



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

Mr. Wray
SSA
14545

B-199487

August 7, 1980

The Honorable Abraham Ribicoff
Chairman, Committee on
Governmental Affairs
United States Senate

Dear Mr. Chairman:

You asked us to review and [comment] on S. 2790, a bill to limit the amount that may be obligated by any agency of the Federal Government for contracts in each of the last 3 months of any fiscal year.

On May 1, 1980, we testified before your Subcommittee on Oversight of Government Management to discuss ways to control year-end spending, including a statutory limit on the amount that can be obligated at the end of the fiscal year. For example, one approach is to require that agencies obligate not more than 20 percent of their funds in the last 2 months of the fiscal year. At that time we stated that generally, we do not favor these types of limitations because they are difficult to administer and because they address a symptom rather than correcting underlying management problems. We also stated that we believe that a temporary 20 percent limitation imposed through the apportionment process is the most appropriate means available to the Congress to force the Office of Management and Budget and the agencies to pay more attention to budget execution. It is necessary to build in flexibility to obtain waivers from the limitation in some cases to avoid program disruption.

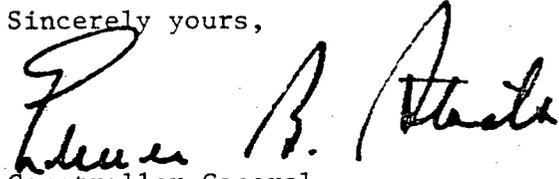
The specific amount of the limitation is not critical. What is critical is that the needed management improvements be made in the budget execution process.

The proposal in S. 2790 of a 10 percent limit on contract obligations in each of the last 3 months is more restrictive than the limit of 20 percent in the last 2 months in H.R. 4717. This is because the 20 percent limit allows spending more than 10 percent in the last month. Also, the proposal in S. 2790 is limited to contracts while H.R. 4717 covers all obligations. Our work to date indicates that year-end surges take place not only in the area of contracts but also in grants and other areas. Broader coverage, rather than limiting coverage only to contracts, could increase effectiveness in terms of bringing attention to the full scope of the problem. In our opinion, a temporary rather than a permanent limit is desirable. The proposal should include a requirement for evaluation of the effectiveness of the limitation after a trial period.

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In summary, we consider the element critical to solving this problem to be management attention to the quality--not just the quantity--of spending. Many possible limits could be used to convey concern to try to bring about the needed emphasis on the budget execution process.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Luther B. Stoltz".

Comptroller General
of the United States