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

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August 12, 1975

B-115398



Speaker of the House
President of the Senate

We were furnished copies of deferrals and proposed rescissions which the President submitted to the Congress on July 26 in his second special message for fiscal year 1976 pursuant to the Impoundment Control Act of 1974. The special message transmits five rescission proposals, 23 new deferrals, and two revised deferrals. The President estimates that the new impoundments will reduce fiscal year 1976 outlays by \$67.2 million. Enclosure I summarizes, by agency, the total budget authority and FY 1976 outlay reductions involved in the new messages.

The Impoundment Control Act requires us to review each message and report promptly to the House and Senate as to the facts surrounding each action, including the probable effect thereof and, in the case of deferrals, to render a judgment as to whether the action is in accordance with existing legal authority. We are also required to notify the Congress if supplementary information revising earlier messages necessitates changes in the original reports submitted by us.

Enclosure II contains our comments on each impoundment transmitted by the President's July 26 special message. Most of the deferrals involve continuing resolution budget authority provided by Public Law 94-41, which expires at the end of the calendar year rather than at the end of the quarter, as in the past. The manner used by OMB to report these impoundments, however, does not provide a timely and complete statement of the impoundment action concerning the total budget authority involved.

The continuing resolution impoundments involve the first quarter of the year rather than the period the budget authority is available (six months in most cases). The primary reason given for reporting only one quarter's deferral is the contingency caused by the uncertain status of applicable appropriation acts; i.e., how much should be impounded and what form should the impoundment take. The purpose of the continuing resolution is to provide budget authority during this period of uncertainty required by the appropriation review process. In this instance Congress provided it for six months rather than one quarter as in the past. We believe, therefore, that these impoundments should have been reported for the time period the budget authority was provided by the continuing resolution. If actions occur during the appropriation review

ACG-76-5

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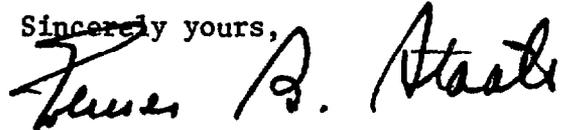
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process that affect the nature or degree of the Administration's impoundment decision, the Impoundment Control Act provides for supplementary messages to communicate any changes the Administration considers necessary. Reporting these deferrals for the same time period the budget authority was provided would:

- (a) provide a clearer, more complete message for congressional action,
- (b) provide the Congress with more time to consider the actions--the messages were received nearly one month into the quarter involved,
- (c) reduce the preparation and review time involved in extending deferrals into each applicable quarter.

Sincerely yours,



Comptroller General
of the United States

Enclosures

ENCLOSURE I

BUDGET AUTHORITY AND OUTLAY REDUCTIONS CONTAINED IN NEW
 RESCISSIONS AND DEFERRALS TRANSMITTED WITH THE
 PRESIDENT'S SECOND FY 76 SPECIAL MESSAGE
 JULY 26, 1975

| <u>PROPOSED RESCISSIONS</u> | <u>BUDGET AUTHORITY</u> | <u>OUTLAY REDUCTIONS</u> <u>FY 76</u> |
|---|-----------------------------|--|
| | (dollars in thousands) | |
| 1 Dept. of Agriculture | \$ 25,723 | \$ 4,000 |
| 2 Dept. of Health, Education, and Welfare | 7,000 | 5,700 |
| 3 Dept. of Interior | 47,500 | 0 |
| 4 Community Services Administration | 10,000 | 10,000 |
| <u>DEFERRALS</u> | | |
| Dept. of Agriculture | \$ 385,986 | \$ 11,500 |
| Dept. of Health, Education, and Welfare | 93,696 | 22,200 |
| Dept. of Interior | 3,375 | 0 |
| 5 General Services Administration | 1,790 | 1,800 |
| 6 Community Services Administration | <u>16,500</u> | <u>12,000</u> |
| TOTAL RESCISSIONS AND DEFERRALS | <u><u>\$591,570</u></u> | <u><u>\$ 67,200</u></u> |

COMMENTS ON THE SECOND FY 1976 SPECIAL MESSAGE
TRANSMITTED BY THE PRESIDENT ON JULY 26, 1975
PURSUANT TO THE IMPOUNDMENT CONTROL ACT OF 1974

DEPARTMENT OF AGRICULTURE

R76-4 Forest Service
12X2262 Forest Roads and Trails
12X5203 Roads and Trails for States,
National Forests Fund

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

R76-5 Assistant Secretary for Human Development
Human Development 755/60136
(Child Development)
(Head Start)

DEPARTMENT OF THE INTERIOR

R76-6 Bureau of Mines
Helium Fund
14X4053

COMMUNITY SERVICES ADMINISTRATION

R76-7 Economic Opportunity Program
Executive 1975 - 815/60500
(Research and Demonstration)

R76-8 Economic Opportunity Program
Executive 1975 - 815/60500
(Community Economic Development)

Information in the above messages is essentially correct and the action being proposed is reasonably clear. Budget authority in R76-7 and R76-8 will lapse on September 30, nearly a month before expiration of the 45 days of continuous session the Congress normally has to review proposed rescissions. Budget authority in R76-5 will lapse on October 31, only two days after the 45th day of continuous session.

U.S. DEPARTMENT OF AGRICULTURE

D76-31 Farmers Home Administration
Rural Water and Waste Disposal
Grants - 12X2066

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

D76-40 Alcohol, Drug Abuse, and Mental
Health Administration
Alcohol, Drug Abuse, and Mental Health
7561361
(General Mental Health, Research; Alcohol,
Research)

D76-42 Office of Education
School Assistance in Federally
Affected Areas 7560280
(A and B Children and Partial Loss
of Tax Base)

D76-44 Office of Education
Library Resources 75 6 0212
(Public Libraries)

D76-45 Social and Rehabilitation Service
Public Assistance
(Child Welfare Services)
755/60581

The above five deferrals involve continuing resolution budget authority provided by Public Law 94-41, which expires at the end of the calendar year rather than at the end of the quarter, as in the past. The manner used by OMB to report these impoundments does not provide a reasonably clear statement of the action being taken because two different time periods are involved--the one applicable to the total amount of budget authority is longer than the time period applicable to the deferred amount. As a result, the messages fail to disclose the obligation level being pursued during the deferral period. It is also possible to conclude that the difference between the total and the impounded budget authority shown on the messages is available for obligation when in fact it may not be.

We believe the deferral period covered by the messages should encompass the same timeframe for which the budget authority is available-- in these cases, the total budget authority available and the amount impounded should cover the period of availability prescribed in the continuing resolution (six months in most cases). However, having reported only the first three months' deferral, OMB should not have related a six-month total with a three-month deferral. Instead, as a minimum, it should have shown a computation that related the total budget authority available during the quarter with the amount being used and the amount being impounded during the quarter. Without this information, the action being taken is not reasonably clear. For example, using D76-42, the following schedule illustrates how providing this information can correct the lack of clarity inherent in the reporting procedure used by OMB.

| | <u>As reported in the message</u> | <u>First quarter data needed for clarity</u> |
|--|---|--|
| | (dollars in millions) | |
| Budget authority provided by the continuing resolution | \$301.5 | \$120.6 |
| Impounded budget authority | <u>68.35</u> | <u>68.35</u> |
| DIFFERENCE: | | |
| Released for obligation | | <u>\$ 52.25</u> |
| Unexplained--could be incorrectly viewed as available for obligation | <u>\$233.15^a</u> | |

^aIt is highly probable that part of this amount, plus the \$68.35 million now impounded, will be impounded during the second quarter. Agency officials (HEW) told us that the fiscal policy decision to be pursued during the second quarter would not be made until after September 9, the day Congress has scheduled to vote on the President's veto of the Education Appropriation. The nature and degree of any continued impoundment will be affected by the outcome of this vote.

OMB has agreed to correct this problem in future messages of this kind. Since the FY 1976 continuing resolution states that the budget authority it provides is exempt from the apportionment process prescribed by the Antideficiency Act, OMB has cited § 1013 of the Impoundment Control Act as the authority for these deferrals. We agree with this citation. If the budget authority had been apportioned by OMB, however, the deferral actions would be in accordance with authority conferred by the Antideficiency Act (31 U.S.C. 665). The authority exists until either House of the Congress passes a resolution disapproving the action.

U.S. DEPARTMENT OF AGRICULTURE

- D76-28 Agricultural Stabilization and
 Conservation Service
 Agricultural Conservation Program - 1976
 126/83315
- D76-29 Agricultural Stabilization and
 Conservation Service
 Water Bank Act Program - 1976
 12X3320
- D76-30 Agricultural Stabilization and
 Conservation Service
 Forestry Incentives Program - 1976
 12X3336
- D76-32 Farmers Home Administration
 Rural Housing for Domestic Farm Labor
 Grants - 12X2004
- D76-33 Farmers Home Administration
 Mutual and Self-Help Housing Grants
 12X2006

U.S. DEPARTMENT OF AGRICULTURE

- D76-34 Farmers Home Administration
Self-Help Housing Land
Development Fund
12X4222
- D76-35 Agricultural Marketing Service
122501 - Payments to States and
Possessions, Agricultural
Marketing Service

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

- D76-43 Office of Education
Higher Education
7560293
(Aid to land-grant colleges -
Annual appropriation)

The above eight deferrals involve continuing resolution budget authority provided by Public Law 94-41, which expires at the end of the calendar year rather than at the end of the quarter, as in the past. Limiting these impoundment messages to the first quarter does not provide a timely and complete statement of all impoundment action concerning the total budget authority involved.

Since the FY 1976 continuing resolution states that the budget authority it provides is exempt from the apportionment process prescribed by the Antideficiency Act, OMB has cited § 1013 of the Impoundment Control Act as the authority for these deferrals. We agree with this citation. If the budget authority had been apportioned by OMB, however, the deferral actions would be in accordance with authority conferred by the Antideficiency Act (31 U.S.C. 665). The authority exists until either House of Congress passes a resolution disapproving the action.

U.S. DEPARTMENT OF AGRICULTURE

D76-36 Forest Service
12X2262 Forest Roads and Trails
12X5203 Roads and Trails for States,
National Forests Fund

U.S. DEPARTMENT OF THE INTERIOR

D76-46 Bureau of Mines
Drainage of Anthracite Mines
14X0956

COMMUNITY SERVICES ADMINISTRATION

D76-49 Economic Opportunity Program
Executive 1976 or 816/0500
(Emergency Energy Conservation
Services

The information provided in the above messages is essentially correct and the actions taken are reasonably clear. Since the FY 1976 continuing resolution states that the budget authority it provides is exempt from the apportionment process prescribed by the Antideficiency Act, OMB has cited § 1013 of the Impoundment Control Act as the authority for these deferrals. We agree with this citation. If the budget authority had been apportioned by OMB, however, the deferral actions would be in accordance with authority conferred by the Antideficiency Act (31 U.S.C. 665). The authority exists until either House of Congress passes a resolution disapproving the action.

U.S. DEPARTMENT OF AGRICULTURE

D76-37 Forest Service
Expense, Brush Disposal
12X5206

D76-38 Forest Service
Licensee Programs
Forest Service
12X5214

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

D76-39 Health Services Administration
Indian Health Facilities
75X3091
(Acoma-Laguna-Cononcito Hospital)

GENERAL SERVICES ADMINISTRATION

D76-48 Rare Silver Dollar Program
47X0701

The information provided in the above messages is essentially correct and the actions taken are reasonably clear. The deferrals are in accordance with the authority conferred by the Antideficiency Act (31 U.S.C. 665). The authority exists until either House of the Congress passes a resolution disapproving the action.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

D76-41 Health Resources Administration - 75X0712
(Special Medical Facilities)

ENVIRONMENTAL PROTECTION AGENCY

D76-47 Water Supply
Abatement and Control
68X0108

COMMUNITY SERVICES ADMINISTRATION

D76-50 Economic Opportunity Program
Executive 1976 or 816/0500
(Community Economic Development)

The deferred budget authority described in the above messages was released before the messages were submitted to the Congress. GAO comments, therefore, are not necessary.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

D76-11A Asst. Secretary for Human Development
Research and Training Activities
Overseas
(Special Foreign Currency Program)

DEPARTMENT OF THE INTERIOR

D76-13A Bureau of Reclamation
Construction & Rehabilitation
14X5061

Our July 17 report to the Congress (B-115398) commented on the original deferral messages revised by the above supplementary messages. The President's supplementary information does not require us to modify our earlier comments.