	<b>-149</b>	<b>1,769</b>
<b>Total, agency borrowing included in gross Federal debt<sup>4</sup>.....</b>	<b>-1,069</b>	<b>-200</b>	<b>-44</b>	<b>-1,229</b>	<b>9,810</b>
<b>MEMORANDUM</b>					
<b>Borrowing from Federal Financing Bank:</b>					
Tennessee Valley Authority.....	1,435	1,100	300	1,000	3,835
Export-Import Bank.....	4,049	1,437	393	2,028	7,908
Postal Service.....	1,000	1,280	500	1,398	4,678
United States Railway Association.....	34	-5	-1	-2	26
<b>Total, agency borrowing from Fed- eral Financing Bank.....</b>	<b>6,518</b>	<b>3,812</b>	<b>1,192</b>	<b>4,424</b>	<b>16,447</b>

\*Less than \$500 thousand.

<sup>1</sup> Excludes agency borrowing from Treasury.

<sup>2</sup> Certificate of participation in loans issued by the Government National Mortgage Association on behalf of several agencies.

<sup>3</sup> The debt of the Public facility loan fund (\$143 million) was transferred to the Revolving fund (liquidating programs) on April 1, 1975, and the debt of the College housing fund (\$467 million) is scheduled to be transferred on October 1, 1976.

<sup>4</sup> Borrowing in 1977 does not include the reclassification on October 1, 1976, of an estimated \$340 million of Export-Import Bank certificates of beneficial interest as debt instead of loan asset sales.



of revenues through future receipts, to liquidate the obligations. To avoid double counting, appropriations to liquidate contract authority are not considered budget outlays. The amounts required for liquidation are uncontrollable expenses resulting from congressional actions taken earlier.

Following is an example of an appropriation to liquidate contract authority, then a schedule of accounts for which portions of appropriations were applied to contract authority liquidation during fiscal years 1975 to 1977.

#### LIQUIDATION OF CONTRACT AUTHORIZATION

"For payment to the urban mass transportation fund, for liquidation of contractual obligations incurred under authority of the Urban Mass Transportation Act of 1964 (49 U.S.C. 1601 et seq., as amended by Public Law 91-453 and Public Law 93-503) and section 142(c) of title 23, U.S.C., and of obligations incurred for projects substituted for Interstate System segments withdrawn prior to enactment of the Federal-Aid Highway Act of 1976; \$1,700,000,000, to remain available until expended: Provided, That none of these funds shall be made available for the establishment of depreciation reserves or reserves for replacement accounts: Provided further, That amounts for highway projects substituted for Interstate System segments shall be transferred to the Federal Highway Administration." 1/

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1/Department of Transportation and Related Agencies Appropriation Act for fiscal year 1977 (Public Law 94-387).

Revolving Fund Accounts for Which Portions  
of Appropriations Were Applied to Liquidate Contract  
Authority During Fiscal Years 1975 to 1977

(000 omitted)

	<u>FY 1975</u>	<u>FY 1976</u>	<u>FY 1977</u>
Department of the Interior Bureau of Reclamation Colorado River Basin Project 10-06-4079-0-3-301	\$ 32,800	\$ 22,440	\$ 20,600
Department of Transportation Federal Highway Administration Right-of-way Revolving Fund (trust revolving fund) 21-25-8402-0-8-404	20,000	20,000	46,600
Department of Transportation Urban Mass Transportation Administration Urban Mass Transportation Fund 21-32-4119-0-3-404	450,000	1,290,300	1,510,000
Department of Housing and Urban Development Community Planning and Development Urban Renewal Fund--Capital Grants 25-06-4035-0-3-451	47,637	-	-
Veterans Administration Veterans Administration Supply Fund 29-00-4537-1-4-705	-	80,999	-

## Entitlements

Along with provisions aimed at controlling spending authority, such as borrowing and contract authority, the Congressional Budget Act also limits the use of entitlement authority. The key characteristic of entitlements is that, once enacted, the authorizing legislation automatically creates enforceable claims to benefits and thus effectively preempts the formal appropriations process. Thus, the determination of outlays at any given time is a function of variables outside the control of the appropriations committees.

The following is a list of revolving funds which have been classified as entitlements. 1/

### Account title code

Price Support and Related Programs  
05-66-4336-03-351  
Fisherman's Guaranty Fund  
06-48-4318-03-403  
Fishermen's Protective Fund  
15-10-4507-04-403  
Employee Life Insurance Fund--Civil Service  
30-28-8424-08-602  
Employee Health Benefit Fund--Civil Service  
30-28-8440-08-551  
Retired Employees Health Benefitis--Civil Service  
30-28-8445-08-551

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1/From a list developed by the Senate Budget Committee and the Congressional Budget Office.

## CHAPTER 4

### CRITERIA FOR ESTABLISHMENT AND

### CLASSIFICATION OF REVOLVING FUNDS

A major recommendation of the President's Commission on Budget Concepts was the need for consistency of budget concepts and definitions. The Commission's final report concluded by stating:

"The budget changes constantly in substance, in response to changing requirements for new and improved public programs and activities. But this does not mean that budget concepts and definitions also must change constantly. On the contrary, they should have a basic consistency and constancy about them, and should be clearly set forth and adhered to. The recommendations which the Commission is making in the improvement of such standards are intended to help make the budget a more useful and understandable instrument for public policy for years to come." 1/

The Commission viewed the Federal budget as a means for greater congressional and public understanding of the President's public policy and financial planning proposals. Inconsistent classification of accounts, however, interfered with such understanding. The Commission noted, in its study of the budget, that a number of cases involving transactions of a same or similar character received different treatment so far as gross or net effect on the budget totals were concerned; different financial management or control requirements had led to different funding arrangements. 2/ The Commission was concerned that accounting differently for revolving funds than for other fund types in the budget totals would create incentives to "misname" fund

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1/Report of the President's Commission on Budget Concepts, Washington, D.C., Oct. 1967, p. 10.

2/Staff Papers and Other Materials Reviewed by the President's Commission, Washington, D.C., Oct. 1967, p. 250.

types in order to meet pressures to minimize budget expenditures and the budget deficit. 1/

(In addition to using consistent concepts and definitions, also recommended was a single budget covering all activities to replace the three different budgets then in use (1967) that caused confusion and misunderstandings.)

An examination of several budget accounts indicates that the "basic consistency and constancy" regarding budgetary concepts and definitions has not been adhered to since the Commission's conclusions were rendered. We believe the establishment of accounts by the Congress and subsequent account classification should be as consistent as possible and with developed criteria because of the following:

1. The requirements of the Congressional Budget Act.
2. The application of laws restricting the receipt and/or expenditure of certain funds.
3. The need for analyzing trends.
4. The reliance on Treasury Department central accounts for reporting and accounting purposes.

Although the criteria for establishing and classifying revolving funds are fairly comprehensive (as discussed later in this chapter), some accounts have been established as revolving funds when it is questionable whether they meet the generally accepted criteria for when revolving fund financing might be appropriate. Other programs with operations similar to revolving fund programs could conceivably be so established but have not been authorized as such by the Congress.

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1/Ibid., p. 284.

The following are some examples of similar budget accounts that have been established differently.

<u>Established as a revolving fund</u>	<u>Not established as a revolving fund</u>
1. Tennessee Valley Authority:  Produces and sells electricity.	1. Southeastern Power Administration:  Markets electrical power in a 10-State area.
2. Bonneville Power Administration:  Markets electrical power.	2. Southwestern Power Administration:  Markets electrical power.
3. Department of Defense Central Industrial Funds:  (a) Provides special services to Defense activities.  (b) Overhauls and repairs equipment for domestic Defense activities.	3. Defense Mapping Agency: <u>1/</u>  Provides mapping services to Defense activities.  4. Department of Defense Overseas Overhaul and Repair Facilities: <u>1/</u>  Provides services for equipment overseas.

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1/In the cases of the Defense Mapping Agency and the Overseas Repair Facilities, Defense informs us there are two primary reasons for the different fund types: (1) the criteria for selecting activities for industrial funding are rather broad and (2) use of industrial funding is considered optional, with the services being given considerable latitude in designating the type of activities they consider appropriate. (For a more detailed examination of industrial funds, see GAO report entitled "27 Years' Experience With Defense Industrial Funds," FGMSD-76-51, dated Oct. 5, 1976.)

Examples of Government programs where revolving fund financing has, in the past, been proposed but not enacted into law are National Capital Airports, Rural Electrification Administration, and Bureau of Reclamation. Since these programs generate receipts, it would be possible to authorize use of these receipts by the programs (i.e., make them revolving funds) rather than have these receipts returned to the Treasury as is now the case. 1/

Proposals to establish revolving funds come from a variety of sources within the executive and legislative branches. While it is the Congress which ultimately decides whether or not to authorize revolving fund financing for a program, it often accepts executive branch proposals concerning revolving fund establishment and classification. 2/ In evaluating proposed revolving fund establishment, the Congress should consider the matter of decreased congressional control over the activity in relation to the advantages and needs justified in each case. The establishment of a revolving fund by the Congress is an expression of congressional policy, however, and we must assume that the Congress, after giving due consideration to the implications of its action, has decided to relax its control over the activity.

After establishing a fund through legislation as a revolving fund or otherwise, the Treasury Department assigns account symbols in conformance with legislative intent and/or in accord with written criteria. As discussed above, establishment of funds by the Congress is not always consistent on a case-by-case basis. Hence, classification of accounts may sometimes seem to be in conflict with criteria established by the executive branch. There may be several

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1/This is not to suggest that these accounts should be revolving funds; in fact, GAO has held that they should not be so classified. (Sept. 10, 1959, B-120047; Aug. 31, 1959, B-137458; Sept. 14, 1959, B-140602; Aug. 31, 1959, B-137458).

2/We did not review the account classification process on an indepth basis or review all revolving fund accounts. Furthermore, no attempt was made to assess blame for divergence in individual accounts from generally accepted written criteria.

reasons for this inconsistency, including unclear authorizing language or legislative history, a subsequent legislative change in financing technique that may never be reflected in the appropriate classification change, or the lack of a periodic review. Several examples are discussed in detail at the end of this chapter.

## CRITERIA FOR REVOLVING FUND FINANCING

### Congressional criteria

All revolving funds, like other accounts in the Federal Government, must initially be authorized by law. This is required by the Constitution of the United States (sec. 9, clause 7, art. 1), which provides:

"No money shall be drawn from the Treasury, but in consequence of appropriations made by law; and a regular statement and account of receipts and expenditures of all public money shall be published from time to time."

The meaning of this clause was explained by the first Secretary of the Treasury, Alexander Hamilton, as follows:

"The design of the Constitution in this provision was, as I conceive, to secure these important ends, - that the purpose, the limit, and the fund of every expenditure should be ascertained by a previous law. The public security is complete in this particular, if no money can be expended, but for an object, to an extent, and out of a fund, which the laws have prescribed."

The requirement in the Constitution that money be expended only in the amounts prescribed by law has been interpreted as not literally meaning appropriations acts but rather any laws duly passed by the Congress. Establishment of revolving funds is a means by which public funds may be spent without going through the appropriations process.

A philosophical issue regarding revolving funds is whether the limit or extent of the expenditure is fully ascertained by the law establishing the revolving fund. Financial activity of revolving funds is generally not limited by the laws under which they were established. Furthermore, because the accounting for revolving fund financial transactions in the budget is on a net basis, the



overall size of revolving funds and their impact on budget totals is understated.

The establishment of a revolving fund by the Congress is in effect a permanent authorization for a program to be financed, in whole or in part, through the use of its collections to carry out future operations. While appropriations may be provided to establish the revolving fund or, once the fund is established, to provide for the fund's losses or for personnel and administrative expenses, financing to carry out operations is generally accomplished by its receipts. This is in contrast to a general fund account activity where collections usually are required to be deposited in the Treasury as miscellaneous receipts; also, collections are sometimes not authorized or, if authorized, as in the case of reimbursements under section 601 of the Economy Act, their use is subject to review by the Congress as part of the annual appropriations process.

How a program is to be financed is spelled out by the language in the authorizing legislation. The authorizing committees, however, do not have any uniform or written criteria by which they can identify whether it would be appropriate to establish a revolving fund. Individual committees often follow an informal system of financing similar programs in similar ways and are likely to establish revolving funds for certain kinds of programs within their own jurisdictions. Their decisions on financing are also likely to be strongly influenced by the President's budget submission, which initially presents to the Congress a detailed list of programs and activities, how they should be funded, and the amount of funding. Although technically the Congress can decide in its authorizing legislation whether to finance a program or activity as a revolving fund, it seldom disagrees with the executive branch proposal.

The authorizing committees often rely upon comments on proposed legislation by such agencies as GAO and OMB. Once a program has been established, it is assigned an account title and symbol (i.e., classified) by Treasury in conjunction with any comments from OMB or GAO. Although written criteria by these agencies for establishment and classification of revolving funds are fairly comprehensive, there are programs that have been established by the Congress and classified as revolving funds which do not seem to fit the executive branch criteria for when revolving fund financing would be appropriate. Examples are discussed at the end of this chapter. Such actions have

serious consequences for congressional controllability because they remove a program from normal congressional review and oversight without a clearly articulated reason for doing so.

### GAO criteria

The General Accounting Office is often requested by congressional committees to comment on proposed legislation. Often these comments will include a recommendation on the appropriate financing mechanism for the particular program or activity.

The criteria used by GAO in commenting on proposed legislation that would establish a revolving fund, or on the classification of an account as a revolving fund after it has been established, are included in title 7 of the "GAO Manual for Guidance of Federal Agencies," which states:

"Revolving fund accounts. Revolving fund accounts are authorized by specific provisions of law for recording the transactions of a continuing cycle of operations. Receipts derived from such operations are available in their entirety for use by the fund. There are two types of revolving funds.

(a) Public enterprise revolving funds which derive their receipts primarily from sources outside the Government.

(b) Intragovernmental revolving funds which derive their receipts primarily from other appropriations or funds."

"\* \* \* Trust fund receipt and expenditure and trust revolving fund accounts. Trust fund accounts are established for recording receipts which are held in trust for use in carrying out specific purposes and programs in accordance with an agreement or statute. The assets of trust funds are frequently held for a period of time and may include investments in revenue-producing assets and collections of revenue therefrom. Generally trust fund accounts consist of separate receipt and expenditure accounts; but, when the trust's corpus is dedicated to a business-type operation, the fund entity is called a trust revolving fund and a combined receipt and expenditure account is used."

## Treasury criteria

All appropriation, receipt, and fund account symbols and titles are assigned by the Treasury Department and must be consistent with the principles, standards, and related requirements prescribed by the Comptroller General. Treasury's written criteria can be found in the "Combined Statement of Receipts, Expenditures and Balances of the United States Government," which states:

"Revolving fund accounts - These are funds authorized by specific provisions of law to finance a continuing cycle of operations in which outlays generate receipts, and the receipts are available for outlay without further action by Congress. They are classified as (a) public enterprise funds where receipts come primarily from sources outside the Government and (b) intragovernmental funds where receipts come primarily from other appropriations or funds. These accounts are usually designated as 'no-year' accounts, i.e., they are without limitation as to period of availability for outlay. Examples of public enterprise revolving funds are the Tennessee Valley Authority and the Commodity Credit Corporation. Examples of intragovernmental revolving funds are the General Supply Fund administered by the General Services Administration and the Government Printing Office Revolving Fund."

"Trust fund accounts - These are accounts maintained to record the receipt and outlay of moneys held in trust by the Government for use in carrying out specific purposes or programs in accordance with the terms of a trust agreement or statute. The receipts of many trust funds, especially the major ones, not needed for current payments, are invested in public debt and Government agency securities. Generally, trust fund accounts consist of separate receipt and outlay accounts, but when the trust corpus is established to perform a business-type operation, the fund entity is called a 'trust revolving fund' and a combined receipt and outlay account is used. Some of the major trust fund accounts are the Federal old-age and survivors insurance trust fund, Unemployment trust fund, Civil service retirement and disability trust fund, the National service life insurance trust fund, and the Highway trust fund."

## OMB criteria

The Office of Management and Budget uses very detailed criteria on fund classifications to comment on agency requests for revolving funding, to comment on legislation for the President, and to assign OMB budget account codes. Below are excerpts from sections 213, 214, and 215 of the "OMB Examiner's Handbook," which contains the revolving fund criteria.

### "Section 213. General considerations for creation of revolving funds.

"Each proposal for the creation of a revolving fund must be examined on its own merit, using the criteria set forth in sections 214 and 215 below. All criteria need not be met in every case to justify the creation or continuance of a revolving fund. Circumstances may justify a revolving fund even though one or more of the criteria is not applicable.

"Two reasons (not valid arguments) sometimes used to justify the creation of a revolving fund are:

- the need for accrual accounting. Such accounting is also desirable and practical for regular appropriation activities. Section 113(c) of the Budget and Accounting Procedures Act of 1950 requires that '\* \* \* the accounts of such agency \* \* \* be maintained on an accrual basis \* \* \*.'
- the desire to avoid obligation controls. Obligations of revolving funds, as well as appropriations, will be kept under suitable control.

### "Section 214. Public enterprise revolving funds.

"Establishment of a public enterprise revolving fund requires specific statutory authorization. Whether to create a public enterprise fund depends upon the answer to the question 'Under what conditions should receipts from the public be earmarked and set aside to carry out a business-type activity or other cycle of operations?' Creation of such a fund should be considered when:

--there is a continuing cycle of operations in which outlays generate receipts, most of which come from the public.

--the fund is substantially self-sustaining. Ordinarily, a revolving fund is not a good device for carrying out a loss or subsidy program (except as noted below).

--there is substantial need for flexibility to meet unforeseen requirements. When an unforeseen and necessary increase in expenses is related to business volume, the related revenue increase ordinarily can finance the increased workload. The need for flexibility is not, in itself, a sufficient reason to create a revolving fund.

--the advantages of a revolving fund outweigh the disadvantages of earmarking receipts.

\* \* \* \* \*

"Proposals for new public enterprise revolving funds should provide for annual budget review, subject to suitable limitations and allowances for flexibility.

"Section 215. Intragovernmental revolving funds.

"The criteria involved in determining the advisability of creating an intragovernmental revolving fund are quite different from those for a public enterprise fund. An intragovernmental revolving fund may be primarily for transactions within an agency, or for transactions between agencies. In either case, it has no receipts from the public, or such receipts are only incidental, and the question of earmarking receipts from the public is not pertinent.

\* \* \* \* \*

"Intragovernmental revolving funds should be established when:

--accurate distribution of the costs of a common operation among two or more appropriations is desirable and significant.

- " . Most intragovernmental revolving funds involve the joint use of inventory or common services, such as printing or duplicating. These can be administered more effectively and economically under a single financing mechanism for an entire department or several functions, with the costs charged to the respective benefiting appropriations or organization units.
- . Intragovernmental revolving funds ordinarily should not be established where the fund will deal with only one appropriation.
- it is important to place responsibility for justifying costs of revolving funds on the officials benefiting from the service performed. Officials who benefit from a specific service should be responsible for seeking appropriations from Congress to pay for the service and justifying the proposed operating volume of the revolving fund. Only under unusual circumstances should programs be financed by appropriations to the performing organization rather than to the benefiting organization.

\* \* \* \* \*

- it is desirable to indicate clearly whether the pricing policies used for interagency charges are on a cost basis.
- . The use of appropriation reimbursements cannot do this routinely.
- . An intragovernmental revolving fund, with a systematic display of its profit or loss discloses overpricing or underpricing.
- flexibility is desirable in the time purchases are made.
- . A revolving fund provides slightly more flexibility than an annual appropriation, and removes the inducement to excessive June buying, since the materials presumably would be purchased or produced through the revolving fund under more economical circumstances.

- " . A change from annual to no-year appropriations would accomplish flexibility, but a revolving fund permits more economical procurement through use of the fund's working capital to purchase in volume and at a time when prices may be favorable."

### INCONSISTENT CLASSIFICATION OF FUNDS

Although we did not review all accounts or audit individual funds during our analysis of revolving funds, we nevertheless found a few accounts which, when compared to the written criteria for revolving fund financing, raised questions about their being established and classified as revolving funds. For example, some funds did not seem to have a cycle of operations or earmarked receipts. In other cases, the questionable issue concerned the user of the fund--private versus governmental.

Below are brief descriptions of some such accounts. No attempt was made to assess blame for the divergence of individual accounts from generally accepted written criteria. These cases are considered solely in order to show the different types of questions raised by their being established and classified as revolving funds.

#### Development Loan Fund

An example of an account which raises questions concerning the comparison of a program's activity with written criteria for revolving fund financing is the Development Loan Fund account. Since 1961 this program has made long-term loans to friendly developing nations. This account has been in the President's budget as a public enterprise revolving fund because the Congress authorized the interest and capital repayment amounts to be recycled into the fund for future program needs.

However, the Congress enacted legislation (Public Law 93-559) that amended the Foreign Assistance Act to require that starting with fiscal year 1976, all interest and loan repayments from the Development Loan Fund's loans go to the Treasury as miscellaneous receipts and not back into the account to be recycled. A primary criterion of a revolving fund is that it has earmarked receipts which are returned to the fund and used to finance future outlays. Though the Development Loan Fund no longer has any earmarked receipts, the account is still in the budget as a revolving

fund. Analysis of the fund's current "receipts" shows that they all come from Federal sources, i.e., appropriations. OMB officials inform us they are in the process of changing the fund classification for this account.

The Urban Mass Transportation Administration

The Urban Mass Transportation Fund serves as an example of a program which, although authorized by the Congress to be financed as a revolving fund, raises questions as to whether revolving fund financing is appropriate or necessary.

The Urban Mass Transportation Act of 1964 authorizes Federal financial assistance for the development of comprehensive and coordinated mass transportation systems in metropolitan and other urban areas. Most of this financial assistance takes the form of capital grants equal to 80 percent of net project cost - total project cost minus revenues. Urban Mass Transportation is also authorized to make loans to finance the acquisition of real property. However, where a loan has been made and a grant is later awarded for construction of facilities, the grant agreement may provide for forgiveness of the repayment of the principal and accrued interest of the loan then outstanding in lieu of the cash grant. One such capital loan has been made since fiscal year 1970 involving \$19.5 million for the purchase of a right-of-way which will later become part of a capital grant project. In effect, since 1970 all funds furnished from Urban Mass Transportation have been grants; it is, therefore, designed almost entirely to be a grant program. This is clearly illustrated by the listing of the proposed fiscal year 1977 program as shown below.

<u>Program by activities</u>	(millions)
Capital facilities <u>grants</u>	\$1,017.4
Formula <u>grants</u>	610.0
Technical studies <u>grants</u>	41.7
Research, development, and demonstrations <u>grants</u> and contracts	48.5
Managerial training <u>grants</u>	.5
University research and training <u>grants</u>	2.1
Administrative expenses	18.6
Interstate transfer <u>grants</u>	346.6
Urban systems	<u>3.4</u>
Total	<u>\$2,088.8</u>



In addition, for fiscal year 1977, receipts are projected to be \$210,000 while gross outlays will be approximately \$1,585 million. To make up for operating losses, an appropriation of \$1,598.6 million is being requested (\$1,354.6 million was appropriated in 1976), which will be charged to the authorization to incur obligations in advance of appropriations.

Criteria for a public enterprise revolving fund require, among other things, that the fund be substantially self-sustaining, that it have receipts, and that it be a cycle of operations. This means that according to OMB criteria (see page 51), a revolving fund is not a good device for carrying out a loss or subsidy program, such as the Urban Mass Transportation account.

An additional problem with this account is that the authorization incorporates, by reference, restrictions and limitations set forth in numerous other laws, including provisions for program financing methods. Incorporation by reference of a significant amount of existing legislation into new basic legislation is confusing and cumbersome and may lead to inadvertent misclassification, especially if the existing legislation is amended in later years.

#### Offshore Shrimp Fisheries Fund

The appendix to the President's budget includes the following statement about this account:

"Under the Offshore Shrimp Fisheries Act of 1973 (Public Law 93-242), the United States provided \$600 thousand to compensate the Republic of Brazil for enforcement and surveillance services for 1972, 1973, and 1974. The source of these funds was a combination of appropriated funds and receipts from the fishermen who fish off the coast of Brazil. The Governments of the United States and Brazil have ratified a revised agreement specifying compensation to the Republic of Brazil of \$361 thousand per year for calendar year 1975 and 1976, reflecting additional Brazilian costs for fuel and other enforcement expenses."

In short, the account is to pay the Government of Brazil a set amount of money for enforcement expenses. There does not appear to be a cycle of operations, and outlays do not generate receipts. Therefore, this does not seem to be a self-sustaining fund.

Part of the problem in classifying this fund comes from the lack of specific language used in the authorizing legislation and in the accompanying committee reports. The Offshore Shrimp Fisheries Act of 1973 (Public Law 93-242) provided for the establishment of a "separate fund" into which fees collected from U.S. fishermen would be paid and then transferred to the Government of Brazil for enforcement of a conservation agreement. Both the House and Senate reports on the authorizing legislation referred to this as a "special revolving fund."

Harry S Truman Memorial  
Scholarship Trust Fund

The Harry S Truman Memorial Scholarship Trust Fund was established under section 10(a) of Public Law 93-642, which authorized up to \$30 million to be appropriated to the fund and which, in turn, is to be invested by the Secretary of the Treasury. The interest earned on these investments is to be awarded in the form of scholarships to outstanding individuals intending to pursue careers in public service.

The Treasury Department and OMB, when attempting to assign an accounting classification to this account, determined that the account did not clearly fit into any individual classification. Subsequently, they determined that the intent of the law was to make it a trust revolving account.

The classification of this account as a trust revolving fund, however, raises the following questions:

- The act calls for the establishment of a "trust fund," but there is no fiduciary relationship. The original financing was provided from funds appropriated from the general account and not from earmarked receipts held in trust for a specific activity, as is the case with true trust revolving funds.
- Both OMB and the Treasury have classified the account as "revolving." However, the fund will not get any receipts from its users (i.e., the outlays will not generate any receipts). The receipts, which are interest from the investments, will be given as grants. In short, the fund does not revolve.

--The purpose of the program, which is essentially a grant program, calls into question whether it is a business-type activity. (See trust revolving fund definition on p. 6.)

### Social Security Administration

The Social Security Administration's Consolidated Working Fund is coded by Treasury and OMB as a nonrevolving intragovernmental fund (Treasury accounting symbol 3904). As such, it should not have a continuing cycle of operations and should receive most of its receipts from other agencies and bureaus within the Government instead of from nonfederal sources.

Analysis of this fund shows that it has been in existence since 1951 and therefore seems to have a rather long continuing cycle of operations. Furthermore, this account during fiscal years 1973 to 1977 has received in any one year from 43 to 74 percent of its receipts from nonfederal sources. The following schedule shows the actual amount and percentage of receipts received from nonfederal sources between 1973 and 1975, as well as the estimated amounts for 1976 and 1977.

<u>Type of receipt</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
	----- (millions) -----				
Federal funds	\$1.1	\$1.9	\$4.9	\$ 6.8	\$ 6.7
Nonfederal funds	<u>1.7</u>	<u>2.6</u>	<u>3.7</u>	<u>8.9</u>	<u>18.6</u>
Total	<u>\$2.8</u>	<u>\$4.5</u>	<u>\$8.6</u>	<u>\$15.7</u>	<u>\$25.3</u>
Percent from non-federal sources	<u>61</u>	<u>58</u>	<u>43</u>	<u>57</u>	<u>74</u>

The fiscal year 1977 budget appendix notes that the nonfederal receipts for this fund were for providing information for private parties. In short, this account raises the question whether the fund should be reclassified as a public enterprise revolving account.

### Inter-American Foundation

The Foreign Assistance Act of 1969 established the Inter-American Foundation to support self-help efforts in

the developing nations of the Western Hemisphere and to stimulate widened popular participation in the development process. This account is classified as a public enterprise revolving fund. The program was originally funded by the transfer of \$50 million from the Agency for International Development and has subsequently obtained access to Social Progress Trust Fund receipts. The description in the President's budget for this account states that it is to make grants to support social changes. Since this is a grant program and has no receipts, it does not seem to meet public enterprise revolving fund criteria.

## CHAPTER 5

### CONGRESSIONAL CONTROL

#### OF REVOLVING FUNDS

#### EFFECT OF REVOLVING FUND FINANCING ON CONGRESSIONAL CONTROL

The effect of "congressional control" on financing programs through revolving funds depends on what is meant by congressional control. A broad interpretation of the term includes the Congress' ability to effectively determine, both on an aggregate basis and on an individual program basis, what budget levels will be for a given fiscal year. Congressional control also involves the Congress' ability to effectively monitor how far its dictates (as expressed in authorizing legislation, appropriations acts, and associated hearings or other oversight activities) are being carried out. Thus the term congressional control encompasses the closely related budget control and oversight control.

Congressional control is not an absolute. For instance, a high degree of it can be very useful or may be unnecessary. It may be exercised over the amount of budget authority a program is to receive, the amount of outlays it may have during a fiscal year, program parameters, etc. The Congress may or may not choose to exercise control over specific programs for a number of reasons. Likewise, the Congress may choose a form of financing for a program with the possible result of obscuring the program's financial impact on the budget totals. Finally, the Congress may enact legislation, aimed at exerting strong control, only to have its intent distorted by administrative regulations.

Congressional control (both budgetary and oversight) over an activity or program is generally lessened by financing that program as a revolving fund. This lessening of control comes about because (1) all revolving funds have the ability to use the receipts earned within the authorized program, generally without any action by the Congress and (2) the financial transactions of revolving funds are reported on a net basis (i.e., gross receipts are offset against gross outlays with only the net outlay figure, either debit or credit, being brought forward for inclusion in the budget totals).

By authorizing a program to finance its activities through revolving funds, the Congress relieves the

Appropriations Committees' responsibility for limiting spending authority for the program. In addition, many revolving funds are financed through "backdoors" such as contract or borrowing authority. Although ultimately included in appropriations bills, these funds are approved because the authorizing legislation in effect requires the appropriation. The availability of large amounts of funds which have been committed in prior years, together with provisions for ongoing programs which are not dependent upon the Congress for their revenues, make it difficult for the Congress to control budgetary totals once the fund is established.

Programs over which the Congress has little budgetary control also tend to be programs over which the Congress has diminished oversight control. They do not need to justify past performance to continue receiving funds for operations. Due to the nature of congressional operations, it is likely that a program which is close to financial self-sufficiency and whose total level of activity is largely hidden (by the netting process) would tend to avoid close annual committee oversight. This would not be if the program totally depended on the Congress for annual financing and if the program's full financial impact were reflected in the budget totals.

Much of the lessening of congressional control stems from the fact that under the revolving fund method of financing, the determination of the size of the operations so financed passes to the agency and tends to be ignored so long as the account can generate sufficient revenues to match its operating expenditures.

When discussing the controllability of revolving funds, it is necessary to make a clear distinction between their different categories; congressional control over each classification of revolving funds is unique and varies greatly from the other classifications. Each of the three types of revolving funds is discussed below.

### Intragovernmental

The financial transactions of intragovernmental revolving funds are not included in the budget figure because their receipts normally come from other Federal account appropriations. Therefore, to count these appropriations as they run through the revolving funds would have the effect of double accounting.

Control over these funds is indirect and in the form of yearly appropriations to the users' accounts. The cumulative

total of these appropriations should set the limit on the revolving funds' activities. To the extent that the funds remain within the limits of those indirect appropriations, congressional control is exercised. However, this control is not always effective.

The following examples illustrate the practical limitations on the congressional control of these funds. (These examples are not to imply that similar deficiencies might not have occurred no matter what the type of account.)

Our report entitled "Department of Defense Stock Funds' Declining Financial Position" (LCD-76-433, June 16, 1976) reveals that DOD, on its own, imposed a 15-percent surcharge on the funds' sales for fiscal year 1976 to cover anticipated price increases and to provide the stock funds with adequate working capital. The surcharge was imposed notwithstanding the expressed views of both the Senate and House Appropriations Committees that direct appropriation to the stock fund was the method contemplated, in the legislation, to increase the fund. 1/ DOD plans to levy a 7-percent surcharge in fiscal year 1977--in short, this congressional attempt to control the size of these revolving funds was not successful.

Another example of limited congressional control is found in our report entitled "Operations of General Services Administration's General Supply Fund" (LCD-76-421, Mar. 19, 1976). We found that two actions General Services took to obtain cash for the revolving fund were not in accordance with authorizing legislation or congressional intent. We found:

- No legal authority existed for the transfer of \$156 million to the supply fund from other General Services revolving funds--in effect, the revolving fund's proceeds were used for unauthorized purposes.
- General Services used advances from customers as permanent additions to the supply fund's capital; whereas, the Congress intended that customers' advances be restricted to advances for specific purchases. By this method, the agency was able to build up the account notwithstanding congressional attempts at controlling the account.

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1/Senate Report No. 94-446, 94th Congress, 1st session, 103 - 6 (1975). House Report No. 94-517, 94th Congress, 1st session, 140 - 3 (1975).

Another uncontrollable aspect of these intragovernmental funds occurs when the accounts get receipts from non-Federal sources. While in most intragovernmental funds this is not a significant factor, the DOD stock funds receive billions of dollars yearly from private transactions. (See p. 31.)

### Trust revolving

There is little budgetary control possible over trust revolving accounts because in most instances these accounts are entitlements (required by law to be furnished to all who meet the qualifications) and U.S. Government funds are often not involved.

### Public enterprise

As the result of the recommendations of the President's Commission on Budget Concepts (1967), public enterprise revolving funds dollar transactions are included in budget totals on a net basis only. Therefore, of the \$33.6 billion of Federal Government financial activity projected to be conducted by the Federal Government with the public through public enterprise revolving funds in fiscal year 1977, only \$5.8 billion was included in the fiscal year 1977 budget outlay totals. The \$27.8 billion of receipts was deducted from the \$33.6 billion gross outlays and was not included. This \$27.8 billion in outlays was, in effect, treated as if it were an "off-budget" figure.

Another effect of netting is that when new accounts are classified as revolving funds or whenever existing revolving funds grow, budget outlays do not increase as rapidly as they would if accounted for on a gross basis. The changing of an account to a revolving fund gives the appearance that budget expenditures are declining even though the rate of expenditure may remain the same or even increase. Using the revolving fund classification might help to reduce budget totals and escape national priority debate by changing fund structure without changing fund purposes.

The Congress should be aware of the total magnitude and nature of the operations for which it has delegated authority to the agency involved. While by itself this would not provide any more congressional control than is exercised, it would enhance the debate on national priorities and would help to provide the basis for control if the Congress wished to use it. For this reason, budget treatment of revolving funds should be given more effective



visibility so that they may be made more subject to congressional control. Revolving funds should be reflected on a gross rather than a net basis. While this conclusion differs from the recommendations of the President's Commission on Budget Concepts, it is based on the conviction that gross totals are a more realistic representation of the true magnitude and impact of programs and are more in line with the budget process as established under the Congressional Budget Act of 1974. 1/

Public enterprise revolving fund receipts come from non-Federal sources and as such are beyond the budget control of the Congress through normal fiscal and budgetary procedures. The level of the receipts is the controlling element in determining net outlays. Therefore, public enterprise funds can be best controlled by the Congress through limiting obligations.

Changes in the level of net dollar transactions within the public enterprise funds (which can be beyond congressional control) can, however, have a direct and significant effect on the budget deficit which should be under the Congress control. The following section illustrates this effect.

#### Public enterprise funds net outlay changes can affect budget deficits

With the enactment of the Congressional Budget and Impoundment Control Act of 1974, the Congress undertook a major step toward obtaining greater overall control of the Federal budget totals. A major part of that control is centered around the passing of a budget resolution which sets overall limits on budget authority and outlays. This, in turn, controls the resulting deficit or surplus (usually deficit). While the Congress has set up many new controlling devices--e.g., limiting new backdoor spending--it should be aware that the fluctuations of the receipts and outlays of the public enterprise revolving funds can have a significant effect on the deficit limits. Revolving funds are very

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1/The effects of netting on the budget procedures established under the Congressional Budget Act of 1974, are discussed on pages 67 to 69. A detailed discussion of our reasons for departing from the President's Commission on Budget Concepts regarding accounting for public enterprise revolving funds on a net versus a gross basis are in appendix I.

volatile in nature and involve large dollar amounts. For example, when the fiscal year 1975 budget totals were proposed (estimated), public enterprise fund net outlays were estimated to be about \$3.4 billion. However, the actual net outlay for these funds (2 years later) was \$7.6 billion, an increase of \$4.2 billion or 124 percent.

Changes between budget estimates and actual amounts often, and quite normally, take place. However, as shown by the following schedule, between the years 1968 through 1975, the actual net outlays for public enterprise revolving funds exceeded the original estimate of those outlays in each year. This trend appears to have continued through fiscal year 1976. The annual dollar differences between the estimated and actual amounts ranged from \$450 million to over \$7.2 billion yearly. The percentage of increases in outlay amounts had an equally wide range--from 8 percent to about 500 percent. 1/

PUBLIC ENTERPRISE REVOLVING FUNDS  
NET OUTLAY CHANGES  
(in millions of dollars)

Fiscal Year	1968	1969	1970	1971	1972	1973	1974	1975	1976
First Estimated Net Outlays	\$1,447	\$7,717	\$6,157	\$6,830	\$6,196	\$5,783	\$5,568	\$3,369	\$5,182
Actual Net Outlays	8,661	8,399	8,514	7,356	7,456	6,234	6,018	7,598	8,478 a/
Difference	7,214	682	2,357	526	1,260	451	450	4,229	3,296 a/
Percentage between Actual and Estimated	498.6%	8.8%	38.3%	7.7%	20.3%	7.8%	8.1%	125.5%	63.6% <sup>a/</sup>

a/ Comes from adjusted estimate, not actual.

1/The Office of Management and Budget commented that \$3.2 of the \$4.2 billion increase was the result of congressional action, the impact of these changes would have been the same whether accounted for on a gross or a net basis, and the Congress can control the level of activity of the fund if it desires to do so. (See OMB comments in app. VI.)

## MEANS BY WHICH THE CONGRESS HAS EXERTED CONTROL THROUGH GENERAL LEGISLATIVE PROVISIONS

While decreased congressional control generally results when an account is established as a revolving fund, the Congress has the authority, responsibility, and the means to establish other types of controls it feels are necessary. During our analysis of revolving funds, we found many examples of the Congress taking specific legislative steps to establish controls over individual revolving funds or revolving funds in general.

The following sections discuss in detail congressional controls resulting from (1) general legislative provisions, (2) appropriations legislation, (3) authorization legislation, and (4) oversight functions.

### General legislative provisions

Although the Budget and Accounting Act of 1921 provided for a Federal budget system and an independent audit of Government accounts, most of the corporate revolving funds established during World War I were not included under its provisions because they were being liquidated. With the tremendous growth of corporate revolving funds during the 1930s and early 1940s, however, there was a recognition that some means had to be found to coordinate the financial programs of the Government corporations. Several piecemeal approaches were taken during this period, but the degree and character of control exercised over Government corporations by the Congress, the President, and the established fiscal agencies of the Government varied greatly until the passage of the Government Corporation Control Act on December 6, 1945.

### Government Corporation Control Act

The Government Corporation Control Act (Public Law 79-248) was the first comprehensive attempt by the Congress to exert control over corporate revolving funds as a whole. The act's purpose was to provide annual review and current financial control by the Congress over the financial transactions and operations of the corporations through the regular fiscal agencies of the Government (Bureau of the Budget/OMB, Treasury, and GAO). Each corporation was required to submit its budget program, in the form of a new "business-type budget," to the President through the Bureau of the Budget, now the Office of Management and Budget. The President was directed to transmit these business-type

budgets of the corporations to the Congress as part of the annual budget. The Congress was then to consider these budget programs and enact legislation making funds available to the corporations as it deemed necessary. As the process is carried out, however, the business-type budget presentation generally serves only as information for the Congress.

One type of control that was brought about through the passage of the Government Corporation Control Act was the requirement that operating and administrative expenses, such as buildings, physical plants, and personnel, for Government corporations be subject to the annual appropriations process. The act went on to state that the provisions of this section "\* \* \*" shall not be construed as preventing Government corporations from carrying out and financing their activities as authorized by existing law." An example of appropriations action taken to limit operating and administrative expenses for a Government corporation under the provisions of the act are as follows.

**SAINT LAWRENCE SEAWAY DEVELOPMENT  
CORPORATION**

"The Saint Lawrence Seaway Development Corporation is hereby authorized to make such expenditures, within the limits of funds and borrowing authority available to such Corporation, and in accord with law, and to make such contracts and commitments without regard to fiscal year limitations as provided by section 104 of the Government Corporation Control Act, as amended, as may be necessary in carrying out the programs set forth in the budget for the current fiscal year for such Corporation except as hereinafter provided."

**Limitation on Administrative Expenses, Saint Lawrence  
Seaway Development Corporation**

"Not to exceed \$982,000 shall be available for administrative expenses which shall be computed on an accrual basis, including not to exceed \$3,000 for official entertainment expenses to be expended upon the approval or authority of the Secretary of Transportation: Provided, That Corporation funds shall be available for the hire of passenger motor vehicles and aircraft, operation and maintenance of aircraft, uniforms or allowances therefor for operation

and maintenance personnel, as authorized by law (5 U.S.C. 5901-5902), and \$15,000 for services as authorized by 5 U.S.C. 3109." 1/ (Underscoring supplied.)

The act also provided for control of corporation financial activity after the budget was enacted by the Congress by calling for commercial-type audits to be conducted by the Comptroller General, with reports made to the Congress as to whether corporations complied with congressional directives and restrictions. Most corporate revolving funds established after the Government Corporation Control Act state in their authorizing legislation that they are subject to its provisions. In addition, some noncorporate fund legislation contain language making the provisions of the Government Corporation Control Act applicable.

#### Congressional Budget and Impoundment Control Act of 1974

Budget provisions--The purpose of the Congressional Budget Act of 1974 (titles I through IX) is to establish a timetable and procedures for

- effective congressional control over the budgetary process,
- annual congressional determination of the appropriate level of Federal revenues and expenditures,
- establishment of national budget priorities, and
- information furnished in a manner that will assist the Congress in discharging its duties.

The act does not eliminate existing procedures for authorization of programs or the appropriation of funds. The new budget procedures are instead added to the existing congressional framework. The act affects the use of revolving funds as a financing mechanism and, conversely, revolving funds affect some of the goals of the act. Title III, dealing with the congressional budget process and title IV, dealing with provisions to improve fiscal procedures, are the most important regarding revolving funds.

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1/Department of Transportation and Related Agencies Appropriation Act for fiscal year 1977 (P.L. 94-387).

Budget targets and ceilings--Sections 301 and 310 establish procedures for budget resolutions which set forth appropriate levels of total outlays, budget authority, budget surpluses or deficits, revenues, and public debt. Outlays and budget authority are divided into functional categories in the first resolution to serve as targets for the Congress during its deliberations (through the appropriations process) on national priorities. The first resolution, which is to be adopted by May 15, is followed by a second resolution to be adopted by September 15 which revises or affirms the amounts arrived at in the first resolution. After adoption of the second resolution, however, the Congress may not consider any legislation that would cause the levels for total outlays or budget authority to be exceeded except as provided in a new concurrent resolution.

Spending levels, as reflected in budget resolutions, are aimed at exerting some discipline in formulating the congressional budget. The fact that public enterprise revolving funds are accounted for in the budget totals on a net basis (gross outlays - receipts = net outlays), however, affects the legitimacy of the outlay totals reflected in the resolutions. Public enterprise revolving funds are accounted for in the fiscal year 1977 budget as having outlays (net) of \$5.8 billion. Their true level of business (and impact on Federal spending), as measured by gross outlays, was \$33.6 billion. Therefore, financing these programs as revolving funds has the effect of excluding \$27.8 billion of Federal Government outlays in the aggregate budget totals.

This effect is important when budget levels for functional categories are established in the resolutions. This is where the decisions are made regarding setting national priorities (i.e., who gets what out of the budget process). Not all functional categories have the same level of revolving fund financing. Thus, the commerce and transportation function, with 26 public enterprise revolving funds, has a \$10.1 billion 1/ outlay advantage over functions such as general science, space, and technology or law enforcement and justice which do not have any public enterprise revolving funds. The

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1/This figure is arrived at by considering that only \$2 billion in outlays (net) are included for this aggregate functional budget level instead of the actual impact of \$12.1 billion in outlays (gross) which will occur for this function in fiscal year 1977. Through netting, the impact of \$10.1 billion (receipts) is not reflected in this functional total.

figures employed for all functions which have revolving funds would have to be adjusted upward during the budget process to a new more realistic and comprehensive set of aggregates if revolving funds were either changed to general funds or accounted for on a gross basis. 1/

Spending responsibility--Section 302 of the act requires the Budget Committees of each House to allocate responsibility for formulating budget totals to committees which have jurisdiction over bills and resolutions providing new budget authority. Rules have been formulated which assist the Budget Committees in allocating responsibility for bills and resolutions providing budget authority or affecting outlays, depending on the type of authority involved. These rules also serve as guidelines for the Congressional Budget Office in their scorekeeping reports.

The following summarizes the rules used by the House Budget Committee in allocating spending responsibility for the fiscal year 1977 budget as relates to revolving funds only.

- Old contract and borrowing authority, which is defined by section 401 of the act as old spending authority (discussed on p. 70), is considered permanent authority and is assigned to the authorizing committee. Outlays to liquidate contract authority or resulting from appropriations to reduce agency debt are assigned to the Appropriations Committee.
- New contract and borrowing authority, defined as new spending authority and their associated outlays, are assigned to the Appropriations Committee.
- Section 401(d) of the act exempts new spending authority where outlays are made by mixed or wholly owned Government corporations from the provisions of section 401(a) and (b) subjecting new spending

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1/A detailed discussion of our reasons for departing from the President's Commission on Budget Concepts regarding accounting for public enterprise revolving funds on a net versus a gross basis are in appendix I. The effect the change from reporting budget totals on a net basis to a gross basis would have on functional totals, using fiscal year 1977 as an example, is illustrated by a chart on page 101.

authority to amounts approved in appropriations acts. Thus, spending responsibility for all mixed or wholly owned Government corporations is allocated to the authorizing committee. Annual appropriations to such corporations, however, are under the jurisdiction of the Appropriations Committees.

--Under existing law, offsetting receipts will not be distributed but will be shown as an undistributed total. Proposed legislation for offsetting receipts will be assigned to the authorizing committees.

The rules for allocation of revolving fund spending responsibility determine whether the Appropriations Committee or the authorizing committee will have jurisdiction over spending for a program. Similar types of programs may be assigned to one or the other committee based on what type of spending is involved. For example, both the Southeastern Power Administration and the Southwestern Power Administration are general fund accounts and are assigned to the Appropriations Committee. The Tennessee Valley Authority and the Bonneville Power Administration, with operations similar to the above programs and both classified as revolving funds, are assigned jointly to the authorizing committee and the Appropriations Committee. In another example, the Urban Mass Transportation Administration, which is classified as a public enterprise revolving fund, is assigned to both the authorizing committee and the Appropriations Committee. The determining factor for allocating spending responsibility is whether current or permanent budget authority is involved.

New versus old spending authority--Section 401 of the act both defines and limits the use of spending authority. The term "spending authority" is used to describe legislation which authorizes the obligation of funds outside of or prior to the appropriations process--such as by contract or borrowing authority. This type of financing mechanism is also referred to as backdoor authority. The intent of section 401 is to control the use of this type of authority by treating both contract and borrowing authority the same as regular authorizations for which funds are to be available



only to the extent provided in appropriations acts. 1/ A grandfather clause existing in this legislation distinguishes between new spending authority which becomes law after the effective date of the Congressional Budget Act of 1974 (July 12, 1974) and is subject to this provision and old spending authority which is not subject to this provision. When this section was enacted, it was assumed that old spending authority would be used up at some time in the future. Thus, the use of contract and borrowing authority as backdoor financing mechanisms would be eliminated.

But insured and guaranteed loans are not included--  
Section 401(c) provides that the term "spending authority,"

"\* \* \* does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government."  
(Underscoring supplied.)

Therefore, revolving fund programs which conduct their operations through insured or guaranteed loans, or are converted from making direct loans to this mechanism, are not subject to the required appropriations action on new spending authority. The reasoning is that insuring or guaranteeing loans does not require the immediate use of budget authority to carry out program objectives and that budget authority is only needed to cover losses from program operations, such as defaults on loans which are accounted for when the loss occurs. The three largest public enterprise revolving funds of the Farmers Home Administration serve as good examples of how this can be done. However, under some circumstances agencies are able to convert loan guarantees to direct lending without congressional appropriations action. For example, participation certificates or certificates of beneficial ownership are sold to the Federal Financing Bank--an off-budget intragovernmental revolving fund and, in effect, transfer a large volume of loans which would normally be reported in the budget at face value to off-budget status. This series of transactions takes advantage of the exception to the definition of spending authority and the off-budget

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1/Another form of spending authority covered by section 401 is entitlement authority. Procedures for control of entitlement authority differ, however, from those applied to contract and borrowing authority. This subject is discussed in another report in this series--"Entitlement Legislation and Budget Control" being prepared by the Congressional Budget Office.

status of the Federal Financing Bank to effectively evade the usual budget discipline.

Government corporations--Section 401(d) lists other exceptions to the requirement subjecting new spending authority to amounts provided in appropriations acts. Included in this section is the following which relates to numerous public enterprise revolving funds:

- "(3) Subsections (a) and (b) shall not apply to new spending authority to the extent that--
- (A) the outlays resulting therefrom are made by an organization which is (i) a mixed-ownership Government corporation (as defined in section 201 of the Government Corporation Control Act), or (ii) a wholly owned Government corporation (as defined in section 101 of such Act) which is specifically exempted by law from compliance with any or all of the provisions of that Act."

The effect of section 401's provisions on the remaining public enterprise revolving funds which are not exempted in any way from its provisions is questionable. Although treating contract or borrowing authority as an authorization subject to amounts approved in appropriations acts appears on the surface to be exerting budgetary control, this approach has not always been effective. This problem is discussed in detail on page 80 as it relates the failure of appropriations act limitations to control specific revolving funds.

#### Impoundment Control Act

Another statutory means of congressional control is title X of the Congressional Budget and Impoundment Control Act which establishes a procedure for congressional review and control of impoundments, defined as any action or inaction by the Executive which precludes the obligation of budget authority provided by the Congress. The passage of the Impoundment Control Act was the result of a growing feeling within the Congress that it ought to exert a more forceful role in determining that public policies enacted by it are carried out properly and effectively by the executive branch. The Congress was also concerned that the executive branch was withholding budget authority from programs for policy rather than economy and efficiency reasons.

Historically, the major mechanism for executive branch control of funds, including the withholding of budget authority for economy and efficiency reasons, was the apportionment process carried out by the Office of Management and Budget under the provisions of the Anti-Deficiency Act (31 U.S.C. 665). This authority reads in part as follows:

"\* \* \* all appropriations or funds not limited to a definite period of time, and all authorizations to create obligations by contract in advance of appropriations, shall be so apportioned as to achieve the most effective and economical use thereof." (Underscoring supplied.)

The Impoundment Control Act amended the Anti-Deficiency Act to allow for reserves of funds only with the knowledge and consent of the Congress.

The act requires the President to notify the Congress whenever he proposes that all or part of budget authority (including prior year funds and revolving fund balances) provided by the Congress should be deferred or rescinded. While the implementation of the Impoundment Control Act was an effective congressional control mechanism for most budget accounts, it has been less effective with regard to revolving funds. 1/ Reporting the activities of revolving funds under the Impoundment Control Act requires more judgment than does reporting in most other areas. This is because enforcement of the act is complicated by several peculiarities associated with revolving funds. (1) Most revolving fund accounts are not subject to annual appropriations actions or do not have limitations imposed upon them in the authorizing legislation. Consequently, there is no delineated expression of congressional intent as to what level of financial activity should be pursued during the fiscal year. There is not the type of benchmark amount by which to measure compliance with congressional intent as exists under annual appropriations actions. (2) The fact that many revolving funds are not subject to apportionment (on a quarterly basis) makes it somewhat more difficult to detect impoundment action.

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1/OMB had numerous comments on this section in their response to a draft report supplied to them. Several of their comments have been incorporated in this report. Others, however, with which we do not fully concur, are included in appendix VI.

(3) The requirements of maintaining working capital (corpus) also complicates the determination of the amount being impounded.

In those instances where revolving funds have been subject to impoundment actions, the characteristics of revolving funds noted above have caused the executive branch some difficulty in complying with the act. OMB's guidance on whether to report unapportioned or unused balances of a revolving fund under the act states that:

"Revolving fund balances, or any portion thereof, shall be the subject of a special message when such funds are being held restrictively, i.e., withheld from obligation during a period of time in which the agency could have effectively, efficiently, and legally used (obligated) the funds." 1/

This has not, however, resolved the problem of when to report revolving fund impoundments. The act empowers the Comptroller General to bring civil action in court to require release of budget authority which is not being made available for obligation under the provisions of the act. We have observed several instances in which the President has failed to report impoundments of revolving fund budget authority. For example, in a June 19, 1975, letter (B-115398), the Comptroller General informed the Congress of an unreported impoundment of college housing--a revolving fund--budget authority. In that report, GAO stated:

"The Administration has not proposed to rescind the budget authority made available for the direct loan program even though the program was discontinued in January 1973. OMB's decision not to apportion the budget authority available for college housing loans, coinciding with the Department's discontinuance of the College

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1/OMB officials inform us that, in their opinion, earmarked receipts are not budget authority and thus they are not subject to the act. Nevertheless it is their current policy to report restrictively withheld earmarked receipts because it represents budgetary resources which could be obligated.

Housing Program, constitutes a rescission which must be, but has not been, reported pursuant to the Impoundment Control Act. At a minimum, we believe that \$964 million of \$1.1 billion unapportioned for fiscal year 1975 constitutes a rescission." 1/

In a more recent example concerning HUD's Rental Housing Assistance Fund, we reported to Congress (B-115398, Apr. 20, 1976) that:

"As of March 31, 1976, the balance in the fund was approximately \$44.6 million and HUD documents project that the balance will increase to approximately \$48.7 million by the end of fiscal year 1977. HUD estimates that about \$18 million from the fund will be used to compensate project owners for excess rent payments erroneously remitted to HUD prior to June 1975. This action, however, may not be implemented due to a recently initiated court suit in which the plaintiffs are seeking to enjoin HUD from making its planned remittances. In addition, HUD estimates that, for fiscal year 1976, another \$300,000 will be needed to make court ordered payments under the operating subsidy program to those section 236 projects that are successful plaintiffs in lawsuits designed to require HUD to implement the program as regards those projects.

"HUD officials inform us that they have no plans to utilize any of the remaining \$26.3 million, therefore, we believe that at a minimum, \$26.3 million is being permanently withheld from obligation for operating subsidy payments--even if HUD ultimately prevails

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1/The Comptroller General reported on December 15, 1975 (B-115398), that the Housing and Urban Development - Independent Agencies Appropriation Act, 1976 (P.L. 94-116), transferred the \$964 million of college housing budget authority to the Community Development Grant Program. The enactment of this act resolved the question of the Administration's failure to release the college housing funds.

in its plan to pay out \$18 million--and constitutes an unreported rescission." 1/

In conclusion, given the special nature of problems associated with reporting revolving fund impoundment actions, the executive branch will most likely continue to have more difficulty in complying with the act as it relates to revolving funds than it has in complying with other types of account impoundment actions.

Proposed Government Economy and Spending Reform Act

During the 94th Congress, legislation was proposed which would affect revolving funds as a general category by combining aspects of both sunset provisions and zero based budgeting to gain greater congressional control over all Federal programs. This is to be accomplished by strengthening the congressional authorization process. The provisions of the legislation, known as the Government Economy and Spending Reform Act (S. 2925 in the 94th Congress and S. 2 in the 95th Congress), would require that all authorizations of Federal programs subject to the act's provisions must either be reauthorized or terminated over a 5-year period. In addition, all programs would undergo a zero base review by the appropriate congressional committees with the assistance of

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1/Under the provisions of the act these funds were required to be released by HUD on June 16, 1976. As a result of HUD's failure to release the funds, the Comptroller General notified the Congress on July 7, 1976 (B-115398), of his intention to initiate civil action to require the release of the funds. The Department of Housing and Urban Development - Independent Agencies Appropriation Act for fiscal year 1977 (P.L. 94-378), enacted August 9, 1976, authorized HUD to disperse the funds involved in this rescission to other housing programs, thus terminating the impoundment. A series of legal actions, however, culminating with a United States Court of Appeals for the District of Columbia order on October 22, 1976, enjoined HUD from allocating the moneys in the section 236 reserve account to fund programs other than the operating subsidy program as called for in the appropriation act. As a result of these actions, the Comptroller General notified the Congress on December 23, 1976 (B-115398), that an impoundment no longer existed because the funds were "being withheld pursuant to court orders and not as a result of executive branch action."

executive branch departments or agencies, and congressional support agencies, before they are reauthorized or terminated. This provision would guarantee that revolving funds would be examined on a gross outlay (full program activity) rather than on a net outlay basis by the authorizing committee. In addition, since revolving funds are usually without tenure (i.e., without a termination date), the provisions of the proposed act would provide the means to reevaluate these self-perpetuating Government programs.

#### MEANS BY WHICH THE CONGRESS HAS EXERTED CONTROL OVER SPECIFIC REVOLVING FUNDS

Legislation concerning revolving funds as a general category, such as the Government Corporation Control Act or the Congressional Budget and Impoundment Control Act, does not always establish the kind of specific controls over individual revolving fund operations intended by the Congress. As a supplement, the Congress may include specific controlling language in authorizing legislation, appropriations acts, or both. This has been done in a number of instances where revolving fund programs were either not entirely in compliance with the wishes of responsible congressional committees or a potential existed for abuse of the greater flexibility granted by the Congress through revolving fund financing.

Discussed below are several instances whereby the Congress exerted control over revolving fund programs, either through authorizing or appropriation legislation. Also included are some examples of statutory language used to gain control. In certain cases, advisory language in appropriations acts did not work (discussed on p. 80). Therefore, congressional control over these programs seems to be best accomplished through authorizing legislation.

#### Appropriations act controls

##### Export-Import Bank

Public Law 94-441, which makes appropriations for foreign assistance and related programs for fiscal year 1977, furnishes a good illustration of a type of congressional control over revolving funds via the appropriations process.

Title IV of this law sets overall limits on the Export-Import Bank program activity as well as setting what amounts shall be used for certain type loans--equipment

and service loans. The appropriations act also sets limits on the amount of administrative expenses, entertainment allowances, and spells out what type expenses will be considered nonadministrative expenses. The pertinent sections of the appropriations act are below.

TITLE IV--EXPORT-IMPORT BANK OF THE  
UNITED STATES

"The Export-Import Bank of the United States is hereby authorized to make such expenditures within the limits of funds and borrowing authority available to such corporation, and in accord with law, and to make such contracts and commitments without regard to fiscal year limitations as provided by section 104 of the Government Corporation Control Act, as amended, as may be necessary in carrying out the program set forth in the budget for the current fiscal year for such corporation, except as hereinafter provided.

Limitation on Program Activity

"Not to exceed \$6,334,443,000 (of which not to exceed \$3,875,000,000 shall be for equipment and services loans) shall be authorized during the current fiscal year for other than administrative expenses.

Limitation on Administrative Expenses

"Not to exceed \$12,081,000 (to be computed on an accrual basis) shall be available during the current fiscal year for administrative expenses, including hire of passenger motor vehicles, services as authorized by 5 U.S.C. 3109, and not to exceed \$24,000 for entertainment allowances for members of the Board of Directors: Provided, That (1) fees or dues to international organizations of credit institutions engaged in financing foreign trade, (2) necessary expenses (including special services performed on a contract or a fee basis, but not including other personal services) in connection with the acquisition, operation, maintenance, improvement, or disposition of any real or personal property belonging to the Bank or in which it has an interest, including expenses of collections of pledged collateral, or the investigation or appraisal of any property in respect to which an application for a loan has been made, and (3) expenses (other than



internal expenses of the Bank) incurred in connection with the issuance and servicing of guarantees, insurance, and reinsurance, shall be considered as nonadministrative expenses for the purposes hereof." (Underscoring supplied.)

Government National Mortgage Association (GNMA)

The Emergency Housing Act of 1975 (Public Law 94-50) authorized GNMA to make purchases and to purchase commitments at below market rates to buy conventional home mortgages from lending institutions, thus freeing its money for more mortgages. Section 206 of the act limited certain GNMA program activities to amounts approved in appropriation acts. This section is as follows.

**AUTHORIZATION**

"SEC. 206. Section 313(g) of the National Housing Act is amended by adding the following at the end thereof: 'Such total amount shall be increased on or after the date of enactment of the Emergency Housing Act of 1975, by such amount as is approved in an appropriation Act, but not to exceed \$10,000,000,000 and the Association shall not issue obligations pursuant to the section utilizing authority which is conferred by this sentence or which is conferred by the first sentence of this subsection but uncommitted on October 18, 1975, except as approved in appropriation Acts.'" (Underscoring supplied.)

The Senate Appropriations Committee made several statements regarding GNMA implementation of the program, including limitations imposed by GNMA which did not reflect the intent of the Congress. The Committee directed that in the future the agency should consult with the appropriate committees of both Houses before promulgating regulations (S. report 94-326). The Department of Housing and Urban Development--Independent Agencies Appropriation Act of 1976 (Public Law 94-116) included the following language concerning this program.

"The total amount of purchases and commitments authorized to be made pursuant to section 313 of the National Housing Act, as amended (12 U.S.C. 1723E; 88 Stat. 1364; Public Law 94-50), shall not exceed \$5,000,000,000 outstanding at any

one time, which amount shall be in addition to balances of authorization heretofore made available for purchases and commitments pursuant to said section and which shall continue available after October 18, 1975: Provided, That the Association may borrow from the Secretary of the Treasury in accordance with said section, in such amounts as are necessary to carry out the purposes and requirements of said section as authorized herein."

The Emergency Housing Act's impact on GNMA financial activity is discussed on page 108.

Appropriations act control through advisory language does not always work

In some instances, attempts at exerting congressional control over revolving funds through appropriations act language have not worked where the legislative history indicates that the language was only intended to be advisory. The following two examples are illustrative.

In 1974, GAO issued an opinion (53 Comp. Gen. 560) on the following appropriation act language for the Agricultural Insurance Fund (Public Law 93-135):

"Loans may be insured, or made to be sold and insured, under this Fund in accordance with and subject to the provisions of 7 U.S.C. 1928-1929, as follows: real estate loans, \$370,000,000, including not less than \$350,000,000 for farmowner-ship loans: operating loans, \$350,000,000; and emergency loans in amounts necessary to meet the needs resulting from national disasters \* \* \*."  
(Underscoring supplied.)

It was our conclusion that the language referring to \$350,000,000 for operating loans was not intended to be a legal limitation. This opinion was based primarily on the legislative history of the appropriation legislation, which offset what would normally be definite appropriations act controls and, as a result of this expressed intent, farm operating loans could be made in excess of \$350 million.

In a related case concerning possible impoundment of the Farmers Home Administration's Rural Housing Insurance Fund, we held on September 28, 1976 (B-115398), that the following appropriation language did not set a limit on the fund, but was in effect only advisory.

"For direct loans and related advances pursuant to section 517 (m) of the Housing Act of 1949, as amended, \$10,000,000 shall be available from funds in the rural housing insurance fund, and for insured loans as authorized by title V of the Housing Act of 1945 [sic], as amended, \$1,605,000,000 \* \* \*." 85 Stat. 192.

Again, legislative history and other legislative events were the major determinants of our opinion.

Generally, for appropriations language to operate as an effective fund control mechanism, the appropriations act must be in concert with other expressions of congressional intent.

### Authorizing legislation controls

#### Development Loan Program

An example of how the Congress exercised control over a revolving fund account is demonstrated in their actions relating to the Development Loan Program. This program was established in 1961 and makes long term loans to friendly developing countries to promote their economic development. As the loans matured, interest and loan repayment amounts cumulated and were recycled into the receipts of the revolving fund for reuse for other loans. The Congress, however, mandated that starting in fiscal year 1974 not more than 50 percent of the receipts could go back into the fund's receipts. The balance was to be returned to the Treasury as miscellaneous receipts.

Subsequently the Congress enacted a Senate amendment to section 203 of the Foreign Assistance Act of 1961 which put even more stringent controls over the fund's receipts. The following wording was added to the end of that section:

"On and after July 1, 1975, none of the dollar receipts paid during any fiscal year from loans made pursuant to this part or from loans made under predecessor foreign assistance legislation are authorized to be made available during any fiscal year for use for purposes of making loans under chapter 1 of this part. All such receipts shall be deposited in the Treasury as miscellaneous receipts."

In short, this fund no longer has any receipts from its loan program. This factor, discussed on page 53, raises questions as to whether the fund meets the criteria of a revolving fund.

### New York City Seasonal Financing Fund

The New York City Seasonal Financing Fund was established by the New York City Seasonal Financing Act of 1975 (Public Law 94-143) to provide short-term loans by the Treasury Department to New York City. The authorizing legislation, establishing the revolving fund, contains several provisions aimed at maintaining control over both the size and duration of the fund. For example, all income from the fund such as interest paid by New York City or any earnings from the fund's investments must be returned to the Treasury as miscellaneous receipts instead of to the fund to be reused. Thus the fund cannot grow. The outstanding balance of loans cannot exceed \$2.3 billion and all loans must be repaid within the same fiscal year. The legislation also contains a provision for terminating authority for the Secretary of the Treasury to make loans and, therefore, the duration of the fund itself.

Pertinent sections of the authorizing legislation are as follows.

#### FUNDING

##### Section 8 (a). . .

"All funds received by the Secretary in the payment of principal of any loan made under this Act shall be paid into the fund. All income from loans and investments made from the fund shall be covered into the Treasury as miscellaneous receipts. Moneys in the fund not needed for current operations may be invested in direct obligations of, or obligations that are fully guaranteed as to principal and interest by, the United States or any agency thereof. After all loans made pursuant to this Act have been repaid, the balance of the fund shall be returned to the general fund of the Treasury."

#### TERMINATION

"SEC. 11. The authority of the Secretary to make any loan under this Act terminates on June 30, 1978. Such termination does not affect the carrying out of

any transaction entered into pursuant to this Act prior to that date, or the taking of any action necessary to preserve or protect the interests of the United States arising out of any loan under this Act." (Underscoring supplied.)

## Both authorizing and appropriations control

### Federal Buildings Fund

One of the methods by which the Congress has exerted control over revolving funds is illustrated by the example of the Federal Buildings Fund. This fund was established under the provisions of the Public Buildings Amendments of 1972 (Public Law 92-313) to provide space and services for Federal agencies in a relationship similar to that of landlord and tenant. <sup>1/</sup> The fund replaced direct appropriations by using income derived from rent assessments which approximate commercial rates for comparable space and services. The authorizing legislation was very specific in detailing the Administrator's limitations as to how the funds could be expended for new projects. For instance, any acquisition of a building involving an expenditure in excess of \$500,000 could not be made unless a detailed prospectus was submitted by the Administrator and approved by resolutions adopted by both the House and Senate Committees on Public Works. In addition, the language in the authorizing legislation stated,

"Moneys deposited into the fund shall be available \* \* \* in such amounts as are specified in annual appropriations acts without regard to fiscal year limitations."

To implement this legislation, the budget for fiscal year 1975 proposed a single figure obligation ceiling of \$980,000,000 from the revenues in this fund. During consideration of Public Law 93-381, however, the House Appropriations Committee strongly opposed a single figure obligational authority for the fund. Instead, limitations were established on the availability of fund revenues by the major functions GSA used in its budget justifications to the Committee. These limitations were enacted in the Appropriation Act by the Congress.

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<sup>1/</sup>The legislative history of Public Law 92-313 is unclear as to whether a revolving fund or a special fund was intended by the Congress.

The Appropriations Committees, therefore, treated the annual appropriations request for this fund as if it were a general fund account. Amounts approved by the Committees for specific buildings including limits on the size of the fund were listed in the act along with the following general controls.

Provided, That the immediately foregoing limits of cost may be exceeded to the extent that they apply to construction projects previously included in the appropriation, Construction, Public Buildings Projects, to the extent that savings are affected in other such projects, but by not to exceed 10 per centum of the amounts previously appropriated for such projects under such appropriation; (b) not to exceed \$700,000 for repair and improvement of public buildings; (c) not to exceed \$5,245,000 for additional court facilities; (d) not to exceed \$16,149,000 for construction services of on-going construction projects; and (e) \$9,500,000 for the completion of buildings management projects, including charges for work for other agencies begun in prior years but not yet completed and \$2,571,000 to be deposited in the Treasury as miscellaneous receipts: Provided further, That for the purposes of this authorization, buildings constructed pursuant to the Public Buildings Purchase Contract Act of 1954 (40 U.S.C. 356), the Public Buildings Amendments of 1972 (40 U.S.C. 490) and buildings under the control of another department or agency where alterations of such buildings are required in connection with the moving of such other department or agency from buildings then, or thereafter to be, under the control of General Services Administration shall be considered to be federally owned buildings: Provided further, That amounts necessary to provide reimbursable special services to other agencies under Section 210(f) (6) of the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 490(f) (6)) and amounts to provide such reimbursable fencing, lighting, guard booths, and other facilities on private or other property not in Government ownership or control as may be appropriate to enable the United States Secret Service to perform its protective functions pursuant to 18 U.S.C. 3056, as amended, shall be available from such revenues and collections: Provided further, That any revenues and collections and any other sums accruing to this Fund, excluding reimbursements under section 210(f) (6) of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 490(f) (6)), in excess of

\$1,088,870,700 shall be deposited in miscellaneous receipts of the Treasury of the United States.

Both the House and Senate Appropriations Committees expressed a desire that the fund be accounted for and administered as a special fund. While this particular fund is labeled a revolving fund, it is much more subject to congressional control than other revolving funds due to the annual and specific limitations imposed on its operations by appropriation acts. This means of control is especially suited to the Federal Buildings Fund because it is possible to predict almost exactly what receipts and outlays will be during the fiscal year. When it is not possible to accurately predict the level of business during a fiscal year, other revolving funds might not operate as effectively under these annual limitations.

OUR ASSISTANCE TO THE CONGRESS FOR OVERSIGHT  
CONTROL OVER REVOLVING FUNDS

The examples of legislative provisions cited above which are aimed at increasing congressional control over revolving funds tend also to require increased congressional oversight over the programs' activities. We are available to assist the Congress, when it requests or requires us, in carrying out its oversight responsibilities to audit revolving fund programs. Some examples of legally required audits are Tennessee Valley Authority, Panama Canal, Export-Import Bank, and other revolving funds subject to the Government Corporation Control Act. In many instances, we initiate our own reviews of revolving fund activities. While most of our audits are not specifically related to the subject of budget control, they do nevertheless often reveal issues which affect such controls.

Our role in assisting the Congress in its oversight responsibilities was reemphasized in the Congressional Budget Act. Title VII of the act strengthens our program evaluation role by requiring us to review and evaluate Government programs carried on under existing law, to develop and recommend methods for reviewing and evaluating Government programs and activities, and to assist in developing statements of legislative objectives and goals and methods for assessing and reporting actual program performance. Title VIII of the act requires that we develop standard terminology, definitions, classifications, and codes for fiscal, budgetary, and program-related information. It also requires that we conduct a continuing program to identify the needs of committees and Members of Congress for fiscal, budgetary, and program-related information and to assist congressional committees in developing their information needs.

## CHAPTER 6

### CONCLUSIONS AND RECOMMENDATIONS

#### OUR VIEWS ON REVOLVING FUNDS

Any opinions, suggestions, or objections we expressed on the use of revolving funds are usually governed by the Congress weakening its control over program activities by authorizing the use of this funding mechanism. We believe the Congress should be allowed to exercise its responsibility of controlling Federal activities which it jointly shares with the executive branch. Over the years, we have applied the standard that the public interest is best served when congressional control over activities is exercised through regular (usually annual) reviews and affirmative action on planned programs and financing requirements through the appropriations process.

We also believe that departure from the above standard should be permitted only when it can be fairly shown that an activity cannot be successfully operated in the public interest within the congressional appropriation process.

Any financing method which permits an activity to operate without the requirement for regular (usually annual) congressional reviews on planned programs and financing needs of the equivalent of those which characterize the appropriation process should be viewed as a lessening of congressional control. Departures from this standard should not be allowed unless it can be plainly demonstrated that

- hindrances to effective management exist;
- the change in financing method will remove, or help to remove, existing hindrances;
- other alternatives within the regular appropriation structure are inappropriate; and
- the demonstrated advantages attributable to the departure clearly outweigh the disadvantages of lessened congressional control, preferably with a congressional expression to that effect.

We believe it is necessary that the Congress be fully aware of the cumulative effect revolving funds have on congressional control, especially budgetary control, before authorizing additional revolving funds. Now, as in the past,



the Congress usually establishes revolving fund accounts on an ad hoc basis. As shown in this report, the way revolving funds are accounted for in the budget (netting) understates Government financial activities by billions of dollars each year and excludes these activities from the process by which the Congress establishes priorities and allocates resources.

When the Congress passes legislation authorizing revolving funds, we must assume that in most cases it has decided to relax its control over the activity. It would be preferable if the Congress took this action after giving explicit consideration to the advantages and needs justified in each case in relation to decreased congressional control. In our view, the Congress, through annual appropriation action, should pass on the agency's financial and operating plans before they are consummated. Often legislation provides that funds may be used for various purposes "within such limitations as may be included in appropriation acts." While this allows for congressional control, it is a permissive approach which does not require the Congress positive action to impose limitations on the use of funds and does not necessarily result in detailed reviews of activities financed by the revolving fund. The need for positive action (appropriation process) requires the Congress to evaluate the need for limitations and to insure that funds provided are applied to the purpose which the Congress intends.

#### ALTERNATIVES TO REVOLVING FUND FINANCING

The alternative to revolving fund financing which would establish the strongest congressional control over both individual programs and budget outlays is to finance these programs through annual appropriations (i.e., authorize these programs as general fund accounts). In the past, there have been a number of reasons why revolving funds cannot be under yearly appropriations constraints, the more widely used ones being the need for flexibility; need for cost awareness; complexities of financing common use items; and need for better accounting, budgeting, and reporting. When reviewing individual cases, these arguments are not always valid, and viable alternatives exist which preserve these special benefits of revolving fund financing.

In most instances, it is suggested that the appropriations process cannot work fast enough to meet the fund's needs. There are, however, various other alternatives that may be used. Besides the alternatives discussed on pages 77 to 85 which exert congressional controls over specific

revolving funds, the Congress could enact a stated amount as a permanently available, separate emergency fund. The fund could be replenished in the amounts disbursed therefrom by annual appropriations. This would allow flexibility while retaining firm congressional control over normal operations, such as renewal action on individual programs, inclusion of full program outlays in budget resolutions, and allocations. This alternative appears fully consistent with the present appropriations process.

## CONCLUSIONS

The fundamental objective of the Congressional Budget Act of 1974 was to establish a process through which the Congress could systematically consider the total Federal budget and determine priorities for allocating budget resources. We believe this process achieves its maximum effectiveness when the budget represents as complete as possible a picture of the financial activities of Federal agencies.

For example, accounting for public enterprise revolving funds in the Federal budget on a net outlay basis, whereby the accounts receipts are offset against gross outlays with only the difference being included in the budget figures, is misleading and understates the true magnitude of Government activities as well as the impact of individual revolving fund programs. The Federal budget should disclose the magnitude of Federal activity in such a way as to provide a basis for estimating the impact of Government activity on the economy as a whole. 1/

In the past, the Congress has established revolving funds where their use did not seem appropriate. Moreover, OMB and the Department of the Treasury have classified accounts as revolving funds which in some instances did not meet their criteria. Therefore, there is no assurance that accounts presently accounted for as revolving funds should or need to be so classified.

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1/A detailed discussion of our reasons for departing from the President's Commission on Budget Concepts regarding accounting for public enterprise revolving funds on a net versus a gross basis are in appendix I.

## RECOMMENDATIONS TO THE DIRECTOR, OMB

We recommend that the Director:

- Make appropriate changes in current budget procedures which will result in the financial activities of public enterprise revolving funds being reflected in the Federal budget on a gross basis.
- Periodically undertake indepth reviews of all established revolving funds in the budget to determine whether (1) they meet the established criteria for revolving funds and (2) it is necessary that the accounts continue to operate as revolving funds. The results of such reviews should be furnished to the appropriate congressional committees, the Department of the Treasury, the Congressional Budget Office, and us.

## RECOMMENDATIONS TO THE CONGRESS

We recommend that the Congress,

- together with the executive branch, develop and utilize common criteria for establishing and classifying all revolving funds; and
- before establishing any additional revolving funds, study the full financial implications of each new proposal and incorporate the findings in the appropriate reports and documents on the legislation.

## AGENCY COMMENTS

### OMB

OMB disagreed with our recommendation for gross accounting for a number of reasons:

1. The present system of accounting and budgeting for public enterprise funds conforms to the precepts laid down by the President's Commission on Budget Concepts. This recommendation runs counter to those precepts.
2. It is not necessary for the budget summary information to disclose the gross accounting for collections and outlays of public enterprise funds in order for the Congress to decide on budget totals or make priority allocations among functions.

3. It is not appropriate for gross collections and outlays to be used as the basis for making priority allocations among functions.

4. Such a change would affect the current appropriations process and agency accounting for the individual accounts.

5. Since this recommendation applies only to public enterprise funds, it applies different accounting and budget presentation rules to public enterprise funds from those for intragovernmental revolving funds.

OMB stated that, while they have no objection to the reviews required by our second recommendation, it would be more appropriate for the administering agency of the executive branch to conduct the reviews and propose appropriate amendments to the authorizing legislation.

OMB agreed with our recommendation for common criteria. It noted that in the past it has at times been hampered when technical financial terms are used imprecisely in authorizing legislation. In addition, OMB believed that if the Congress were to adopt uniform criteria as proposed in our recommendation, there would be no need for the reports called for in our fourth recommendation other than on an exception basis.

#### Department of the Treasury

Treasury stated:

"Better disclosure for the Congress is a must-- however, we feel that before any major changes are made in the present methods of reporting and disclosing the financial results of Federal activities, time is needed by Treasury, OMB, and GAO to thoroughly evaluate the full effects of such a proposal. Also, the idea of whether or not to include the trust revolving funds and the intragovernmental revolving funds, as well as the public enterprise funds, is something that should be looked at more closely."

#### Congressional Budget Office

CBO suggested that the concept of accounting for public enterprise revolving funds on a gross basis merits serious consideration, but pointed out that adoption of this concept would require CBO and the Budget Committees to review the scorekeeping procedures now in effect.

## House Committee on Appropriations

The House Committee on Appropriations stated, "The recommendation that a common set of criteria be developed to determine the proper circumstances for revolving fund status is a good one." They pointed out that the development of such criteria will raise a number of questions which will need further study and coordination.

### OUR EVALUATION

We disagree with OMB's statements on our recommendation for gross accounting. The budget process, especially since enactment of the Congressional Budget Act of 1974, is a dynamic, evolving process. While the recommendations of the President's Commission on Budget Concepts were valid and needed when they were made, times have changed and the Congress has demanded a stronger voice in the budget process.

We believe that for the Congress to decide on budget totals and make priority allocations among functions under the new budgetary process, it must have complete information on the total levels of Federal activities. With full disclosure (gross accounting for receipts and outlays in the budget), the Congress will be better able to use the budget information in establishing aggregate financial targets by functional category. We fail to understand why the Congress should have to consult the individual public enterprise accounts in the budget appendix to obtain their gross activities. We believe it is more logical that these activities be included in total as part of the functions in the Federal budget.

We disagree with OMB that the appropriations process for the revolving funds will be changed. There is nothing in our report or recommendations that would alter in any manner the current appropriations process. On the contrary, as we point out in our conclusion, we believe periodic congressional review through the appropriations process is the best method for the Congress to control revolving funds.

We agree with OMB, Treasury, and CBO that adoption of the concept of gross accounting for public enterprise revolving funds will have significant effect on Federal accounting, budgeting, and scorekeeping systems. Details of implementing this proposal will require extensive study and coordination between congressional committees, CBO, OMB,

Treasury, and us. <sup>1/</sup> We believe that this effort can best be done by a task force made up of representatives of the aforementioned entities. We will assist in the task.

We also recognize, as both OMB and Treasury point out, that accounting for public enterprise revolving funds on a gross basis will be inconsistent with budget treatment for similar transactions. Therefore, additional studies of similar financial transactions need to be conducted to see if budget treatment for offsetting receipts, direct loans, guaranteed loans, etc., are consistent with present congressional budget information needs. We plan to undertake the necessary reviews and to report to the Congress and the executive branch on the results of those reviews.

Regarding OMB comments on our recommendation for periodic reviews of existing revolving funds, we believe such reviews should be under OMB's general supervision, although they will certainly require input from the administering agency. Conducting periodic indepth reviews of all established revolving funds, along with the study and reporting on the financial implication of each new revolving fund proposal, will be a major step toward restoring the recommendations of the President's Commission on Budget Concepts concerning consistency in Federal accounts and budget reporting.

Development of common criteria, as mentioned in our third recommendation, will require an extensive and technical undertaking similar to that required for the changing from net to gross accounting. This should not, however, deter from its undertaking. Accepted common criteria form the cornerstone upon which all questions regarding revolving funds must be based. We will actively participate in developing such criteria. OMB's criteria would be a good starting point. We believe that this effort must involve the appropriate congressional committees as well as OMB, the Department of the Treasury, and the Congressional Budget Office.

Our final recommendation regarding study of full financial implications of proposed revolving funds and reporting on these studies was questioned by OMB as being unnecessary except on an exception basis. We disagree

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<sup>1/</sup>App. I contains examples of how the change to gross accounting would affect the budget presentation for an individual public enterprise revolving fund account.

that such reports be made on an exception basis only. We believe that it is necessary, when a new account is proposed, to draw the Congress attention to the potential loss of congressional control, together with all other financing arrangements which are outside of the appropriations process. Such studies may be done by Federal entities that the responsible congressional committees deem appropriate.

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OUR REASONS FOR DEPARTING FROM THE PRESIDENT'S  
COMMISSION ON BUDGET CONCEPTS ON ACCOUNTING  
FOR PUBLIC ENTERPRISE REVOLVING FUNDS ON A  
NET VERSUS GROSS BASIS

Present practices of offsetting receipts against expenditures (netting) are due to the recommendations of the President's Commission on Budget Concepts. In its 1967 report, the Commission recognized that (1) offsetting receipts against expenditures understates the total impact of Government on the economy, (2) net treatment conceals important information whereas a gross presentation would permit the user of the budget document to gross or net as he sees fit, and (3) it is difficult to reconstruct gross receipts and expenditures if only the net is reported. Nevertheless, the Commission recommended that public enterprise revolving funds transactions be included in the budget on a "net outlay" basis. The recommendation stated:

"The main summary statement of budget receipts and expenditures should be prepared on a consistent and on a fairly net basis, treating like transactions alike and changing practices only when necessary.

"For purposes of summary budget totals, receipts from activities which are essentially governmental in character, involving regulation or compulsion, should be reported as receipts. But receipts associated with activities which are operated as business-type enterprises, or which are market-oriented in character, should be included as offsets to the expenditures to which they relate.

"Additional summary information on gross enterprise transactions should also be included in the budget document--more prominently than now, but not as a measure competing with the main summary budget totals." (Underscoring supplied.)

The Commission's support for its position on netting centered around three major themes: disclosure in the budget; the measure of the Government's role in the economy; and consistency of budgetary reporting. Each of these points is discussed below, with a brief description of the Commission's position, followed by our analysis of that position.

DISCLOSURE IN THE BUDGET

The Commission stated that disclosure itself was not a compelling argument for preparing the main statement of overall budget receipts and expenditures on a gross rather than a net basis so long as both the appendix and Special Analysis B are available. The Commission did recognize arguments that netting concealed important information and that a net presentation would not permit the user to reconstruct gross receipts and expenditures.

We believe that circumstances have changed considerably since the time the Commission made its recommendations. The watchword of today's Congress is control, as evidenced by the changes brought about by the Congressional Budget and Impoundment Control Act of 1974. While the data is available in each account in the budget appendix to compute gross outlays, we do not feel it should be necessary for Members of Congress or their staffs to search in this way for what we consider relevant and important information.

Failure to include gross figures in the aggregate affects provisions for congressional debate on allocating resources (by functional category within budget totals) as established by the Congressional Budget Act. Not including receipts from non-Government sources, while including taxes, receipts from special funds (returned to Treasury), and any other spendable resources of the Federal Government, makes it unnecessarily complicated to determine exactly how much Federal resources are being expended for an individual functional area or areas.

The Congress is now deciding on the summary statement of budget receipts and expenditures (functional categories and totals) and is trying to stay with the President's classification (one agreed-upon standard classification structure).

The Congress should consider the receipts, budget authority, and outlays during its deliberations on the budget totals and functional allocations and should score-keep on them separately, since the possible congressional actions are different.

1. Some receipts, such as repayments of loans and interest payments, are based on past transactions and therefore very little congressional control is possible.

2. Budget authority and gross outlays are for new program activity and therefore can be made subject to congressional control.

In our opinion, the executive branch and the Congress should both shift to gross reporting. It is necessary to retain consistency between the OMB system and CBO scorekeeping as well as the decision categories. If the Executive does not change and the Congress does, the Congress would have to reconstruct gross figures. In short, disclosure is in itself a compelling argument today for preparing the main statements 1/ of overall budget receipts, budget authority, and outlays on a gross basis.

#### THE GOVERNMENT'S ROLE IN THE ECONOMY

The Commission was of the opinion that presenting overall Federal receipts and expenditures on a gross basis would exaggerate the Government's role in the economy. The budget totals of expenditures or revenues tend to be interpreted as a rough measure of the volume of economic activity allocated through "collective political choice." For example, TVA's services are paid for by sales of electricity which are subject for the most part to the discipline of the marketplace. Any net deficit figure reported in the budget represents the portion the Government is responsible for. The Commission viewed reporting net figures as making it possible to express Government expenditures as a proportion of the total gross national product with less inconsistency and double counting than otherwise possible through gross reporting.

We believe that, with the passage of the Congressional Budget Act, it is very important to analyze the trends and impact of each major group of Government activities. In the case of credit programs, it is necessary to track the repayments and interest payments separately from the new credit authority being used. This argues for reporting the gross amounts. These figures can be adjusted for computing the proportion of the gross national product.

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1/The main statements include the functional tables in the budget, the concurrent resolutions on the budget, and the scorekeeping reports.

At present, the impact of various programs on the budget differs depending upon fund classification; similar type programs can legitimately be classified differently. Not including these outlays on a gross basis makes it unnecessarily cumbersome for the Budget Committees to determine actual Government resources being spent and the impact these resources have on the economy. Earmarked receipts are just as spendable and have the same effect on the economy as general taxes and revenues.

#### CONSISTENCY OF BUDGETARY REPORTING

The Commission also stated that budget totals should follow consistent rules based on the nature of the transactions as distinguished from the technical characteristics of the funding mechanism. It pointed out the inconsistent treatment of loan repayments and interest. In an effort to alleviate this problem, the Commission set down a series of rules. In brief, they can be summarized by stating that the question to be asked in any case is whether the fee, levy, or price charged by the Government has the primary purpose of channeling the private demand for, and use of, valuable resources of materials which the Government happens to own. If the receipts are market-oriented or result from the operation of business-type enterprises, they should be netted. Taxes or fees that are incidental to regulatory activities should be on a gross basis, even if legally earmarked.

We believe the situation today is much the same as the Commission found in that budget totals still do not follow consistent rules based on the nature of the transaction as distinguished from the technical characteristics of the funding mechanism. Examples of this problem are discussed in the "Inconsistent Classification of Funds" section of this report. It is our opinion that the present rules for netting of public enterprise receipts developed by the Commission be changed. The most consistent method of budget reporting is on a gross basis. This recommendation does not in any way alter present funding or appropriation arrangements at the detailed program level.

The effect the change from reporting budget totals on a net basis to a gross basis would have on functional totals, using fiscal year 1977 as an example, is illustrated by the following chart:

EFFECT OF INCLUDING PUBLIC ENTERPRISE REVOLVING FUNDSIN THE BUDGET TOTALS ON A GROSS VERSUS NET BASISBY FUNCTION FOR FISCAL YEAR 1977

(in millions of dollars)

Function	No. accts.	Net outlays (as presently accounted for in budget)	Gross outlays (as GAO recommends accounting for in budget)	Difference between gross and net outlays a/ (amount change would increase budget totals)
National defense	6	\$ -7	\$ 22	\$ 28
International affairs	5	1,278	3,996	2,718
General science, space, and technology	-	-	-	-
Natural resources, en- vironment, and energy	7	1,163	3,679	2,516
Agriculture	4	352	6,347	5,995
Commerce and trans- portation	26	1,950	12,069	10,120
Community and regional development	15	1,348	3,433	2,084
Education, training, employment, and social security	2	104	182	79
Health	5	26	104	78
Income security	3	-15	649	664
Veterans benefits and services	8	-403	950	1,353
Law enforcement and justice	-	-	-	-
General government	4	-1	1	2
Revenue sharing and general purpose fiscal assistance	1	0	2,100	2,100
Multiple functions	1	*	101	101
Total budget accounts	87	\$5,810	\$33,647	\$27,837
Off-budget accounts	6	2,219	17,386	15,167
Total	93	\$8,028	\$51,033	\$43,004

a/Difference between gross and net outlays equals the receipts of the revolving fund. Functional figures may not add up to total budget account figures due to rounding.

\*Less than one million.

Effect Changing from Net to Gross  
Accounting Would Have on an Individual  
Public Enterprise Budget Presentation

As stated throughout this report, we believe that for the Congress to decide on budget totals and make priority allocations among functions under the budget process, it must have complete information on the total (i.e., gross) levels of Federal activities. On the following page are illustrations of two of several possible ways to reflect outlay amounts for a particular program on a gross outlay basis and have that gross outlay amount represent that fund's share of the functional outlay ceilings set under the provisions of the Congressional Budget Act.

The adoption of the concept of gross accounting for public enterprise revolving funds, while not affecting the appropriations process, will nevertheless have far reaching consequences for Federal accounting, budgeting, and score-keeping systems. Details of implementing our recommendation regarding gross reporting must be closely coordinated between congressional committees, CBO, OMB, Treasury, and us. These presentations, therefore, are for purposes of illustration only and have not been verified with TVA or OMB.



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APPENDIX I

Alternative #2  
 (Treat Earmarked Receipts  
 from the Public as  
 Appropriated Revenues)

FY77 Est.

10 Total obligations . . . . \$ 3,082,857

Financing:

Earmarked Receipts from:

11	Federal funds . . . . .	-387,720
14	Non-Federal sources . . . . .	(delete)
	Unobligated balance available, start of period:	
21.48	Authority to spend agency debt receipts . . . . .	-8,283,955
21.98	Fund balance . . . . .	
	Unobligated balance available, end of period:	
24.48	Authority to spend agency debt receipts . . . . .	7,275,393
24.98	Fund balance . . . . .	6,191
27	Capital transfers (payments to Treas- ury):	68,038
	Dividend . . . . .	
	Repayment of Government Invest- ment . . . . .	20,000

Budget Authority 1,780,744

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	Budget authority:	
40	Appropriation . . . . .	121,185
48	Authority to spend agency debt receipts . . . . .	
	Authority to spend agency operating receipts from the public	1,659,559

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	Relation of obligations to outlays:	
71	Obligations incurred, net . . . . .	2,695,137
	Obligated balance, start of period	
72.48	Authority to spend agency debt receipts . . . . .	1,756,045
72.98	Fund balance . . . . .	156,564
	Obligated balance, end of period:	
74.48	Authority to spend agency debt receipts . . . . .	-1,764,667
74.98	Fund balance . . . . .	134,070
90	Net Outlays . . . . .	2,709,009

Example of the Tennessee Valley Authority  
Fiscal Year 1977

Current Net Treatment		Alternative #1 (Memorandum Entry Approach)		
		FY77 Est.	FY77 Est.	
10	Total obligations . . . . .	\$ 3,082,857	10 Total obligations . . . . . \$ 3,082,857	
Financing:			Financing:	
Receipts and reimbursements from:			Earmarked Receipts from:	
11	Federal funds . . . . .	-387,720	11 Federal funds . . . . . -387,720	
14	Non-Federal sources . . . . .	-1,659,559	14 Non-Federal sources . . . . . -1,659,559	
Unobligated balance available, start of period:			Unobligated balance available, start of period:	
21.48	Authority to spend agency debt receipts . . . . .	-8,283,955	21.48 Authority to spend agency debt receipts . . . . . -8,283,955	
21.98	Fund balance . . . . .		21.98 Fund balance . . . . .	
Unobligated balance available, end of period:			Unobligated balance available, end of period:	
24.48	Authority to spend agency debt receipts . . . . .	7,275,393	24.48 Authority to spend agency debt receipts . . . . . 7,275,393	
24.98	Fund balance . . . . .	6,191	24.98 Fund balance . . . . . 6,191	
27	Capital transfers (payments to Treasury):		27 Capital transfers (payments to Treasury):	
	Dividend . . . . .	68,038	Dividend . . . . . 68,038	
	Repayment of Government Investment . . . . .	20,000	Repayment of Government Investment . . . . . 20,000	
Budget Authority		121,185	Budget Authority 121,185	
Budget authority:			Budget authority:	
40	Appropriation . . . . .	121,185	40 Appropriation . . . . . 121,185	
48	Authority to spend agency debt receipts . . . . .		48 Authority to spend agency debt receipts . . . . .	
Relation of obligations to outlays:			Relation of obligations to outlays:	
71	Obligations incurred, net . . . . .	1,036,578	71 Obligations incurred, net . . . . . 1,036,578	
Obligated balance, start of period:			Obligated balance, start of period:	
72.48	Authority to spend agency debt receipts . . . . .	1,756,045	72.48 Authority to spend agency debt receipts . . . . . 1,756,045	
72.98	Fund balance . . . . .	156,564	72.98 Fund balance . . . . . 156,564	
Obligated balance, end of period:			Obligated balance, end of period:	
74.48	Authority to spend agency debt receipts . . . . .	-1,764,667	74.48 Authority to spend agency debt receipts . . . . . -1,764,667	
74.98	Fund balance . . . . .	-134,070	74.98 Fund balance . . . . . -134,070	
90	Outlays . . . . .	1,049,450	90 Net Outlays . . . . . 1,049,450	
Total Earmarked Receipts . . . . .		2,047,279	Total Earmarked Receipts . . . . . 2,047,279	
Gross Outlays . . . . .		3,096,729	Gross Outlays . . . . . 3,096,729	
Receipts from Federal Funds . . . . .		-387,720	Receipts from Federal Funds . . . . . -387,720	
Functional Outlays . . . . .		2,709,009	Functional Outlays . . . . . 2,709,009	
Receipts from non-Federal Sources . . . . .		1,650,559	Receipts from non-Federal Sources . . . . . 1,650,559	
Outlays . . . . .		2,709,009	Outlays . . . . . 2,709,009	

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NEW REVOLVING FUNDS AND OTHER CHANGES  
APPEARING IN FISCAL YEARS 1975, 76, and 77 BUDGETS

The annual submission of the President's budget documents to the Congress is accompanied by a letter from the Director of the Office of Management and Budget to the Chairmen of the Appropriations Committees notifying them of major changes in the new budget from the previous year's budget. Excerpts from letters for fiscal years 1975 to 1977 (dated February 12, 1974; February 12, 1975; and January 26, 1976, respectively) which deal with revolving funds are as follows.

BUDGET FOR FISCAL YEAR 1975

"Two existing revolving funds in the Bureau of Indian Affairs (Interior) are shown in a consolidated schedule. The 'Revolving fund for loans' and 'Liquidation of Hoonah Housing Project revolving fund' are combined for purposes of budget presentation.

"A new 'Federal buildings fund' in the General Services Administration (GSA) will begin operation in 1975, under the provisions of Public Law 92-313. All agencies occupying space controlled by GSA have included in their estimates for 1975 an amount for rental of such space. The rental payments are shown as outlays from the various agency accounts and as credits to the fund. No business-type statements are shown for the fund, since there has been no operating experience and projections would necessarily be highly tentative at this time.

"Two revolving funds for Health Maintenance Organizations (P.L. 94-222) will appear in future years under DHEW. No schedules are shown for the funds in this budget because DHEW had not yet had an opportunity to plan their operations.

"In the Department of Housing and Urban Development, the activities of the 'rental housing assistance fund' had previously been incorporated in the schedule for the account 'Housing payments.' This year the budget presents the revolving fund separately and includes business-type statements."

FISCAL YEAR 1976 BUDGET

"Schedules for seven new revolving funds appear within the budget this year:

- Offshore Shrimp Fisheries Fund (in Commerce), established under Public Law 93-242. Business-type statements are not printed for this fund despite its classification as a public enterprise fund, because its operation is similar to that of a regular appropriation account.
- Health Maintenance Organization Loan and Loan Guarantee Fund (in DHEW), established under Public Law 93-222.
- Bonneville Power Administration Fund (in Interior), established under Public Law 93-454.
- Indian Loan Guaranty and Insurance Fund (in Interior), established under Public Law 93-262.
- Education Loan Fund (in the Veterans Administration), established under Public Law 93-508.
- Lease Guarantees Revolving Fund, and Surety Bond Guarantees Revolving Fund (both in the Small Business Administration), established under Public Law 93-386 as successors to the former Lease and Surety Bond Guarantees Revolving Fund.

"Pursuant to Public Law 93-289, the Veterans Special Life Insurance Fund was reclassified from a public enterprise fund to a trust revolving fund, effective May 24, 1974. This was based on the consideration that the fund now retains all excess earnings or returns them to the policyholders; thus there is no longer any Government equity in the fund.

"In the Funds Appropriated to the President chapter, transactions of the former Alliance for Progress-Development Loans Fund are merged with the Development Loan-Revolving Fund, beginning in 1974.

"The Housing and Community Development Act of 1974 removed the transactions of the Housing for the Elderly or Handicapped fund (in HUD) from the budget totals. It is shown as an off-budget Federal fund, beginning September 1, 1974."

#### FISCAL YEAR 1977 BUDGET

"The 1977 Budget includes the following new revolving funds:

- Office of the attending physician (House of Representatives). No budget schedules appear for this fund.
- Emergency homeowners' relief fund (HUD), established under P.L. 94-50. Business-type statements are not printed at this time since the appropriation provides standby authority that is not anticipated to be needed in 1976, the transition quarter, and 1977.
- Working capital fund (Justice), established under P.L. 93-643.
- New York City seasonal financing fund (Treasury), established under section 8(a) of P.L. 94-143, to provide short-term loans to New York City during periods when the city's outlays exceed income from loans and investments must be covered directly into the general fund of the Treasury.
- Construction services fund (GSA), re-established pursuant to language in the Treasury, Postal Service, and General Government Appropriations Act, 1976.
- Export-Import Bank of the United States fund is included within the budget totals commencing in 1977 as a result of the enactment of the Export-Import Amendments of 1974.
- Harry S Truman Memorial Scholarship trust revolving fund, established under P.L. 93-642, as a trust revolving fund pursuant to Section 10 of that Act. We do not print a business-type statement for this fund due to its relatively small level of activity and routine nature.

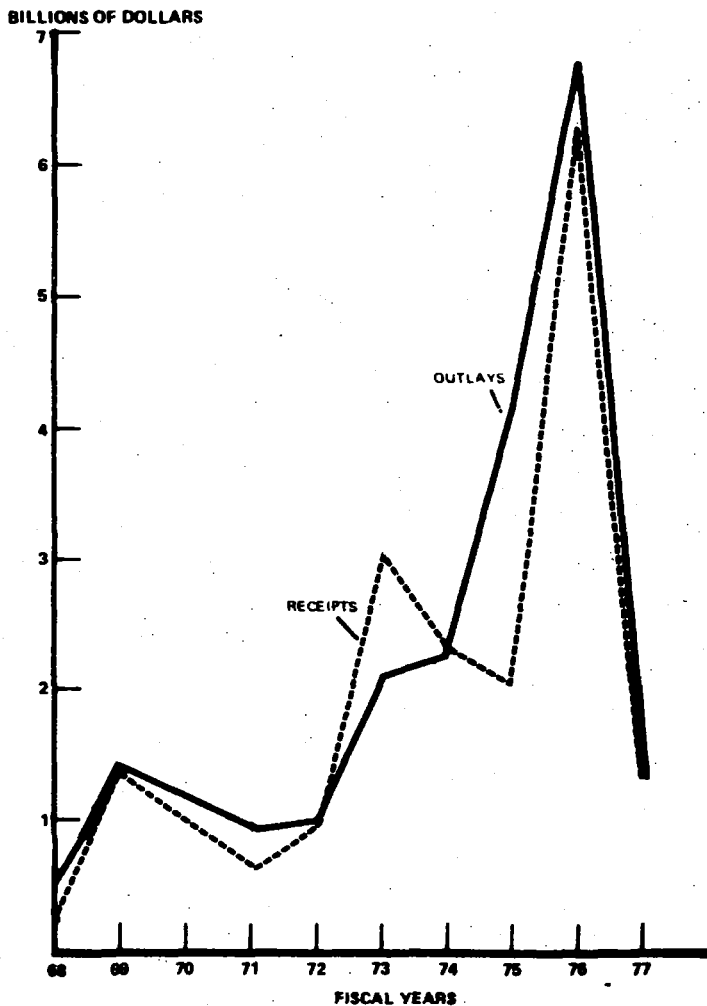
"There have been name changes for two revolving funds. The Housing guaranty fund (FAP) was changed to Housing and other credit guaranty programs; and the Economic Opportunity loan fund (Agriculture) was changed to the Community services loan fund."

ANALYSIS OF RECEIPTS AND OUTLAYS  
OF SELECTED INDIVIDUAL PUBLIC ENTERPRISE  
REVOLVING FUNDS

As discussed in this report (p. 29), several individual public enterprise revolving funds show wide and very unpredictable relationships between the funds' receipts and their outlays. The following explanation as to why these fluctuations occurred were obtained from OMB examiners. We did not study these examples on an indepth basis and we did not verify the information presented here.

The Government National Mortgage Association--  
receipts decrease while outlays increase

The following is a 10-year graph showing the fluctuations between the receipts and gross outlays for the Government National Mortgage Association (GNMA) account.





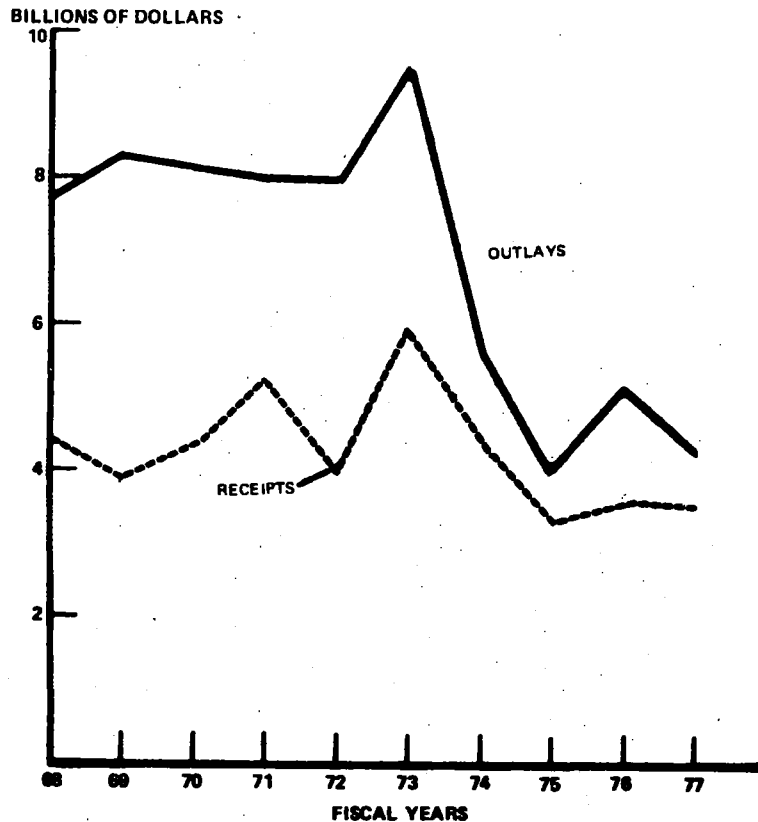
Between fiscal years 1973 and 1975, the receipts of the Government National Mortgage Association decreased by about \$1 billion (33 percent) while the fund's outlays increased over \$2 billion (100 percent). The reasons for these changes were, according to OMB, as follows:

For GNMA there are predominately two objects of outlays-- purchases of mortgages and Treasury financing costs associated with borrowing authority and two sources of receipts--sales of mortgages and repayments on mortgages. GNMA was designed to serve as a subsidy program (outlays greater than receipts) with losses being met with appropriations or borrowing authority. In fiscal year 1973, however, receipts were abnormally high and rose above outlays due to a one-time sale of Federal assets. Many of these assets, totaling \$694 million, dated back to World War II or earlier. Therefore, much of the decline was reducing to the normal level of receipts. Also, receipts tended to be lower than normal during fiscal years 1974 and 1975 due to tight market conditions at that time.

This substantial increase in outlays over this period was due mainly to the passage of two pieces of legislation-- the Emergency Home Purchase Assistance Act of 1974 (authorized for \$7,750 million) and the Emergency Housing Act of 1975 (which increased the authorization for the Emergency Home Purchase Act of 1974 by \$10 billion). As to be expected, outlays were much greater than receipts as the programs first began operations. To illustrate, the Special Assistance Functions Fund, where new programs are accounted for along with other programs, had net outlays of \$41.8 million for fiscal year 1974. The fund's outlays for fiscal years 1975 and 1976, which reflect the impact of this legislation, increased to \$2,180 million and \$511 million, respectively.

The Commodity Credit Corporation (CCC)--  
receipts decrease while outlays decrease more

Commodity Credit Corporation's receipts and gross outlays for the last 10 years are illustrated by the following graph.



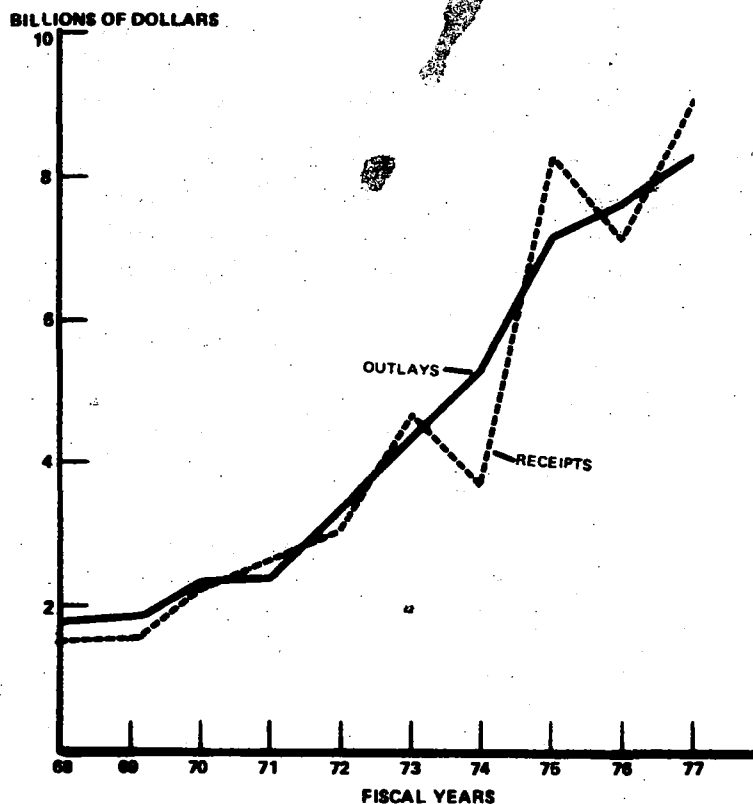
Commodity Credit Corporation's receipts declined \$1.6 billion between 1973 and 1974 but outlays for the same period dropped \$3.9 billion or almost 2-1/2 times as much. Between 1974 and 1975 receipts again dropped about \$1 billion while gross outlays dropped \$1.5 billion. The reasons for these changes, according to OMB, were as follows.

Complex and unpredictable factors, such as the weather, demand for food here and abroad, market exchange rates, and legislation affect the relationship of receipts to outlays for CCC. For instance, if the weather is poor overseas and foreign production is down, the demand for U.S. farm commodities is up. CCC outlays to support U.S. farm commodities would decrease as a result. CCC outlays had remained relatively constant through fiscal year 1972 due to stable market conditions. Outlays increased from 1972 to 1973 due to implementation of a new disaster support program. Subsequently, outlays have decreased due to high demand for U.S. agricultural products overseas. CCC receipts come from commodity loan repayments, sales of commodities that CCC owns, repayment of export credit sales, and numerous other special activities. In general, when market prices are higher than

loan prices, the loans are repaid. Outlays will always be higher than receipts, however, because this is basically a subsidy program.

The Farmers Home Administration (FmHA)--  
receipts decrease and increase  
while outlays increase

A 10-year graph of the receipts and outlays for the Farmers Home Administration is below.



In the case of Farmers Home Administration revolving fund, between fiscal years 1973 and 1974 receipts declined almost \$1 billion (about 20 percent) while outlays increased \$800 million. In 1975, receipts increased by \$4.5 billion (over 100 percent) and outlays grew by \$1.8 billion. The reason for these changes, according to OMB, were as follows:

FmHA administers five public enterprise revolving funds, the largest of which is the Rural Housing Insurance Fund. FmHA operates primarily by making or guaranteeing loans to farmers and rural homeowners, local agencies, and nonprofit organizations, after which certificates of beneficial ownership on the notes are sold. Loan agreements with rural borrowers provide for interest rates below what is available

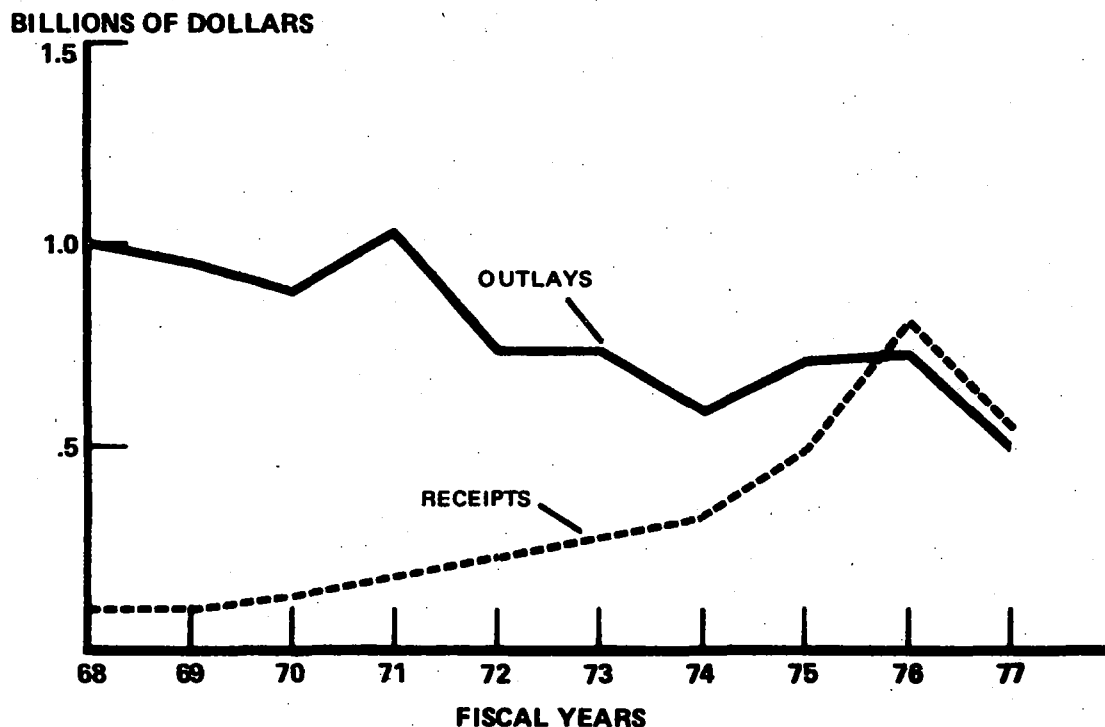
from the commercial market. An explicit subsidy is involved in that FmHA agrees to pay interest to institutions that buy the certificates at a rate greater than the interest received from rural borrowers. FmHA now sells the certificates exclusively to the Federal Financing Bank.

FmHA receipts are from repayments of loans by borrowers and sales of certificates of beneficial ownership, while the sale of loans by FmHA tends to correspond with the level of loan commitment; the receipts from loan repayments are dependent upon economic conditions. At the present time receipts are low due to the fact that 21 percent of repayments on loans to FmHA are either late or delinquent.

There has been a substantial increase in outlays due to the rapid growth in total amount of loans and interest subsidies starting in fiscal years 1973 and 1974. Much of this growth is attributable to new programs added by the Rural Development Act of 1972. Most of the \$175 million in losses projected for fiscal year 1977 is due to the difference in interest charges.

Foreign assistance programs--  
combinations of decreases and increases

The graph that follows shows the different changes in the relationship between receipts and gross outlays for the foreign assistance account over a 10-year period.



For foreign assistance programs between fiscal years 1973 and 1974 the receipts grew by about 30 percent while outlays decreased 23 percent. However, between 1974 and 1975, receipts increased 50 percent and outlays increased 20 percent. The reasons for these yearly changes, according to OMB, were as follows.

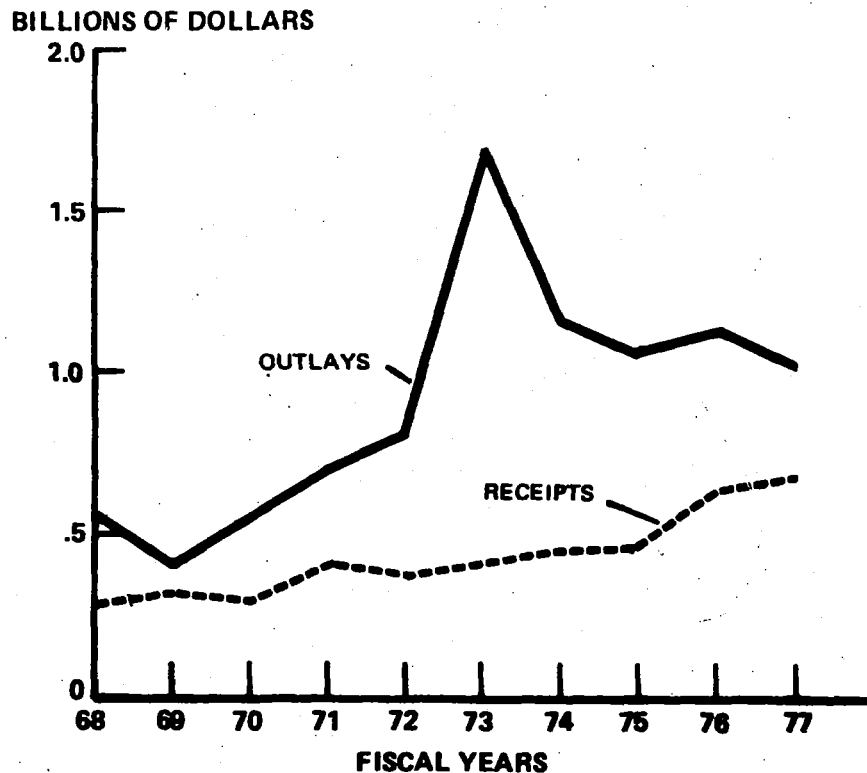
The Funds Appropriated to the President: Foreign Assistance category is made up of several separate funds, the largest of which is the Development Loans revolving fund. The object of outlays for this fund is for loans to be made to friendly countries to promote economic growth. The source of receipts is the repayments of loans plus interest.

Receipts have increased significantly in this category during the last several years due primarily to the repayment of loans which were made during the late 1950s and early 1960s under the Mutual Security Assistance Program. Loans were made for 20- to 30-year periods with a 10-year grace period after which repayments commenced. Receipts after fiscal year 1976 drop sharply due primarily to limitations put on the fund by the Congress that all receipts from the program are to be returned to the Treasury (see p. 81). At present all receipts to the fund are appropriations.

Gross outlays decreased by 23 percent in this category from fiscal year 1973 to 1974 due to several factors: (1) the Agency for International Development went through all of fiscal year 1973 on a continuing resolution which tended to depress the level of activity for the program, (2) large assistance recipients such as Brazil and India were phased out of the program, (3) beginning in 1974, the Alliance for Progress was financed from the Development Loans-revolving fund, and (4) the nature of loans changed from commodity aid to small project aid. The change in the nature of loans slowed activity for a short time. Once the change was completed, however, outlays tended to rise.

**The Small Business Administration (SBA)--  
receipts increase while outlays decrease**

The trends in the Small Business Administration's receipts and gross outlays over a 10-year period are shown below.



SBA's revolving fund increased its receipts by about 10 percent between fiscal years 1973 and 1975 while during the same period the fund's outlays decreased 38 percent. The reasons for these changes, according to OMB, were as follows.

The Small Business Administration administers four public enterprise revolving funds, the largest of which are the Business Loan Investment Fund and the Disaster Loan Fund. Outlays are loans to small businesses and the interest SBA pays to borrow the funds. Receipts are repayments of the loans by borrowers plus interest. The shifts of receipts versus outlays for SBA, especially between fiscal years 1972 and 1976, are due solely to fluctuations within the Disaster Loan Fund.

Outlays for the Disaster Loan Fund were abnormally high in fiscal year 1973 due to the high level of disaster loan approvals by SBA in the wake of Hurricane Agnes. The following chart shows the impact this natural disaster had on the financial activity for this fund.

**Disaster Loan Approvals  
- Direct and Immediate Participation -  
For Fiscal Years 1968 to 1976  
(in millions of dollars)**

<u>Fiscal year</u>	<u>Number</u>	<u>Gross</u>	<u>SBA share</u>
1976	20,652	\$ 177.6	\$ 176.8
1975	10,395	243.2	241.5
1974	51,045	370.0	369.3
<u>a/1973</u>	<u>a/214,987</u>	<u>a/1,522.2</u>	<u>a/1,521.7</u>
1972	93,324	324.9	324.3
1971	57,401	299.3	299.2
1970	17,009	174.1	174.1
1969	2,113	21.9	21.8
1968	14,129	109.4	109.0

a/Underscoring supplied.

Thus, the decrease in outlays by 38 percent between fiscal years 1973 and 1975 is due to a reduction from an abnormal high to normal activity.

SBA receipts during fiscal years 1973 to 1975 increased by 10 percent due to repayments from loans made in previous fiscal years plus some repayments of disaster loans. Receipts were expected to be greater during fiscal year 1974; however, the level of repayments was affected by the economic recession. Furthermore, receipts would have been even higher in fiscal year 1976 from repayments of disaster loans but the Congress forgave the debts of the Hurricane Agnes borrowers.

CHARTS ILLUSTRATING DISTRIBUTION  
OF REVOLVING FUNDS

DISTRIBUTION OF REVOLVING FUNDS  
BY AGENCY FOR FISCAL YEAR 1977  
(in millions of dollars)

Agency	Public Enterprise			Intragovernmental <sup>a/</sup>			Trust-Revolving		
	No. Accts.	Receipts	Gross Outlays	No. Accts.	Receipts	Gross Outlays	No. Accts.	Receipts	Gross Outlays
Legislative Branch				2	\$ 688	\$ 667			
Judiciary									
Executive Office of the President				3	7	7			
Funds Appropriated to the President	6	\$ 535	\$ 497						
Department of Agriculture	7	12,734	12,666	4	126	127	1	24	24
Department of Commerce	7	78	33	7	165	167			
Department of Defense-Military	3	6	11	13	30,859	30,715	1	193	190
Department of Defense-Civil	1	309	306	1	949	946	1	*	*
Department of Health, Education, & Welfare	7	157	287	10	300	301			
Department of Housing & Urban Development	15	4,426	6,622	2	52	51			
Department of Interior	8	478	603	12	90	92			
Department of Justice				3	84	84	1	9	
Department of Labor				5	99	99			
Department of State				2	17	17			
Department of Transportation	4	55	1,643	4	167	164	2	5	32
Department of Treasury	4	2,101	2,101	4	130	131	1	79	83
Environmental Protection Agency	1		1						
Energy Research & Development Agency									
General Services Administration	3	3	2	7	3,457	3,429	1	6	6
Veterans Administration	8	1,353	950	3	421	431	1	87	42
Other Independent Agencies	13	5,602	7,925	2	46	45	5	4,676	3,442
<b>Total Budget Accounts</b>	<b>87</b>	<b>\$27,837</b>	<b>\$33,647</b>	<b>84</b>	<b>\$37,658</b>	<b>\$37,472</b>	<b>14</b>	<b>\$5,080</b>	<b>\$3,833</b>
<b>Off-Budget Accounts</b>	<b>6</b>	<b>\$15,167</b>	<b>\$17,386</b>	<b>2</b>	<b>\$ 4,135</b>	<b>\$12,976</b>			
<b>Total</b>	<b>93</b>	<b>\$43,004</b>	<b>\$51,033</b>	<b>86</b>	<b>\$41,793</b>	<b>\$50,448</b>			

\*Less than one million.

<sup>a/</sup> Includes Management Funds.



**DISTRIBUTION OF REVOLVING FUNDS  
BY FUNCTION FOR FISCAL YEAR 1977**  
(in millions of dollars)

Function	Public Enterprise			Intragovernmental <sup>R/</sup>			Trust Revolving		
	No.	Gross Accts. Receipts	Gross Outlays	No.	Gross Accts. Receipts	Gross Outlays	No.	Gross Accts. Receipts	Gross Outlays
National Defense	6	\$ 28	\$ 22	13	\$30,859	\$30,715	1	\$ 193	\$ 196
International Affairs	5	2,718	3,996	6	34	34			
General Science, Space, & Tech.				1	5	4			
Natural Resources, Environment, & Energy	7	2,516	3,679	14	1,085	1,083			
Agriculture	4	5,995	6,347	1	53	53	1	24	24
Commerce and Transportation	26	10,119	12,069	11	329	328	4	920	203
Community and Regional Development	15	2,084	3,433	4	73	72			
Education, Training, Employment, & Soc. Sec.	2	79	182	8	168		1	1	1
Health	5	78	104	8	211	168	2	2,981	2,913
Income Security	3	664	649	1	25	25	1	859	461
Veterans Benefits and Services	8	1,353	950	2	421	431	2	88	42
Law Enforcement and Justice				3	84	84	1	9	9
General Government	4	2	1	12	4,311	4,262	1	6	6
Revenue Sharing & Gen. Purpose Fiscal Asst.	1	2,100	2,100						
Multiple Functions	1	101	101						
<b>Total Budget Accounts</b>	<b>87</b>	<b>\$27,837</b>	<b>\$33,647</b>	<b>84</b>	<b>\$37,658</b>	<b>\$37,472</b>	<b>14</b>	<b>\$5,080</b>	<b>\$3,853</b>
<b>Off-Budget Accounts</b>	<b>6</b>	<b>\$5,167</b>	<b>\$17,386</b>	<b>2</b>	<b>\$ 4,135</b>	<b>\$12,976</b>			
<b>Total</b>	<b>93</b>	<b>\$43,004</b>	<b>\$51,033</b>	<b>86</b>	<b>\$41,793</b>	<b>\$50,448</b>	<b>14</b>	<b>\$5,080</b>	<b>\$3,853</b>

<sup>R/</sup> Includes Management Funds.

DISTRIBUTION OF REVOLVING FUNDS  
BY HOUSE AUTHORIZING COMMITTEES  
FOR FISCAL YEAR 1977  
(in millions of dollars)

House Authorizing Committee	Public Enterprise			Intragovernmental/			Revolving Trust		
	No. Accts.	Receipts	Gross Outlays	No. Accts.	Receipts	Gross Outlays	No. Accts.	Receipts	Gross Outlays
Agriculture Committee	6	\$ 6,840	\$ 6,412	4	\$ 136	\$ 134	1	\$ 24	\$ 24
Armed Services Committee	2	4	4	13	30,859	30,716	2	193	196
Banking, Currency and Housing Committee	27	15,329	17,979	5	113	112	2	915	151
Budget Committee									
District of Columbia Committee				7	107	108	1	1	1
Education and Labor Committee	3	81	184	6	2,115	2,098	1	6	6
Government Operations Committee				2	688	674			
Administration Committee	6	126	155	10	324	324			
Interstate and Foreign Commerce Committee	10	478	605	10	100	102			
Interior and Insular Affairs Committee	5	535	495	5	21	21			
International Relations Committee	1	1	0						
Committee on Atomic Energy (House)	1	0	*	3	83	83	1	9	9
Judiciary Committee	7	335	313	4	84	87	1	5	5
Merchant Marine and Fisheries Committee				2	103	103	3	3,840	3,373
Select Committee on the Outer Continental Shelf				6	2,498	2,480	1	0	47
Post Office and Civil Service Committee	6	2,106	4,717						
Public Works and Transportation Committee				4	662	1,031			
Rules Committee				2	8	7			
Small Business Committee	4	662	1,031						
Science and Technology Committee									
Unassigned									
Veterans' Affairs Committee	8	1,354	951	2	422	431	1	87	42
Ways and Means Committee	1	1	1	3	32	32			
<b>Total Budget Accounts<sup>b/</sup></b>	<b>87</b>	<b>\$27,837</b>	<b>\$33,647</b>	<b>84</b>	<b>\$37,658</b>	<b>\$37,472</b>	<b>14</b>	<b>\$5,080</b>	<b>\$3,853</b>

<sup>a/</sup> Less than one million

<sup>b/</sup> Includes Management Funds.

Authorizing committee receipt and gross outlay figures may not add up to total budget account figures due to rounding.

**DISTRIBUTION OF MANAGEMENT FUNDS**  
(Non-Revolving)  
**WITHIN THE INTRAGOVERNMENTAL FUND CATEGORY**  
**BY AGENCY FOR FISCAL YEARS 1975, 76, AND 77**

Agency	Fiscal Year 1975			Fiscal Year 1976			Fiscal Year 1977		
	Total	Management Funds		Total	Management Funds		Total	Management Funds	
	No. Accts.	No.	%	No. Accts.	No.	%	No. Accts.	No.	%
Legislative Branch	2	1	50	2	1	50	2	1	50
Judiciary	1	1	100	1	1	100	0	0	--
Executive Office to the President	4	4	100	3	3	100	0	0	--
Funds Appropriated to the President	3	2	66	3	2	66	3	2	66
Department of Agriculture	8	5	63	6	4	66	4	2	66
Department of Commerce	11	9	82	8	6	75	7	5	71
Department of Defense--Military	13	3	23	13	3	23	13	3	23
Department of Defense--Civil	2	1	50	2	1	50	1	0	--
Department of Health, Education, and Welfare	14	10	71	11	7	64	10	6	60
Department of Housing and Urban Development	3	2	66	3	2	66	2	1	50
Department of Interior	13	12	92	13 <sup>a</sup>	12	92	12	11	92
Department of Justice	2	1	50	3	1	33	3	1	33
Department of Labor	5	4	80	5	4	80	5	4	80
Department of State	2	1	50	2	1	50	2	1	50
Department of Transportation	5	2	40	5	2	40	4	1	25
Department of Treasury	4	1	25	4	1	25	4	1	25
Energy Research & Development Agency	0	0	--	0	0	--	0	0	--
General Services Administration	8	3	38	9	3	33	7	1	14
National Aeronautics & Space Admin.	0	0	--	0	0	--	0	0	--
Veterans Administration	2	1	50	2	1	50	2	1	50
Environmental Protection Agency	1	1	100	1	1	100	0	0	--
Other Independent Agencies	7	6	86	5	4	80	3	2	66
<b>Total</b>	<b>110</b>	<b>70</b>	<b>64</b>	<b>101</b>	<b>60</b>	<b>59</b>	<b>84</b>	<b>43</b>	<b>51</b>
<b>Off-Budget</b>	<b>1</b>	<b>0</b>	<b>---</b>	<b>1</b>	<b>0</b>	<b>---</b>	<b>2</b>	<b>0</b>	<b>---</b>
<b>Total</b>	<b>111</b>	<b>70</b>	<b>63</b>	<b>102</b>	<b>60</b>	<b>59</b>	<b>86</b>	<b>43</b>	<b>50</b>

LISTING OF REVOLVING FUNDS  
BY AGENCY  
SHOWING DESCRIPTION, STATUTORY AUTHORITY,  
AND VOLUME OF BUSINESS  
(AS OF JANUARY 1976)

The source for this listing is "The Budget of the U.S. Government" for fiscal year 1977 and its "Appendix." The number of revolving fund accounts used in the listing was obtained from the OMB computer tape of the fiscal year 1977 budget documents (as of January 1976). Although an updated OMB budget tape (as of June 1976) was available, we were unable to use it due to a difference in format from the January budget tape. Some information needed for this listing was not included in the June update.

OMB, as part of its account identification code, uses a number to identify the different types of fund accounts on the computer tape. Through fiscal year 1977, numbers 3, 4, or 8 in position 10 of the identification code indicated public enterprise revolving funds, intragovernmental revolving funds, and trust revolving funds, respectively. An 11-digit code was used in the fiscal year 1978 budget with the pertinent digits appearing in position 8. The accounts used in our listing were obtained from computer runs of those accounts coded 3, 4, and 8.

The other criteria in obtaining this listing was the amount of dollar transactions. If a revolving fund account had any transactions, no matter how small, within the fiscal year it was counted.

The source for statutory authority and congressional committee responsibility is the Congressional Budget Office. House and Senate committee codes are as follows.

## APPENDIX V

## APPENDIX V

HOUSE	SENATE (94th Congress)	SENATE (95th Congress) <sup>1/</sup>
AGR - Agriculture	ASS - Aeronautical and Space Sciences	Agriculture, Nutrition, and Forestry
ASE - Armed Services	AFO - Agriculture and forestry	Armed Services
BCH - Banking, Currency and Housing	ASE - Armed Services	Banking, Housing, and Urban Affairs
BUD - Budget	JAE - Atomic Energy (joint standing)	Budget
DCO - District of Columbia	BHU - Banking, Housing and Urban Affairs	Commerce, Science, and Transportation (includes space)
ELA - Education and Labor	BUD - Budget	Energy and Natural Resources
GOP - Government Operations	COM - Commerce	Environment and Public works
HAD - Administration	DCO - District of Columbia	Finance
IFC - Interstate and Foreign Commerce	FIN - Finance	Foreign Relations
IRE - International Relations	FRE - Foreign Relations	Governmental Affairs (includes Government operations and post office)
JAE - Joint Committee on Atomic Energy	GOP - Government Operations	Human Resources (includes labor and public welfare)
JUD - Judiciary	IIA - Interior and Insular Affairs	Judiciary
MMF - Merchant Marine and Fisheries	JUD - Judiciary	Rules and Administration
OCS - Select Committee on the Outer Continental Shelf	LPW - Labor and Public welfare	Veterans' Affairs
POC - Post Office and Civil Service	POC - Post Office and Civil Service	
PWT - Public Works and Transportation	PWK - Public Works	
RUL - Rules	RAD - Rules and Administration	
SBU - Small Business	VAF - Veterans' Affairs	
STE - Science and Technology		
UNA - Unassigned		
VAF - Veterans' Affairs		
WME - Ways and Means		

<sup>1/</sup>The Senate committee structure was reorganized beginning with the 95th Congress 1st session. Senate committee codes used in this appendix are for the 94th Congress which correspond with FY 1977 data used in this report. The new Senate committee structure is listed here to aid in identifying Senate committee responsibility for FY 1978.

LISTING OF REVOLVING FUNDS  
BY AGENCY  
SHOWING DESCRIPTION, VOLUME OF BUSINESS,  
AND GOVERNMENT EQUITY

PUBLIC ENTERPRISE FUNDS  
(AS OF JANUARY 76)

Agency and Fund Title	Description	Statutory Authority/ Public Law House Committee Senate Committee	FY 1977	
			Receipts	Gross Outlays
			---in millions---	
<b>FUNDS APPROPRIATED TO THE PRESIDENT</b>				
Appalachian Regional Development Programs Appalachian Housing Fund 04-02-4190-0-3-452	Provides funds for making loans and grants up to 80% of the preliminary cost of planning a project and obtaining an insured loan under section 221 of the National Housing Acts.	89-4 PWT PWK	*	2
International Security Assistance Liquidation of Foreign Military Sales Fund 04-09-4117-0-3-052	The foreign military sales fund terminated and the assets were transferred to this account to be available solely for the purpose of discharging outstanding liabilities and obligations arising from credit agreements and guaranties issued prior to June 30, 1968.	90-137 IRE FRE	20	8
International Development Assistance Overseas Private Investment Corporation 04-12-4030-0-3-151	The corporation encourages the participation of U.S. private capital and skills in the economic and social development of less developed friendly countries. Its primary programs are (1) political risk insurance against losses due to expropriation, inconvertibility, and war damage; and (2) investment financing through loans and loan guaranties.	87-195 IRE FRE	48	12
Inter-American Foundation 04-12-4031-0-3-151	The foundation supports self-help efforts in the developing nations of the Western Hemisphere and stimulates widened popular participation in the development process.	79-248 IRE BBU	0	8
Development Loans--Revolving Fund 04-12-4103-0-3-151	Development loans are made to friendly countries to promote economic growth. Repayable in U.S. dollars at an interest rate of not less than 3% per annum. Repayments are to begin not later than 10 years following date on which funds are lent. During initial 10-year period the rates of interest are not to be lower than 2% per annum.	87-195 IRE FRE	463	463
Housing and Other credit Guaranty Programs 04-12-4140-0-3-151	Housing guaranties are extended to assist developing nations in the formulation and execution of sound housing and community development policies. The program was established originally in Latin America and extended to include Asia and Africa.	87-195 IRE FRE	4	4
<b>DEPARTMENT OF AGRICULTURE</b>				
Federal Crop Insurance Corp. Limitation on Administrative and Operating Expenses 05-63-4085-0-3-351	Consists of repayments on loans made by FmHA intended to improve the income of low income rural residents and rural cooperatives. No new loans have been made since middle of 1971.	75-430 AGR AFO	74	79

APPENDIX V

APPENDIX V

<u>Agency and Fund Title</u>	<u>Description</u>	<u>Statutory Authority/ Public Law House Committee Senate Committee</u>	<u>FY 1977</u>	
			<u>Receipts</u>	<u>Gross Outlays</u>
			<u>---in millions---</u>	
<b>DEPARTMENT OF AGRICULTURE</b>				
Commodity Credit Corporation Price Support and Related Programs Reimbursement for Net Realized Losses 05-66-4336-0-3-351	Stabilizes, supports, and protects farm income and prices; helps maintain bal- anced and adequate supplies of agricultural commodities, their products, foods, and fibers; and helps in their orderly distribution.	83-480 AGR AFO	3,364	3,427
Farmers Home Administration Community Services Loan Fund 05-75-4005-0-3-452	The FmHA continues to service loans which amounted to \$27 million outstanding on June 30, 1975.	88-452 ELA LFW	2	2
Agricultural Credit Insurance Fund 05-75-4140-0-3-351	Insures farm ownership loans, soil and water loans, and recreation and associa- tion loans.	87-128 AGR AFO	2,348	2,004
Rural Housing Insurance Fund 05-75-4141-0-3-401	Insures rural and farm labor housing loans and loans for rural rental housing.	89-117 BCH BHU	5,914	5,461
Rural Development Insurance Fund 05-75-4155-0-3-452	Provides for transfer of assets and liabilities of Agricultural credit insurance fund applicable to loans for water systems and waste disposal facilities to this fund. Is used to insure or guarantee loans for water systems and waste disposal facilities, development of rural business, community facilities, pollution abatement, and economic improve- ment in rural areas.	87-128 AGR AFO	845	893
Self-help Housing Land Development Fund 05-75-4222-0-3-401	The fund makes loans to public or private nonprofit organizations for the acquisition and development of land as building sites to be subdivided and sold to eligible families, non-profit organizations and co- operatives.	90-448 BCH BHU	0	*
<b>DEPARTMENT OF COMMERCE</b>				
Economic Development Administration Economic Development Revolving Fund 06-10-4406-0-3-452	Makes long-term, low-interest-rate loans from the development facilities and industrial development loans and guaran- tees appropriations. Revenues and prin- cipal repayments from loans made under the Area Redevelopment Act and the Public Works and Economic Development Act are deposited into the fund.	89-136 PWT PWK	51	26
National Oceanic and Atmospheric Administration Fisheries Loan Fund 06-48-4317-0-3-403	The program provides for loans to vessel operators who, because of the high risk associated with some commercial fishing, could not obtain commercial loans at reasonable rates for financing or re- financing the cost of purchasing or constructing, equipping, maintaining, repairing, or operating new or used commercial fishing vessels or gear.	84-1024 MMF COM	1	1
Fishermen's Guaranty Fund 06-48-4318-0-3-403	The fund provides for payment to vessel owners and crews to compensate for certain financial losses sustained as a result of foreign seizures of American fishing vessels found within 200 miles of their coasts.	83-680 MMF COM	*	*

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			<u>Receipts</u>	<u>Gross Outlays</u>
			<u>---in millions---</u>	
<b>DEPARTMENT OF COMMERCE</b>				
Federal Ship Financing Fund, Fishing Vessels 06-48-4417-0-3-403	Premiums and fees collected under the fishing vessel mortgage insurance program are deposited in this fund for use in case of default. Proceeds from sale of collateral are also deposited in the fund.	86-577 MMF COM	*	*
Maritime Administration Federal Ship Financing Fund 06-70-4301-0-3-406	Insures construction loans and mortgages on vessels engaged in the foreign and domestic commerce of the United States.	74-835 MMF COM	24	5
War Risk Insurance Revolving Fund 06-70-4302-0-3-406	Insures against loss or damage from marine war risks when commercial insurance cannot be obtained on reasonable terms and conditions	74-835 MMF COM	1	*
Vessel Operations Revolving Fund 06-70-4303-0-3-406	Provides funds to finance operation, reactivation, deactivation, and charter of Government, owned or controlled cargo-type vessels. It is also used for financing the operation of Government-owned experimental vessels.	74-835 MMF COM	*	*
<b>DEPARTMENT OF DEFENSE--MILITARY</b>				
Family Housing Homeowners Assistance Fund, Defense 07-30-4090-0-3-051	The fund finances a program for reducing the losses of military personnel and civilian employees incident to disposition of their one- or two-family dwellings when military installations are closed or when reductions in the scope of operations are ordered.	89-754 BCH BBU	4	9
Revolving and Management Funds Laundry Service, Naval Academy 07-40-4002-0-3-051	Used for revenue and expense resulting from operation of the Naval Academy laundry	84-1028 ASE ASE	2	2
Defense Production Guarantees 07-40-4080-0-3-051		87-651 BCH BBU	1	1
<b>DEPARTMENT OF DEFENSE--CIVIL</b>				
The Panama Canal Corporation: Panama Canal Company Fund 08-25-4060-0-3-406	The Panama Canal Company is a wholly owned Government corporation whose primary purpose is maintaining and operating the interoceanic canal at the Isthmus of Panama, together with its essential supporting operations.	81-841 MMF ASE	309	307
<b>DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE</b>				
Food and Drug Administration Revolving Fund For Certification and Other Services 09-10-4309-0-3-553	Finances certification of batches of antibiotics, insulin, and color additives for use in food, drugs, or cosmetics.	86-618 IFC LFW	7	7
Health Services Administration Health Maintenance Organization Loan and Loan Guarantee Fund 09-15-4435-0-3-551	Direct loans will be sold to the Federal Financing Bank to provide funds for new loans which will be guaranteed. In 1975, \$35,000,000 was appropriated to the Health Service Administration as capital for the revolving fund.	93-222 IFC LFW	33	30



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			---in millions---	
<b>DEPARTMENT OF HEALTH, EDUCATION AND WELFARE</b>				
Health Resources Administration Nurse Training Fund 09-35-4306-0-3-552	Schools of nursing borrow from the fund in order to provide loans to their students. The Federal Government pays the difference between the interest paid by students to the schools and the interest payable by the schools to the Government National Mortgage Association (GNMA) and the Treasury	94-63 IFC LPW	1	2
Health Education Loans 09-35-4307-0-3-552	Health professions schools borrow from the fund in order to provide loans to their students. The Federal Government pays the difference between the interest paid by students to the schools and the interest payable by the schools to the Government National Mortgage Association (GNMA) and the Treasury	92-157 IFC LPW	2	4
Medical Facilities Guarantee and Loan Fund 09-35-4430-0-3-554	The program is a loan guarantee and loan fund for medical facilities.	93-641 IFC LPW	36	61
Office of Education Student Loan Insurance Fund 09-40-4308-0-3-502	Insures loans to certain college and vocational students who do not have reasonable access to State or private non-profit programs of student loan insurance.	89-329 ELA LPW	49	140
Higher Education Facilities Loan and Insurance Fund 09-40-4312-0-3-502	Makes loans for construction of academic facilities in higher education institutions	89-329 ELA LPW	30	42
<b>DEPARTMENT OF THE INTERIOR</b>				
Bureau of Reclamation Colorado River Basin Project 10-06-4079-0-3-301	Project revenue and certain other revenues as provided are credited to the fund and are available without further appropriation for defraying the costs of operation, maintenance, replacements, and emergency expenditures for all facilities of projects.	90-537 IIA IIA	39	119
Upper Colorado River Storage Project 10-06-4081-0-3-301	Studies for the Upper Colorado River Basin and non-reimbursable operation and maintenance are financed from energy sales and revenues resulting from Bureau of Reclamation power operations.	84-485 IIA IIA	49	97
Continuing Fund for Emergency Expenses, Fort Peck Project 10-06-4451-0-3-301	Defrays the expense of operating power facilities at the Fort Peck Project.	75-529 IIA IIA	5	5
Bureau of Mines Helium Fund 10-32-4053-0-3-306	Used for the production, conservation, purchase, and sale of helium and for related purposes.	86-777 IIA IIA	8	8
Bonneville Power Administration Bonneville Power Administration Fund 10-64-4045-0-3-301	The Administration constructs, operates, and maintains facilities to market electric power produced at Federal hydroelectric generating plants over its high-voltage transmission grid system to public and private utilities and industrial customers in the Pacific Northwest.	93-454 IIA IIA	367	352

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			Receipts --in millions--	Gross Outlays
<b>DEPARTMENT OF THE INTERIOR</b>				
Bureau of Indian Affairs Liquidation of Hoonah Housing Project Revolving Fund 10-76-4320-0-3-452	Liquidation of the Hoonah Housing Project.	85-806 IIA IIA	*	*
Revolving Fund for Loans 10-76-4409-0-3-452	This fund and miscellaneous tribal funds provide the only source of financing for Indians who cannot borrow from other Government credit agencies or from ordinary commercial lenders because of low economic status, isolated geographic location, lack of bankable security or other reasons. Loans are made to tribes and other Indian organizations for relending to individual members and groups. Loans are made to promote economic development of the borrower.	93-262 IIA IIA	9	13
Indian Loan Guaranty and Insurance Fund 10-76-4410-0-3-452	The purpose of the fund is to support a loan guaranty and insurance program for guaranteeing or insuring loans made by commercial lending institutions to Indians and to tribes and other Indian organizations for economic development purposes.	93-262 IIA IIA	*	7
<b>DEPARTMENT OF THE TREASURY</b>				
Office of the Secretary Liquidation of Reconstruction Finance Corporation 15-05-4170-0-3-803	The Reconstruction Finance Corporation was abolished as a corporate entity and its remaining assets, liabilities, and obligations were transferred to the Secretary of the Treasury, the Administrator of Small Business, the Housing and Home Finance Administrator, and the Administrator of General Services.	83-163 BCH BBU	*	*
Bureau of Government Financial Operations New York City Seasonal Financing Fund 15-10-4069-0-3-852	The fund was established to provide short-term loans to New York City during periods when the city's outlays exceed income. All income from loans and investments will be covered directly into the general fund miscellaneous receipts of the Treasury.	94-143 BCH BBU	2,100	2,100
Check Forgery Insurance Fund 15-10-4109-0-3-803	Provides funds for making settlement in cases of checks drawn on the Treasurer which had been paid on forged endorsements.	77-310 JUD JUD	0	*
Internal Revenue Service Federal Tax Lien Revolving Fund 15-45-4413-0-3-803	Finances redemption of real property on which the Government has a tax lien.	89-719 WFE FIN	1	1
<b>ENVIRONMENTAL PROTECTION AGENCY</b> Environmental Protection Agency Revolving Fund For Certification and Other Services 20-00-4311-0-3-304	Fees are paid by industry for Federal services in establishing tolerances for residue of pesticide chemicals in or on food and animal feed.	92-516 AGR AFO	1	1

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			<u>Receipts</u> ---in millions---	<u>Gross Outlays</u>
DEPARTMENT OF TRANSPORTATION Federal Aviation Administration Aviation War Risk Insurance Revolving Fund 21-20-4120-0-3-405	Provides premium Aviation War Risk Insurance in case of war.	85-726 PWT COM	*	*
Federal Railroad Administration Alaska Railroad Revolving Fund 21-30-4400-0-3-404	Provides funds for the operation of the Alaska Railroad.	63-69 IFC COM	47	51
Urban Mass Transportation Administration Urban Mass Transportation Fund 21-32-4119-0-3-404	The fund was established to finance all capital and operating assistance grants, contracts, and loan activities of UMTA. The capital facilities, relocation, and technical studies activities are financed by the authority to obligate in advance of appropriations.	88-365 PWT HHU	*	1,585
Saint Lawrence Seaway Development Corporation Saint Lawrence Seaway Development Corporation Fund 21-35-4089-0-3-406	Finances construction, operation, and maintenance of that part of the St. Lawrence Seaway within the territorial limits of the United States.	83-358 PWT FRE	8	7
GENERAL SERVICES ADMINISTRATION Preparedness Activities Defense Production Act, Loan Guarantee Activities 23-31-4080-0-3-054	Guarantees loans made by public or private financing institutions to facilitate performance of defense production contracts.	81-774 BCH HHU	*	*
William Langer Jewel Bearing Plant Revolving Fund 23-31-4092-0-3-054	The plant produces jewel bearings for sale at fixed prices to Government agencies, and their contractors and subcontractors for national defense purposes, and to GSA for the national stockpile	90-469 ASE ASE	2	2
General Activities Virgin Islands Corporation Liquidation Fund 23-35-4480-0-3-804	Mortgage payments are made to the Government for properties purchased from the Virgin Islands Corporation which has since been liquidated.	81-149 IIA IIA	1	0
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Housing Programs Revolving Fund (liquidating programs) 25-02-4015-0-3-451	Liquidates the assets acquired under a number of housing and urban development programs.	83-428 BCH HHU	236	256
Community Disposal Operations Fund 25-02-4040-0-3-451	Used in connection with disposal of federally owned properties at specific locations in accordance with the Atomic Energy Act of 1955.	84-221 JAE JAE	1	0
Rental Housing Assistance Fund 25-02-4041-0-3-604	The fund was established for deposit of rental collections in excess of the established basic rents for units in section 236 subsidized projects. Fund balances may be used, subject to the prior commitment of contract authority, for the payment of utility and tax increases in section 236 projects	90-448 BCH HHU	4	*

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Agency and Fund Title	Description	Statutory Authority/ Public Law House Committee Senate Committee	FY 1977	
			Receipts	Gross Outlays
			---in millions---	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Housing Programs Nonprofit Sponsor Assistance 25-02-4042-0-3-604	Provides interest-free loans to nonprofit organizations to facilitate development of housing projects for the elderly or handicapped. Only a portion of the start-up costs will be funded through these "seed money" loans.	90-448 BCH HBU	1	4
Federal Housing Administration Fund 25-02-4070-0-3-401	Finances insurance programs to improve home financing practices, to encourage improved housing standards and conditions to further home ownership and to stabilize the mortgage market.	73-479 BCH HBU	1,449	2,279
Low-Rent Public Housing--Loans and Other Expenses 25-02-4098-0-3-604	Makes loans and grants for financing the low-rent housing program.	75-412 BCH HBU	658	658
Government National Mortgage Association Management and Liquidating Functions Fund 25-03-4016-0-3-401	The association purchases, manages and sells residential mortgages and makes short-term, bank-type loans and manages and sells certain noninsured or non-guaranteed mortgages and sells to private investors beneficial interests, or participations, in mortgages or other types of obligation in which certain departments or agencies of the Federal Government have a financial interest	73-479 BCH HBU	55	34
Special Assistance Functions Fund 25-03-4205-0-3-401		73-479 BCH HBU	1,134	1,321
Participation Sales Fund 25-03-4206-0-3-909		73-479 BCH HBU	101	101
Guarantees of Mortgage-backed Securities 25-03-4238-0-3-401	GNMA guarantees timely payment of principal and interest on trust certificates or other securities issued by any financial institution approved for this purpose, and based on and backed by a trust or pool of FHA-insured or VA-guaranteed mortgages.	90-448 BCH HBU	24	7
Community Planning and Development Urban Renewal Fund--Loans and Planning Advances 25-06-4034-0-3-451	Loan commitments previously made under the urban renewal program are still outstanding and will continue until the projects involved are financially completed.	81-171 BCH HBU	737	712
Urban Renewal Fund--Capital Grants 25-06-4035-0-3-451	Finances Federal assistance to local public agencies for rehabilitation and re-development of slums and blighted areas. This program was terminated on January 1, 1975, and no commitments for new projects may be made following that date.	81-171 BCH HBU	0	1,000
New Communities Administration New Communities Fund 25-12-4237-0-3-451	Finances Federal assistance to private and public new community developers. The program provides for Federal guarantee of the bonds, debentures, notes, and other obligations issued by or on behalf of private and public new community developers.	90-448 BCH HBU	2	27

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Agency and Fund Title	Description	Statutory Authority/ Public Law House Committee Senate Committee	FY 1977	
			Receipts	Outlays ---in millions---
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
Federal Insurance Administration National Insurance Development Fund 25-26-4235-0-3-403	The National insurance development fund provides the funding source for two programs designed to increase availability of property insurances: (1) the FAIR (fair access to insurance requirements) plan/risk reinsurance program, (2) the Federal crime insurance program.	90-448 BOH HRU	12	10
National Flood Insurance Fund 25-26-4236-0-3-453	Finances a cooperative program by the Federal Government and the private insurance industry to provide flood insurance on a national basis. Coverage is available on residential, business, agricultural, private nonprofit, and local and State government property.	90-448 BOH HRU	13	214
<b>VETERANS ADMINISTRATION</b>				
Veterans Administration Servicemen's Group Life Insurance Fund 29-00-4009-0-3-701	Finances the payment of group life insurance premiums and administrative expenses under the Servicemen's Group Life Insurance Act of 1965.	85-857 VAF VAF	124	124
Veterans Reopened Insurance Fund 29-00-4010-0-3-701	Finances the payment of claims and administrative costs on certain nonparticipating insurance policies.	85-857 VAF VAF	59	27
Service-Disabled Veterans Insurance Fund 29-00-4012-0-3-701	Makes possible the payment of claims on nonparticipating insurance policies of some disabled veterans.	85-857 VAF VAF	26	26
Canteen Service Revolving Fund 29-00-4014-0-3-705	Purnishes merchandise and services to veterans in hospitals and domicilliaries operated by VA.	85-857 VAF VAF	131	129
Direct Loan Revolving Fund 29-00-4024-0-3-704	Direct loans are made to veterans to purchase, construct or improve homes, to purchase farms on which there are farm residences to be occupied by the veterans as their homes; or to construct, alter, repair, or improve farm dwellings to be occupied by the veterans as their homes.	85-857 VAF VAF	316	104
Loan Guaranty Revolving Fund 29-00-4025-0-3-704	Provides for expenses and revenues of property and loan transactions resulting from settlement of guaranty claims.	85-857 VAF VAF	697	536
Vocational Rehabilitation Revolving Fund 29-00-4114-0-3-702	Makes small loans to disabled veterans who are eligible for vocational rehabilitation.	VAF VAF	1	1
Education Loan Fund 29-00-4115-0-3-702	This fund is used to make loans up to 1000 per academic period to eligible persons training under chapters 34 and 35 who are without sufficient funds to meet their expenses. Repayments are used to make new loans.	85-857 VAF VAF	•	2

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Agency and Fund Title	Description	Statutory Authority/ Public Law House Committee Senate Committee	FY 1977	
			Receipts	Gross Outlays
			---in millions---	
<b>OTHER INDEPENDENT AGENCIES</b> Emergency Loan Guarantee Board Emergency Loan Guarantee Fund 30-14-1057-0-3-403	The Board is authorized to guarantee, or make commitments to guarantee, loans to major business enterprises. The fund is to be credited with fees prescribed by the Board in connection with each loan guaranteed under the act.	92-70 BCH HRU	5	1
Export-Import Bank of the United States Export-Import Bank of the United States Fund 30-48-4027-0-3-155	Makes loans and guarantees as aids in financing and to facilitate exports and imports	79-173 BCH HRU	2,203	3,509
Farm Credit Administration Limitation on Administrative Expenses 30-52-4131-0-3-351	The Administration supervises a coordinated agricultural credit system of farm credit banks and associations which make credit available to farmers and their cooperatives. Obligations are incurred within fiscal year budgets approved by the Federal Farm Credit Board.	92-181 AGR AFO	8	8
Federal Home Loan Bank Board Federal Home Loan Bank Board Revolving Fund 30-68-4035-0-3-401	Finances supervision of the Federal home loan bank system, the system of Federal savings and loan associations, and the Federal Savings and Loan Insurance Corporation.	72-304 BCH HRU	94	42
Federal Savings and Loan Insurance Corporation Fund 30-68-4037-0-3-401	Insures savings in all Federal savings and loan associations and in State-chartered institutions of the savings and loan type which apply and qualify for insurance.	73-479 BCH HRU	540	212
National Credit Union Administration Operating Fund 31-34-4056-0-3-401	The Administration finances its activities out of fees for services performed which consist of (a) chartering new Federal credit unions, (b) supervising established Federal credit unions, (c) making periodic examinations of their financial condition and operating practices, and (d) providing administrative services.	73-467 BCH HRU	15	15
Credit Union Share Insurance Fund 31-34-4464-0-3-401	The insurance fund is used to carry out a program of insurance for member accounts in Federal credit unions and State-chartered credit unions which apply and qualify for insurance.	91-468 BCH HRU	27	6
Pennsylvania Avenue Development Corporation Pennsylvania Avenue Development Fund 32-08-4084-2-3-451	The Corporation was established to plan for and redevelop the area along the north side of Pennsylvania Avenue which it is to implement through the use of its powers to acquire, manage, and dispose of property, undertake development projects, and regulate private activities within the area.	89-409 IIA IIA	0	4
Small Business Administration Disaster Loan Fund 32-45-4153-0-3-453	Finances natural disaster loans.	85-536 SBU HRU	189	278

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			<u>Receipts</u>	<u>Gross Outlays</u>
			<u>---in millions---</u>	
<b>OTHER INDEPENDENT AGENCIES</b>				
Small Business Administration Business Loan and Investment Fund 32-45-4134-0-3-403	Finances all loan programs other than natural disaster loans	85-536 SBU HEU	448	726
Surety Bond Guarantees Revolving Fund 32-45-4156-0-3-403	The Small Business Administration will guarantee a portion of the losses sustained by a surety company as a result of the insurance of a bid, payment, and/or performance bond to a small business concern on a contract up to \$1 million.	85-699 SBU HEU	4	24
Lease Guarantees Revolving Fund 32-45-4157-0-3-403	The lease guarantees program is designed to provide prime space for small business firms which cannot compete with prospective tenants with AAA ratings. The program has been incurring excessive losses and has not been an important form of assistance to small businesses. Therefore, this program is being terminated with no new commitments for 1977.	85-699 SBU HEU	1	3
Tennessee Valley Authority Tennessee Valley Authority Fund 33-15-4110-0-3-301	TVA is a wholly owned corporation of the Federal Government which was established in 1933 for the unified development of a river basin comprising parts of seven states. The program is financed through proceeds from production of electricity, proceeds from non-power activities, and appropriations.	73-17 PWT PDK	3,047	3,097

LISTING OF REVOLVING FUNDS  
BY AGENCY  
SHOWING DESCRIPTION, STATUTORY AUTHORITY,  
AND VOLUME OF BUSINESS

Agency and Fund Title	Description	Statutory Authority/ Public Law House Committee Senate Committee	FY 1977	
			Receipts -----in millions-----	Gross Outlays
<b>LEGISLATIVE BRANCH</b> Library of Congress Consolidated Working Fund 01-25-3900-0-4-583	Operates various printing-related activities	72-212 RAD RAD	4	4
Government Printing Office Government Printing Office Revolving Fund 01-30-4505-0-4-806	Government Printing Office executes orders for printing, binding, and blankbook work and furnishes on order, blank paper, inks, and similar supplies. The fund is reimbursed by the customer agencies and net operating income is retained for reuse by fund.	90-220 RAD RAD	684	670
<b>FUNDS APPROPRIATED TO THE PRESIDENT</b> International Development Assistance Consolidated Working Fund 04-12-3900-0-4-151		72-212 IRE FRE	*	*
Office of the Inspector General of Foreign Assistance 04-12-3990-0-4-151	The Inspector General of Foreign Assistance has broad responsibilities relating to the effectiveness of U.S. foreign assistance programs, including economic and military assistance and Public Law 480 activities.	87-195 INE FRE	2	2
Advance Acquisition of Property--Revolving Fund 04-12-4590-0-4-151	Acquires Government personal property in foreign assistance programs for rehabilitation and use in domestic programs.	87-195 INE FRE	2	2
<b>DEPARTMENT OF AGRICULTURE</b> Departmental Administration Working Capital Fund 05-03-4609-0-4-352	This fund finances by advances or reimbursements certain central services in the Department of Agriculture, including duplicating, art and graphics, supply, inter-agency employee training programs, mail and messenger services, and ADP systems.	71-129 AGR ARO	53	53
Economic Research Service Consolidated Working Fund 05-36-3917-0-4-151	The Department's foreign development assistance activities are directed under agreement with AID and other development assistance organizations. The Department's foreign technical assistance has heretofore been mainly funded by AID. During the past few years, however, the Department has entered into direct agreements with foreign governments and increasingly with various international organizations.	72-212 AGR ARO	10	10



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<b>DEPARTMENT OF AGRICULTURE</b>				
Forest Service Consolidated Working Fund 05-96-3911-0-4-302		72-212 AGR AFO	5	5
Working Capital Fund 05-96-4605-0-4-302		61-435 AGR AFO	68	66
<b>DEPARTMENT OF COMMERCE</b>				
General Administration Consolidated Working Fund 06-05-3901-0-4-403		72-212 IFC COM	13	13
Working Capital Fund 06-05-4511-0-4-403	Finances duplicating, communications, supply, and other administrative-type services on a centralized basis.	78-365 IFC COM	17	17
Bureau of the Census Consolidated Working Fund 06-07-3904-0-4-403	Provides statistical data and analyses to other Federal agencies as well as utilizing its technical capabilities to provide various statistical, analytical, training, and data processing services.	72-212 FOC FOC	63	63
Bureau of Economic Analysis Consolidated Working Fund 06-08-3915-0-4-403		IFC COM	22	22
National Oceanic and Atmospheric Administration Consolidated Working Fund 06-48-3914-0-4-306		72-212 SFB COM	3	3
Science and Technical Research Consolidated Working Fund 06-52-3950-0-4-403		72-212 IFC COM	15	15
Working Capital Fund 06-52-4650-0-4-403	Fund financed from advances and reimbursements all operations of the National Bureau of Standards except major construction projects and foreign currency program. Retained earnings at end of each year are transferred to Treasury the following year.	56-872 IFC COM	52	52
<b>DEPARTMENT OF DEFENSE--MILITARY</b>				
Revolving and Management Funds Air Force Management Fund 07-40-3960-0-4-051	The Air Force management fund was created to facilitate the financing of activities supported by two or more appropriations. The side looking advanced radar and the digital side looking airborne radar systems are the only programs being performed in this fund. Both programs are financed jointly by the Federal Republic of Germany and the United States with each sharing the cost equally.	87-651 ASB ASB	3	2
Army Management Fund 07-40-3970-0-4-051	This fund was created to simplify the financing and accounting for operations supported by two or more appropriations. Activities presently financed through the fund are Defense telephone service, Washington, D.C., and Transportation services	87-651 ASB ASB	410	410

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DEPARTMENT OF DEFENSE--MILITARY Revolving and Management Funds Navy Management Fund 07-40-3980-0-4-051	This fund was created to facilitate the financing of operations supported by two or more appropriations and provides for the payment centrally of transportation charges for supplies, materials, and equipment of the Navy.	87-651 ASE ASE	475	475
Navy Stock Fund 07-40-4911-0-4-051	Finances the acquisition of inventories of material and supplies for resale and mobilization. Inventories are stocked and sold at designated defense activities worldwide. (Explanation applies to all stock funds)	87-651 ASE ASE	2,618	2,508
Navy Industrial Fund 07-40-4912-0-4-051			6,474	6,492
Marine Corps Stock Fund 07-40-4913-0-4-051			222	229
Marine Corps Industrial Fund 07-40-4914-0-4-051			30	31
Air Force Stock Fund 07-40-4921-0-4-051			5,440	5,356
Air Force Industrial Fund 07-40-4922-0-4-051			2,695	2,691
Army Stock Fund 07-40-4991-0-4-051			3,772	3,763
Army Industrial Fund 07-40-4992-0-4-051	2,185	2,174		
Defense Stock Fund 07-40-4961-0-4-051	Finances industrial- and commercial-type activities. (Explanation applies to all industrial funds)	87-651 ASE ASE	6,104	6,082
Defense Industrial Fund 07-40-4962-0-4-051		87-651 ASE ASE	431	423
DEPARTMENT OF DEFENSE--CIVIL Corps of Engineers--Civil Revolving Fund, Corps of Engineers --Civil 08-10-4902-0-4-301	Supplies funds for the acquisition, operation, and maintenance of floating and land-based plant and equipment used in civil works functions and for other purposes	83-153 PWT PHE	949	946
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE National Institutes of Health Consolidated Working Fund 09-25-3908-0-4-552	The fund supports research under an interagency agreement between the National Institute of Environmental Health Sciences and the Environmental Protection Agency	EIA LEW	4	4
National Institutes of Health Management Fund 09-25-3966-0-4-552	Finances medical supply and services operations and the consolidation of business-type activities involving the sale of services and commodities.	78-410 IFC LEW	110	110
Service and Supply Fund 09-25-4554-0-4-552	The fund provides a single means for consolidated financing and accounting of business-type operations involving the sale of services and commodities to customers	78-410 IFC LEW	63	63
Alcohol, Drug Abuse, and Mental Health Administration Working Capital Fund, Lexington Addiction Research Center 09-30-4551-0-4-551	Industries operated at the Lexington, Ky., Addiction Research Center provide patients with occupational outlets as a part of rehabilitation therapy. Useful products are made for sale to other Government institutions.	IFC LEW	*	*

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Agency and Fund Title	Description	Statutory Authority/ Public Law House Committee Senate Committee	FY 1977	
			Receipts ---in millions---	Gross Outlays
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE Office of Assistant Secretary for Health Service and Supply Fund 09-17-4352-0-4-551	This fund finances medical supply and service operations for the Public Health Service. It is reimbursed from the appropriations supporting the programs benefited by it.	72-212 IFC LPW	25	25
Consolidated Working Fund 09-17-4398-0-4-552	The consolidated working funds support research and other activities which simultaneously affect a number of the Public Health Service programs.	72-212 IFC LPW	7	7
Office of Education Consolidated Working Fund 09-40-3902-0-4-503		72-212 ELA LPW	5	5
Social Security Administration Consolidated Working Fund 09-60-3904-0-4-601		72-212 WBE FIN	25	25
Departmental Management Consolidated Working Fund 09-90-3901-0-4-506		72-212 ELA LPW	10	10
Working Capital Fund 09-90-4503-0-4-506	Provides a single means for consolidating financing and accounting of business-type operations involving the sale of services and commodities to customers.	82-452 ELA LPW	50	51
DEPARTMENT OF THE INTERIOR Bureau of Land Management Consolidated Working Fund 10-04-3911-0-4-302		72-212 IIA IIA	12	12
Bureau of Reclamation Consolidated Working Fund 10-06-3906-0-4-301		72-212 IIA IIA	3	3
Bureau of Outdoor Recreation Consolidated Working Fund 10-16-3907-0-4-303		72-212 IIA IIA	*	*
United States Fish and Wildlife Service Consolidated Working Fund 10-18-3916-0-4-303	Cash advances are received from other agencies which contract with the Fish and Wildlife Service for special studies.	72-212 PWP CCM	*	1
National Park Service Consolidated Working Fund 10-24-3910-0-4-303		72-212 IIA IIA	*	*
Geological Survey Consolidated Working Fund 10-28-3908-0-4-306		72-212 IIA IIA	21	21
Mining Enforcement and Safety Administration Consolidated Working Fund 10-30-3912-0-4-553		91-173 ELA LPW	*	*
Bureau of Mines Consolidated Working Fund 10-32-3909-0-4-306		72-212 IIA IIA	2	4
Alaska Power Administration Consolidated Working Fund 10-62-3915-0-4-301		72-212 IIA IIA	*	*

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Agency and Fund Title	Description	Statutory Authority/ Public Law House Committee Senate Committee	FY 1977	
			Receipts	Gross Outlays
			---in millions---	
<b>DEPARTMENT OF THE INTERIOR</b>				
Bureau of Indian Affairs Consolidated Working Fund 10-76-3920-0-4-452	The Bureau operates some programs in Indian communities which are funded by other Federal agencies, programs which are similar to those operated by State and local governments from Federal grants-in-aid. This account is used as the mechanism for receiving and disbursing such Federal funding.	72-212 IIA IIA	20	20
Office of the Solicitor and Office of the Secretary Consolidated Working Fund, Office of the Secretary 10-84-3901-0-4-306		72-212 IIA IIA	*	*
Working Capital Fund 10-84-4523-0-4-306	This fund finances central reproduction, communications, supplies, health services, ADP, and other such services as may be performed advantageously on a reimbursable basis. In addition, aircraft chartering and contracting is transacted through this account.	81-759 IIA IIA	42	42
<b>DEPARTMENT OF JUSTICE</b>				
General Administration Consolidated Working Fund 11-03-3900-0-4-751		72-212 JUD JUD	*	*
Working Capital Fund 11-03-3900-0-4-751	The Working capital fund provides on a reimbursable basis administrative services which can be performed more efficiently on a centralized basis, such as payroll services and telephone related elements of telecommunications	JUD JUD	9	9
Federal Prison System Federal Prison Industries, Inc. 11-20-3900-0-4-753	Employs and trains Federal inmates through a diversified program providing products and services to other Federal agencies. No appropriations are required. Revenues are derived from sale of products and services.	73-461 JUD JUD	74	74
<b>DEPARTMENT OF LABOR</b>				
Employment and Training Administration Consolidated Working Fund 12-05-3912-0-4-504		72-212 BCH FIN	37	37
Occupational Safety and Health Administration Consolidated Working Fund 12-18-3905-0-4-553	Funds are advanced from sources outside the Federal Government to finance special statistical studies.	72-212 ELA LPW	1	1
Bureau of Labor Statistics Consolidated Working Fund 12-20-3902-0-4-505		72-212 BCH FIN	14	14
Departmental Management Working Capital Fund 12-25-4601-0-4-505	This fund is available without fiscal year limitation and provides services on a centralized basis for Department activities. The fund is reimbursed in advance by the agencies for which centralized services are performed at rates which return in full all expenses of operation, including reserves for accrued annual leave and depreciation of equipment	86-703 ELA LPW	37	37

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Agency and Fund Title	Description	Statutory Authority/ Public Law House Committee Senate Committee	FY 1977	
			Receipts ---in millions---	Gross Outlays
<b>DEPARTMENT OF LABOR</b>		72-212	10	10
Departmental Management Consolidated Working Fund 12-25-9999-0-4-505		BOH FIN		
<b>DEPARTMENT OF STATE</b>		72-212	3	3
Administration of Foreign Affairs Consolidated Working Fund 14-05-3930-0-4-152		IEB FIN		
Working Capital Fund 14-05-4919-0-4-152	This fund finances on a reimbursable basis certain central services including duplicating, editorial, microfilming, telephone, data processing, motor pool, laborers, supply and dispatch agency services	88-205 IEB FIN	14	14
<b>DEPARTMENT OF THE TREASURY</b>		91-614	3	3
Office of the Secretary Working Capital Fund 13-05-4501-0-4-803	The fund finances telephones, telegraph, printing reproduction, and printing procurement services, by advances or reimbursements from appropriations and funds of the Department, other Federal agencies, and other authorized sources for supplies and services at rates which will recover the expense of operations, including accrual of annual leave and depreciation of equipment.	WBE FIN		
Bureau of Government Financial Operations Fishermen's Protective Fund 13-10-4507-0-4-403	The fund reimburses owners of vessels for the amounts of fines, fees, and other direct charges which were paid by the owners to a foreign country to secure the release of their vessels and crews.	92-569 HWP COM	0	0
Customs Service Consolidated Working Fund 15-15-3906-0-4-803		72-212 WBE	4	4
Bureau of Engraving and Printing Bureau of Engraving and Printing Fund 15-20-4502-0-4-803	Finances the design, manufacture, and supplying of most of the major evidences of a financial character issued by the United States.	81-656 FPT FWK	123	123
<b>DEPARTMENT OF TRANSPORTATION</b>		72-212	50	45
Office of the Secretary Consolidated Working Fund, Transportation Systems Center 21-05-3900-0-4-407	The fund was established to facilitate the operations of the Transportation Systems Center in Cambridge, Mass. The Center is funded from advances received from the Office of the Secretary and the operating administrations in the Department. The center serves as a research, analysis, and technical development resource for the Office of the Secretary and the operating administrations	FPT COM		
Working Capital Fund 21-05-4520-0-4-407	The Working capital fund finances common administrative services which are centrally performed.	89-670 FPT COM		
	Services are charged for at rates which return in full all operating expenses, including a normal reserve for accrued annual leave and depreciation of equipment. The fund is reimbursed in advance by the operating administrations and offices being served.		33	33
Coast Guard Coast Guard Supply Fund 21-15-4535-0-4-406	Provides funds for the procurement of uniform clothing, commissary provisions, general stores, and technical material.	91-278 HWP COM	55	55
Coast Guard Yard Fund 21-15-4743-0-4-406	Finances industrial operations at the Coast Guard Yard, Curtis Bay, Maryland	81-207 HWP COM	29	31

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<u>Agency and Fund Title</u>	<u>Description</u>	<u>Statutory Authority/ Public Law House Committee Senate Committee</u>	<u>FY 1977</u>	
			<u>Receipts</u> ---in millions---	<u>Gross Outlays</u>
<b>GENERAL SERVICES ADMINISTRATION</b> Real Property Activities Consolidated Working Fund, Real Property Activities 23-05-3918-0-4-804	The fund reflects construction performed by the General Services Administration in behalf of the Washington Technical Institute.	72-212 GOP GOP	30	30
Federal Buildings Fund 23-05-4542-0-4-804	The Federal buildings fund finances the activities of the Public Buildings Service which provides space and services for Federal agencies in a relationship similar to that of landlord and tenant.	92-313 PWT PWK		
	The fund replaces direct appropriations by using income derived from rent assessments which approximate commercial rates for comparable space and services.		1,342	1,332
Construction Services Fund 23-05-4602-0-4-804	The fund provides for financing for salaries and related benefits of all personnel engaged in architectural and engineering services in connection with buildings design and construction	GOP GOP	19	19
Personal Property Activities General Supply Fund 23-10-4530-0-4-804	Provides funds for a national supply depot system and a system of ordering supplies for direct delivery to agencies.	81-152 GOP GOP	1,623	1,603
Working Capital Fund 23-10-4540-0-4-804	Finances administrative-type services performed on a centralized basis.	79-49 GOP GOP	16	16
Automated Data and Telecommunications Activities Federal Telecommunications Fund 23-25-4533-0-4-804	The fund finances, on a reimbursable basis, a telecommunications system for the Federal Government which is a major operating component of the national communications system. Expenses are reimbursed from available appropriations and funds of any agency or organization for telecommunications services facilities made available to them.	87-847 GOP GOP	349	347
Automatic Data Processing Fund 23-25-4541-0-4-804	Provides funds for a Government-wide automatic data processing operation, including the procurement by lease, purchase, transfer, or otherwise of ADP equipment, maintenance of equipment, and operation of service centers and related functions.	89-306 GOP GOP	78	83
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b> Housing Programs Disaster Assistance Fund 25-02-3981-0-4-453	The Department is authorized to use its own funds and resources to respond to Federal Disaster Assistance Administration mission assignments in Presidentially declared disasters. Such mission assignments are normally to provide, manage, and finance temporary housing for persons displaced by disasters.  This fund provides financing prior to obtaining reimbursement from funds appropriated to the President for disaster relief. After the fund is reimbursed, the contributing accounts will be repaid, although sufficient balances are retained in the fund to enable the Department to provide emergency housing promptly.	93-288 BCH HRU	14	14
Departmental Management Working Capital Fund 25-30-4586-0-4-451	Supplies funds for administrative-type services performed on a centralized basis.	89-174 BCH HRU	38	37

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<u>Agency and Fund Title</u>	<u>Description</u>	<u>Statutory Authority/ Public Law House Committee Senate Committee</u>	<u>FY 1977</u>	
			<u>Receipts</u>	<u>Gross Outlays</u>
			<u>---in millions---</u>	
<b>VETERANS ADMINISTRATION</b> Veterans Administration Consolidated Working Fund 29-00-3901-0-4-705	Funds are made available from grants approved by Public Health Service. Appropriations to the Public Health Service for research, training, or demonstration project grants are also available, on the same terms and conditions as apply to non-Federal institutions, for grants for the same purpose to hospitals of the Veterans Administration.	72-212 VAF VAF	2	2
Supply Fund 29-00-4537-0-4-705	The supply fund finances on a reimbursable basis the cost of warehouse inventories at depots and field stations and selected items of equipment procured centrally. It also finances, on the same basis, items and services to other Federal agencies who either request or are assigned to the Veterans Administration for support	85-857 VAF VAF	430	439
<b>OTHER INDEPENDENT AGENCIES</b> Civil Service Commission Revolving Fund 30-28-4571-0-4-805	The Civil Service Commission conducts full field security investigations for other departments and agencies and performs training activities and miscellaneous services for Federal agencies and State and local governments on a reimbursable basis.	91-189 FOC FOC	40	40
Appalachian Regional Commission Consolidated Working Fund 31-09-3900-0-4-452	The Appalachian Regional Commission contracts with public and private organizations for research, investigations, studies, and demonstration projects which will further the purposes of the Appalachian Regional Development Act.	72-212 FRT FKE	1	1
National Science Foundation Consolidated Working Fund 31-45-3900-0-4-251		72-212 SEN LFW	5	4

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LISTING OF REVOLVING FUNDS  
BY AGENCY  
SHOWING DESCRIPTION, STATUTORY AUTHORITY,  
AND VOLUME OF BUSINESS

REVOLVING TRUST FUND  
(AS OF JANUARY 76)

Agency and Fund Title	Description	Statutory Authority/ Public Law House Committee Senate Committee	FY 1977	
			Receipts ---in millions---	Gross Outlays
DEPARTMENT OF AGRICULTURE Agricultural Marketing Service Milk Market Orders Assessment Fund 05-81-8412-0-8-351	The Secretary of Agriculture is authorized under certain conditions to issue Federal milk marketing orders establishing minimum prices which handlers are required to pay for milk purchased from producers. Marketing administrators are responsible for carrying out locally the terms of specific marketing orders. Their operating expenses are partly financed by assessments on regulated handlers and partly by deductions from producers. These funds are collected locally, deposited in local banks, and disbursed directly by the market administrator.	74-320 AGR AFO	24	24
DEPARTMENT OF DEFENSE--MILITARY Trust Funds Miscellaneous Trust Revolving Funds 07-05-9998-0-8-051	Funds collected from midshipmen's stores are deposited in the Treasury and are available for expenditures necessary for health, comfort, and education of midshipmen.	65-210 ASE ASE	193	196
DEPARTMENT OF DEFENSE--CIVIL Soldiers' and Airmen's Home Soldiers' and Airmen's Home Revolving Fund 08-20-8463-0-8-705	This fund finances, on a reimbursable basis, inventories of household, maintenance and office supplies, and minor equipment for use in the operating activities of the Home. The fund does not finance medical supplies, clothing, subsistence, or major equipment.	ASE ASE	*	*
DEPARTMENT OF JUSTICE Federal Prison System Commissary Funds, Federal Prisons (Trust Revolving Fund) 11-20-8408-0-8-753	Commissaries are operated for the inmates as an earned privilege. Profits received from sales are used for general welfare and recreational items for all inmates. Sales for 1977 are estimated at \$8,500 thousand. Adequate working capital is assured from retained earnings.	82-342 JUD JUD	9	9



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Agency and Fund Title	Description	Statutory Authority/ Public Law House Committee Senate Committee	FY 1977	
			Receipts	Outlays
			---in millions---	
DEPARTMENT OF THE TREASURY Office of the Comptroller of the Currency Assessment Funds (Trust Revolving Fund) 15-57-8413-0-8-403	The Comptroller of the Currency was created for the purpose of establishing and regulating a national banking system, and provides for the chartering and supervising functions in this connection. The income of the Bureau is derived principally from assessments paid by national banks and interest on investments in U.S. Government obligations. In accordance with 12 U.S.C. 481 assessments paid by national banks are not construed to be Government funds. No funds derived from taxes or Federal appropriations are allocated to or used by the Bureau in any of its operations.	38-106 BOH BBU	79	83
DEPARTMENT OF TRANSPORTATION Coast Guard Miscellaneous Trust Revolving Funds 21-15-9999-0-A-406	The Coast Guard cadet fund is utilized by the Superintendent of the Coast Guard Academy to receive, plan, control, and expend personal funds of Coast Guard cadets. By use of the fund each cadet is assured funds to meet personal expenses while at the Academy and an adequate balance in his account at graduation for officer outfits, civilian clothing, and graduation leave expenses. The fund also receives and expends funds of the Coast Guard Academy Athletic Association.  The Coast Guard surcharge collections, sales of commissary stores fund is used to finance expenses incurred in connection with the operation of Coast Guard commissary stores.	81-207 MHP COH	5	5
Federal Highway Administration Right-of-way Revolving Fund (Trust Revolving Fund) 21-25-8102-0-8-104	Provides interest-free loans for the advance acquisition of rights-of-way by States and payment of relocation expenses. Upon construction advance and relocation expense is repaid to revolving fund.	90-195 FHT FHK	0	47
GENERAL SERVICES ADMINISTRATION Records Activities National Archives Trust Fund (Revolving) 23-20-8431-0-8-804	The Archivist of the United States furnishes for a fee, copies of records in the custody of the National Archives except those that are exempt from examination as confidential or protected by existing copyright.  Proceeds from sale of copies of microfilm publications, reproductions, and other publications, and admission fees to Presidential library museum rooms are deposited to this fund.	81-754 GQP POC	6	6

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<u>Agency and Fund Title</u>	<u>Description</u>	Statutory Authority/ Public Law <u>House Committee</u> <u>Senate Committee</u>	<u>FY 1977</u>	
			<u>Receipts</u> ----in millions----	<u>Gross Outlays</u> ----in millions----
VETERANS ADMINISTRATION Veterans Administration Veterans Special Life Insurance Fund 29-00-8455-0-8-701	This fund finances the payment of claims on life insurance policies issued before January 1, 1957, to veterans who served in the Armed Forces subsequent to April 1, 1951. No new policies can be issued and the number of policies in force is expected to decline approximately 7,000 each year. Policyholders may elect to purchase total disability income coverage with the payment of additional premiums.	85-857 VAF VAF	87	42
OTHER INDEPENDENT AGENCIES - Civil Service Commission Employees Life Insurance Fund (Trust Revolving Fund) 30-28-8424-0-8-602	This fund finances insurance premiums paid to private insurance companies for Federal employees group life insurance and expenses of the Civil Service Commission in administering the program.	89-554 POC POC	859	460
Employees Health Benefits Fund (Trust Revolving Fund) 30-28-8440-0-8-551	The fund finances the cost of health benefits for: (1) Active employees, (2) employees who retired after June 1960, or their survivors, and (3) the related expenses of the Commission in administering the program.	83-382 POC POC	2,971	2,896
Retired Employees Health Benefits Fund (Trust Revolving Fund) 30-28-8445-0-8-551	This fund finances: (1) The cost of health benefits for retired employees and survivors who enroll in the Government-sponsored uniform health benefits plan; (2) the contribution to retired employees and survivors who retain or purchase private health insurance; and (3) expenses of the Civil Service Commission in administering the program.  The fund is financed by contributions from those participants enrolled in the Government-sponsored plan and by Government contributions.	86-724 POC POC	10	17
Federal Deposit Insurance Corporation Federal Deposit Insurance Corporation Fund (Trust Revolving) 30-64-8419-0-8-401	FDIC was created to provide protection for bank depositors and to foster sound banking practices. In order to accomplish its varied functions in the protection of bank depositors the Corporation is authorized to promulgate and enforce rules and regulations relating to the supervision of insured banks and to perform other regulatory and supervisory duties consistent with its responsibilities as insurer.	81-797 BCH BHU	836	68
Harry S. Truman Memorial Scholarship Foundation Harry S. Truman Scholarship Trust Fund 31-01-8490-0-8-502	Funds for Truman scholarships and operating expenses of the Foundation will come from the interest and earnings on the investments made by the Secretary of the Treasury from an initial appropriation of \$30 million. The Foundation is authorized to award scholarships of up to 4 years to persons who demonstrate outstanding potential for and who seriously intend to pursue a career in public service.	93-642 ELA LPW	1	1



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

MAR 4 1977

Mr. Harry S. Havens  
Director, Program Analysis  
Division  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Harry:

This responds to your request for comment on your draft report: "Review of Controllability Issues of Revolving Funds". Except to observe that the report contains a great deal of valuable information, our comments relate primarily to the recommendations contained in the report and the discussion of the Impoundment Control Act contained in pages 100-104 of the draft.

We agree that it would be helpful, as your first recommendation suggests, if the Congress were to apply specific criteria consistently in determining the appropriate financing mechanism whenever new programs are enacted. Perhaps your recommendation should be modified to propose such criteria for consideration and adoption by the Congress. The Office of Management and Budget developed criteria some years ago. We use them in commenting on proposed legislation and, insofar as possible, in classifying new revolving funds established by law. In the case of newly established revolving funds, the Office of Management and Budget and Treasury reach agreement on the fund classification most appropriate under the terms of the authorizing legislation before the Treasury account symbol is assigned. We are at times hampered by the fact that technical financial terms frequently are used most imprecisely in the authorizing legislation. <sup>1/</sup>

Your second and third recommendations assume the adoption by the Congress of uniform criteria. If the Congress were to adopt such criteria and put them into effect, there would be no need for the reports to be required under the second recommendation, other than on an exceptions basis. While we would have no objection to the reviews required in the third recommendation, it would appear more appropriate for the administering agency of the executive branch to conduct the reviews and propose appropriate amendments to the authorizing legislation. However, the requirement for such reviews should not precede the adoption of the criteria mentioned in the first recommendation.

<sup>1/</sup> GAO note 1: The order of recommendations in the final report differs somewhat from the draft report which went to the agency for comment.

For a number of reasons, we cannot agree with your fourth recommendation. First, our present system of accounting and budgeting for public enterprise funds conforms to the precepts laid down by the President's Commission on Budget Concepts; your recommendations do not. The point here is that the concepts established by the Commission created an integrated system with respect to grossing and netting. Your fourth recommendation ignores the interrelationships that must be considered if the Commission's concepts are to be changed.

Second, we do not agree that it is necessary for the budget summary information to disclose the gross accounting for collections and outlays in order for the Congress to consider the transactions of public enterprise funds in deciding on budget totals or making priority allocations among functions. Information on gross collections and disbursements is provided for every public enterprise revolving fund.

Third, and more important, we do not agree that it is appropriate for gross collections and outlays to be used as the basis for making priority allocations among functions. Such a recommendation assumes that the collections of public enterprise funds are transferable among functions on a continuing basis and are essentially unrelated to the outlays of the funds, but--by definition--they are not.

Fourth, we do not agree that such a change would not affect the current appropriations process or agency accounting for the individual accounts. Currently, collections by revolving funds are recorded as negative outlays, and balances are reported on a net basis (e.g., in the Treasury Combined Statement). Our budget presentation system uses the actual year data (on a net basis) from the accounting system as a base. The intent of your recommendation relative to budget totals is unclear. If the intent is that transactions will continue to be recorded in the accounts on a net basis, as at present, but that amounts will be shown in the budget schedules on a gross basis, then the relationship of the budget schedules to the accounting records would be confused. If on the other hand, it is intended that the budget totals include the transactions of the public enterprise funds on a gross basis, then serious questions are raised concerning the effect of the revised concept on the meaning of the budget totals. These questions are not discussed in the report.

Fifth, your recommendation applies only to public enterprise funds and would, therefore, appear to apply different accounting

and budget presentation rules to public enterprise funds from those for intra-governmental revolving funds. We doubt seriously the merit of having such a difference. If your recommendation were to be adopted, it would have far-reaching consequences for our accounting and budgeting systems and would have to be carefully worked out with Treasury and the Office of Management and Budget.

[See GAO note 2, page 147.]

More generally with regard to the draft report, we do not understand the basis for a number of statements contained in it. For example, we do not understand the inference of widespread account misclassification when the report specifically states that no individual accounts were studied on an in-depth basis. Of course, mistakes are made in classifying accounts, and sometimes the activities carried on within an account change over time and invalidate a previously correct classification. We correct errors when we learn of them. Your report contains inferences of widespread errors but evidence of only a few, some of which were being corrected before the General Accounting Office made its study.

[See GAO note 2, page 147.]

We do not agree that congressional control over a program is necessarily weakened when that program is financed by a revolving fund. Indeed, your report contains ample evidence that the Congress can and does control the activities of revolving funds when it chooses to do so. Basically, the Congress chooses between generic control through authorizing specific types of automatic or semi-automatic operations and specific control through annual appropriations action including the establishment of a limitation on operations by a revolving fund. But there is control and accountability in either case.

The report's discussion of the effect on budget deficits of net outlay changes of public enterprise funds is misleading. It implies that the \$4.2 billion increase in 1975 net outlays, from the 1975 budget estimate to actual disbursement, occurred

without congressional approval. Of this amount, \$3.2 billion is the direct result of congressional action: \$2.0 billion from the Government National Mortgage Association special assistance market operations that complied with the will of Congress to spend more on housing, and \$1.2 billion from the Federal Home Loan Bank Board tandem plan spending appropriated by Congress. Further, it must be recognized that the impact of those changes upon the budget deficit would have been no different if the transactions had been stated on a gross basis, and that Congress can control the level of activity of the fund if it desires to do so. Moreover, the charge that accounting for revolving funds on a net outlay basis "is misleading and understates the true magnitude of Government activities as well as the impact of individual revolving fund programs" is not substantiated--and is inconsistent with both the recommendations of the President's Commission on Budget Concepts and the widely accepted methods used to measure economic activity, e.g., in the gross national income and product accounts.

The draft report discusses some of the relationships between revolving funds and the Impoundment Control Act (pp. 100-104).

[See GAO note 2, page 147.]

We believe that the following statements (related to the Impoundment Control Act) are not supported by the draft:

[See GAO note 2, page 147.]

"GAO has held in several instances that the President has failed to report impoundments of revolving fund budget authority." (page 103) Two examples are used in the draft to illustrate "inconsistent" Executive Branch compliance. They involve: (1) reserved funds for a program that was discontinued in January, 1973, and (2) funds that the agency involved (HUD) has not considered to be budget authority. According to a ruling of the Attorney General, the funds referred to in the first case are not subject to the Act, since the reserve action was taken before the Impoundment Control Act became law. In the second case, GAO itself concluded in a letter of December 23, 1976, (B-115398) that "there no longer exists

an impoundment of section 236 reserve funds..." This information should be included in the report; otherwise, the draft gives the impression that GAO still believes that a withholding exists that constitutes an "unreported rescission." Alternatively, the two statements quoted above and the discussion of them might be dropped from the report.

Reporting the activities of revolving funds under the Impoundment Control Act requires the application of more judgment than does reporting in most other areas. The very nature of revolving funds makes reporting requirements under the Impoundment Control Act a little more ambiguous for them because, as the GAO report states: [See GAO note 2, page 147.]

for some revolving funds, there is no clear statement of congressional intent about the appropriate level of financial activity. Unfortunately, your draft report makes no recommendations that would help to clarify this ambiguity.

We suggest that a conclusion be added to this section of the report, either (1) suggesting improvements, or (2) reemphasizing the special nature of reporting of revolving funds under the Impoundment Control Act.

I trust that these comments will be helpful to you. Office of Management and Budget staff will be glad to work with the General Accounting Office and with Treasury in evaluating our current system for budgeting and accounting for revolving funds and considering any necessary improvements in them.

Sincerely,

*Dale R. McOmber*

Dale R. McOmber  
Assistant Director  
for Budget Review

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GAO note 2: Deleted comments refer to material contained in the draft report which has been revised or which has not been included in the final report.



FISCAL ASSISTANT SECRETARY

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

MAR 16 1977

Mr. Harry S. Havens  
Director, Program Analysis Division  
U. S. General Accounting Office  
441 G Street, N. W.  
Washington, D. C. 20548

Dear Mr. Havens:

This responds to the request by the General Accounting Office that Treasury review and comment on the draft report to the Congress of the United States, "Review of Controllability Issues of Revolving Funds."

As we understand the report, it is recommending disclosing gross financial activities of the Public Enterprise revolving funds in the budget. The purpose is to provide the Congress with more complete information on the total level of Federal activities associated with these funds.

In principle, we agree that better disclosure for the Congress is a must. However, we feel that before any major changes are made in the present methods of reporting and disclosing the financial results of Federal activities, time is needed by the Treasury, OMB, and the GAO to thoroughly evaluate the full effects of such a proposal. Also, the idea of whether or not to include the Trust revolving funds and the Intergovernmental revolving funds, as well as the Public Enterprise funds in your proposal is something that should be looked at more closely.

If the objective is to provide the Congress with complete information on the total levels of Federal activities, then including Public Enterprise funds alone will not accomplish your objective. Consideration should be given to including all revolving funds in your proposal.

We also feel that the report should mention the ongoing involvement of the General Accounting Office in the establishment of account symbols and titles. Examples of their involvement may be found in the Comptroller General Decision Nos. B-108439 and B-146285, regarding accounts for the Alaska Native Fund and the Transition Quarter.



Every account symbol and title is discussed with the General Accounting Office prior to its establishment; and, we have always provided the GAO with copies of announcements of accounts so that designated account symbols and titles are consistent with the principles established by law.

Although the announcements of account symbols and titles have been eliminated, we are providing the GAO with transmittals of revised pages to the "Federal Account Symbols and Titles" hooklet.

At this point, we feel that participation by the Treasury, OMB, and the GAO is essential in developing a complete package which will show the full impact of the proposal. We would be most interested in meeting to discuss this with your staff, as well as OMB, so that we may all gain a fuller understanding of the issues and, most importantly, so that whatever changes might develop are consistent with the needs of the Congress. The only way it appears that this can be logically accomplished is to identify the information resources presently available to the Congress -- Treasury and OMB reports, and agency budget submissions to the Congress -- and to display them in terms of the results before and after implementing any changes. Only in this way can we be assured that the efforts expressed will satisfy the Congress' needs.

We appreciate having the opportunity to review the report and we would like to participate in any discussions with OMB.

Sincerely yours,

  
David Mosso

MAJORITY MEMBERS  
**GEORGE H. MAHON, TEX.,**  
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**House of Representatives**  
**Committee on Appropriations** k  
**Washington, D.C. 20515**

February 24, 1977

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Honorable Butler Derrick  
 Chairman  
 Budget Controllability Task Force  
 Committee on the Budget  
 U. S. House of Representatives  
 Washington, D. C. 20515

Dear Mr. Derrick:

Thank you for again giving the staff of the Appropriations Committee the opportunity to review a Budget Committee Ad Hoc Task Force working draft on Budget Control Concepts. The General Accounting Office draft report "Review of Controllability Issues of Revolving Funds" has been read by several staff members and we are in general agreement with the thrust of the analysis. Furthermore, we feel the scope of the GAO inquiry, both in its perspective and in regard to the details presented on the various specific revolving funds, will provide valuable information for Members, staff, and others interested in Federal financial operations.

The report correctly points out that the establishment of revolving funds sometimes undermines the ability of the Congress to maintain continuity in legislative or fiscal oversight over these enterprises. Thus, we feel the statements on p. 119 -- "...the public interest is best served when Congressional control over activities is exercised through annual reviews", and "Any financing method which permits an activity to operate without the requirement for regular annual reviews...the equivalent of...the appropriations process should be viewed as a lessening of Congressional control." -- are particularly appropriate.

One of the reasons frequently cited in authorizing a program to finance its activities through a revolving fund is that the activities covered will be financially self-sustaining through the normal cycle of fund operations. There are a number of cases where this method of financing has worked well.

Hon. Butler Derrick

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But the GAO report discloses that, over the fiscal year 1968-77 period, the "public enterprise" funds (the largest of the revolving fund groups) spent 32% more than they received in operationally derived revenues. Clearly, some of these funds are not conforming to one of the primary criteria used to justify their existence.

Some of the management funds pose another kind of problem. By virtue of their operating special purpose activities on a centralized basis, they frequently enter into long term projects or commitments in the name of over-all economy or efficiency. These commitments sometimes start out with low funding needs but eventually can lead to much larger expenditures in the long run. It is very difficult for the Congress to work its will to modify these commitments after the fact, even though circumstances may dictate otherwise. The revolving fund nature of these activities sometimes obscures the facts and delays timely action.

The recommendation that a common set of criteria be developed to determine the proper circumstances for revolving fund status is a good one. The development of such criteria will raise a number of questions which will need further study and coordination. We would be happy to offer our thoughts in the conduct of such a study.

I hope these comments are of use to the Task Force. Please let me know if we can be of further assistance.

Respectfully yours,



Clerk and Staff Director



CONGRESSIONAL BUDGET OFFICE  
U.S. CONGRESS  
WASHINGTON, D.C. 20515

Alice M. Rivlin  
Director

March 9, 1977

Mr. Harry Havens  
Director  
Program Analysis Division  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. *Harry* Havens:

This letter is in response to your request to Alice Rivlin of January 24, 1977, for comments on your draft report entitled "Review of Controllability Issue of Revolving Funds."

We have reviewed the report and recognize that it represents a serious effort to study the issues posed by revolving funds. Our only concern stems from the recommendation that public enterprise revolving funds be shown on a gross basis, as opposed to the present net treatment. While we agree that this concept merits serious consideration, we have not had an opportunity to study the full implications of such a change. It seems certain that adoption of this concept would require CEO and the Budget Committees to review the scorekeeping procedures now in effect.

With best wishes,

Sincerely,

James L. Blum  
Assistant Director for  
Budget Analysis

(92048)