

~~2/5/82~~

United States General Accounting Office
Washington, D.C. 20548

FOR RELEASE ON DELIVERY
Expected at 2 p.m., Wednesday
April 21, 1982



118147

Statement of
Charles A. Bowsher
Comptroller General of the United States
before the
Subcommittee on Legislative Process, Committee on Rules
House of Representatives

Mr. Chairman and Members of the Subcommittee:

In coming weeks the Federal Government may encounter another "funding gap" if the debt limit extension is not enacted. On this matter, you requested that we provide you our views on the effects of a lapse in funding for government departments and agencies and the effects of a failure to enact a necessary increase in the public debt limit for a prolonged period of time. You also asked us to address the timeliness and content of impoundment reports to the Congress during the 97th Congress and the effects on impoundments of the enactment of S.J. Res. 58 or H.J. Res. 350. GAO has done some work on these subjects. The relevant reports and testimony have been provided to your subcommittee.

EFFECTS OF "FUNDING GAPS" DUE TO FAILURE TO ENACT APPROPRIATIONS

There have been relatively frequent funding gaps due to the failure to enact timely appropriations. The effects of these gaps on Federal operations and services include lost productivity, lowered morale, disruptions in services, lowered respect for the Federal

221681

Government, and some direct costs. These effects involve not only the Federal agencies but also those who work under Federal contracts and grants, including local governments, States, universities, defense contractors, and those who receive Federal aid and services.

The extent of these effects depends upon how agencies respond to the existence of a funding gap and the length of the gap. The present procedure is to immediately begin orderly shut down of non-essential operations. The most recent shut down was on November 23, 1981. It did not extend beyond that day and did not get fully initiated in all agencies. Therefore, that experience does not provide us with a basis for assessing the effects of a longer and more complete shut down. We can only state that most Federal operations other than those for defense, intelligence and the protection of life and property would be shut down completely within the first few weeks.

Several remedies have been proposed to at least lessen the impacts of relatively short-term funding gaps. These are discussed in the material we provided you.

EFFECTS OF NOT INCREASING THE DEBT CEILING

Failure to enact an extension and increase in the temporary debt ceiling for a prolonged period would also create a funding gap situation but of a different sort. As Treasury ran short of cash, payments would have to be discontinued, including payments for services already performed. In addition to the disruption of Government operations and services, there would be effects

on Government borrowing and financial markets. In examining the delays in the extension of the debt ceilings which occurred in 1978 and 1979, we found that they resulted in increased borrowing costs to the government, raised uncertainty in financial markets and called into question the fiscal integrity of the government itself as the probability rose of an actual default on the redemption of government securities.

We continue to believe that since the growth of public debt is in large measure the ultimate result of the revenue and expenditure decisions made by the Congress and the President, a prudent course of action would call for incorporating the debt ceiling decisions as part of the budget resolution, as is now done by the House but not the Senate. Furthermore, the Congress should consider making the entire debt ceiling permanent. At present the ceiling is comprised of a permanent ceiling of \$400 billion plus an additional temporary authorization of about \$680 billion for a combined total of over \$1 trillion.

TIMELINESS AND CONTENT OF IMPOUNDMENT REPORTS

Timeliness of Impoundment Reports

The timeliness of executive impoundment reports has been an issue virtually since the act was passed. In 1977 we reported to the Congress that unsatisfactory delays had occurred in OMB's reporting of impoundments under the Impoundment Control Act. OMB asserted that delay in reporting impoundments often results when it "batches" impoundments together in one report rather than sending each item to the Congress separately. We recognized in our report that, to some degree, the speed in reporting routine matters to the Congress should be balanced against administrative efficiencies. However, we concluded that not all delays are the

result of "batching" for administrative convenience. Therefore, we urged OMB to place greater weight on the needs of the Congress to receive timely reports.

The Executive Branch generally has done a better job in promptly reporting impoundments since we issued our 1977 report. The increase in the volume of impoundment proposals in the last 2 years appears to have caused a corresponding increase in delays in transmitting impoundment messages to the Congress. However, the executive branch transmitted impoundment proposals in the beginning of this fiscal year in a series of special messages, rather than withholding the proposals until they could be compiled in one special message. For example, during the first 29 days of this fiscal year, the President transmitted four different special messages containing 208 deferrals. This served to reduce the delays in transmitting the proposals to Congress. Of course, as a practical matter there always is some time lost between the establishment of reserves by the agency or OMB and when the special message actually is transmitted to the Congress.

Quality of Reports

We reported in 1977 that OMB's early impoundment special messages needed improvement, but that OMB had been cooperative in accepting our recommendations for improvements. We have continued to recommend that OMB specify the expected ending dates for proposed deferrals, and identify cognizant agency and OMB officials for each impoundment. Congressional staffs often contact us for information on impoundments because they

may not know which executive branch officials would be responsive to their inquiries. Such information also would facilitate our examination of proposed impoundments.

During our examination of special messages, we sometimes discover that factual errors exist or that the justification and programmatic effects of the impoundment are described inadequately. In those cases where such discrepancies occur, we provide the necessary supplemental information to the Congress in our impoundment reports.

EFFECTS ON IMPOUNDMENTS OF ENACTMENT OF
S.J. RES. 58 OR H.J. RES. 350

The two joint resolutions on which you asked us to comment propose an amendment to the constitution which would alter Federal budget procedures. The amendment would require that the Congress adopt a statement of receipts and outlays for each fiscal year in which total outlays do not exceed total receipts. Only by approval of three-fifths of the whole number of both Houses may Congress in such statement "provide for a specific excess of outlays over receipts." The amendment would further provide that the Congress and the President shall insure that actual outlays do not exceed the outlays set forth in the statement adopted by the Congress. You have asked how enactment of such a constitutional amendment would affect the current process under the Impoundment Control Act.

Where the level of available budget authority and the resulting anticipated outlays exceed the provisions for outlays contained in the statement adopted by the Congress,

the Congress or the President would have to reduce outlays. There are several ways in which this might occur. One, of course, would be for the Congress, itself, to reduce outlays by reducing budget authority or other spending authority through the existing budget process. If the Congress failed to do so, however, the amendment might well be construed as placing a positive constitutional duty on the President to reduce outlays through withholdings of budget authority among other things. Consequently, the President could claim that he is withholding some budget authority based on his constitutional mandate rather than under the Impoundment Control Act. Under these circumstances, the withholdings based on this mandate arguably would supersede the Impoundment Control Act procedures in whole or in part including the right of the Congress to overturn the Executive's impoundment decision. This situation would be analogous to those in which certain appropriation acts provide that budget authority shall be reduced a certain percentage by the President. We have held that the executive branch reductions made in response to those provisions are not subject to the Impoundment Control Act.

Even if the President and the Congress are constitutionally required to make reductions in the level of available budget authority, the Congress may want to retain some control over where those reductions are to be made. To insure congressional participation in that process, the Congress might either amend the Impoundment Control Act or provide some other mechanism

to regulate any reductions that need to be made in order to
comply with the constitutional amendment.

That concludes our statement. My colleagues and I
would be pleased to answer any questions you may have.