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STATEMENT OF
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OF THE UNITED STATES
BEFORE THE
JOINT STUDY COMMITTEE ON BUDGET CONTROL
MARCH 7, 1973

I appreciate this opportunity to discuss our thoughts on improving congressional control over the Federal budget.

We have reviewed the interim report of February 7, 1973, of the Joint Study Committee on Budget Control and we agree that if the Congress can devise workable procedures along the lines of the Committee's 10 recommendations, congressional control over the Federal budget will be greatly strengthened.

As you well recognize, however, devising effective and acceptable new procedures will not be easy. My purpose here today is to provide our views on the preliminary report, to describe some of our operations that are directly pertinent to congressional budgetary control, and to suggest other ways in which we may improve our assistance.

The interim report has been of particular interest to me because of my long service in the Bureau of the Budget where we faced many of the same problems to which the Committee report has addressed itself.

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It was not until after World War II that the Bureau of the Budget gave much attention to looking at the budget as a whole and to the relating of revenues and expenditures in the Budget. It was also during this period that the Bureau and the President began to consider establishing overall priorities through the budget process. Although the Employment Act of 1946 gave impetus to establishing overall priorities, it was not until the early 1950s that a more formal and systematic plan was developed within the executive branch to establish overall obligational and expenditure targets in the early stages of the budget formulation process and to allocate portions of these targets to the major agencies as a way of establishing priorities within such a target figure.

One very important consideration throughout the process has been the extent to which an increasing portion of the budget had become relatively fixed in any one budget year. These came to be known as "fixed" costs or, as others preferred to call it, "relatively uncontrollable" items. Obviously, the extent to which program costs are fixed or uncontrollable depends upon what time period one is discussing. Certainly, with respect to any one year a large part of the budget is

difficult to change for the reasons which the interim report of the Joint Study Committee has already well documented. This fact emphasized the need to develop forward projections of the cost of existing programs as well as new programs being considered for submission to the Congress as proposed legislation.

Another relevant point is that the initial agency target figures established by the President have been regarded as tentative. They were extremely useful in raising program and policy issues. These issues were then discussed by the President with his key advisers--the Cabinet, the Council of Economic Advisors, and the National Security Council, after it was established in the late 1940s. Once the overall target figure was established, the President requested the Budget Director to prepare an analysis and a tentative recommendation with respect to specific targets for each of the major agencies. These targets were then discussed with the agency heads, resulting in a preliminary target or ceiling on both obligational authority and expenditures for the upcoming budget.

It was understood, of course, that while the target figure was serious and meaningful, it was subject to change in the light of changing circumstances between the establishment of the target figure and the formal submission of the President's budget. The target figures also served another highly important purpose. Agencies were told that they could submit a budget request in excess of the target figure but they were also to submit a list of priorities within the target figure. In other words, submissions above the target figure, while possibly desirable and of high priority, were nevertheless supposed to be of lower priority than those within the target figure itself. This was another way of providing a discipline in establishing program priorities.

I cannot, of course, speak from firsthand observation with respect to the budget planning process since I became Comptroller General in March of 1966. However, my impression is that roughly the same procedure is followed today. I cite this background because the experience of the executive branch closely parallels the problems faced by the Congress in many ways and supports the findings and tentative conclusions of the Joint Study Committee in its interim report.

The differences between the problems faced by the Congress and the President, of course, are many. You are thoroughly familiar with the practical problems which arise in a deliberative body which operates principally through committees and where decisions are effectively taken through votes rather than decisions which are made by the President acting usually on the advice of a few key advisers.

Turning to the interim report of the Joint Study Committee, I would like to offer a few comments and then turn to some of the ways in which the General Accounting Office as an arm of the Congress might possibly assist.

In general, I find very little if anything in the Committee's report with which I would differ. The Committee is now considering how best to implement this excellent interim report. To this end I offer the following suggestions for the Committee's consideration, knowing that you may have already considered them, and realizing that successful implementation of the concept in the report would be difficult at least in the beginning and will require the concerted support of all.

1. In my view, it would seem most important that the initial expenditure and obligational target is acted on by the entire Congress. In this way the target figure will become really meaningful as the separate committees proceed with authorization and appropriation action. An acceptable but less desirable alternative would be for each House to act on it by separate resolution.

Complying effectively with the discipline of obligational and expenditure targets will require that each major budgetary action by the Congress be considered from the standpoints of whether it significantly affects the budget totals either way and whether priorities for other areas should be adjusted.

At the same time, the initial overall target should not be considered as an inflexible and rigid limitation. Rather, it should serve as the general level within which the Congress will attempt to formulate specific legislation, recognizing that the overall target may need to be reviewed perhaps several times during a session of Congress.

Establishing an initial target also can guide the revenue raising committees on the need for tax increases or decreases.

2. The Study Committee also made the important point that any limitations established on obligational authority and expenditures should include all congressional funding authorizations, not just those made through the annual appropriations process. Because, as the Committee's report brings out, a large part of the budgeted expenditures are not handled through appropriation bills, it is essential that all forms of authorizations, including contract authority and borrowing authority, be covered by the targets. Otherwise, congressional control of the budget on an overall basis will be weakened from the start.

A closely related point is to maintain the integrity of the unified Federal budget. In 1967, the President's Commission on Budget Concepts strongly recommended the adoption of the unified budget concept under which all Federal activities financed with Federal funds would be included. The Commission, of which I was a member, viewed this as its most important recommendation. A single budget covering all activities was recommended to replace the three different budgets then in use with the attendant confusion and misunderstandings.

President Johnson and later President Nixon accepted this recommendation and since 1969 we have had the unified budget. I mention this because, if it is to exercise effective control over Federal expenditures through the budget, the Congress should resist efforts to remove Federal activities from the budget. One action of this nature approved by the Congress in 1971, which we recommended against, was to exclude the Export-Import Bank from the unified budget. We believe that the budgetary system and congressional efforts to exercise better control over it should not be weakened by eliminating certain activities from the overall budget. The fundamental purpose of a single budget is to bring together in one place competing needs so that priorities may be more readily established and resources allocated with due regard to all factors.

3. One concern which has been expressed is that establishing an overall target figure, however preliminary in nature it might be, might result in a detailed and time-consuming debate--and possibly restrictions--which could bring about premature actions in limiting the discretion of the legislative and appropriations committees. It is inevitable that considerable debate will be generated by any resolution proposing a particular level of obligational authority or expenditures. This

debate could provide useful input for later consideration of the specific recommendations which will be developed by the various committees. I think the most meaningful debates would focus on such overall issues as the desirable budget surplus or deficit level, the need for new tax legislation and the debt ceiling.

The allocation of the overall target figures to individual legislative committees would, I assume, be a function of the permanent budget review committees in each House. That part which is subject to appropriations action would presumably be allocated by the appropriations committees among the various subcommittees.

4. Because of the time pressures under which the Congress is working, a natural question is: "What can the executive branch do to help the Congress in its consideration of overall totals?" I have two suggestions on this point:

- a. The executive branch could submit, along with the budget documents (or perhaps even earlier), detailed analyses of the relatively uncontrollable or fixed costs. These analyses could be broken down by programs falling within the jurisdiction of each committee or subcommittee concerned.

b. The President could provide an analysis of how the overall total, as submitted in the budget, would be broken down by committees and subcommittees having jurisdiction. In this way, any changes from the President's program would be highlighted as the Congress itself proceeded to develop obligational authority and expenditure targets.

5. Another key proposal of the Study Committee calls for establishing permanent legislative committees on the budget in the House and Senate. These committees, supported by an adequate non-partisan, professional staff, would provide the machinery "for overall review of tax and expenditure policy."

The Study Committee suggested the possibility of a joint staff to serve both the House and Senate committees. This would appear to be an excellent idea. It would not only avoid confusion and duplication in terms of the basic data supplied but would also result in a savings in administrative expenses.

A somewhat more difficult question is how large such a staff should be, especially on a year-round basis. A small permanent staff would undoubtedly be necessary. For the period when overall target figures are being established, individuals

from the appropriations committees, the revenue committees, and possibly the legislative committees and the Joint Economic Committee could also be assigned. Individuals assigned from the Congressional Research Service and the General Accounting Office and temporary and consultant personnel could augment the staff.

The Study Committee's report does not specifically indicate, but we assume that the staff of the Joint Committee on Internal Revenue Taxation and the Joint Economic Committee would examine the economic assumptions underlying the President's budget and would make estimates of receipts under existing taxes and those expenditures directly and somewhat automatically affected by economic conditions.

6. The Joint Committee on Reduction of Federal Expenditures now maintains a "scorekeeping" report on the status of appropriations and authorization actions during each session. It has done a good job and the reports have served a highly valuable purpose. The logical question arises as to whether this function might well be placed with the proposed legislative budget committees, especially if there is to be a joint staff.

7. Another important question not touched upon in the Study Committee's report is whether the committees established in the House and Senate would hold public hearings. There are potential advantages as well as disadvantages to such hearings. If rigidly controlled to avoid prolonging the process, such hearings could be quite valuable in assessing priorities within a budget total. The Legislative Reorganization Act of 1970 already provides for overall hearings by the appropriations committees with the Treasury, the Office of Management and Budget, and the Council of Economic Advisers. The proposed committees might well extend this procedure to have hearings on our overall defense posture with Defense, foreign policy with State, and a limited number of hearings with labor, industry, research organizations, etc.

8. Considering the budget as a whole is complicated by the fact that the authorization and appropriation processes are spread out over a long period of time, well after the beginning of the fiscal year for which the funds are to be authorized and expended. It is difficult to see how the proposed committees can overlook this relationship and still make the contemplated system work effectively.

The alternatives to the present system have been widely discussed and are well known, including the proposal that the fiscal year begin October 1 or January 1 and that all authorizations be completed not later than a fixed date, such as June 1. Another proposal, not discussed as thoroughly as others, is to split each session of the Congress into two parts, one concerned with appropriations and the other with authorizations.

It is particularly interesting to note that the Study Committee's report suggests the need for authorizations beyond the budget year. If the authorizing committees were required to authorize for the period beyond the budget year, appropriation measures could be taken up immediately after completing the work of the appropriations committees based on the prior authorization.

A variation in this proposal would be to specify that no authorization measures be scheduled for floor action prior to July 1, limiting that period to appropriation measures and to legislation not involving authorizations for appropriations involving the budget year.

Another procedure that might be considered would be to proceed with action on appropriation bills at some specified time even though authorization measures have not been acted upon.

9. Finally, consideration might be given to preparing at the end of the congressional session a longer-term outlook or projection for future years based upon actions taken during the session. These projections could be based on alternative economic outlook projections and on legislative and budgetary actions taken during the previous session. They could point up the effect of congressional actions for the future, thus guiding debate on the need for new legislation or modification in existing legislation. Such a projection could also be useful to the President as he developed his recommendations for the following year's budget.

ASSISTANCE OF THE GENERAL ACCOUNTING OFFICE

For many years, the General Accounting Office has provided assistance on request to the committees of the Congress concerned with the annual authorization and appropriation processes. This assistance has taken the form of:

- Assigning staff members to work directly on the staff of the committees.
- Making special audits and studies of problems of especial interest and concern to the committees.
- Providing annual summaries of significant audit findings and recommendations growing out of the continuing audit work of the GAO in all Federal agencies.
- Testifying on various matters on request.

I would now like to suggest some other ways in which we might assist the committees of the Congress who are involved in the authorization and appropriations process.

1. Analyses of budget justifications

If the detailed agency budget justifications which are now submitted to the appropriations committees

and the legislative authorization committees were made promptly available to us, we could prepare analyses for each subcommittee which would relate our audit findings to budget areas where the committee may wish to consider modifications. In addition to using completed reports, we could also make available our preliminary findings on reports in process.

For many years, we have been providing the appropriations committees with compilations of significant audit findings for their use in considering agency budget requests. Without materially increasing our workload, we could relate these findings to specific requests for funds in the agency budget justifications.

If desired we could go even further and assist in analyzing agency budget justifications irrespective of the relationship to our audit findings. For example, on request, we have sometimes developed questions and issues for use by committees in hearings.

2. Assignment of staff

If the Congress decides to adopt the proposal of the Study Committee to establish legislative budget committees, we could assign staff members to assist in their work. This would be in line with current practice and could be particularly useful for the period when the overall budget total is being actively considered.

3. Obtaining information and analyzing data

We could respond to requests to obtain information on Federal programs and activities and to analyze data for congressional committees. This practice would be in line with our present procedure and we would make every effort to respond to such requests within the time constraints imposed by the committees to make the information as useful as possible. Among the areas where GAO staff assistance might be useful are the following:

--Reconciling new obligational authority to expenditures for the current year, the budget year, and for the period 3 to 5 years beyond the

budget year. This would involve examining the basis for the expenditure flow now contained in the President's budget and providing the Congress with any differences or questions which may relate to the time periods in which the expenditure flow would take place.

- Breaking down the totals contained in the President's budget by individual committees having jurisdiction (or analyzing any such breakdown provided by the executive branch) including analysis of:
 - a. New obligational authority and expenditures which are relatively fixed or uncontrollable.
 - b. New obligational authority and expenditures which are discretionary.
 - c. The effect of reductions or increases in new obligational authority or expenditures in subsequent years.
- Analyzing the basis or support contained in the President's budget with respect to workload assumptions; program growth assumptions, cost

increases, etc. Although an analysis of this type inevitably involves economic assumptions, this should not present an insuperable problem.

4. Improving budget, fiscal, and program information for the Congress

The responsibility placed on the General Accounting Office in the Legislative Reorganization Act of 1970 is pertinent in this connection. Section 202 of that Act requires the Secretary of the Treasury and the Director of the Office of Management and Budget, in cooperation with the Comptroller General, to "develop, establish, and maintain standard classifications of programs, activities, receipts, and expenditures of Federal agencies in order * * * to meet the various needs of the Government."

We have attempted to determine the interests and needs of the various congressional committees for information for inclusion in a Government-wide system which would rely largely upon modern automatic data processing techniques. On November 10,

1972, we submitted a progress report to the Congress reflecting results of a survey of congressional interests and needs in which our staff interviewed a total of 258 persons representing 44 working committees and 69 members of Congress. In addition, by letter, we requested the views and suggestions of every member of the Congress.

In a subsequent report commenting on the annual report of the Treasury and the OMB (required by the statute), we indicated that we believed that Treasury and OMB were moving too slowly in implementing the Act and were applying fewer resources to developing such a system than were required to effectively carry it out. As presently contemplated, the executive branch will not be able to provide (1) the data for which there is very considerable congressional interest, such as consolidated information on similar programs and activities across agency lines, information

on program budgets and expenditures broken down by such target groups as rural and urban areas, and other types of beneficiaries, and by political subdivision, nor (2) except for explicit cash payments, the cost of Government subsidies such as loaning money at lower than prevailing interest rates.

Unless there is full implementation of this provision of the Act, it will be much more difficult for the Congress to obtain the kind of analysis required to establish program priorities contemplated in the report of this committee.

EVALUATION OF EXISTING PROGRAMS

Before closing, I believe it relevant to refer to the interest and responsibility of the GAO in evaluating the effectiveness of ongoing or existing programs. While we have always construed the Budget and Accounting Act and the Legislative Reorganization Act of 1946 to include this authority, the Legislative Reorganization Act of 1970 made it quite explicit. This Act, in brief, directed that the GAO, either on its own initiative or at the request of

committees of the Congress, make studies of the costs and benefits of existing programs. For the past 5 years, we have given high priority to the evaluations of Federal programs to the point where approximately 30 percent of our professional staff of 3,150 is now engaged in evaluations and studies with this objective.

I mention this subject here today because of the number of proposals which have been made suggesting the creation of new agencies in the Congress to assist it in evaluating the results of Federal programs. In discussing these proposals with Members of Congress and others, I frequently find that individuals who make these proposals are unfamiliar with the extent to which the emphasis in the General Accounting Office on program evaluation type audits has increased. While we still have much to learn, I believe that overall we are making good progress.

Evaluation of Government program results is an art about which all of us have much to learn. There are many difficulties in making such assessments particularly in the social action areas. Not the least of these are (1) the

lack of clearly, specifically stated program goals and objectives, and (2) the lack of reliable data on performance and effects or results of program operations.

Despite the problems, we are making a major effort to make such evaluations of Federal programs. In the process we are learning more and more how to make these evaluations more useful. Several factors, which I will merely mention here, are involved in improving our performance and capability.

1. We are learning much by doing--through experience.
2. We have been building an interdisciplinary staff of engineers, economists, etc., as well as accountants.
3. We are making extensive use of expert consultants in various fields and by contracting work out to a limited degree.
4. We are conducting advanced training programs and holding special seminars on program evaluation in specific areas.

5. Increasingly, we are taking advantage of analytical and evaluation work of other Government agencies and non-government organizations such as the Urban Institute and the Brookings Institution.
6. We revised our organization structure last year along programmatic and functional lines.

A few examples will illustrate the nature of some recent reports we have made on our evaluation of the results of Federal programs.

1. Last month we reported to the Congress on the impact of programs of the Departments of Agriculture; Health, Education, and Welfare; Labor; and the Office of Economic Opportunity to improve the living conditions of migrant and other seasonal farmworkers.
2. During a 3-month period last year, we sent five reports to the Congress on our assessment of the Teachers Corps Program at various locations and this was followed up with an overall report on this program in July 1972.

3. In the international area, last October we reported on our review of the effectiveness of U.S. commercial offices stationed in other countries to assist American businesses to increase export sales.
4. Two reports to the Congress last year provided evaluations of the housing and education programs for the American Indian.

The Congress itself sometimes directs us to make specific studies. A good recent example is our comprehensive study of health facilities construction costs. This study was directed by the Comprehensive Health Manpower Training Act of 1971. The completed report which was submitted to the Congress in November 1972 is concerned in great depth with the objective of reducing the high cost of constructing health facilities and also identifying and evaluating ways for reducing the demand for such facilities.

I would also like to point out that a significant part of our work is done in response to requests by committees of the Congress, which are often in direct support

of their legislative or legislative oversight responsibilities. Many of these requests require us to evaluate program results. For example, we very recently completed a project in support of the Fiscal Policy Subcommittee of the Joint Economic Committee in its study of welfare programs by measuring in six geographic areas the extent to which poor persons really benefit from the numerous Federal programs intended for their aid.

The examples I have mentioned all represent completed work. We also have a great deal of work of this nature in process at all times but I will not take the time here to describe it.

My principal reason for mentioning GAO's work in the area of program evaluation is to invite the Committee's attention to it for consideration in relation to proposals for creating possibly new agencies for assisting the Congress in evaluating the results and effectiveness of Federal programs.

CONCLUSION

In conclusion, we believe that the Committee's interim report represents a constructive step. If the experience of the executive branch is any indication, it will require time before all of the procedural difficulties can be satisfactorily resolved; even in the executive branch, I believe it safe to say that there are still many problems. I am optimistic, however, that the problems of the Congress in implementing the Committee's proposals can be worked out.

As they are implemented, we can see possible corollary benefits such as dropping the debt ceiling limitation which in the past has been about the only time when the Congress has looked at the budget as a whole. I believe most of us would agree that debate of the type that takes place on the debt ceiling could be more productive if it focused on forward commitments rather than commitments already made.