
May 1996

Budget Issues Area Plan Update

Fiscal Year 1996



Foreword

As the investigative arm of Congress and the nation's auditor, the General Accounting Office is charged with following the federal dollar wherever it goes. Reflecting stringent standards of objectivity and independence, GAO's audits, evaluations, and investigations promote a more efficient and cost-effective government; expose waste, fraud, abuse, and mismanagement in federal programs; help Congress target budget reductions; assess financial information management; and alert Congress to developing trends that may have significant fiscal or budgetary consequences. In fulfilling its responsibilities, GAO performs original research and uses hundreds of databases or creates its own when information is unavailable elsewhere.

To ensure that GAO's resources are directed toward the most important issues facing Congress, each of GAO's 34 issue areas develops a strategic plan that describes the significance of the issues it addresses, its objectives, and the focus of its work. Each issue area relies heavily on input from congressional committees, agency officials, and subject-matter experts in developing its strategic plan.

The Budget Issues area covers questions related to the structure of the federal budget, the budget process, and budget control, including deficit-cutting options that encompass the work of all other GAO issue areas.

GAO's work in the Budget Issues area focuses on the federal deficit, the effects of the budget and the budget process on policymakers' ability to make choices, and the impact of the budget on the operations of the government. The principal issues in this area are

- increasing public and congressional recognition of the importance of reducing the deficit and making the decisions necessary to achieve that goal;
- improving the presentation of budgetary choices to focus on important policy choices, including the amount and quality of federal investment and long-term consequences of decisions; and
- analyzing the interaction of budget and management and using the budget as a window on the design and structural issues of federal government activities.

In the pages that follow, we describe our key planned work on these important issues.

Foreword

Because events may significantly affect even the best of plans, our planning process allows for updating the plan and provides the flexibility to respond quickly to emerging issues. If you have any questions or suggestions about this plan, please call me at (202) 512-9573.

A handwritten signature in black ink that reads "Paul L. Posner". The signature is written in a cursive style with a large, prominent 'P' and 'L'.

Paul L. Posner
Director
Budget Issues

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Table I: Key Issues

| Issue | Significance |
|---|--|
| Deficit reduction: What are the causes, implications, and appropriate responses to a persistent federal budget deficit? | Continuing large deficits pose significant long-term economic and fiscal consequences for our nation. Congress has sharpened its focus on budgetary matters, in hopes of balancing the federal budget in fiscal year 2002. The need for and the prospect of deficit reduction offers an opportunity to address program and management reforms that have been long overdue. |
| Improving budget choices: What improvements could be made in the existing budget structure, processes, and reporting mechanisms to improve budget decision-making, better allocate federal resources, and meet national priorities, including increased attention to the amount and quality of federal investment? | How we reduce the deficit is of great importance for the nation's fiscal and economic future. In many instances, the existing federal budget structure does not provide an adequate focus for congressional decision-making: federal spending on investments that affect the long-term health of the country are not highlighted in the budget, nor does the budget reveal the true cost of some federal programs. |
| Government restructuring and the federal role: What is the potential and what are the issues in effectively restructuring the federal government? What are issues in the choice and design of the federal role, including divestiture (privatization) and block grants? | Congress has renewed interest in restructuring the government, including award of block grants to states, privatization of federal assets, and program and agency consolidations and terminations. As Congress considers these substantial issues, it will need an analytical base for careful decision-making. |

Table I: Key Issues

| Objectives | Focus of work |
|---|--|
| <ul style="list-style-type: none">• Identify long-term economic impact of current fiscal policy.• Coordinate a GAO-wide effort to identify deficit reduction options.• Provide alternative analytical perspectives to educate the public and Congress on budget trends and to suggest new ways of viewing policy choices posed by deficit reduction. | <ul style="list-style-type: none">• Overview of budgetary implications of all GAO work.• Update of our model on the long-term economic impact of the deficit.• Office of Management and Budget and Congressional Budget Office compliance with the Budget Enforcement Act of 1990.• Leakages in budgetary control building on our inventory of accounts with backdoor spending authority.• Perspectives on the size of the public debt.• Budget trends analyses: federal spending by mission area, item of expense, and investment category; long-term fiscal trends of outlays and revenues; and analysis of department and agency personnel trends. |
| <ul style="list-style-type: none">• Continue to develop alternative approaches to structuring, presenting, and analyzing the budget to highlight the key implications of budget choices for social and economic policy.• Explore areas where accrual accounting concepts and accounting data can add value to the budget.• Analyze proposals to streamline the budget process. Analyze implications for the budget process of issues identified in other work.• Assess ways that performance measures can be integrated into the budget process. | <ul style="list-style-type: none">• Federal budgeting for uncertainties, including emergencies, disasters, and rainy day funds.• Budgetary treatment of federal insurance programs.• Budgetary treatment of government-owned capital.• Dedicated revenues in the federal budget.• Options to change the federal budget process, such as biennial budgeting, line-item veto, balanced budget amendment, and automatic continuing resolution.• Federal budget and accounting linkages.• Implementation of performance budgeting.• Use of performance information in federal agency strategic planning and budget formulation.• Contributions to the revenue and stewardship standards that are being developed by the Federal Accounting Standards Advisory Board's task forces. |
| <ul style="list-style-type: none">• Improve the analytical and information base Congress has available to make decisions concerning federal government restructuring.• Improve decision-making on privatization and devolution by identifying issues that affect success. | <ul style="list-style-type: none">• Early budget and program implementation issues regarding new block grant programs.• Budget issues related to the design of subsidy tools, such as federal grant design, tax expenditures, and insurance programs.• Identify issues that should be addressed when considering privatization of federal assets.• Treatment of asset sales in the federal budget. |

Table II: Planned Major Work

| Issue | Planned major job starts |
|--|---|
| Deficit reduction | <ul style="list-style-type: none">• Assess the budgetary implications of GAO work.• Update assessment of the long-term economic impact of the federal deficit.• Review trends in federal spending.• Evaluate problems in federal budgetary control.• Assess the implementation of the Budget Enforcement Act of 1990. |
| Improving budgetary choices | <ul style="list-style-type: none">• Evaluate the adequacy of federal budgeting for uncertainties, including budgeting for emergencies, disasters, and rainy day funds.• Evaluate options to improve the budgetary treatment of federal insurance programs.• Review the adequacy of federal budgetary treatment of government-owned capital.• Review issues related to dedicated revenues in the federal budget.• Examine federal budget and accounting linkages.• Evaluate previous efforts to implement performance budgeting.• Review the use of program performance information in federal agency strategic planning and budget formulation.• Assess proposals to improve the federal budget process. |
| Government restructuring and the federal role | <ul style="list-style-type: none">• Evaluate budget issues related to federal privatization efforts.• Review budget and program implementation issues related to federal block grants.• Assess efficiency and equity issues related to the design of federal grants. |

Table III: GAO Contacts

| | | |
|---------------------|---|----------------|
| Director | Paul L. Posner | (202) 512-9573 |
| Associate Director | Susan J. Irving | (202) 512-9142 |
| Assistant Directors | Christine E. Bonham Barbara D. Bovbjerg Michael J. Curro Margaret T. Wrightson | |

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