

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

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For release to  
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September 16, 1976

B-178726

The Honorable Ken Hechler  
House of Representatives

Dear Mr. Hechler:

In your letter of September 13, 1976, you asked for our views and comments on the use of the Federal Financing Bank (FFB) to purchase loans guaranteed by the Energy Research and Development Administration (ERDA) under the provisions of H.R. 12112, if enacted.

It appears to us that FFB could, indeed, purchase such loans under FFB's existing authority and that the resulting disbursement of Federal funds would not be reflected as an outlay in the Federal budget. Such a transaction would, as you suggest, increase the total outstanding Federal debt.

I believe this sort of loophole in the budget process is highly undesirable. It is for this reason that we have consistently opposed the creation of "off-budget" agencies, of which FFB is a prominent example.

If H.R. 12112 were enacted, ERDA would have authority to guarantee certain loans. Under section 3 of the Congressional Budget and Impoundment Control Act of 1974 (31 U.S.C. 1302) the authority to guarantee loans does not represent budget authority. Budget outlays (cash disbursements) would not be recorded until such time as ERDA disbursed funds pursuant to the guarantee. Thus ERDA's immediate transactions would not affect the budget totals.

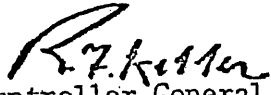
Under existing law, FFB is authorized to purchase loans guaranteed by Federal agencies, including ERDA (12 U.S.C. 2285). Under usual budget concepts, the disbursement of funds by the Federal Government (and FFB is indisputably a Federal entity) to a private individual or firm is a Federal budget outlay. However, the transactions by FFB of this sort are excluded from the budget totals by law (12 U.S.C. 2290). Thus this transaction also escapes the discipline of the budget process. Taken together, however, these transactions--the ERDA guarantee plus the FFB purchase--amount to a direct loan.

There is little dispute that direct loans should logically be reflected in the budget totals. But the special budget treatment accorded loan guarantees, and the special budget treatment accorded FFB transactions, creates a situation in which it is possible, in effect, to make direct loans without ever going through the normal discipline of the budget process--a discipline which is applicable to most proposals to spend the taxpayer's money.

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This anomaly is inconsistent with sound budgetary principles, as reflected in the Report of the President's Commission on Budget Concepts. We believe FFB should be barred from engaging in transactions of this sort so long as its activities are not fully reflected in the budget.

Sincerely yours,

  
ACTING Comptroller General  
of the United States

cc: Olin E. Teague, Chairman  
House Committee on  
Science and Technology