

GAO

Report to the President and the  
Congress

December 1990

THE BUDGET FOR  
FISCAL YEAR 1991

Compliance With the  
Balanced Budget and  
Emergency Deficit  
Control Act of 1985





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

Comptroller General  
of the United States

B-221498

December 10, 1990

The President  
The President of the Senate  
The Speaker of the House  
of Representatives

We hereby submit our compliance report for fiscal year 1991 as required by the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. Section 254(i) requires that the Comptroller General report on the extent to which each order issued by the President and each report issued by the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) under section 254 complies with the requirements of the act. We are required to certify that each order or report complies with the act's requirements or to indicate the respects in which it does not.

In our opinion, the CBO and OMB reports and the President's order substantially complied with the act except for the requirement to set forth estimates through fiscal year 1995 for the discretionary spending limits for each category. CBO and OMB informed us, however, that they will provide these estimates by February 1991, in ample time to correct any potential breach of the outyear spending caps. Accordingly, we do not consider this a serious violation of the act.

In addition, an issue has arisen concerning a difference between OMB's and CBO's scorekeeping treatment of certain existing lease purchase contracts. This could affect the need to adjust the statutory spending caps for future years for conceptual changes. We are examining this matter and will report soon on what we found.

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## Background

The Budget Enforcement Act of 1990 (title XIII of the Omnibus Budget Reconciliation Act of 1990, Public Law 101-508) amended the Balanced Budget and Emergency Deficit Control Act of 1985 in several significant ways. It rescinded the President's final sequestration order of October 15, 1990, and restored the amounts sequestered. The sequester had been suspended by five continuing resolutions, the final one expiring on November 5, when the Omnibus Budget Reconciliation Act of 1990 was enacted.

The act also revised and extended the deficit targets for fiscal years 1991 through 1995. Receipts and disbursements from the Social Security

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The reporting provisions for the CBO and OMB November 1990 reports addressed by this compliance report required that CBO and OMB only address discretionary spending matters. For future years, CBO and OMB will also report on overall deficit and pay-as-you-go matters.

Under the newly revised procedures, CBO issued its final sequestration report on November 6, 1990. It reported that the international discretionary category had exceeded its \$20.1 billion budget authority target by \$395 million, requiring a 1.9 percent sequester in the international category. CBO reported that the budget authority in appropriations and associated outlays for the defense and domestic categories were within their established targets.

OMB issued its final sequestration report on November 9, 1990. The President's order, implementing OMB's sequestration report, was also issued on November 9, 1990. OMB's report also fulfilled its requirement to issue a report within 5 days of the enactment of an appropriation bill. Like CBO, OMB reported a \$395 million breach in the international category, requiring a 1.9 percent sequester. It also reported that the defense and domestic categories were within their budget authority target amounts.

As both CBO and OMB reported, the breach in the international category was the result of an error in drafting the foreign operations appropriation bill for 1991. An error in the language appropriating funds for the Foreign Military Financing Program account added \$403.5 million for loans to the account rather than stipulating that the amount for the loans was considered to be part of the total amount appropriated for that account.

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## Objective, Scope, and Methodology

The objective of our review was to determine whether the CBO and OMB November 1990 reports and the President's November order complied with the act's requirements. Our methodology included a variety of tests to determine whether the procedures and rules imposed by the act for controlling discretionary spending had been followed. Our emphasis was on determining whether CBO and OMB had properly totaled the discretionary budget authority provided in fiscal year 1991 appropriation acts for the defense, international, and domestic categories.

Our basic criteria were the lists of the discretionary and appropriated entitlement and mandatory budget accounts in the international, defense, and domestic categories that were referred to in the Omnibus Budget Reconciliation Act of 1990. In the international category, where

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OMB reported only the spending limits applicable to fiscal year 1991. Both CBO and OMB representatives stated that they were not in technical compliance with the law in this respect. They stated that the primary reason for not including the amounts was the tight time constraints for issuing the reports. Both stated that these estimates will be included in future reports. According to CBO officials, CBO plans to issue a report in January 1991 that will provide the estimates for fiscal years through 1995. OMB officials stated that they plan to report these data in February 1991. This will provide ample time to adjust appropriation amounts, if necessary, to avoid breaching the outyear spending caps. Accordingly, we do not consider this a serious matter.

Copies of this report will be provided to the Director of the Office of Management and Budget, the Director of the Congressional Budget Office, and Members of Congress. Copies will also be made available to other interested parties on request.

This report was prepared under the direction of James L. Kirkman, Director, Budget Issues, who may be reached on (202) 275-9573 if you or your staffs have any questions. Other major contributors to this report are listed in appendix I.



Charles A. Bowsher  
Comptroller General  
of the United States

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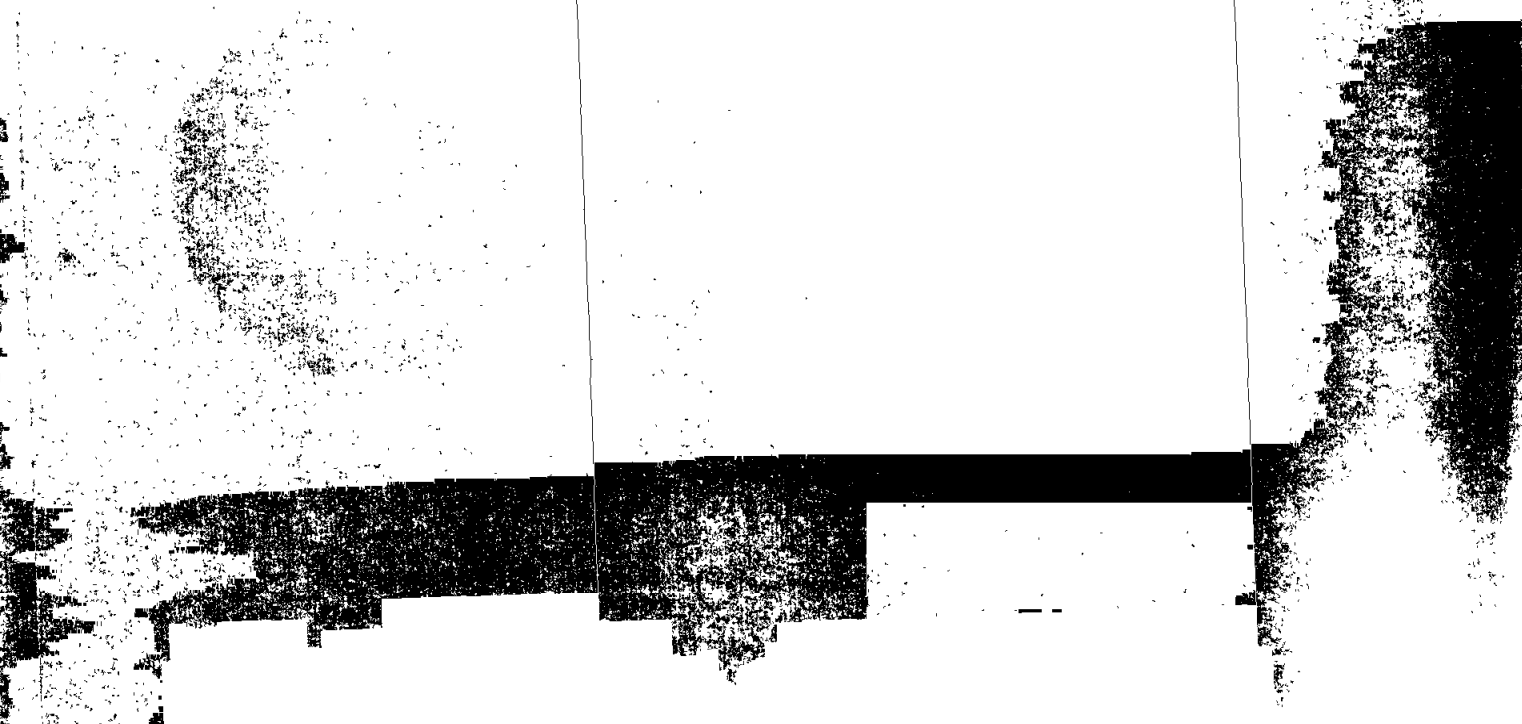
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CBO and OMB reports contained a budget account listing showing each account's discretionary budget authority and sequester amount, we performed an account-level analysis. This involved checking each account against the lists referred to in the act to see whether it was properly classified by CBO and OMB as an international discretionary account. We also checked CBO and OMB reported budget authority for the accounts against the amount indicated in the relevant enrolled appropriation bill. Finally, we computed the budget authority total and sequester percentage for the international category and compared our results with those of CBO and OMB.

In the defense and domestic categories, we did not examine each account because of the large number of accounts, the initial unavailability of enrolled appropriation bills, and severe time constraints. Instead, we started with the 13 appropriation conference reports and the total reported budget authority contained in those reports. From these totals, we calculated (using the lists referred to in the act) the mandatory account amounts. The remaining discretionary total for each bill was then compared to the CBO and OMB reported total and breakdown (in the three categories) for the bill. In cases where our computation did not match the CBO and OMB amounts, we contacted staff of those agencies and obtained their explanations, which we checked against language in the enrolled appropriation bills.

With respect to CBO and OMB projected outlays for each of the three discretionary categories, our analysis was limited to ascertaining whether the projected amounts fell within the statutory limit as adjusted by a special outlay allowance. We also checked to determine if the special allowance amount used in the CBO and OMB reports agreed with the allowances set forth in the act.

Finally, we interviewed cognizant officials in CBO, OMB, and selected congressional committees. Our work was conducted in Washington, D.C., during November 1990.

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## Overall Compliance

Our tests gave us reasonable assurance that the CBO and OMB final sequestration reports and the President's order substantially complied with the requirements of the act with the following exception. Section 254(g)(2)(A) requires that CBO and OMB issue final sequestration reports setting forth for the current year and each subsequent year through 1995 the applicable discretionary spending limits for each category and an explanation of any adjustments in such limits. However, both CBO and



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trust funds are no longer counted in the calculation of the deficit for the purpose of determining whether a sequester is needed. The 1991 deficit target was revised upward to \$327 billion and the 1995 target was set at \$83 billion. In addition, the President is required to adjust the deficit targets through 1995 for economic and technical assumptions when he submits his annual budgets for fiscal years 1992 and 1993. In his budgets for fiscal years 1994 and 1995, the President has the option to adjust the targets.

Furthermore, the act established new procedures for controlling discretionary spending for fiscal years 1991 through 1995. For fiscal years 1991, 1992, and 1993, separate limits were established for three categories of discretionary spending—defense, international, and domestic. For fiscal years 1994 and 1995, the three categories are merged into a single discretionary category. The President must adjust the spending limits when he submits the budget for fiscal years 1992 through 1995 for economic assumptions and for certain technical factors such as changes in budget concepts. A “breach” (new budget authority or projected outlays above the specified limit) in any of the categories results in a sequester only in the category where the breach occurs.

Mandatory spending on entitlement and similar programs is controlled for fiscal years 1992 through 1995 under a “pay-as-you-go” process whereby any new legislation that causes a direct spending increase or a revenue decrease must be offset so that the deficit is not increased.

The act established new reporting requirements and dates for OMB, CBO, and GAO. The procedures require OMB to issue a report within 5 days of the enactment of an appropriation bill. CBO is required to issue a final sequestration report 10 days after the end of a congressional session, and OMB and the President have 15 days after the end of a session to issue a final sequestration report and order, respectively. GAO is required to issue a compliance report covering the CBO and OMB reports and the President’s order 30 days after OMB issues its final sequestration report.<sup>1</sup>

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<sup>1</sup>Prior to the enactment of the Omnibus Budget and Reconciliation Act of 1990 on November 5, 1990, GAO was required to issue a report on November 15 on OMB’s and the President’s compliance. We had completed our study at the time the reporting requirements were changed. Although we did not issue a report on November 15, we had determined that, at the time of their issuance, OMB’s reports and the President’s orders were in substantial compliance with the act’s provisions for projecting the deficit and calculating the sequester percentages. Although we identified a few accounts where we believed that OMB inappropriately applied the act’s requirements, they did not affect the deficit calculation or the sequester percentages.

