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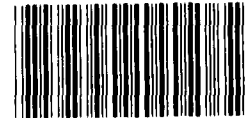
BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Federal Budget Concepts And Procedures Can Be Further Strengthened

Several recent developments have placed strains on the capacity of existing Federal budget concepts and procedures to serve the budget information and control needs of the Congress, the executive branch, and the public. These include "off-budget" practices, the growth in the "relatively uncontrollable" portion of the budget, and the increasing importance of new or indirect kinds of Federal activities with economic consequences--notably direct and guaranteed loans, special tax preferences, and regulations. Also, the budget process has been encumbered with complicated procedures, paperwork, and measurements.



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GAO makes recommendations to the Congress for bringing about needed improvements in budget coverage, controllability, and accountability, as well as streamlining the budget process. Several recommendations are aimed at improving the reliability, consistency, and comparability of budget figures.

GAO also suggests the next steps for addressing these matters, including establishing a high level budget study group or commission.



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MARCH 3, 1981

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

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To the President of the Senate and the
Speaker of the House of Representatives

This report presents recommendations for strengthening the Federal budget process that have been made by us and others. We also suggest the next steps that would be appropriate or necessary to accomplish the needed changes.

It has been almost 6 years since the Congress began operating under the 1974 Congressional Budget and Impoundment Control Act, and 14 years since the underlying "unified budget" concept and other budget principles were adopted as a result of the work of the President's Commission on Budget Concepts in 1967. The basic institutional and conceptual budgeting framework laid out in 1967 and 1974 is serving the Nation well. However, several recent developments have placed strains on the capacity of existing budget concepts and procedures to serve the budget information and control needs of the Congress, the executive branch, and the public.

Legislation has been enacted removing important Federal programs from the budget, resulting in incomplete budget coverage and totals that do not reflect the true level of Federal activities. Furthermore, the growth in the "relatively uncontrollable" portion of the budget and the increasing importance of new or indirect kinds of Federal activities with economic consequences--notably direct and guaranteed loans, special tax preferences, and regulations--have created new budget control and information problems. In addition, the budget process itself has been encumbered with complicated procedures, paperwork, and measurements that make it difficult for the Congress to understand the budget, assess program results, and set national spending priorities.

We share the views of a recent report of the National Academy of Public Administration, which in calling for an improved and expanded budget process noted that, "Although the budget process has been weakened, it remains the most effective single tool for management and the setting of presidential and congressional priorities. It is vitally important to prevent further erosion to the process * * *." ^{1/} Because of the central importance of the budget system, we believe

^{1/}A Presidency for the 1980's, a report by a panel of the National Academy of Public Administration, November 1980, p. 25.

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it is essential to recognize the extent of the erosion that has taken place and to begin taking action to overcome the resulting inadequacies in the process. It is our view that the Government's budgeting system must be improved to adequately deal with the serious economic conditions facing the Nation in this decade. The purpose of this report is to offer the beginning of an agenda for addressing the needed changes in the budget process.

NATURE OF THE CHANGES NEEDED

Below we have outlined the basic kinds of changes needed in the budget process. Appendix I contains a detailed listing, and appendix III presents a discussion of the proposed changes.

- To place most off-budget Federal activities back onto the budget, early legislative action is needed. The budget is no longer a fully unified budget. Existing legislation placing certain activities "off-budget" has caused currently estimated fiscal year 1981 budget totals, including the deficit, to be understated by as much as \$23 billion.

- To better control short-term and long-term budget levels, a wide range of management, financing, and legislative actions are needed. Budget control can be improved. About 76 percent of yearly outlays are relatively uncontrollable in the annual appropriations process, a matter of growing concern as Government spending has reached about 23 percent of the gross national product. Not enough has been done to achieve better short-term and long-term control. The Government should, for example, review and perhaps develop alternatives to certain indexing practices in Federal entitlement programs; and the Federal Government should also improve its multiyear budget planning by, among other steps, extending the time horizon of the national and global trends and issues being considered.

- To strengthen program and policy level accountability, steps are needed to improve the budget's categories and related information. The use of numerous and dissimilar program categories in authorizing statutes, agency internal records, the budget itself, and appropriations bills is confusing. These practices make it difficult to track budget-related actions and to assess how well the Government is carrying out its programs. What is needed are more standard program categories based upon missions and objectives stated in authorizing legislation.

Also, better cross-cutting categories and information are needed for making policy decisions on certain Government-wide activities--for example, national infrastructure and capital acquisitions, research and development, regulatory compliance costs, and a limited number of other policy areas.

--To streamline the process in order to reduce paperwork and superficial reviews and increase the time for careful analyses and informed debate, changes are needed in scheduling and reporting requirements. Our work has shown that executive branch officials devote much time each year developing paperwork on budget proposals, and frequently attach secondary importance to studying alternative program approaches and preventing uneconomical and ineffective uses of funds. Steps should be taken to decrease budget formulation workload, and provide administrators the time, flexibility, and incentives needed to manage their programs in the best ways.

--To increase the reliability, consistency, and comparability of budget figures, action is required on several measurement concepts and practices. Measurements of budget resources and spending are frequently misleading, making it difficult for budget users to compare program and policy levels, and to understand the full magnitude of governmental operations. For example, the Government's use of "offsetting" calculations removes from visibility about \$70 billion in revenues and outlays from 1981 on-budget totals.

NEXT STEPS TO BE TAKEN

The appendix I chart lists the numerous budget reform needs and identifies the next congressional steps that, in our view, would be appropriate or necessary to bring about the improvements. Three types of steps are identified: (1) take early legislative action, (2) start oversight or legislation, and (3) encourage further research.

We continue to recommend early legislative action on some matters of particular importance that have been extensively studied, and that mainly involve existing statutes or pending legislation. The changes we judge to be ready for early legislative action, along with references to relevant General Accounting Office reports or testimony, are:

--placing most federally-owned off-budget activities onto the budget (PAD-79-20, February 9, 1979);

- adopting a program inventory for support of oversight and authorization purposes linked to the budget (PAD-80-77, May 22, 1980);
- establishing a congressional agenda-setting procedure for program reviews and possible reauthorizations, a change that also could be done through congressional rule changes (PAD-80-77, May 22, 1980);
- shifting to multiple-year authorizations for Federal research and development activities now on a single-year basis (testimony 1/);
- eliminating the provisions in the 1974 Impoundment Control Act (31 U.S.C. 1400) and the Antideficiency Act (31 U.S.C. 665) that provide for detailed reporting and potential congressional disapproval of routine deferrals undertaken to increase the economy and effectiveness of operations; and amending the 1974 Impoundment Control Act to permit congressional partial deferral approvals, and more effective implementation of the provisions governing rescission proposals (OGC-77-20, June 3, 1977);
- initiating budget treatment of certificates of beneficial ownership sales as borrowings rather than "sales of assets" (PAD-80-32, April 9, 1980);
- changing from a semi-annual to an annual cost-of-living indexing adjustment in Federal employee retirement programs (FPCD-76-80, July 27, 1976, and PAD-79-22, August 15, 1979);
- changing the housing component in the Consumer Price Index (testimony 2/);
- enacting legislation to allow agencies to incur obligations but not expend funds when appropriations expire, except where program authorization has expired or the Congress has expressly stated that a program should be

1/Statement of the Comptroller General before the House Committee on Science and Technology on H.R. 7178, the Research and Development Authorization Estimates Act, June 4, 1980.

2/Statement of the Comptroller General before the Senate Committee on Appropriations on the "Lack of Controllability in the Federal Budget," January 29, 1981.

suspended during a funding hiatus pending further legislative action (PAD-81-31, 1981);

- placing the Department of Agriculture's Farmers Home Administration rental assistance program in a general fund account (PAD-80-16, February 12, 1980);
- retiring Amtrak's unpaid debt to the Government through an appropriation (PAD-80-45, March 28, 1980); and
- beginning to appropriate at the start of each fiscal year the total budget authority estimated to be required to cover a full year's operation in such emergency programs as the Department of the Interior's emergency fire fighting program (PAD-80-31, February 29, 1980).

We believe that the Congress should pass early legislation to effect the above reforms.

Actions need to be taken
in other areas

Additionally, there are certain budget reform needs that have been studied and are well understood, but which require, in our judgement, congressional leadership for bringing about the changes. These are identified in appendix I as matters on which the Congress should "start oversight or legislation." There could be more progress on these items, and the Congress could do much to stimulate the needed improvements by holding hearings, undertaking other oversight actions, reporting recommendations, and starting to draft any needed legislation. We believe that the legislative leadership should place these reform steps high on their agenda for the 97th Congress.

Finally, there are other budget problems and possible reform actions that have not been fully studied; and, most importantly, the interrelationships and trade-offs among the possible changes have not been adequately defined. We have identified these in appendix I as matters on which the Congress should "encourage further research." We suggest that the Congress establish a high level budget study group or commission to conduct further research.

A study group comprising the principal leaders of the Federal budget process--elected and appointed officials and other senior experts--could examine the trade-offs among the proposed changes, and make specific decisions and recommendations on the changes that should be adopted. They could propose a workable agenda for implementation, and lead in the

implementation through the legislative and administrative processes.

Special study groups have been especially helpful in developing consensus on administrative reforms, and in overcoming institutional differences and resistance to change. Earlier study groups that acted successfully as catalysts for administrative reforms include the Brownlow committee in the 1930's, the first and second Hoover commissions of the 1940's and 1950's, the President's Commission on Budget Concepts in the 1960's, and the Congressional Joint Task Force on Budget Control in the 1970's. The General Accounting Office is prepared to participate in the work of any study group or groups the Congress or the President chooses to establish.

RECOMMENDATIONS TO THE CONGRESS

We make accordingly the following recommendations to the Congress:

- The Congress should act early on legislation to effect the budget reform changes identified herein (pages 3-5) and in appendix I as the changes on which the Congress should "take early legislative action."
- The Congress should exercise leadership in bringing about certain other budget reforms concerning matters that have been studied extensively, but which require congressional leadership for bringing about the changes. They are identified in appendix I as items on which the Congress should "start oversight or legislation."
- The Congress should encourage further analyses on budget system problems that involve complex interrelationships and trade-offs, and that have not been extensively studied before. These are identified in appendix I as the matters on which the Congress should "encourage further research." The Congress also should take steps to establish a study group or commission comprised of high elected and appointed officials, and other senior experts, to conduct such further research.

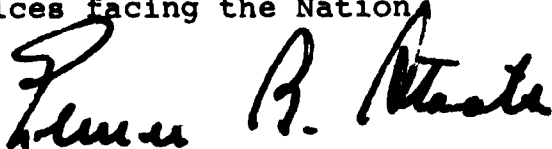
The present Office of Management and Budget (OMB) officials have not reviewed this report. We are requesting their views and will forward them to the Congress along with our response to them as soon as possible (see appendix IV). However, the general themes of our proposals were the subject

of a conference in November 1980, at which a senior OMB official presented an OMB view. Our earlier proposals did not break down the needed budgeting changes into the three categories of action discussed herein: early legislative action, start oversight and legislation, and further research. The OMB official did not think at that time that a separate commission is needed for effecting further budget reform, although he acknowledged that many budgeting improvements are needed, and suggested a "more formal arrangement" of contacts among various "senior technical experts" to address budgeting problems on a continuing basis.

We doubt that such an arrangement would be a significant departure from the current practices which, in our view, have not produced the needed changes. The earlier OMB views are discussed more in appendix V. Appendix II provides further information on the scope and methodology of the report, while appendix VI lists the relevant prior GAO reports, testimony, and other statements.

Copies of this report are being sent to the Chairmen of the House and Senate Committees on Appropriations, the Committees on the Budget, the Senate Committee on Governmental Affairs, the House Committee on Government Operations, the House Committee on Rules, the Senate Committee on Rules and Administration, and other interested committees and members. The Director of the Congressional Budget Office, the Director of OMB, the Secretary of the Treasury, and other offices also are being provided copies.

I hope that this report will help the Congress establish an agenda of budget reform actions. It is vitally important that the Government strengthen its budget concepts and procedures in order to deal more effectively with the increasingly complex policy and program choices facing the Nation.


Comptroller General
of the United States

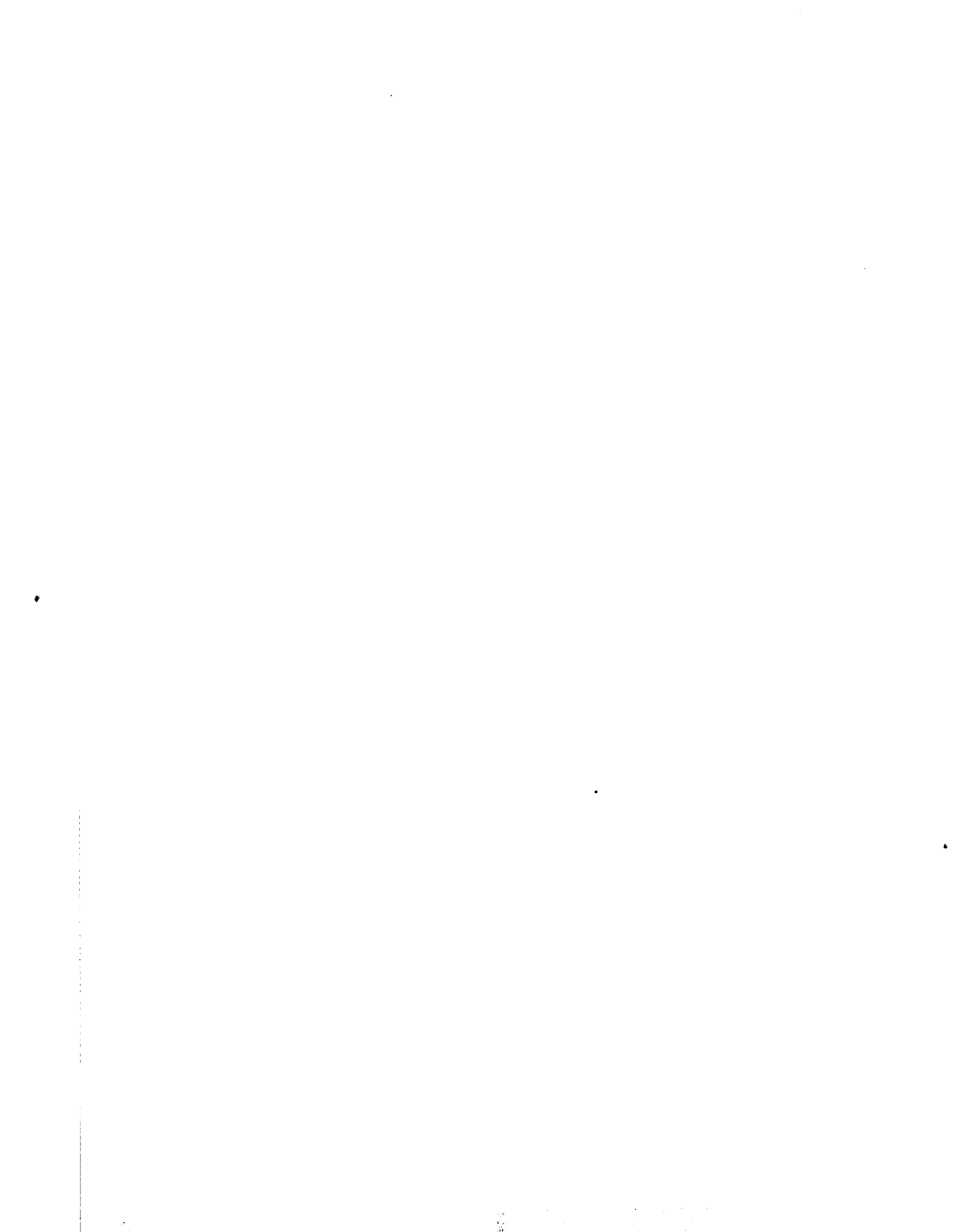


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ABBREVIATIONS

GAO	General Accounting Office
FFB	Federal Financing Bank
OMB	Office of Management and Budget
R&D	Research and Development
RHIF	Rural Housing Insurance Fund
ZBB	Zero-base Budgeting



BUDGET IMPROVEMENT NEEDS AND PROPOSED ACTIONS

MAJOR CATEGORY
Sub-category
 Need

BUDGET COVERAGE SHOULD BE EXPANDED

Put most federally-owned off-budget activities onto the budget

Review off-budget status of Federal Reserve Board

ENHANCE BUDGET CONTROL

Long-term control

Start certain improvements in multiyear budget planning, including extending the time horizon of budget information on national and global trends

Develop strategy for improving multiyear budget planning Government-wide, and consider ways to regularize congressional action on future relatively uncontrollable amounts

Short-term control

Actions needed to lessen, or examine, impact of existing automatic spending mechanisms, including:

--Entitlements:

.Change to annual indexing adjustments for Federal pensions

.Change the housing component of the Consumer Price Index

.Consider (after studying trade-offs) more use of "caps" and annual appropriations for better entitlement control

.Study ways to regularize budget action on future entitlement levels

--Permanent budget authority: review for possible curtailments

--Forward and advance funding: review for possible curtailments

Need for new procedure to prevent disruptive funding gaps between fiscal years

Better budget process controls and reporting on carryover balances:

--Need for more systematic congressional consideration of, and action on, carryover balances when providing new funding

--Principles and guidelines needed on when to use no-year or fixed-term funding

	Take early legislative action	Start oversight or legislation	Encourage further research
Put most federally-owned off-budget activities onto the budget	x		
Review off-budget status of Federal Reserve Board			x
Start certain improvements in multiyear budget planning, including extending the time horizon of budget information on national and global trends		x	
Develop strategy for improving multiyear budget planning Government-wide, and consider ways to regularize congressional action on future relatively uncontrollable amounts			x
.Change to annual indexing adjustments for Federal pensions	x		
.Change the housing component of the Consumer Price Index	x		
.Consider (after studying trade-offs) more use of "caps" and annual appropriations for better entitlement control		x	
.Study ways to regularize budget action on future entitlement levels			x
--Permanent budget authority: review for possible curtailments		x	
--Forward and advance funding: review for possible curtailments		x	
Need for new procedure to prevent disruptive funding gaps between fiscal years	x		
--Need for more systematic congressional consideration of, and action on, carryover balances when providing new funding			x
--Principles and guidelines needed on when to use no-year or fixed-term funding			x

BUDGET CONTROL (cont.)

Short-term control (cont.)

Improve controls over credit activities:

- Functional breakdowns needed in the Congress' credit budget
- Count limitations on direct loans as budget authority
- Adopt standard definitions for such credit terms as "guarantees," "insurance," "defaults," "interest subsidy," etc.

Make uses of revolving and special funds conform to accepted principles and guidelines:

- Place the Department of Agriculture's Farmers Home Administration rental assistance program in a general fund
- Review whether existing uses of revolving and special funds conform to the budget and managerial purposes of such funds
- Improve the adequacy of the statutory authority for earmarking receipts in special and revolving funds

Other control actions that have been suggested:

- Some amendments to the 1974 Impoundment Control Act to permit congressional partial deferral approvals, and more effective implementation of provisions governing rescission proposals
- Better monitoring and reporting on agency uses of gift funds
- Consolidated budget reporting on programs with multiple accounts and funding sources, such as Medicare
- Possible constitutional or special statutory restrictions on spending and taxes
- Possible indexing of Federal taxes
- Better controllability categories
- Debt retirements that provide for full budget disclosure and congressional control:
 - .Appropriation needed to retire Amtrak's debt
 - .Establish general criteria for retiring agency debts

IMPROVE PROGRAM AND POLICY LEVEL ACCOUNTABILITY

Develop program entities and aggregations based on authorizing legislation

- Adopt program inventory to support oversight and authorization purposes, linked to the budget

	Take early legislative action	Start oversight or legislation	Encourage further research
--Functional breakdowns needed in the Congress' credit budget			x
--Count limitations on direct loans as budget authority			x
--Adopt standard definitions for such credit terms as "guarantees," "insurance," "defaults," "interest subsidy," etc.			x
--Place the Department of Agriculture's Farmers Home Administration rental assistance program in a general fund	x		
--Review whether existing uses of revolving and special funds conform to the budget and managerial purposes of such funds			x
--Improve the adequacy of the statutory authority for earmarking receipts in special and revolving funds			x
--Some amendments to the 1974 Impoundment Control Act to permit congressional partial deferral approvals, and more effective implementation of provisions governing rescission proposals	x		
--Better monitoring and reporting on agency uses of gift funds			x
--Consolidated budget reporting on programs with multiple accounts and funding sources, such as Medicare			x
--Possible constitutional or special statutory restrictions on spending and taxes			x
--Possible indexing of Federal taxes			x
--Better controllability categories			x
.Appropriation needed to retire Amtrak's debt	x		
.Establish general criteria for retiring agency debts			x
Adopt program inventory to support oversight and authorization purposes, linked to the budget	x		

IMPROVE ACCOUNTABILITY (cont.)

Develop program entities (cont.)

Implement mission budgeting for Department of Agriculture, and some research and development activities

Establish common authorizing-budget categories in the Department of the Interior's Bureau of Land Management and the Department of Education's elementary and secondary education activities

Principles and guidelines needed for agency budget categories that better address goals and objectives established in authorizing legislation

Improve budgeting on Government-wide policies and issues

Capital needs and acquisitions:

--Need to establish congressional and executive-branch focal points for policy oversight and decisions

--Possible need for improved budget categories and reporting on capital matters

Research and development (R&D) needs and activities:

--More effective R&D planning and budget role by the Office of Science and Technology Policy is needed

--Adopt standard Government-wide R&D categories for budget reporting

--Better budget information on R&D is needed

Regulatory analysis:

--Congress and agencies should provide estimates of compliance costs in their regulatory actions

--Better concepts, measures, and ways to consider regulatory compliance costs in budget process

Tax expenditures:

--More integration of tax expenditure information and (possibly) decisions in budget process is needed

--Better definitions, concepts, and measures needed for estimating tax expenditures

Object class structure should be studied and possibly revised to provide better information on spending for personnel (including consultants), procurement, and capital activities

	Take early legislative action	Start or oversight or legislation	Encourage further research
Implement mission budgeting for Department of Agriculture, and some research and development activities		x	
Establish common authorizing-budget categories in the Department of the Interior's Bureau of Land Management and the Department of Education's elementary and secondary education activities		x	
Principles and guidelines needed for agency budget categories that better address goals and objectives established in authorizing legislation			x
<u>Improve budgeting on Government-wide policies and issues</u>			
Capital needs and acquisitions:			
--Need to establish congressional and executive-branch focal points for policy oversight and decisions		x	
--Possible need for improved budget categories and reporting on capital matters			x
Research and development (R&D) needs and activities:			
--More effective R&D planning and budget role by the Office of Science and Technology Policy is needed		x	
--Adopt standard Government-wide R&D categories for budget reporting		x	
--Better budget information on R&D is needed		x	
Regulatory analysis:			
--Congress and agencies should provide estimates of compliance costs in their regulatory actions		x	
--Better concepts, measures, and ways to consider regulatory compliance costs in budget process			x
Tax expenditures:			
--More integration of tax expenditure information and (possibly) decisions in budget process is needed		x	
--Better definitions, concepts, and measures needed for estimating tax expenditures		x	
Object class structure should be studied and possibly revised to provide better information on spending for personnel (including consultants), procurement, and capital activities			x

**STREAMLINE BUDGET AND LEGISLATIVE PROCESSES
TO IMPROVE ANALYSIS**

Congress should establish an agenda-setting procedure for program reviews and possible reauthorizations

Develop more selective and focused budget and legislative development procedures

Shift from one-year to multiple-year R&D authorizations

Identify other one-year authorizations that could be put on a multiple-year basis

Identify programs that could be shifted from annual to biennial appropriations actions

Establish a rotating agenda for detailed budget formulation analyses to replace current detailed analyses on most activities each year

Improve budget execution

Eliminate certain deferral procedure disincentives to savings in the 1974 Impoundment Control Act

More congressional and executive branch review and action on agency obligation plans, results, and analyses of variances

Strengthen the executive branch's apportionment process to minimize uneconomical and ineffective spending

More agency use of productivity data in the budget process

Devise budget incentives for agency officials to effect savings and increase productivity

Limits on year-end spending, including their impact on spending patterns and managerial effectiveness

ENHANCE THE RELIABILITY, CONSISTENCY, AND COMPARABILITY OF BUDGET FIGURES

Improve the realism of budget estimates

Provide better budget reporting and visibility on the amounts contingent upon passage of legislation

Better congressional and executive branch monitoring and analyses of variances concerning agency plans and results on outlays, obligations, and balances of authority

Strategy needed for devising legal, procedural, or other means for making agency program level estimates "best estimates" rather than "targets" (including principles for incorporating inflation and other economic variables)

Provide full year estimates for emergency programs such as the Bureau of Land Management's emergency fire fighting program

	Take early legislative action	Start or oversight of legislation	Encourage further research
<u>Congress should establish an agenda-setting procedure for program reviews and possible reauthorizations</u>	x		
<u>Develop more selective and focused budget and legislative development procedures</u>			
Shift from one-year to multiple-year R&D authorizations	x		
Identify other one-year authorizations that could be put on a multiple-year basis			x
Identify programs that could be shifted from annual to biennial appropriations actions			x
Establish a rotating agenda for detailed budget formulation analyses to replace current detailed analyses on most activities each year		x	
<u>Improve budget execution</u>			
Eliminate certain deferral procedure disincentives to savings in the 1974 Impoundment Control Act	x		
More congressional and executive branch review and action on agency obligation plans, results, and analyses of variances		x	
Strengthen the executive branch's apportionment process to minimize uneconomical and ineffective spending		x	
More agency use of productivity data in the budget process		x	
Devise budget incentives for agency officials to effect savings and increase productivity			x
Limits on year-end spending, including their impact on spending patterns and managerial effectiveness			x
ENHANCE THE RELIABILITY, CONSISTENCY, AND COMPARABILITY OF BUDGET FIGURES			
<u>Improve the realism of budget estimates</u>			
Provide better budget reporting and visibility on the amounts contingent upon passage of legislation		x	
Better congressional and executive branch monitoring and analyses of variances concerning agency plans and results on outlays, obligations, and balances of authority		x	
Strategy needed for devising legal, procedural, or other means for making agency program level estimates "best estimates" rather than "targets" (including principles for incorporating inflation and other economic variables)			x
Provide full year estimates for emergency programs such as the Bureau of Land Management's emergency fire fighting program	x		

ENHANCE RELIABILITY OF BUDGET FIGURES (cont.)

Eliminate certain off-setting practices that distort budget totals

Treat sales of certificates of beneficial ownership as borrowings rather than "sales of assets."

Adopt gross basis for calculating and reporting outlays and revenue

Improve budget authority concepts and applications

More complete use of budget authority concept to encompass authorized maximum potential obligations:

--Revise budget treatment of the Foreign Military Sales Trust Fund

--Apply full-funding approach to appropriate multiyear projects now incrementally funded

--Extend concept to include maximum potential obligations from all funding sources, including collections and carryover balances:

.Count limitations on direct loan obligations as budet authority

.Extension to other programs

Use of cost and accrual data in budgeting

Better budget measures of the Government's contingent liability

	Take early legislative action	Start or legislate oversight	Encourage further research
Treat sales of certificates of beneficial ownership as borrowings rather than "sales of assets."	x		
Adopt gross basis for calculating and reporting outlays and revenue		x	
More complete use of budget authority concept to encompass authorized maximum potential obligations:			
--Revise budget treatment of the Foreign Military Sales Trust Fund		x	
--Apply full-funding approach to appropriate multiyear projects now incrementally funded		x	
--Extend concept to include maximum potential obligations from <u>all</u> funding sources, including collections and carryover balances:			
.Count limitations on direct loan obligations as budet authority		x	
.Extension to other programs			x
<u>Use of cost and accrual data in budgeting</u>			x
<u>Better budget measures of the Government's contingent liability</u>			x

SCOPE AND METHODOLOGY

The budget reform needs discussed in this report have for the most part been identified and discussed by us in our prior reports or statements before congressional committees and other bodies. The report essentially provides an overview of our positions. We have included a few proposals made by others on which we have not taken a position; these are so described in the report. The summary discussion in appendix III omits references to our prior reports' titles, etc. in order to minimize the text's length. However, the prior reports and statements are listed by major budget issue category in appendix VI.

Our earlier reports were issued as part of our continuing program of identifying needed improvements in program, budget, and fiscal information for congressional use. Our effort was first mandated by title II of the Legislative Reorganization Act of 1970 (84 Stat. 1140), and then given increased emphasis by title VIII of the Congressional Budget and Impoundment Control Act of 1974 (88 Stat. 297, 327).

We developed background "issue briefs" as aids to preparing the report. These study papers provide summaries of the issues and various positions, and are available for review.

SUMMARY DISCUSSION OF BUDGET IMPROVEMENT NEEDS

The budget process remains the single most important policy and management process in the Government for periodically taking stock of program priorities and operations on a comprehensive basis, and justifying changes. Budget documents are vitally important because they are the key links between the executive branch's decisions on these questions, their communication to the Congress and public, and the starting point for congressional budgetary and legislative action. Any weaknesses in the process and documents therefore should be a matter of concern.

Our work has identified numerous ways for improving the existing budgeting concepts, procedures and materials. The following discussion summarizes our views on several matters:

- budget coverage;
- budget controllability;
- budget accountability;
- budget streamlining; and
- budget figures.

BUDGET COVERAGE IS INCOMPLETE

SYNOPSIS: To place most off-budget activities back onto the budget, early legislative action is needed.

We believe that early legislative action is needed to put most federally-owned "off-budget" activities and spending into the budget's totals. This is one matter that should be acted upon without waiting for analysis by a budget study group. The exclusion by statute of certain key governmental activities could cause the budget's total outlays and deficit for fiscal year 1981 to be understated by as much as \$23 billion. This is a serious distortion of important budget totals used for congressional targets and ceilings. The following activities are excluded from the budget:

- Rural Electrification and Telephone Revolving Fund;
- Rural Telephone Bank;
- Board of Governors of the Federal Reserve System;
- Postal Service Fund;

- United States Railway Association;
- Federal Financing Bank; and
- Synthetic Fuels Corporation. 1/

Of particular concern is the Federal Financing Bank's (FFB) role in converting on-budget loan guarantees by various Federal agencies into off-budget FFB direct loans. Such FFB direct loans could reach \$10 billion in 1981 by current estimates. This raises an extremely serious budget control question, and reinforces the need for a fully comprehensive budget.

The 1967 President's Commission on Budget Concepts viewed as its most important recommendation its strong statement in favor of a single "unified" budget encompassing all Federal activities. The commission was correct in emphasizing a comprehensive budget, because the starting point in assessing the adequacy of any budget is its coverage. Failure to include all relevant activities misleads the public and possibly the Congress on the true magnitude of the Federal Government's spending, and permits the programs not included to escape the scrutiny and limitations of the full budget process. Accountability can be seriously weakened.

Further research needed on certain coverage questions

Legislation to return activities to the budget should exempt for now the Board of Governors of the Federal Reserve System, given the board's unique role within the Government, and the possible need to continue its off-budget status in order to isolate it from undue political pressures. This is a matter warranting review by a study group.

ENHANCE BUDGET CONTROL

SYNOPSIS: To better control short-term and long-term budget levels, a wide range of management, financing, and legislative actions are needed. The Congress should start oversight or legislation on most of these matters. These items, as well as those suitable for early legislative action or requiring further research, are noted in the following discussion (and appendix I).

1/Federal payments to the Corporation are on-budget.

One of the most important changes over the past 10-15 years has been the increase in the part of the budget that cannot be significantly controlled in the annual appropriations process. Figures from OMB indicate that the relatively uncontrollable part of the budget is now about 76 percent. Growth in the uncontrollable portion of the budget largely reflects the growth of Federal entitlement programs and long-term demographic trends. About 48 percent of the current 1981 budget is for entitlement programs (Social Security, Medicaid, Food Stamps, etc.).

It should be added that the portion of the budget that is, from a practical point of view, relatively uncontrollable without changing substantive legislation in any one year is probably even higher than the 76 percent. There are, for example, numerous operations and maintenance activities, partially finished public works projects, and partly completed defense acquisitions that cannot be drastically reduced without unacceptable consequences.

A relatively uncontrollable budget of this magnitude limits considerably the Government's choices in any year concerning budget totals and the distribution of funds within the totals. This impairs the capacity of the Congress and the President to respond flexibly to changing fiscal requirements, and demands for revised spending priorities. As a consequence, steps are needed to improve long-term and short-term control over the budget. We have addressed possible actions in our work, summarized below.

Actions to improve long-term control

High priority should be attached to better multiyear budget planning for purposes of achieving long-term budget control. While other steps to achieve better short-term control also are needed, especially at this time, such measures may have only limited applicability and effect beyond the next year or two. It would, for instance, be possible to change indexing procedures in entitlement programs to reduce automatic cost escalation, but such steps would not alter fundamentally the relatively uncontrollable nature of the programs. Similarly, as long as the Government has physical assets to maintain and multiyear projects to carry out, there will be substantial unavoidable expenses each year.

This underscores the importance of the Government extending the time horizon of its budget planning so that future years' unavoidable expenditures will at least stem from conscious choices made in a strategic planning mode. Such foresighted legislating is the best assurance that later budget distributions will adequately address the Nation's needs.

The OMB and parts of the Congress initiated multiyear budget planning recently, during budget development for fiscal years 1979 and 1980. Some agency organizations have already started their own multiyear planning systems. While these efforts will improve foresighted budgeting in the Government, there are ways that long-term budget planning and decisions may be strengthened further at several levels.

Some steps to improve multiyear budget planning

We have in previous work reported on a variety of foresighted budgeting problems including: inadequate assessments of future needs, failures to link planning and budget formulation processes, and the simple lack of attempts to do multiyear budget planning. Listed below are congressional or executive branch actions we have proposed for addressing these problems and improving multiyear budget planning. Although some of the proposals were aimed at improving budgeting in certain policy or program areas, we think that they have more general applicability. It would be necessary, however, to tailor the actions to fit individual policy and program characteristics.

- There should be more multiyear legislative authorizations, instead of one-year or no-year authorizations. Multiyear authorizations can provide the framework and discipline for more congressional and agency multiyear budget planning.
- In certain project-oriented programs (some capital acquisitions, etc.), it may be helpful to move toward broader authorizations and away from detailed annual approaches of prospectuses and project proposals, or at least make project authorizations in the context of overall planning. Detailed annual legislative approvals can be a disincentive to agency foresighted planning and budgeting if made without considering how the actions fit within an overall long-term plan.
- Clearer statements of policy and program objectives in authorizing legislation are sometimes needed. Such statements can facilitate multiyear budget planning by making it easier for agency officials to decide on the appropriate program mechanisms, time-table for actions, measures of accomplishment, and realistic budget objectives.

- More uniformity among authorizing, budgeting, and appropriations program categories can help by clarifying objectives, better focusing congressional and agency reviews, and making it easier for the Congress to assess how well program officials are performing. Without these elements, the accountability of administrators is lessened, along with the Congress' capacity to assess how well statutory aims and any multi-year plans are being carried out.
- Better multiyear budget planning for certain cross-cutting policies and activities (capital acquisitions, research and development) will require some new procedures and information. We have proposed, or are considering proposing, strengthened executive branch and congressional focal points for budget review on these cross-cutting activities, and other measures to enhance multiyear budget planning.
- Multiple-year funding procedures such as full funding, forward and advance funding, and a biennial appropriations cycle (such a cycle has not been used to date) can help. These procedures require multiyear budget planning, and add realism to the plans by providing stable and assured funding over more than one year. There are, however, trade-offs to be considered (see pages 20-21).
- There is a need to extend the time horizon of information in the budget, to facilitate better foresighted planning. Information on relevant national and global trends and issues extending 10, 20, or more years into the future should be included for the budget's major categories ("national needs" and "functions").

Other actions to improve
foresighted budget decisions

Adoption of the above measures would improve multiyear budget planning, but significant progress probably requires further research and discussion. An overall strategy needs to be developed for enhancing multiyear budget planning throughout the Federal establishment. This will require a more complete identification and understanding of the organizational arrangements and procedural mechanisms that would make long-term planning a practical effort. Questions requiring further

intensive study include:

- Should the Congress develop procedures to regularize review and reconsideration of future years' entitlements and other relatively uncontrollable amounts?
- What are the full range of changes in authorization and appropriation frequency, period of availability, specificity, and degree of control that would improve foresighted budgeting? And what are the trade-offs?
- What areas of the budget are most in need of, or susceptible to, improvements in multiyear budgeting?
- What legislation, rules, and organizational arrangements are needed for better linkages between planning and budgeting efforts in the agencies, and at the Executive Office of the President level?
- What informational improvements are needed, including refinements in methodologies for making projections and estimates?

Improvements in short-term control

Several actions are needed to improve short-term budget control: lessen or examine the impact of automatic spending mechanisms; develop better controls and reporting on carryover balances; improve controls over credit activities; make uses of revolving and special funds conform to accepted principles and guidelines; and other steps.

Lessen or examine impact of automatic spending mechanisms

A number of automatic spending mechanisms have been incorporated into budgeting in order to provide stable and assured funding each year for certain programs and target groups. The principal ones, and the associated budget authority currently estimated for fiscal year 1981, are:

	Billions of dollars <u>a/</u>
--Entitlements	\$321
--Provisions for permanent budget authority (including authority for entitlements)	372
--Advance funding	40
--Advance appropriations	<u>b/</u>

a/Amounts not adjusted downward for off-setting receipts.

b/\$162 million.

In all of these cases, the Congress in prior authorizing legislation sacrificed annual appropriations control with the aim of reducing financial uncertainty for beneficiary persons and organizations, inefficient stop-and-go financing, and doubts in the business community about payments and scheduling on government contracts.

We think that reduced annual appropriations control is justified in many cases, but that some automatic spending provisions need to be changed. We have recommended early legislative action to change the indexing procedure for entitlement payments to Federal retirees, proposing annual rather than semi-annual cost-of-living adjustments, and other indexing changes.

Early legislative action is also needed to change the housing component of the Consumer Price Index (CPI), an index whose composition affects the spending level of several indexed entitlement programs. We will soon report on this CPI question. Measures for controlling entitlements on which the Congress should start oversight or legislation are the use of "caps" (authorization ceilings on the spending levels), or authorizing provisions limiting annual spending to "* * * such amounts as approved in appropriation acts." We also think that the Congress should review advance funding and advance appropriations provisions, and permanent budget authority provisions, for possible curtailments where such provisions are not necessary to efficient and effective program operations.

Need for new procedure to
prevent disruptive funding
gaps between fiscal years

Interruptions in Federal agency funding at the beginning of the fiscal year and operating on continuing resolutions have become the norm rather than the exception. Over the past 20 years, 85 percent of the appropriations bills for Federal agencies have been passed after the beginning of the fiscal year. This has required 74 continuing resolutions to provide funding.

In April 1980, the Attorney General ruled that the Anti-deficiency Act required agencies to terminate operations when appropriations expire, and promised to enforce the criminal penalties of the Act in cases of future willful violation. The uncertain agency response to the Attorney General's opinion related to the lack of specific guidance for complying with it and resulted in substantial confusion. Early legislative action is needed to allow agencies to incur obligations but not expend funds when appropriations expire, except where program authorization has expired or the Congress has expressly stated that a program should be suspended during a funding hiatus pending further legislative action.

There should be better controls and
reporting on carryover balances

Some of the "uncontrollability" in each year's budget derives from carryover obligated balances, even though these balances are not in many cases technically in the uncontrollable category. These are prior year obligations on which checks must eventually be written. Additionally, some prior year unobligated amounts carry forward and remain available to agency officials because the relevant legislation stipulates that the funding shall remain available indefinitely ("no-year" funding), or for a certain number of years ("multiple-year" funding). Although there can be legitimate reasons for unobligated balances (e.g. requirements to fully fund programs), nevertheless these unobligated balances complicate annual congressional budget control efforts by constituting sources for expenditures beyond those provided as new budget authority by current congressional actions. In this sense, they are similar to automatic spending provisions.

The unexpended balances carried forward into fiscal year 1981 were:

In billions

Unliquidated	\$478
Unobligated	<u>296</u>
Unexpended	<u>\$774</u>

Because of the magnitude of these balances--they exceeded the new budget authority initially estimated for 1981, which was \$696 billion--and their implications for annual budget controllability, we have proposed that the Congress take fuller cognizance of these balances when approving spending for a fiscal year. One possibility would be for the Congress to include unobligated balances in the approved amounts each year--that is, approval would be for total funds available for obligation (not just new funding). This would, however, require changes in the Congress' current procedures under the 1974 Congressional Budget Act, and would require further research.

There should also be further research aimed at adopting for Government use principles and guidelines on when to use annual, multiple-year, or no-year funding. There are trade-offs and possible statutory revisions that need to be considered. More use of annual or multiple-year funding (rather than no-year funding) might reduce carryover balances, and provide better incentives for budget planning and orderly budget execution. However, under existing law (31 U.S.C. 701, 705), such funding requires more extensive accounting records in the agencies in order to track unobligated and unliquidated balances.

Improve controls over credit activities

The growth in the Federal budget over the last two decades has been accompanied by an increase in the range and complexity of Federal programs as new socio-economic problems have evoked new kinds of Federal responses. The dramatic increase in Federal loans and loan guarantees is a notable example. Total Federal direct loans outstanding have more than quadrupled since the time of the President's budget commission, going from about \$47 billion in fiscal year 1967 to about \$187 billion currently estimated for 1981. Guaranteed loans outstanding have more than doubled over the same period, increasing from about \$100 billion to an estimated \$264 billion. The \$1.5 billion Chrysler loan guarantee program is, of course, a well known recent case. We also note the recent enacted legislation establishing the United States Synthetic Fuels Corporation, and authorizing \$20 billion for Phase I loan guarantees and other activities, plus an additional \$68 billion for Phase II guarantees and other forms of assistance.

The growth of Federal credit activities created certain budget information and control problems. We have often stated that public interest normally is best served when congressional control over executive activities is exercised through regular reviews and affirmative action in the authorization, budget, and appropriations processes. However, traditional appropriations from the Treasury could not be used to set direct loan levels because the loans were financed through the market and borrowing operations of Federal revolving funds. Furthermore, loan guarantees represented new kinds of commitments and potential obligations (contingent liability) not directly controlled by traditional appropriations.

The President took a step toward more systematic control over Federal credit activities when he included a "credit budget" package in the 1981 budget, entailing proposed appropriation act dollar limitations on aggregate and individual direct loans and loan guarantees. The Congress, for its part, responded by including limits on total direct loans and loan guarantees in its First Concurrent Resolution on the Budget for fiscal year 1981, and by passing limitations on numerous individual programs. We note that such single program statutory limitations were not uncommon even prior to 1981.

Comprehensive controls over credit activities have long been needed, and the current credit budget approach is a step in the right direction. However, further actions are needed to insure proper control over credit activities. The Congress should consider the implications of the current practice of not including the direct loan limitations within the totals of the regular budget.

The creation of a credit budget outside of the regular budget authority and outlay totals lessens comparability among credit and non-credit programs, and adds to the confusion about the meaning of the budget's totals. It does not simplify and streamline the budget. The recording of limitations on direct lending as budget authority amounts, and including such amounts in the regular totals of the budget, would be a simpler and more direct way of controlling loan levels. It must be recognized, however, that this latter approach would increase the budget's totals--by \$15 billion in 1981 according to an OMB estimate.

We also have proposed that the Congress provide in budget resolutions functional breakdowns on its credit budget. Another matter requiring attention is the development of more standard definitions for such credit terms as "guarantees," "insurance," "defaults," and "interest subsidy." Widely varying agency usages greatly complicate attempts to compare credit programs.

Make uses of revolving and special funds conform to accepted principles and guidelines

In original conception, "special fund" budget accounts were established by legislation to receive earmarked receipts for use, after an appropriation, for certain authorized purposes. "Revolving fund" accounts were set up to finance cycles of self-sustaining operations without the need for appropriations actions. "Trust fund" accounts were established for amounts held by the Government in a fiduciary capacity, while "general fund" accounts were used to handle funds appropriated from general Treasury revenue.

Over the years, however, practices have evolved to the point that the original distinctions among these kinds of accounts have become blurred. In particular, some special funds are operated much as revolving funds; and some revolving fund activities are not self-supporting (they may even not receive receipts from a cycle of operations), receive regular appropriations, and should be in general fund accounts. We also have determined that receipts are sometimes earmarked for use in special and revolving fund accounts on the basis of old and vague statutory authorizations.

We have reported on how these inconsistencies and usages impair the Congress' ability to understand and control Federal activities, and have proposed certain steps:

- There should be early legislative action to establish the Department of Agriculture's Farmers Home Administration (FmHA) rental assistance program in a general fund account, rather than the current revolving account;
- The Congress and OMB should review the criteria for, and uses of, revolving and other kinds of accounts to assure better adherence to the established principles for choosing account types; and
- The Congress should enact authorizing legislation so that earmarked business-like revenue will have either an expiration or required review date.

Other needed control actions

There are other steps needed to improve short-term budget control:

- amendments to the 1974 Impoundment Control Act (31 U.S.C. 1401) to permit congressional partial deferral approvals, and more effective implementation of the provisions governing rescission proposals. 1/
- better monitoring and reporting on agency uses of gift funds;
- consolidated budget reporting on programs with multiple accounts and funding sources, such as Medicare;
- further research on possible constitutional or special statutory restrictions on spending and taxes;
- further research on the possibility of indexing Federal taxes;
- further research on the development of more adequate budget categories for reporting on "relatively uncontrollable" amounts;
- early legislative action to retire Amtrak's debt through an appropriation; and
- the establishment of general criteria on how to retire large debts (such as Amtrak's) in ways that insure full budget disclosure and adequate congressional budget control.

Future steps on the preceding
controllability matters

A combination of early legislative action, congressional leadership through oversight activities, and further research will be needed on these problems of long-term and short-term controllability. The types of actions we suggest are detailed in appendix I. The items ready for early legislative action are:

1/More effective implementation would be possible under, for example, amendments authorizing the Congress to affirmatively reject rescission proposals instead of having to wait for the expiration of the authorized withholding period, and changing the withholding period from 45 days of continuous congressional session to calendar days--this would more effectively allow a determination of when the withholding period expires.

- changing to annual indexing adjustments in Federal retiree pension programs;
- changing the housing component of the Consumer Price Index;
- enacting legislation to allow agencies to incur obligations but not expend funds when appropriations expire, except where program authorization has expired or the Congress has expressly stated that a program should be suspended during a funding hiatus pending further legislative action;
- amending the 1974 Impoundment Control Act to permit congressional partial deferral approvals, and more effective implementation of the provisions governing rescission proposals;
- placing FmHA's rental assistance program in a general fund account; and
- appropriating funds to retire Amtrak's debt to the Government.

IMPROVE PROGRAM AND POLICY
LEVEL ACCOUNTABILITY

SYNOPSIS: To strengthen program and policy level accountability, steps are needed to improve the budget's categories and related information. The Congress should start oversight or legislation on most of these matters. The matters suitable for such congressional leadership, as well as those needing early legislative action or further research, are noted in the following discussion (and in appendix I).

Develop program entities and aggregations
based on authorizing legislation

We have previously noted with concern the proliferation of dissimilar program categories used by different Federal governmental bodies. For example, we identified a case in one agency where officials operated under authorizing legislation that used one set of program categories, but initially developed their budget in a different, cross-cutting set of zero-based budgeting (ZBB) categories that tied to their long-range plans. Then, in a complicated cross-walk exercise, officials restructured the material for their final budget submission. Finally, the congressional appropriations committees acted on budget account sub-categories that differed from those in the budget.

This kind of complex and encumbering process obscures the budget impact of legislative and agency decisions, and generally makes it difficult to evaluate officials' actions at various stages. Again, accountability suffers. The use of competing categories and reporting also creates added workload for agency officials, and detracts from the time available for monitoring budget execution and performing needed planning and policy analyses.

Furthermore, unless steps are taken, the problem of dissimilar and competing budget-related categories may easily increase in future years. The trend is toward a more active congressional oversight and authorization process, entailing greater use of specific and timed authorizations resembling appropriations in their specificity and frequency. This trend could be even further accelerated if the Congress adopts a form of oversight reform ("sunset" legislation, etc.) that establishes a fixed schedule for reviewing and reauthorizing programs rather than a more workable agenda-setting approach to oversight activities.

We think that more standard budget-related categories can, and should, be developed from authorizing legislation statements of goals, missions, and objectives.

Need to base budget categories
on the authorizing legislation

Too often, the budget's appropriation account structure for an agency divides agency activities that are related to a common authorized policy into widely separated accounts, reflecting organizational divisions that cut across legislated policy areas. This makes it difficult or practically impossible to assess how well the Government is accomplishing basic policy objectives.

The report of the 1949 Hoover commission set forth the principle that the budget's main categories should group and describe similar Federal activities according to their common end purpose, rather than by the traditional object class categories of the "things" to be acquired (travel, supplies, personal services, etc.). This would facilitate assessment of how well agencies are carrying out legislative or self-imposed policy objectives. The Government in the intervening years has taken significant steps in this direction, and it may be said that the principle of "end purpose" budgeting is generally accepted.

However, the principle has not been carried as far as it could be in devising the budget categories for individual agencies. Our work in developing a Government-wide program

inventory, and prototype "mission" budget structures for the Department of Agriculture and certain research and development activities, has demonstrated the kind of reorderings needed to make agency budget categories and reporting better coincide with the goals, missions, and program objectives established in authorizing legislation. We have also proposed steps to develop authorizing-budgeting linkages in certain Department of Education and Department of the Interior programs.

We think that reorderings to develop budget categories based upon authorizing legislation statements should be an aim of budget reform, because the change would not only simplify reporting and reduce workload but would also increase the Congress' ability to enforce agency accountability for carrying out legislated policy.

Improve budgeting on Government-wide policies and issues

A number of new cross-cutting categories and special "budgets"--credit budget, capital budget, regulatory budget, etc.--have been developed or proposed in recent years to meet the informational and control needs of policy officials. There has been a recognition that traditional budget categories and information, which focus upon obligations and expenditures for certain programs, organizations, and functions, are sometimes inadequate for addressing certain other, cross-cutting matters. This has been the case particularly where the issues mainly involve governmental nonspending actions such as regulations and tax expenditures.

Our work on budget information and control needs concerning Government-wide policies and activities has identified several needed improvements. These are summarized below:

--Capital needs and acquisitions

There is a need for better budget information and policy development on problems and activities concerning the Nation's capital infrastructure. We have reported on the kinds of information and policy focal points needed in the Congress and the executive branch. We have stressed that budgeting for capital activities should occur within the regular budget process, and that capital projects' amounts should be included in the budget's totals to preserve the unified budget approach.

--Research and development activities

Steps are needed to enhance the budget policy role of the Office of Science and Technology

Policy, and improve budget-related information on Federal and other research and development (R&D) needs and efforts. We have suggested specific informational improvements, including alternative structures for reporting and making comparisons on Government-wide R&D activities.

--Regulatory analysis

The Congress and agencies should provide estimates (and the underlying methodology) of the compliance costs of their regulatory actions. Further research is needed to refine the concepts and measures, and identify whether compliance costs should be acted upon in the budget process, and how.

--Tax expenditures

There should be oversight action on how to more adequately consider, and act upon, tax expenditures (special tax preferences) in the budget process. This will require better definitions, concepts, and measures.

--Object class structure

There should be further research on possibly revising the budget's standard object class categories, and developing new summary schedules, to provide better budget information on spending for personnel (including consultants), procurement, capital activities, and possible other cross-cutting items of interest.

We recognize that the budget process can only support a limited number of such special cross-cutting analyses; therefore, priorities will have to be agreed upon on which analyses will be developed and reported as part of the President's budget.

Next steps on the preceding accountability matters

Early legislative action is warranted to formally adopt a program inventory for support of oversight and authorization purposes. This would provide a starting point for more systematic congressional oversight and authorization action. Various oversight reform bills call for such an inventory--e.g. H.R. 5858, 96th Congress. The inventory now maintained by us will meet this purpose. Also, the inventory provides linkages between budgeting categories and authorizing legislation objectives, and facilitates better tracking and assessments of budget-related actions.

The matters suitable for congressional oversight or further research are identified in appendix I.

STREAMLINE BUDGET AND LEGISLATIVE
PROCESSES TO IMPROVE ANALYSIS

SYNOPSIS: To streamline the process in order to reduce paperwork and superficial reviews and increase the time for careful analyses, changes are needed in reporting requirements and scheduling. The changes requiring early legislative action, congressional oversight, and further research are identified in the following discussion (and in appendix I).

Our work has pointed to several workload problems in that result in a lessening of the quality of budget decisions. Public confidence in the Government can be maintained or enhanced only if the Government shows that it can establish and efficiently administer programs that prove effective in serving national needs. Good results require more than a comprehensive budget with useful categories--these only constitute the requisite framework. It also is imperative to develop processes that encourage needed planning and analyses, and firmly establish the accountability of agency officials for the proper and effective use of the Government's funds.

At this time, though, budget cycle workload pressures too often work counter to these purposes. These matters may require early attention by a study group, given the complexity of the tradeoffs (e.g. congressional control versus managerial flexibility), and differences among legislative and executive branch organizations on the significance of, and approach to the problems. Whereas the 1949 Hoover commission set forth principles for establishing budget entities, and the 1967 commission emphasized the standard of unified budget coverage, a future study group needs to do similar principle-setting work concerning budget cycle workload questions.

We have identified two kinds of needed action pertaining to workload. Steps are needed to:

- focus workload more on selected, key programs; and
- improve budget execution.

Workload should be better focused

Congressional and executive branch officials attempt to formulate budgets for many activities each year. Because they diffuse their energies and resources over a wide spectrum of actions--an easy thing to do with over 2,000 programs

in about 1,300 budget accounts--they often don't adequately monitor budget execution and perform needed in-depth analyses. An excessive amount of resources are devoted to budget mechanics and paperwork, and not enough to studying ways of increasing program efficiency and better addressing the Nation's needs. This misallocation of resources can be reflected in several ways.

Put agencies' detailed budget treatments on a rotating basis

We have reported on the extensive paperwork burden involved in current ZBB procedures, and recommended ways of streamlining the process to decrease its cumbersome aspects and permit more time and staff to be devoted to performing careful analyses. There are some useful features and disciplines in ZBB, particularly the ranking of programs by priority and consideration of alternative funding levels, but the development of detailed ZBB decision packages each year for activities leads to repetitious exercises and increased costs without, in our judgement, demonstrable improvements in the quality of analysis and decisions.

It would be an improvement to restrict comprehensive ZBB treatment during each budget cycle to selected programs, in accordance with an agenda that insures adequate attention over time to all key programs. The selected programs each year would be subjected to thorough studies. One approach would be to apply the full ZBB treatment to programs undergoing congressional review and possible reauthorization (see below) and other programs of special interest because of policy changes, audit findings, agencies rotating schedules of review, etc. Such a focused approach would be desirable in any modern budget formulation system, whether it be a ZBB or other system.

Establish agenda for congressional reviews and reauthorizations

The establishment of a congressional procedure for systematically reviewing and reauthorizing programs on a rotating basis over several years would provide a framework for more selective and careful legislative and executive branch budget analyses. There have been several oversight reform proposals for such a procedure, and most would require agencies to conduct special evaluations and analyses concerning the programs identified for legislative review in a given year. Such an approach would be a powerful incentive for agencies to move toward more focused budget development work during each budget cycle. Also, synchronizing the analytical efforts of the legislative and executive branches, could lead

to more comprehensive and in-depth studies of issues.

We have consistently favored such oversight reform, and think that it could be accomplished through either legislation or internal rule changes in the Congress. It is important, however, for the Congress to avoid a rigid schedule of review with unnecessary paperwork requirements, the kind of problem seen in current ZBB procedures. For this reason we have suggested adoption of a flexible agenda-setting procedure for identifying each year the programs which are to be reviewed (the kind of procedure set forth in H.R. 5858, 96th Congress).

Less frequent authorizations and appropriations for some programs

Congressional and agency workload could be better concentrated during the budget cycle if there were fewer programs requiring annual authorizations for appropriations. Additionally, consideration should be given to putting some programs on a biennial appropriations cycle. These actions would permit more focused attention each year on selected programs, and, importantly, facilitate more timely completion of congressional authorizing and appropriating actions.

There has been a significant increase in the number of annual authorizations in recent years. Whereas in 1978 the Congress considered 79 annual authorizations in 43 separate bills, ten years earlier the Congress acted on only 15 such authorizations in nine bills. Put differently, the President's fiscal year 1981 budget contained fully 150 civil and defense budget accounts with approximately 1,000 programs entailing some kind of annual authorization action. The estimated budget expenditures for these items was about \$167 billion (out of \$616 billion total).

Furthermore, there is a significant number of annual appropriations actions. In the fiscal year 1981 budget cycle, officials developed budget estimates and detailed justifications for over 500 budget accounts for which congressional appropriations were requested.

This heavy authorizing and appropriations workload is one factor in the Congress' frequent inability to complete its budget-related actions in a timely manner. One study of the 95th Congress found that about 94 percent of the sampled authorization bills in the House were enacted after the corresponding appropriations bills passed the House. In the 96th Congress, in action on the fiscal year 1981 budget, the Congress was unable to complete action on the Second Concurrent Budget Resolution, and on 12 of 13 regular appropriation bills, prior to the start of the fiscal year. The appropriations

delay and uncertainty over enactment of a "continuing resolution" threatened a serious funding gap problem for most of the Government.

We have in previous work addressed the one year authorization cycle of many Federal research and development programs, and concluded that a change to a multiyear authorization cycle (programs authorized for two or more years) would reduce the heavy workload and legislative bottlenecks each year. We have further stated that the Congress should consider staggered, multiyear authorizations for other programs now on a one-year basis; and also study the feasibility of moving from annual funding to every-other-year action for some routine activities to decrease the appropriations workload.

It must be recognized that trade-offs would be involved in decreasing the frequency of authorizing and appropriations actions: while the change would reduce bottlenecks and permit more time for intensive analyses, it could complicate efforts to exercise short-term control over budget levels and priorities. The budget control needs of the Congress and the executive branch must be considered on a case-by-case basis when setting the frequency of authorizing and appropriations actions. The subject of budget control is covered in a later section of this report.

Need for improved budget execution

Developing a more efficient budget formulation process would permit more staff and time to be devoted to improving the efficiency, productivity, and effectiveness of budget execution. This is particularly important at this time of growing concern over fraud, waste, and abuse in the Government. Unfortunately, officials too often neglect this side of budgeting, choosing instead to concentrate on developing legislative and budget proposals--the formulation side. The result is that they often fail to detect inefficient or ineffective uses of funds.

The phenomenon of year-end spending surges is well known, and with good reason. It has been a persistent pattern in many agencies. In some cases the year-end surge relates to late appropriations, or unavoidable seasonal and cyclical factors such as those in emergency fire fighting programs. Too often, however, the surge represents a last minute effort by program managers to obligate funds before they lapse. Officials hope that their "full utilization" of funds will persuade OMB and the Congress to maintain or increase their funding in the next budget cycle.

Several kinds of serious problems can and do occur in such cases of year-end spending. Unneeded items are purchased; excessive prices are agreed to in hastily negotiated, non-competitive contracts; phony "obligations" are recorded, distorting budget totals; inflation is stimulated; and a sense of lowered professionalism develops among the civil servants who observe or participate in these actions.

Even for appropriated amounts that do not have a fixed period of availability (the "no-year" funds), there appears to be little incentive to save. Under current practices, agencies run the risk of experiencing reduced appropriations in the future if large fund balances remain unobligated at the end of a fiscal year.

A number of steps need to be considered for improving the efficiency and effectiveness of budget execution.

Strengthen the apportionment process

We have reported on how OMB should use the apportionment process established by the Anti-Deficiency Act (31 U.S.C. 665) to better assess, monitor, and control agency uses of funds. The Act directs OMB to control the rate of agencies' obligations, and authorizes OMB to establish reserves for contingencies "* * * or to effect savings whenever savings are made possible by or through changes in requirements or greater efficiency of operations." Reserves so established are to be reported to the Congress as proposed deferrals in accordance with the Impoundment Control Act of 1974. The Anti-Deficiency Act also stipulates that OMB may require agencies to submit financial plans for OMB consideration in making apportionments.

It is clear, however, that OMB places relatively low priority on using the apportionment procedure to assess and monitor agency financial plans and budget execution. Examiners do not always require or use agency financial plans; they frequently apportion at too aggregated levels, losing the ability to monitor performance on individual programs; and they make too little use of historical trend data to support their decisions. They also are processing fewer deferral requests to the Congress. Such requests totaled \$25 billion in 1975 and \$5 billion in 1978.

High priority should be placed on reassessing the operational responsibilities and workload of OMB and the agencies for budget execution accounting, reporting, monitoring and decisionmaking to determine how the apportionment and related processes may be strengthened to improve budget execution. It is apparent, however, that other steps may be

required to provide the necessary incentives for change.

Relax statutory requirements
concerning impoundments

We have long supported the intent of the Impoundment Control Act of 1974 (31 U.S.C. 1401), feeling that safeguards are needed to prevent the executive branch from unilaterally altering legislated spending levels and priorities by withholding (impounding) program funds for policy reasons. It seems clear that the Act has succeeded in providing these safeguards.

At the same time, however, we think that certain provisions of the impoundment legislation create disincentives to more effective and economical use of appropriated funds. The statute requires that even minor and routine deferrals, and subsequent revisions, be reported and justified to the Congress. We examined one set of 277 reported deferrals, and found that 69 percent were for routine delays.

Agency officials are reluctant to identify potential savings and initiate the deferral requests because of the paperwork that would be involved. The pull on officials is just the opposite--i.e., to overestimate annual obligations requirements and not look too closely for ways to save money.

We think that this disincentive to savings should be removed by amending the impoundment legislation so that administrators would be less burdened in saving money by eliminating the unnecessary reporting requirements that deter economical and effective management.

Devise positive incentives
for savings

Eliminating cumbersome reporting requirements would take away some existing disincentives to savings, but not provide rewards to managers who find ways of maintaining or enhancing their programs' productivity and effectiveness while spending less money. Developing adequate incentives should receive high priority in the Government and would require numerous changes in personnel, budgeting, and other administrative procedures.

One possible budgeting innovation would be to permit agencies to retain all or part of their savings, and use the funds for other authorized purposes. This would partially overcome the natural reluctance of administrators to give up funds they have received. Because the approach works with, rather than against, this enduring bureaucratic tendency, it

has appeal as a "realistic" solution. We propose steps in this direction, but caution that the approach requires careful study because of the perplexing trade-offs and technical problems involved.

It will not be easy, for example, to develop procedures that provide administrators with the needed incentives and flexibility for retaining and redirecting some funds, while preserving the Congress' authority to establish basic budget levels and priorities. One avenue that should be considered is the statutory creation of special funds in the agencies, into which all or parts of savings would be deposited for subsequent use as authorized by the Congress. This would enable agencies to retain savings while assuring congressional control over uses of the funds.

Other possible congressional actions

The Congress should undertake a number of steps to encourage greater productivity, efficiency, and effectiveness in budget execution. The Congress should increase its attention to agencies' "obligation" plans and actions as a means of encouraging better budget execution by the executive branch. Although uneconomical or ineffective spending formally begins at the obligating stage--e.g., the signing of a procurement contract--congressional and executive branch budget reporting, controls, and assessments focus on outlays (checks written). This is partly due to the overriding interest in the budget's deficit, which derives from outlay levels. Thus, the 1974 Congressional Budget Act established a procedure for setting targets and ceilings on outlays and budget authority.

We therefore have recommended that the Congress require more executive branch analyses and reporting (to the Congress) on obligation plans and variances, and review the adequacy of OMB monitoring of agency obligations. Also, the Congress should encourage agencies to use and report productivity data during their budget development.

Other possible congressional action would be the creation of statutory percentage limits on the amount of agencies' funds that may be spent in the last months of a fiscal year. This has been done on previous occasions. This would minimize year-end spending surges. We think that such an approach may be useful in some cases, particularly until the executive branch does a better job of budget execution monitoring, but have strong reservations about the procedure as a permanent approach. Such limitations are difficult to administer and address a symptom rather than correcting underlying management problems.

Next Steps on Streamlining

The matters on which we recommend immediate legislation are the following:

- adoption of an agenda-setting procedure for program reviews and possible reauthorizations;
- shifting to multiple-year R&D authorizations; and
- reducing certain disincentives to savings in the Impoundment Control Act by eliminating the provisions that provide for detailed reporting and potential congressional disapproval of routine deferrals.

The other action's would entail congressional oversight or further research. These are identified in appendix I.

ENHANCE THE RELIABILITY, CONSISTENCY, AND COMPARABILITY OF BUDGET FIGURES

SYNOPSIS: To increase the reliability, consistency, and comparability of budget figures, action is required on several measurement concepts and practices. Actions the Congress should consider include early legislative action and further research regarding better measures and estimates of budget resources and spending. The problems on which each of these steps are appropriate are noted in the following discussion (and in appendix I).

Improvement in measurement of budget resources and spending is needed for budget users to better compare program and policy levels, and understand the full magnitude of government operations. The 1967 Commission recognized the importance of realism, comparability, and consistency in measuring budgetary resources and spending levels. In the final analysis, every budget, no matter under what system it is devised (PPBS, MBO, ZBB, etc. ^{1/}), is a set of figures which attempt to measure and estimate the amount of budget resources and spending needed to operate the government. Therefore, it is critical that these amounts be realistic, clear, accurate, and meaningful, because without such features the Congress is hampered in making budgetary decisions. Without useful

^{1/}Program Planning Budgeting System (PPBS) was used during the 1960's; Management by Objectives (MBO) was used during the 1970's; and Zero-base Budgeting (ZBB) is the current system.

numbers (i.e. measurements are not valid and/or estimates are not accurate), the ability of the Congress in setting appropriate national goals and in allocating scarce resources is adversely affected.

It is clear from our work in this area that significant problems exist today. Furthermore, these technical problems can be expected to grow as the variety and complexity of programs continues to increase. In examining current budget measurement and estimating practices we have identified several areas where improvements can be made. The following discussion summarizes our views on the need to:

- improve the realism of budget estimates;
- eliminate certain off-setting practices that distort budget totals;
- improve budget authority concepts and their application;
- conduct further research on use of costs in budget reporting; and
- conduct further research regarding better budget measures of the Government's contingent liability.

Improve the realism of budget estimates

Estimates submitted by the executive branch to the Congress form the basis by which the Congress determines the level of Federal resources and expenditures. However, there are current estimating problems. For example, the failure of Federal officials to forecast the large \$60 billion deficit for fiscal year 1980 is a cause for concern and indicator of underlying weaknesses. The figure exceeded the mid-year estimate by over \$23 billion. Although there are uncontrollable reasons for estimates varying from actuals, such as changes in economic conditions, there are also controllable factors which lead to variances. Although the estimating process is not an exact science, our work shows more can be done to improve the estimating process. The following are changes that we have suggested to improve the estimating problem.

Provide full year estimates for emergency programs

We have consistently stated that congressional understanding and control over budget amounts is facilitated when the executive branch requests, and the Congress provides, at the beginning of a program commitment period, funding

covering the total estimated costs. This "up-front" disclosure and action on total estimated costs puts programs on a comparable basis and facilitates the setting of budget priorities. This practice, however, is not always followed. We have identified programs 1/ where, in most recent budgets, the executive branch has requested and the Congress has initially appropriated a token appropriation for the program. This was followed up with later supplemental appropriation requests over four times larger than the original request to cover actual emergency expenses. It is our view that the initial appropriations should provide for the full amount of the programs' needs for that year. Early legislative action is necessary to change budgetary practices of this kind.

Need for better budget information on
executive branch proposed legislation

Better disclosure is needed in the President's budget of executive branch proposed legislation with budgetary consequences, whether increases or decreases. At this time, key information is scattered among several sections and tables of the budget.

The President's budget each year contains some proposed funding increases or decreases that are contingent upon the enactment of new legislation. For example, the budgets for fiscal years 1980 and 1981 contained totals that were based upon the assumed enactment of proposed legislation that would permit outlay reductions totaling about \$4.2 billion and \$5.6 billion, respectively. There were other legislative proposals that would result in increased spending in selected areas.

The budget's projected overall totals for the coming fiscal year, including the estimated deficit, assume congressional passage of such legislation in time to permit implementing budget action by the executive branch. However, the enactment of such legislation is often uncertain. Furthermore, if and when the legislation is passed, specific provisions may well differ substantially from those that were proposed. An example of proposed legislation (with significant budgetary implications) that did not pass was President Carter's proposed Medicare hospital cost containment legislation. The budget, therefore, must provide a full and readily understood disclosure of the budget amounts that are contingent upon the passage of legislation. This would permit users

1/The programs we identified were emergency programs in the Department of the Interior and in the Department of Agriculture.

of the budget to assess better the budget's assumptions and totals.

Better monitoring and analyses
of variances needed

Better congressional and executive branch monitoring and analyses of variances concerning agency plans and results on outlays, obligations, and balances of authority are needed. Estimating policies and methods need to be examined in order to correct the over-optimistic bias that lessens the realism of budget projections. We have done studies in recent years regarding budget estimates in both defense and civil agencies. We found a need to examine estimating policies and methods in order to correct the over-optimistic bias that lessens the realism of budget authority, obligations, unobligated balances, and outlay projections. Projections too often give the appearance that the Government can accomplish things faster and at less cost than is reasonable to expect. For example, over-optimism regarding projected obligation rates leads to buildup of unobligated balances and could affect the Congress as to what the program can reasonably accomplish and what its budgetary needs are. We have recommended ways to improve the quality of estimates, including that certain executive branch agencies or the Congress do the following:

- Establish criteria for acceptable levels of accuracy for estimates, to be used as a guide in defining significant variances to be pursued.
- Monitor projections by comparing actuals to estimates and providing a detailed explanation annually concerning those accounts in which there were significant variances.
- Identify corrective action to improve estimates in future years when such action is feasible.
- Make information on variances and related corrective action available to congressional users and including it in budget justifications where appropriate.
- Apply early efforts in goal setting and variance analysis toward the largest accounts.
- Require each agency to document the procedures used to develop estimates, including documenting assumptions and subjective modifications made by reviewing officials.

--Provide for systematic identification of amounts which have become excess to program funding requirements and making such information available to the Congress.

"Best estimates" rather than "targets" needed

A strategy is needed for devising legal, procedural, or other means for making agency estimates "best estimates" rather than "targets" (including principles for incorporating inflation and other economic variables). For example, what steps can be taken to get more realistic inflation factors built into our projections? Also, options for providing fuller budget disclosure on the legislative, economic, and other assumptions underlying projections, and for disclosing the ranges from which "best estimates" were selected, should be examined. Such information would give the public, as well as congressional users of the budget, a greater appreciation for the nature of the budget figures.

Eliminate certain off-setting practices that distort budget totals

The size of the Federal budget is becoming an increasingly important issue to the Congress and the public because of concern over inflation, potential changes in tax burdens, the size of the Federal deficit, and calls for Federal spending restraint. In considering the President's proposed budget, the Congress needs to know that budget tables and summaries are based on sound budgetary concepts which fully disclose the level of Federal financial activities. Our work has disclosed budget reporting practices which need to be changed to improve congressional control over spending. Early legislative action is necessary to treat sales of certificates of beneficial ownership (CBO's) as borrowings rather than "sales of assets." This practice of treating CBO sales as "sales of assets" was opposed by the 1967 Commission but is sanctioned by statute today for some programs. This misclassification could result in understating agencies' borrowings (on and off-budget) for fiscal year 1981 by almost \$17 billion.

Another matter deserving attention is the continuing use of offsetting business-type revenue to reduce reported budget totals. For example, the offsetting practice reduced estimated on-budget and off-budget outlays for fiscal year 1981 by about \$102 billion. We believe that this practice, although approved by the 1967 Commission, significantly understates budget totals. The Congress should start oversight or legislation to report budget amounts on a gross basis. This would also be a step toward simplifying budget totals.

Improve budget authority
concepts and their application

There also are unresolved issues pertaining to budget authority concepts and their application. With enactment of the Congressional Budget and Impoundment Control Act of 1974, the Congress undertook assuring more effective congressional control over the budgetary process, the level of Federal revenues and expenditures, and national budget priorities. The 1974 legislation established several new procedures to accomplish these objectives, including a process for the Congress to systematically consider budget totals and set overall targets and ceilings on budget authority and outlays. Section 3(a)(2) of the Congressional Budget and Impoundment Control Act (31 U.S.C. 1302(a)(2)) defines budget authority as:

"* * * authority provided by law to enter into obligations which will result in immediate or future outlays involving Government funds * * *."

We have previously maintained, and emphasize again, that for the Congress to successfully implement the Congressional Budget Act, to effectively control the budget, and to oversee executive implementation, it is important that actions be avoided which diminish the meaningfulness of budget authority as a statement of the obligational authority that the Congress makes available to the executive. We have stressed that budget authority, properly understood, is a broad concept designed to express fully the spending authority which is made available to executive agencies.

In a prior report (B-159687, March 16, 1976), we stated the following:

"* * * 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 the allocation of 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. We further believe it is vital to maximizing the effectiveness of the process that Federal financial resources be measured as accurately as possible because priorities are actually established through decisions on the conferring of this authority. From this standpoint, therefore, the concept of 'budget authority' should (a) encompass all actions which confer authority to

spend money, (b) reflect as accurately as possible the amount of such authority which is conferred, and (c) be recognized at the point at which control over the spending of the money passes from the Congress to the administering agency."

Such a broad concept of budget authority provides the best assurance that budget totals and individual schedules provide a full disclosure of the possible financial consequences of budgetary decisions being requested by the President and considered by the Congress. The Congress cannot effectively exercise budgetary control on budget totals if it does not have complete and accurate information on the new obligational authority being made available to executive branch agencies.

Some identified problems, including
the Foreign Military Sales Trust Fund

Our work in reviewing the budget authority concept and its application identified several areas where budget authority, as used, did not represent the maximum potential obligations which the administering agency could legally incur under the authority which the Congress made available. Partly as a result of our work, there has been revised budget authority treatment for some housing programs to more accurately reflect the obligations that the Secretary of Housing and Urban Development could incur under authorizations provided by the Congress. In one case, this required a \$2 billion adjustment in budget authority amounts. In another case, an adjustment of about \$25 billion was made.

There remains, however, a problem in the budget treatment of the Foreign Military Sales Trust Fund. The practice of recording budget authority to represent obligations rather than total acceptances of orders has resulted in multibillion dollar understatements of the obligations the government could incur to acquire military services and items for foreign purchasers--for example, a \$2.6 billion understatement for fiscal year 1977 when we made our study. We continue to believe that the current procedure is contrary to sound budgetary policy and decreases congressional budgetary control over foreign military sales. Furthermore, the change affects the congressional budget resolutions and scorekeeping. Unless this method is changed the understatement will continue.

More use of full-funding
approach where appropriate

A related matter concerns incomplete use of the "full funding" concept for multiyear projects. Programs or projects

entailing a multiyear commitment are considered to be fully funded if the budget authority made available during their first year is for the total multiyear cost. This approach contrasts to incremental funding, where the authority is provided in installments over the life of the program.

Advantages of full funding include forced early analysis and serious debate at the start by providing greater visibility to funds and resources required to complete a project. It is intended to enhance the rationality of decisionmaking by both the Congress and the executive branch. Full funding is a step toward full accounting and accountability. Finally, full funding permits construction progress at more economic rates which result in savings to the government by providing program continuity and eliminating uneconomic startup and stop costs that sometimes accompany incremental funding. In order for the benefits of full funding to be realized, the Congress must, as it approves new projects, also provide sufficient budget authority to assure that each project is fully funded. To be considered for conversion to full funding, a program (or project) should:

- be a discrete, multi-year program with a planned completion date;
- be subject to total cost estimating;
- not be subject to changes in design that would effect funding levels significantly; and
- entail a commitment to the extent that there is clear evidence that the Government intends to fund the program to completion.

Our work has disclosed that there is potential for further application of full funding in the Government. This is true not only for those types of programs usually associated with the concept--construction and procurement--but also for some research and development, subsidy, and social type programs. We believe oversight or legislation should be started to determine, on a program by program basis, which multiyear projects that are now incrementally funded need to be fully funded. Examples of programs which are potential candidates for conversion to full funding include the water resources projects of the Bureau of Reclamation and the construction projects of the Corps of Engineers.

Additionally, we think budget authority for Federal loan programs should be fully funded by providing for the estimated future interest subsidy costs to the government in those programs. This, however, will require further research on the

concepts and methods needed for estimating and measuring interest subsidy costs.

Extend concept of budget authority to include maximum potential obligations

Another confusing budget authority matter is the fact that budget authority recordings do not always represent total new obligational authority even in one year programs. There are many programs, including public enterprise revolving fund and emergency programs, where current conventions result in budget authority recordings that express far less than estimated or actual new obligational authority. In public enterprise revolving funds, for example, the recordings do not encompass the obligational authority that is generated by program business-type collections. In many such funds, budget authority recordings represent levels of authorized borrowings used to finance account activities. In these cases, frequent budgetary practice is to make the borrowing authority recordings essentially represent levels of authorized net borrowings, i.e., borrowings less repayments.

The policy of having borrowing authority recordings for several programs express levels of authorized net borrowings, rather than gross borrowings, results in budget recordings that do not fully disclose the total amount of borrowings that may occur. Total borrowings for these programs often exceed recorded borrowing authority.

Because of the netting procedure, total agency borrowings from Treasury in recent years have exceeded recorded borrowing authorizations by a significant amount. Treasury Department records show that during fiscal years 1932-79, borrowing authorizations 1/ totaled about \$232 billion 2/ while borrowings came to about \$460 billion--twice the amount of recorded authorizations.

1/Treasury records sometimes use the term "borrowing authorization" rather than the OMB term, "borrowing authority." Our partial check of the amounts showed that those listed by Treasury as borrowing authorization amounts largely corresponded to borrowing authority amounts in the budget. In the sample years checked, the borrowing authority totals never exceeded the borrowing authorization totals.

2/Represents total cumulative authorizations unadjusted for periodic decreases (approximately \$37 billion over fiscal years 1932-79).

Thus, borrowing authority recorded under the netting procedure significantly understates the extent of actual authorized borrowings. We do not suggest that these amounts were borrowed and spent illegally. Rather, we believe that the practice lessens the meaning of the "borrowing authority" amounts in the budget and could impair effective congressional control over the budget.

We believe that the Congress' budgetary control, including annual controls on program and aggregate budget authority amounts, suffers when budget authority recordings for revolving fund loan programs express authorized net borrowings. Conversion to gross-based borrowing authority in revolving fund loan programs would result in budget authority recordings that express more fully the obligational authority made available through borrowings.

However, such gross recordings, plus any other recordings under current procedures (appropriations, contract authority), still might not fully express total obligational authority made available. Total obligational authority in these revolving fund programs also includes (besides authority derived from borrowings, appropriations, etc.) the collections made available through the cycle of program operations and assorted financing mechanisms (sale of assets, etc.). For example, in one account--the Rural Housing Insurance Fund (RHIF) in the Department of Agriculture--even if borrowing authority for RHIF programs had been gross-based instead of net-based over the period of RHIF operations, the gross borrowing authority recordings, which could have reached approximately \$13 billion under prevailing borrowing patterns, 1/ plus appropriations amounts totaling about \$1 billion--\$14 billion total recorded budget authority 2/--would have incompletely expressed the full authority for entering obligations over that period. Total RHIF direct obligations were about \$42 billion.

We believe budget authority recordings in these cases should encompass the authority to obligate funds whatever their source. We have recommended extension of the budget authority concept to include maximum potential obligations from all funding sources, including collections and carryover

1/Total of gross borrowings plus year-end uncovered obligations that required borrowing authority recordings.

2/The total might have been greater if all RHIF sales of certificates of beneficial ownership, etc., had been treated as borrowings requiring borrowing authority, rather than as "sales of assets."

balances. Action is necessary to start oversight or legislation which would count limitations on direct loan obligations of public enterprise revolving funds as budget authority. In addition, further research to study the extension of this concept to other type programs is needed. As stated earlier in discussing the large carryover from year to year of unobligated balances, it would be possible for the Congress to approve total funds available for obligation (not just new funding). This would, however, require changes in the Congress' current procedures under the 1974 Congressional Budget Act, and would require further research.

Use of cost and accrual data in budgeting

Further research is needed to review the concepts used to express dollar levels of program activity. Both the Second Hoover Commission and the later Commission on Budget Concepts endorsed cost-based budgeting and the reporting of receipts and expenditures on an accrual basis. There has been only partial implementation of these recommendations, with attendant confusion and uncertainty. For example, although Federal agencies have taken significant strides to adopt modern accrual accounting systems, and the President's Budget Appendix now reports "costs" for many activities, budget decisions and controls continue to be on "obligations" rather than costs.

Expanding the use of costs and accrued expenditures in the budget process would require, among other things, rethinking the existing statutory definitions of budget authority, which now defines budget authority as authority to enter obligations. It is most unlikely that a full move to cost-based budgeting and the reporting of expenditures on an accrual basis in the budget will occur as long as the budget process continues to operate under statutory provisions that make budget authority for obligations the focus of the budget decisions and control. Agency accounting systems now produce cost data for internal operations and decisionmaking when it is required by law or necessary for good management.

Better budget measures of the Government's contingent liability

There has been increasing concern in recent years about the Government's contingent liability involving commitments on loan guarantees and other items which could ultimately require significant expenditures. Because of the large magnitude of the Government's contingent liability--for example, the component attributable to guaranteed loans reached a currently estimated \$264 billion for fiscal year 1981--it is important to have good measures of the Government's potential

liability. This, however, requires further research because of two issues. First, there are numerous ways to define the terms and accuracy dictates that clear distinction be drawn between those contingent liabilities arising from insurance type programs and those arising from guaranteed loan programs. Second, in expressing an accurate estimate of the contingent liability, it is important to recognize that the true costs to the Federal Government, in the highly unlikely event that all contingencies were realized, is considerably less than the contingent liability itself. With regard to the second issue, the contingent liability of the Government needs to be adjusted for the reserves available to support the liability and the liquidation value of secured property collateralizing guaranteed loan programs to arrive at an accurate estimate of the true costs to taxpayers of our contingent liability.

Next steps to be taken on
improving budget figures

The matter we consider requiring early legislative action applies to passage of legislation to treat certificates of beneficial ownership sales as borrowings rather than "sales of assets." This would change practices primarily in the Farmers Home Administration and the Rural Electrification Administration of the Department of Agriculture.

The matters requiring congressional oversight or further research are identified in appendix I.

AGENCY COMMENTS

Executive branch officials have previously expressed varying degrees of agreement or disagreement with the budget changes recommended in our prior reports. Our earlier reports and recommendations form the basis for most of this report. The executive branch officials' views may be found in our earlier reports (listed in appendix V).

Officials from the executive branch have not had an opportunity to formally comment on our proposal that the Congress consider establishing a high level budget study group. The proposal has been advanced in prior statements of the Comptroller General before congressional committees and other bodies, but not in our reports submitted to executive branch agencies for formal review and comment.

We did not obtain formal OMB comments on this summary report, including its proposal concerning a budget study group, because the report's final development coincided with the January 1981 change in the Administration and directorship of OMB, and we did not want to ask the new director of OMB to make a hurried response to our proposals. However, a copy of this report is being sent to the Director of OMB with a request for his views, and we will provide copies of his response to the appropriate congressional offices and committees.

Further, we provide in appendix V a synopsis of the informal views of a senior OMB staff official.

OMB STAFF VIEWS

The following is a synopsis of the informal views of a senior OMB staff official on an earlier version of the budget reform ideas in this report. The earlier version, a November 1980 statement by the Comptroller General, 1/ covered the same themes and points discussed in this report, with the exception that it did not provide as much detail and did not identify each budget improvement need with one of the three categories of action discussed herein: early legislative action, start oversight and legislation, and further research. The Comptroller General's statement was an overview rather than a detailed presentation. The OMB staff official's views--also entailing an overview rather than a detailed discussion--were provided at the same November 1980 meeting, when it was known that there would be a change of OMB directors in January 1981, and the OMB senior staff officials stressed that because of this pending change, their comments had to be treated as "an" OMB position rather than "the" OMB position. Also given below are our responses to the general OMB views.

OMB SENIOR STAFF VIEWS ON
BUDGET REFORM

The OMB staff official agreed that there is a need for continuing budget reform, because the budget system must necessarily be dynamic to reflect the needs of a constantly changing society. He further stated that changes in the system should be evolutionary so as to avoid upsetting a "fragile" congressional budget process that may be in "jeopardy." In the latter regard, he cited the Congress' difficulty in completing timely action on the budget resolution and appropriation bills for fiscal year 1981.

Citing the thesis that budget reform should be a continuing part of the process, he expressed doubts about the desirability of a budget study commission to make suggestions for major changes in the process. He further added that such an approach would be an expensive undertaking; that a study group's recommendations might not be practical in the real world; and that, unlike at the time of the 1967 President's Commission on Budget Concepts, current budget system problems are not fundamental conceptual ones requiring the attention of another commission. The OMB official stated that there is

1/Address to the fall 1980 symposium of the American Association for Budget and Program Analysis, the George Washington University, Washington, D.C., November 21, 1980.

general agreement today on the unified budget concept and other basic procedures.

The OMB staff official preferred, instead of a study body comprised of high appointed and elected officials, a formal arrangement like the Joint Financial Management Program. The group would be comprised of "senior technical experts" of the Budget and Appropriations Committees, GAO, Treasury, and OMB, and it would examine "on a continuing basis" the specific application of budget concepts in both the Congress and the executive branch.

Our response

We think that the Congress' commitment to the basic budgeting philosophy and institutions established by the 1974 Congressional Budget Act is firm. We do not see a lessening in the Congress' desire to make its approach to more systematic budgeting work. The first-time use of the "reconciliation" procedure, for fiscal year 1981, was accomplished under difficult political and economic conditions, and showed the Congress' determination to make fuller use of the budget control mechanisms established in the 1974 legislation.

Furthermore, we think that our proposed budget improvement steps would help strengthen the Congress' budgeting institutions. Indeed, as we see it, the Congress will benefit at least as much as (and perhaps more than) the executive branch by the improvements we envisage. Such problems as inconsistent budget measurements or inadequate information probably hamper congressional members and staff more than executive branch officials, given the latter's normally more detailed familiarity with the budget.

We further point out that under our proposals, we foresee a heavy congressional role in influencing the pace of budget reform, thus minimizing the possibility of changes that would unduely impact the operation of the congressional budget process. An active congressional role was envisioned in the earlier statement by the Comptroller General on budget reforms, but was not elaborated on at that time. This report (see appendix I chart) clearly identifies a wide range of congressional actions. We believe that a budget study group, if established, would not necessarily be as expensive as OMB thinks.

We do not think that a valid argument can be made against a budget study group on the grounds that its recommendations might not be practical. The work of several preceding study groups produced many practical suggestions--for example, the 1967 commission's proposal for a unified budget--and we see no reason why a future study group would be any different in

that respect.

As for the OMB staff official's notion that there is no need for a study group because the budget improvement issues facing the Government are not basic conceptual issues, we cannot agree that a study group would be useful only for addressing the most fundamental conceptual issues. There are many procedural and conceptual problems in budgeting today on which progress to date has been slow, because of a lack of consensus among the numerous legislative and executive branch budgeting participants. A budget study group comprised of high elected or appointed officials and other experts could do much to overcome budgeting policy disagreements and develop the necessary consensus for change.

We think that such a study group would be better able to act with the necessary independence than the continuing panel of budget experts suggested by the OMB staff official. A panel of experts could, however, be useful for adjunct or follow-on budget reform work by the Congress or a high level study group.

OMB staff official's views on budget coverage

The OMB staff official agreed that incomplete budget coverage is an important issue, and that the operations of the off-budget Federal Financing Bank (FFB) create an incentive to use loan guarantees in ways that distort Federal resource allocation. He stated, however, that the problem could not be resolved easily by putting the FFB on-budget. Besides, he added, placing the FFB on-budget is no longer a politically simple matter. He felt that the development of controls under the two-year old credit budget is the first step in insuring competition among loan guarantees and on-budget loans, and that further steps might have to be taken.

Our response

We still think that placing the FFB and most other off-budget federally owned agencies on-budget would correct many budgeting distortions, and should be a high priority matter. Such action, which would require legislation, may indeed be difficult to effect because of political opposition. We continue, however, to recommend such action. The development of a credit budget, consisting of appropriation act limitations on direct loan obligations and loan guarantee commitments in individual programs, is a step we favored, but it does not eliminate the distortions caused by the off-budget FFB. The off-budget agency still converts guarantees into direct loan outlays not included in the regular budget's totals. In effect, the beneficiaries of these outlays have a

competitive edge over the target groups of on-budget programs whose outlay levels are subjected to the fuller scrutiny, discipline, and controls of the regular budget. The surest way to correct the problem is to eliminate the off-budget status of the FFB (while preserving its cost saving function).

OMB staff official's views on budget control

The official at OMB agreed that it is most important that budget decisions be made on the basis of a longer time horizon, in order to control the budget, and he noted that mechanisms have been created with which longer-range decisions are beginning to occur. He noted also that OMB has taken steps to provide the kinds of information needed to support decisions on long-term issues--for example, the inclusion in the budget two years ago of a new section on demographic trends covering some of the kinds of information referenced in the report of the Task Force on Global Resources. He also stressed that OMB is seeking to improve controls and information on credit programs by building on the credit budget effort begun last year.

Our response

While multiyear budget planning has started at the OMB level, much remains to be done to strengthen multiyear budget planning at various levels in the Government. As noted in appendix III, our work has shown the need for procedural and organizational changes to improve planning-budgeting linkages in certain organizations and policy areas. We also reiterate that a strategy needs to be developed for further efforts to enhance multiyear budget planning at all levels in the Government, requiring a study of the various authorizing, funding, organizational, and informational requirements of improved planning. We note that the demographic and other information now included in the budget on long-term trends and issues does not systematically cover global conditions, and does not identify the long-term matters that must be considered when making decisions on each of the budget's functional and national needs areas. It is an excellent start which should be expanded upon. As for the credit budget, see our response on page 53 of this appendix.

OMB staff official's views on accountability matters

Concerning budgeting entities, the OMB staff official agreed that decisionmakers must be alert to the danger of having too many budget categories, and stated that this is why OMB has resisted GAO's efforts to break budget categories into all the myriad elements represented by authorizing

legislation. This would hardly streamline the budget process.

He further stated that the budget categories adopted must be developed through a negotiation process among the various budget users, and that any study aimed at overall uniformity cannot take into account the variety of views that exists. This is why several previous attempts of uniform classifications have not been adopted. However, there can be individual studies aimed at more national classifications, such as GAO's work concerning the Department of Agriculture.

Our response

We have not advocated developing budget categories for all sections in authorizing legislation. We have already developed a program inventory with categories that link to key selected authorization provisions. The inventory is a realistic and practical one. It has been institutionalized in the system of the Senate Committee on Rules and Administration, and has for several years supported our annual work in providing budget-related information to numerous congressional authorizing committees. This inventory could form the basis of a streamlined set of categories for the Government's budget-related actions, as well as its support for congressional oversight.

Our response

We concur with the OMB staff official's views that the development of budget-related categories necessarily involves a negotiating process, and that any set must evolve to reflect changing circumstances. This is the method we have used to develop the program inventory. We do not agree, however, that the Government should not attempt to develop or adopt more uniform program categories for the various budget-related actions (authorizations, appropriations, etc.)

OMB staff official's views on streamlining to improve analyses

The OMB staff official agreed with our belief that the budget system should be streamlined. He stated that several of GAO's proposals would tend to complicate the process rather than simplify it. He mentioned our proposals for budget categories based on "all" of the categories in authorizing legislation [already discussed], and proposals for providing "all" the information needed by the authorizing committees.

On our proposals for modifying ZBB procedures, he stated

that while OMB has aimed to minimize ZBB paperwork, OMB has sought to maintain the comprehensive coverage desired by President Carter. He noted that he did not know what views a new Administration would have on this subject, but would advise the new policy officials that the OMB staff feels ZBB has been advantageous. He mentioned ZBB rankings as being among the many useful features. OMB would, however, continue to look for ways to reduce the burden of the process without giving up its benefits.

He agreed that the execution of the budget must receive continued attention, and hoped that we would take the lead on reviewing the existing impoundment process to see whether it creates disincentives to curtailing wasteful spending

Our response

We do not agree that our proposals, taken together, would further complicate the process. To the contrary, they would streamline the overall process. We have not asked that all budget information desired by the authorizing committees be added to the information now reported in the budget itself. This would surely overburden the budget. We do, however, feel that efforts must continually be made to adjust the kinds of budget information either reported or made available to the Congress, to reflect new issues and procedural developments. The fact that most of the budget's dollars today are controlled through authorizing legislation, especially entitlements, underscores the need for budget information useful to authorizing committees. This may require some modifications in existing information--for example, better information in the budget on the amounts contingent upon enactment of legislation.

On the ZBB question, we restate our position favoring more selective ZBB detailed analyses. We continue to feel that this would eliminate unnecessary paperwork and permit more careful studies of important matters. We agree that rankings are helpful, but have stated that detailed annual rankings, covering every activity, are not necessary.

OMB staff official's views on budget figures

The OMB staff official stated that budget measurement improvements have to be a matter of continuing attention. He made several comments, summarized below:

--Limitations on direct lending should not be recorded as budget authority as GAO proposes. This would

complicate the concept of budget authority as a source of funds; and it is not clear what treatment would then be appropriate for guarantees.

- Improvements have been made in estimates, including the use of inflation factors.
- Business-type revenues should continue to be offset against outlays, contrary to GAO's proposal, because: this gives a better representation of the size of government; a drastic change like this should not be made when the Congress' acceptance of the congressional control process is so delicate; and the change would complicate the use of revolving funds.
- He agreed that legislation should be passed permitting sales of certificates of beneficial ownership to be treated as borrowings.
- He stated that full funding should be used for water resource construction projects.
- He agreed that the partial use of cost-based budgeting and accrual methods is confusing.
- The executive branch has resolved the problem of recording budget authority for agency borrowings.

Our response

We continue to believe that counting direct lending limitations as budget authority would provide a fuller disclosure of the obligational authority made available to lending programs--the fundamental purpose of the traditional budget authority concept. This would not prevent comparisons of those amounts with authorized loan guarantees.

More realism in budget estimates is still needed. We note that the final deficit for fiscal year 1980, \$60 billion, exceeded the mid-year estimate by over \$23 billion; and our work in recent years has pointed to a variety of steps that should be taken to correct the overoptimistic bias in estimating procedures.

We continue to believe that outlays should be reported on a gross basis to provide a better picture of the level of Federal activities, and do not think that the change would in any way threaten the congressional budget process. Furthermore, the change to a gross basis would simplify, not complicate, revolving fund reporting and use. Indeed, it

would be consistent with OMB apportionment procedures (which apportion business revenues along with other amounts).

We are in agreement with OMB on the principle favoring full funding, while recognizing that a case-by-case determination is needed.

Finally, we do not think that OMB's revised budget authority treatment for agency borrowings fully overcomes the former problems. Restricting the "roll over" of budget authority is a step in the right direction, but we have stated that a more adequate treatment would be to count the authorized program levels in such programs as the budget authority.

RELEVANT GAO REPORTS, TESTIMONY,
AND OTHER STATEMENTS
ON BUDGET IMPROVEMENT NEEDS

I. Reports

<u>Title or Subject</u>	<u>Date</u>	<u>Control #</u>	<u>Major* Category</u>
Implications and Strategies for Limiting Growth of Indexed and Entitlement Programs	1981	PAD-81-21	2
Funding Gaps Are Regular, Costly Events	1981	PAD-81-31	2
Federal Capital Budgeting: A Haphazard Collection of Practices	1981	PAD-81-19	3
Federal Budget Totals Are Understated Because of Current Budget Practices	Dec. 31, 1980	PAD-81-22	1 2 5
Federal Year-End Spending: Symptom of a Large Problem	Oct. 23, 1980	PAD-81-18	4
Review of Federal Agencies' Gift Funds	Sept. 24, 1980	FGMSD-80-77	2
Library of Congress' Revolving Trust Funds	Sept. 24, 1980	FGMSD-80-76	2

* Key

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| 1. Budget Coverage Should Be Expanded | 4. Streamline Budget Process to Improve Analysis |
| 2. Enhance Budget Control | 5. Enhance the Reliability, Consistency, and Comparability of Budget Figures |
| 3. Improve Program and Policy Level Accounting | |

<u>Title or Subject</u>	<u>Date</u>	<u>Control #</u>	<u>Major* Category</u>
Foresighted Planning and Budgeting Needed for Public Buildings Programs	Sept. 9, 1980	PAD-80-95	2
Progress In Improving Program and Budget Information for Congressional Use (Seventh Annual Report)	Aug. 29, 1980	PAD-80-90	1 2 3 4 5
Are Written Guidelines Needed to Establish New Agencies' Funding Needs?	Aug. 6, 1980	FGMSD-80-84	5
Government Agencies Need Effective Planning to Curb Unnecessary Year-End Spending	July 28, 1980	PSAD-80-67	4
Year-end Spending by Federal Agencies	July 7, 1980	PSAD-80-60 (letter report)	4
Spending Authority Recordings In Certain Revolving Funds Impair Congressional Budget Control	July 2, 1980	PAD-80-29	2 5
Program to Improve Federal Records Management Practices Should Be Funded By Direct Appropriations	June 23, 1980	LCD-80-68	5
Federal Disaster Assistance: What Should the Policy Be?	June 16, 1980	PAD-80-39	2
Observations on Oversight Reform Proposals	May 22, 1980	PAD-80-77 (letter report)	3 4

APPENDIX VI

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<u>Title or Subject</u>	<u>Date</u>	<u>Control #</u>	<u>Major* Category</u>
Unsupported Year-end Obligations Overstated the Progress of Assisted Housing	April 30, 1980	PSAD-80-41 (letter report)	4 5
Analysis of Requirements for Recurring Reports to the Congress	April 18, 1980	PAD-80-72 (letter report)	4
Year End Spending Patterns for Six Object Classes in Eight Agencies	April 14, 1980	PAD-80-75	4
Legislative Change Needed to Improve Budget Treatment of Certificates of Beneficial Ownership	April 9, 1980	PAD-80-32 (letter report)	5
Alternative For Eliminating Amtrak's Debt to the Government	March 28, 1980	PAD-80-45	1 2
Budget Formulation: Many Approaches Work But Some Improvements Are Needed	Feb. 29, 1980	PAD-80-31	2 3 4 5
Should Full Funding Be Applied to the Rental Assistance and Family Planning Programs?	Feb. 12, 1980	PAD-80-16	5
Long-Term Cost Implications of Rural Electrification Administration Direct and Guaranteed Loan Programs	Dec. 31, 1979	PAD-80-19	2

<u>Title or Subject</u>	<u>Date</u>	<u>Control #</u>	<u>Major* Category</u>
Spending Patterns of the Departments and Agencies of the Federal Government	Dec. 20, 1979	PAD-80-34	4
Effectiveness of the Federal Appropriation Process and Implications for Budget Execution	Nov. 21, 1979	PAD-80-5 (letter report)	3 4
A Mission Budget Structure for the Department of Agriculture: A Feasibility Study	Nov. 16, 1979	PAD-80-8	3
Streamlining Zero-base Budgeting Will Benefit Decision-making	Sept. 25, 1979	PAD-79-45	3 4
Alternatives for Achieving Greater Equities in Federal Land Payment Programs	Sept. 25, 1979	PAD-79-64	2
Selected Federal Accounts: Past Outlays and GAO Recommendations	Sept. 19, 1979	PAD-79-73	4
A New Approach to the Public Debt Legislation Should Be Considered	Sept. 7, 1979	FGMSD-79-58	2
Progress In Improving Program and Budget Information for Congressional Use (Sixth Annual Report)	Aug. 31, 1979	PAD-79-79	1 2 3 4 5
An Analysis of the Effects of Indexing for Inflation of Federal Entitlements	Aug. 15, 1979	PAD-79-22	2

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<u>Title or Subject</u>	<u>Date</u>	<u>Control #</u>	<u>Major* Category</u>
A Proposal for a Federal Performance Monitoring Process: An Internal Discussion Paper	July 24, 1979	PAD-79-31	4
Year End Spending	July 19, 1979	PAD-79-75 (letter report)	4 5
Exposure Draft: A Methodology for Estimating Costs and Subsidies from Federal Credit Assistance Programs	July 17, 1979	PAD-79-5	2 5
Reappropriations	March 23, 1979	B-115398 (letter report)	5
Selected Budget Issues in the Federal Aviation Administration	March 15, 1979	CEA-79-61	5
Federal Outlay Estimates: A Growing Problem	Feb. 9, 1979	PAD-79-20	1 4 5
Tax Expenditures: A Primer	1979	PAD-80-26	3
Credit Programs	Dec. 28, 1978	PAD-79-46 (letter report)	2
No Year Appropriations in the Department of Agriculture	Sept. 19, 1978	PAD-78-74	2 4 5
Further Implementation of Full Funding in the Federal Government	Sept. 7, 1978	PAD-78-80	5

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<u>Title or Subject</u>	<u>Date</u>	<u>Control #</u>	<u>Major* Category</u>
Progress in Improving Program and Budget Information for Congressional Use (Fifth Annual Report)	Aug. 29, 1978	PAD-78-78	1 2 3 4 5
Budget Authority for Foreign Military Sales is Substantially Understated	July 27, 1978	PAD-78-72	5
Entitlements	July 14, 1978	PAD-78-46b (letter report)	2
Congressional Oversight Reform Proposals	June 8, 1978	PAD-78-73	3 4
Federal Credit Assistance: An Approach to Program Design and Analysis	May 31, 1978	PAD-78-31	2
Better Information Needed for Oversight and Evaluation of Selected Elementary and Secondary Education Programs	May 30, 1978	PAD-78-35	3 4
Improving Federal Agency Efficiency Through Use of Productivity Data in the Budget Process	May 20, 1978	FGMSD-78-33	4
Entitlements	April 13, 1978	CED-78-98 (letter report)	2

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<u>Title or Subject</u>	<u>Date</u>	<u>Control #</u>	<u>Major* Category</u>
An Overview of Unobligated Balances in Civil Agencies	April 1978	PAD-78-48	4 5
Consistent and Uniform Treatment of Inflation Needed in Program Cost Estimates Provided to the Congress	March 20, 1978	PSAD-78-8	5
Unobligated Balances in Civil Agencies	March 9, 1978	PAD-78-60 (letter report)	4 5
Total Contingent Liability	Feb. 23, 1978	PAD-78-47 (letter report)	2
Full Funding	Feb. 23, 1978	FGMSD-78-18	5
Entitlements	Feb. 21, 1978	PAD-78-46a (letter report)	2
Entitlements	Jan. 13, 1978	PAD-78-46	2
Analysis of Department of Defense Unobligated Budget Authority	Jan. 13, 1978	PAD-78-38	4 5
Analysis of Department of Defense Unobligated Budget Authority	Jan. 13, 1978	PAD-78-34	4 5
Reappropriations	Jan. 3, 1978	PAD-78-45 (letter report)	5
History, Trends, and Processes of Defense Unobligated and Unliquidated Obligational Authority	Sept. 15, 1977	PAD-77-83 (letter report)	4 5

<u>Title or Subject</u>	<u>Date</u>	<u>Control #</u>	<u>Major* Category</u>
Revolving Funds: Full Disclosure Needed for Better Congressional Con- trol	Aug. 30, 1977	PAD-77-25	2 5
Progress in Improv- ing Program and Budget Information for Congressional Use (Fourth Annual Report)	Aug. 30, 1977	PAD-77-73	1 2 3 4 5
Government Agency Transactions with the Federal Financ- ing Bank Should Be Included in the Budget	Aug. 3, 1977	PAD-77-70	1 2 5
Mission Budgeting: Discussion and Il- lustration of the Concept in Research and Development Programs	July 27, 1977	PSAD-77-24	3
Terms Used in the Budgetary Process	July 1977	PAD-77-9	5
Zero-base Budgeting	June 10, 1977	PAD-77-60 (letter report)	4
Review of the Im- poundment Control Act of 1974 After 2 Years	June 3, 1977	OGC-77-20	2 4
Off-Budget Agencies	May 9, 1977	PAD-77-55 (letter report)	1
Legislative Appro- priations	March 24, 1977	PAD-77-38 (letter report)	5

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<u>Title or Subject</u>	<u>Date</u>	<u>Control #</u>	<u>Major* Category</u>
Need For A Government-wide Budget Classification Structure For Federal Research and Development Information	March 3, 1977	PAD-77-14	3 5
Need For A Government-wide Budget Classification Structure For Federal Research and Development Information	March 3, 1977	PAD-77-14a	3 5
Treatment of Budget Authority for the Emergency Mortgage Purchase Assistance Program of GNMA	Jan. 31, 1977	PAD-77-30 (letter report)	5
Entitlements	Jan. 13, 1977	PAD-78-46 (letter report)	2
Impoundment Provisions Regarding Farmers Home Administration	Sept. 28, 1976	B-115398 (letter report)	5
Federal Financing Bank	Sept. 16, 1976	B-178726 (letter report)	1 2
Standard Budget Classifications—Proposed Functions and Subfunctions	Aug. 20, 1976	PAD-76-49	3
Control Federal Loan Guarantee Programs	April 30, 1976	B-115398 (letter report)	2 5
No-Year Appropriations	April 26, 1976	B-170612 (letter report)	2 4

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<u>Title or Subject</u>	<u>Date</u>	<u>Control #</u>	<u>Major* Category</u>
Comments on S. 2035 Regarding Budget Authority	March 16, 1976	B-159687 (letter report)	5
No-Year Appro- priations	Feb. 2, 1976	B-143502 (letter report)	2 4
Budgetary Defini- tions	Nov. 1975	OPA-76-8	5
Impact of First Concurrent Resolu- tion and Presenta- tion of Data in Scorekeeping Reports	Oct. 8, 1975	B-159797 (letter report)	5
Cost-Base Budgeting Approach or Obligations, Outlay or Other Approach for ERDA	Sept. 19, 1975	B-178205	5
Classification Structure for R&D	Sept. 11, 1975	B-115398 (letter report)	3
Budgetary, Appro- priations, and Ac- counting Proce- dures for Annual Contributions for Assisted Housing	Aug. 29, 1975	Issue Paper	5
Fundamental Changes Are Needed in Fed- eral Assistance to State and Local Governments	Aug. 19, 1975	GGD-75-75	2 4
Proper Accounting of Budget Author- ity for Certain Housing Programs	Aug. 14, 1975	B-171630 (letter report)	5

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<u>Title or Subject</u>	<u>Date</u>	<u>Control #</u>	<u>Major* Category</u>
Implementation of Sections 201 to 205, 231 to 235, and 451 of the Legislative Reorganization Act of 1970	May 3, 1973	B-115398	1 2 3 4 5
Budgetary and Fiscal Information Needs of the Congress	Nov. 10, 1972	B-115398	1 2 3 4 5
Budgetary and Fiscal Information Needs of the Congress (Enclosure)	Feb. 17, 1972	B-115398	1 2 3 4 5
No-Year Appropriations	Aug. 10, 1971	B-153121 (letter report)	2 4

II. Testimony and Other Statements

<u>Title or Subject</u>	<u>Date</u>	<u>Committee or Organization</u>	<u>Speaker</u>	<u>Major* category</u>
Lack of controllability in the Federal Budget	Jan. 29, 1981	Senate Committee on Appropriations	Elmer B. Staats, Comptroller General of the United States	3
The need for Continued Budget Reform	Nov. 21, 1980	Address to the American Association for Budget and Program Analysis	Elmer B. Staats, Comptroller General of the United States	1 2 3 4 5
S. 2880, The Consultant Reform Act of 1980	Aug. 19, 1980	Senate Committee on Governmental Affairs	Elmer B. Staats, Comptroller General of the United States	4
Long-Term Planning for National Science Policy	July 31, 1980	Subcommittee on Science, Research, and Technology, House Committee on Science and Technology	Elmer B. Staats, Comptroller General of the United States	2 3
H.R. 6686, The Congressional Reports Elimination Act of 1980	July 24, 1980	Subcommittee on Legislation and National Security, House Committee on Government Operations	Morton A. Myers, Director, Program Analysis Division	4
Control of Loan Guarantees	June 23, 1980	Special Subcommittee on Control of Federal Credit, Senate Committee on the Budget	Harry S. Havens, Assistant Comptroller General for Program Evaluation	2

* Key:

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| 1. Budget Coverage Should Be Expanded | 4. Streamline Budget Process To Improve Analysis |
| 2. Enhance Budget Control | |
| 3. Improve Program and Policy Level Accountability | 5. Enhance The Reliability, Consistency, and Comparability of Budget Figures |

<u>Title or Subject</u>	<u>Date</u>	<u>Committee or Organization</u>	<u>Speaker</u>	<u>Major* category</u>
H.R. 7178, The Research and Development Authorization Estimates Act (Multi-Year Funding of R&D)	June 4, 1980	House Committee on Science and Technology	Elmer B. Staats, Comptroller General of the United States	3
HUD's Unsupported Year-End Obligations Overstated the Progress of Assisted Housing	May 8, 1980	Subcommittee on Human Resources, House Committee on Post Office and Civil Service	Jerome H. Stolarow, Director, Procurement and Systems Acquisition Division	5
Control of Year-end Spending	May 1, 1980	Subcommittee on Oversight of Government Management, Senate Committee on Governmental Affairs	Harry S. Havens, Assistant Comptroller General for Program Evaluation	4
Control of Year-end Spending	March 25, 1980	Subcommittee on Legislation and National Security, House Committee on Government Operations	Harry S. Havens, Assistant Comptroller General for Program Evaluation	4
Opportunities to Achieve Savings Through Legislative Action	March 10, 1980	House Committee on the Budget	Elmer B. Staats, Comptroller General of the United States	2
The Federal Budget Process	Dec. 11, 1979	Budget Process Task Force, House Committee on the Budget	Elmer B. Staats, Comptroller General of the United States	1 2 3 4 5
H.R. 5858, The Sunset Review Act of 1979	Nov. 29, 1979	House Committee on Rules	Elmer B. Staats, Comptroller General of the United States	2 3 4
Assuring Program Accountability	Nov. 15, 1979	Subcommittee on Rules of the House, House Committee on Rules	Elmer B. Staats, Comptroller General of the United States	3 4

<u>Title or subject</u>	<u>Date</u>	<u>Committee or Organization</u>	<u>Speaker</u>	<u>Major* category</u>
Research and Development Authorization Estimates Act (H.R. 4490)	Oct. 10, 1979	House Committee On Science and Technology	Elmer B. Staats, Comptroller General of the United States	3 4
S. 1304, The Legislative Oversight Act of 1979	Sept. 13, 1979	Senate Committee on Governmental Affairs	Harry S. Havens, Director, Program Analysis Division	3 4
The General Accounting Office's Report: A New Approach to the Public Debt Legislation Should Be Considered	Sept. 11, 1979	House Committee on Ways and Means	Elmer B. Staats, Comptroller General of the United States	2
Opportunities to Achieve Savings Through Legislative Action	July 24, 1979	Task Force on Legislative Savings, House Budget Committee	Elmer B. Staats, Comptroller General of the United States	2
Congressional Oversight Reform Legislation	July 12, 1979	Senate Committee on Governmental Affairs	Elmer B. Staats, Comptroller General of the United States	3 4
S. 445 and Title V of S. 2, Regulatory Sunset Proposals	June 15, 1979	Senate Committee on Governmental Affairs	Harry S. Havens, Director, Program Analysis Division	3 4
Congressional Oversight Reform Legislation H.R. 2 and H.R. 65	May 23, 1979	Subcommittee on the Legislation Process, House Committee on Rules	Elmer B. Staats, Comptroller General of the United States	3 4
The Federal R&D Budget	April 5, 1979	House Committee on Science and Technology	Elmer B. Staats, Comptroller General of the United States	3

<u>Title or Subject</u>	<u>Date</u>	<u>Committee or Organization</u>	<u>Speaker</u>	<u>Major* category</u>
Loan Subsidies and Costs	March 29, 1979	Subcommittee on Economic Stabilization, House Committee on Banking, Finance, and Urban Affairs	Harry S. Havens, Director, Program Analysis Division	2 5
Tax Expenditures and Investment Tax Credit	March 27, 1979	Subcommittee on Oversight, House Committee on Ways and Means	Harry S. Havens, Director, Program Analysis Division	3
Fraud, Abuse, and Mismanagement in Federal Programs	March 15, 1979	Senate Budget Committee	Elmer B. Staats, Comptroller General of the United States	4
Budget Authority for Foreign Military Affairs	Oct. 3, 1978	Task Force on National Security and International Affairs, House Budget Committee	Harry S. Havens, Director, Program Analysis Division	5
The Impoundment Control Act of 1974	June 29, 1978	Budget Process Task Force, House Budget Committee	Paul Dembling, General Counsel of the General Accounting Office	2 4
Full Funding for Federal Activities	Feb. 22, 1978	Budget Process Task Force, House Budget Committee	Donald Scantlebury, Director, Financial and General Management Studies Division	5
Use of Productivity Data in the Budget Process	Feb. 14, 1978	Task Force on Expenditures, Regulations and Reorganizations, House Budget Committee	Elmer B. Staats, Comptroller General of the United States	4
Unexpended Balances in the Department of Defense	Sept. 27, 1977	Task Force on National Security and International Affairs, House Budget Committee	Harry S. Havens, Director, Program Analysis Division	4 5

<u>Title or Subject</u>	<u>Date</u>	<u>Committee on Organization</u>	<u>Speaker</u>	<u>Major* category</u>
Budget Treatment of the FFB	Sept. 20, 1977	Subcommittee on Oversight, House Committee on Ways and Means	Elmer B. Staats, Comptroller General of the United States	1 2 5
			Harry S. Havens Director, Program Analyses Division	
Loan Guarantees,	March 29, 1977	Subcommittee on Economic Stabilization, House Banking, Finance and Urban Affairs Committee	Harry S. Havens, Director, Program Analysis Division	2

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