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[Entitlement Programs Funded by Other Than 1-Year Appropriations]. PAD-78-76A; B-115398. February 21, 1978. 4 pp.

Report to Sen. Edmund S. Muskie, Chairman, Senate Committee on Budget; by Elmer B. Staats, Comptroller General.

Contact: Program Analysis Div.

Organization Concerned: Department of Health, Education, and Welfare; Veterans Administration.

Congressional Relevance: House Committee on Budget; Senate Committee on Budget. Rep. Robert W. Giaino; Sen. Edmund S. Muskie.

Authority: P.L. 94-424. P.L. 95-205.

A study was performed on the period of availability of funds provided for entitlement programs in appropriation acts. The Department of Health, Education, and Welfare (HEW) and the Veterans Administration (VA) submitted explanations concerning why selected entitlement programs were financed by other than 1-year appropriations. No-year appropriations were established for three accounts funding VA programs--Veterans Insurance and Indemnities, Compensation and Pensions, and Readjustment Benefits--because no-year accounts reduce the need for supplemental appropriation requests, and it is difficult to estimate needs because of the rapidity of additions to VA benefit rolls and the effects of economic conditions on utilization of benefits. Five HEW programs--Public Assistance Grants, Medicaid, Aid to Families with Dependent Children, Supplemental Security Income, and Special Benefits for Disabled Coal Miners--were classified as funded by multiyear accounts with authority to draw down the next year's budget authority in the last quarter of the current year. Under the first three programs, funded from the "Public Assistance" account, the immediate needs of recipients make it inappropriate to wait until the first of a new fiscal year to process payments to States. HEW considers the other two accounts to be 1-year appropriations with draw-down authority. Funding needs of these programs may vary substantially from budget estimates. A joint resolution which provided for carryover into the next fiscal year of unobligated balances for certain accounts was an exception to the normal practice of 1-year appropriations. (HTW)

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

FEB 21 1978

B-115398

The Honorable Edmund S. Muskie
Chairman, Committee on the Budget
United States Senate

Dear Mr. Chairman:

This is another partial response to your letter of November 21, 1977, signed jointly with Chairman Giaimo, House Committee on the Budget, requesting that we undertake a study on the period of availability of funds provided for entitlement programs in appropriation acts.

In our letter of January 13, 1978, to you, we provided a listing of entitlement programs and a comparison of appropriation language used in the appropriation acts and that proposed in the President's budget for fiscal year 1978 for selected programs administered by the Department of Health, Education, and Welfare (HEW); the Department of Agriculture; and the Veterans Administration (VA). We also provided to you the amount of budget authority that would have been requested by the executive branch for each of the programs funded on other than a 1-year appropriation had they been funded on a regular 1-year appropriation.

As we advised you previously, we requested the agencies to provide us with information concerning the legislative history for the reasons why selected entitlement programs were financed by other than 1-year appropriations. This letter summarizes the explanations and views that we have received to date from the Department of Health, Education, and Welfare and the Veterans Administration. We are also enclosing copies of the agencies' responses to us.

We did not receive a response from the Department of Agriculture in time to include in this letter. As soon as the Department of Agriculture response is received, we will provide the information to you.

PAD-78-76A

A summary of the responses from HEW and VA follows:

The three appropriation accounts funding Veterans Administration entitlement programs--Veterans Insurance and Indemnities (36-0120-0-1-701), Compensation and Pensions (36-0102-0-1-702), and Readjustment Benefits (36-0137-0-1-702)-- have been funded by no-year appropriations for over 30 years. Based upon hearings on the Independent Offices Appropriation Bills for 1945 and 1946, the reasons for establishing no-year appropriations for these programs may be summarized as follows:

- No year accounts reduce the need for supplemental appropriation requests;
- The rapidity with which certain additions are made to VA benefit rolls makes it difficult to estimate needs; and
- Economic conditions have an effect on the utilization of benefits by Veterans making it difficult to estimate needs.

A parliamentary inquiry regarding fiscal year 1976 VA funds questioned the authority for continued availability of no-year funds by means of appropriation acts. It was the position of the House Parliamentarian that, unless substantive law authorized such continued availability, the matter would be subject to a point of order on the House Floor. Public Law 94-424, enacted on September 28, 1976, provided the requisite statutory authority for no-year appropriation accounts for the Veterans Administration.

The Veterans Administration believes that the uncontrollable nature of entitlement programs and the enactment of new legislation subsequent to the enactment of a current appropriation support the continued validity of no-year appropriations. They also believe that variations in budget requirements are absorbed by the carry-over of prior year funds, thus obviating the need for processing and avoiding the administrative cost of a supplemental appropriation.

According to the Veterans Administration, open-ended funding through a permanent indefinite appropriation is the only other funding mechanism that would adequately meet program needs. Veterans programs provide uncontrollable statutory benefits and with the magnitude of payments made, overpayments occur. Conversion to a 1-year appropriation would increase administrative

expenses because of the necessity of maintaining records identifying overpayments by the year in which they occurred and refunds, which are now used to fund current obligations, would be returned to the General Fund of the Treasury. The Veterans Administration believes that, considering the magnitude of overpayments and the return of receipts to the Treasury, the accuracy of the program costs as expressed in obligations and outlays would be lost by a 1-year appropriation. The insurance appropriation receives premium collections and repayments on policy loans and liens. It serves not only as a mechanism to fund the Government's share of certain hazard costs, but also as an insurance fund for a certain class of insured persons.

The five HEW programs--Public Assistance Grants, Medicaid, Aid to Families with Dependent Children (AFDC), Supplemental Security Income, and Special Benefits for Disabled Coal Miners--were classified, according to information included with your letter, as being funded by multi-year accounts with authority to draw down the next year's budget authority in the last quarter of the current year. As we indicated in our January 13, 1978, letter to you, HEW officials have taken exception to the classification of these as multi-year accounts. They contend that the accounts are 1-year appropriations which contain special authorities.

Three of the programs--Public Assistance Grants, Medicaid, and AFDC--are currently funded from the appropriation account "Public Assistance" (75-0581-0-1-999). Congress authorized the use of advance obligational authority (advance funding) to make obligations during the last 2 months of the fiscal year against the following year's appropriation. According to HEW, recipients have an immediate need of funds received through Public Assistance; because of this, it is not appropriate to wait until the first of a new fiscal year to begin processing payments to States, which administer the program.

HEW considers the other two accounts--Supplemental Security Income (75-0406-0-1-604) and Special Benefits for Disabled Coal Miners (75-0409-0-1-601)--to be 1-year appropriations with draw-down authority. According to HEW, due to the sensitivity of entitlement programs to prevailing economic conditions, funding needs of these programs may vary substantially from the budget estimates. To avoid having to make appropriations on a crash basis, Congress provides authority to draw down "such sums as may be necessary" from the appropriation for the succeeding fiscal year to cover a shortfall.

A joint resolution making further continuing appropriations (P.L. 95-205) provided for the carryover into fiscal year 1978

of unobligated balances from the fiscal year 1977 appropriation for Supplemental Security Income and parts of the Public Assistance accounts. According to HEW officials, this constitutes an exception to the normal practice and does not break the pattern of 1-year appropriations.

We are also advising Chairman Giaimo, House Committee on the Budget, of the status of our study on entitlement program.

Sincerely yours,

SIGNED ELMER B. STAATS

Comptroller General
of the United States

Enclosures - 2

IDENTICAL LETTER SENT TO:

The Honorable Robert N. Giaimo
Chairman, Committee on the Budget
House of Representatives