



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

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January 11, 1980

The Honorable Russell B. Long
Chairman, Committee on Finance
United States Senate

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[Comments on]

Dear Mr. Chairman:

S. 2064 was recently referred to the Senate Committee on Finance for its consideration. The bill would amend Section 103 of the Internal Revenue Code of 1954 to provide that the interest on certain mortgage revenue bonds will not be exempt from Federal income tax. As amended by the bill, paragraph (g)(7) of Section-103 would require the Secretary of the Treasury, the Secretary of Housing and Urban Development (HUD), and the Comptroller General of the United States to jointly conduct a study of: GAO 00010

- "(1) the effectiveness of tax exempt mortgage revenue bond programs as compared to existing private and Federal mortgage activities in terms of providing community rehabilitation, revitalization, and housing assistance programs, especially with regard to families of low and moderate income;
- "(2) the extent to which tax exempt mortgage revenue bond programs have been directed toward those who would not otherwise have home ownership opportunities; and
- "(3) the degree to which issuers have taken specific steps to alleviate substantial displacement in the development of mortgage revenue bond programs as they would impact families of low and moderate income."

The findings and recommendations of this study would be required to be submitted to the House Committee on Ways and Means and the Senate Committee on Finance not later than two years after the date of enactment of the Act.

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Legislative mandates that we participate in studies such as the one required in S. 2064 cause us considerable concern because of their potential impact on (1) our capability to perform our full range of required work and (2) our independence.

We envision the particular study being called for by S. 2064 as a very comprehensive one, and one which could involve numerous housing programs in several Federal departments and agencies. It would, undoubtedly, draw heavily on our already limited staff resources, disrupt our audit plans, and possibly preclude our undertaking other important work.

We see our role as an independent oversight agency in the legislative branch. We believe that our Office must maintain its independence and objectivity and not participate in executive branch determinations and evaluations. Such participation would, we believe, weaken our value to the Congress in carrying out its oversight function. If our Office were to participate in the proposed study and in reaching conclusions regarding the effectiveness of the programs, we would not be in a sound position to make independent evaluations of the programs in the future. Accordingly, we recommend the deletion of S. 2064's requirement that our Office participate in the joint study of mortgage revenue bonds.

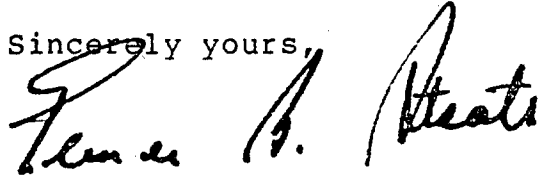
Under Section 204 of the Legislative Reorganization Act of 1970, our Office is required to perform work requested by the chairmen of congressional committees. If the requirement for our Office's participation in the joint study were deleted as we have recommended, you, as Committee Chairman, could request our Office to perform any desired work relating to mortgage revenue bonds. We believe such an arrangement would be mutually advantageous because it would permit us, through discussion with the Committee, to reach agreement regarding the scope and reporting timeframe for any desired work, thereby allowing us to concentrate on matters of greatest concern to the Committee.

If the Committee decides to involve our Office in the proposed study of mortgage revenue bonds, we believe we could make a greater contribution by either overseeing the study by the other two agencies or, preferably, by making a

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further review after the study has been completed of any areas in which the Committee feels additional work is warranted. We will be happy to discuss this matter with you if you desire.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Thomas A. Steats". The signature is written in dark ink and is positioned to the right of the typed name.

Comptroller General
of the United States