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Statement of

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Assistant Comptroller General of the United States

before the

Energy Task Force

of the

Committee on the Budget

United States Senate

on

Budgeting of Federal Financial Incentives for Energy Development

Mr. Chairman, we welcome the opportunity to be here this morning to present our views on the budgeting of Federal financial incentives for energy development.

There are currently before the Congress a number of legislative proposals aimed at fostering the development of new energy supply technologies. S.2532, to establish the Energy Independence Authority, provides for $83 billion in spending authority in 1977 and for up to a total of $100 billion in spending authority in subsequent years. Other proposals include the Nuclear Fuel Assurance Act (S.2035) and H.R. 12112 (to amend the Federal Non-Nuclear Energy Research and Development Act of 1974).

The Nuclear Fuel Assurance Act would authorize the Energy Research and Development Administration to enter into contracts for cooperative agreements with private firms to build privately-owned uranium enrichment plants. ERDA's total authority under the bill would be $8 billion. H.R. 12112 would authorize ERDA to provide private firms up to $4 billion in support for synthetic fuel, renewable resources, and industrial conservation projects. The funds provided by the proposed legislation are intended to reduce or eliminate the risk borne by private firms in the development of technologies whose commercial success is uncertain.

While the subject of this morning's hearing is the budgeting of energy incentives, our concern about the budgeting of financial incentives goes beyond this immediate concern. We believe that there should be full disclosure of the budget impact of all existing and proposed Federal credit and credit support programs. Only by full disclosure can the full impact of such programs be evaluated and tradeoffs with other Federal programs evaluated.

In this regard, we support the basic philosophy and recommendations of the 1967 President's Commission on Budget Concepts which urged "a unified budget--with complementary components--which will put an end to competing measures." There has been a significant departure in recent years from this concept through the growth of off-budget programs. Outlays for existing off-budget programs are estimated at $11.1 billion for FY 1977, and enactment of any of the financial incentives under consideration today will substantially increase both off-budget authority to spend and potential outlays.

We recognize that the exclusion from the budget of substantial amounts of budget authority and potential outlays in the energy incentives bills would be on the theory that they are "loan guarantees," but we believe that in these cases loan guarantee status is in the nature of a technicality. Certainly, these programs are significantly different in character and purpose from VA or FHA loan guaranty or insurance programs, for example. Indeed, the loan guarantee technique may not be the most effective way to achieve the objectives of the bills, and we recommend the proposed loan guarantees be carefully weighed against other options.