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

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The Honorable Herman E. Talmadge, Chairman
Committee on Agriculture and Forestry S 100
United States Senate

Dear Mr. Chairman:

In accordance with your request, we are providing you with an analysis relating to your questions concerning the potential impact of the Congressional Budget and Impoundment Control Act of 1974 on authorizing committees and GAO.

The Congressional Budget and Impoundment Control Act of 1974 provides for establishment of a new congressional budget process, a Committee on the Budget (also referred to as a Budget Committee) in each House, and a Congressional Budget Office (CBO). The act includes a procedure for providing congressional control over the impoundment of funds by the executive branch and provides the Congress with improved fiscal procedures and focuses on a new congressional budget timetable planned around an October 1 start of the fiscal year. In addition to the roles of the new Budget Committees and the CBO, it also provides for expanded roles of both the standing committees and GAO in the areas of program review and evaluation and fiscal and budgetary information and controls. CO-5

The enactment of this law was the result of a long-standing desire on the part of the Congress to increase control over the budget. Previously the Congress reviewed each bill or budget proposal separately and considered it on its own merit without a comprehensive review of the budget as a whole and without a systematic basis for establishing priorities.

Backdoor spending presented another congressional budget control problem when spending authority other than by regular appropriations was provided through contract and borrowing authority. Title IV of the act provides for improved procedures for control over such authority.

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The lack of coordination of major events in the current budget cycle also concerned the Congress. Late appropriations due to delays in passage of authorization bills have caused executive agencies to increasingly rely on continuing resolutions for funding well after the start of the new fiscal year.

THE NEW BUDGET PROCESS

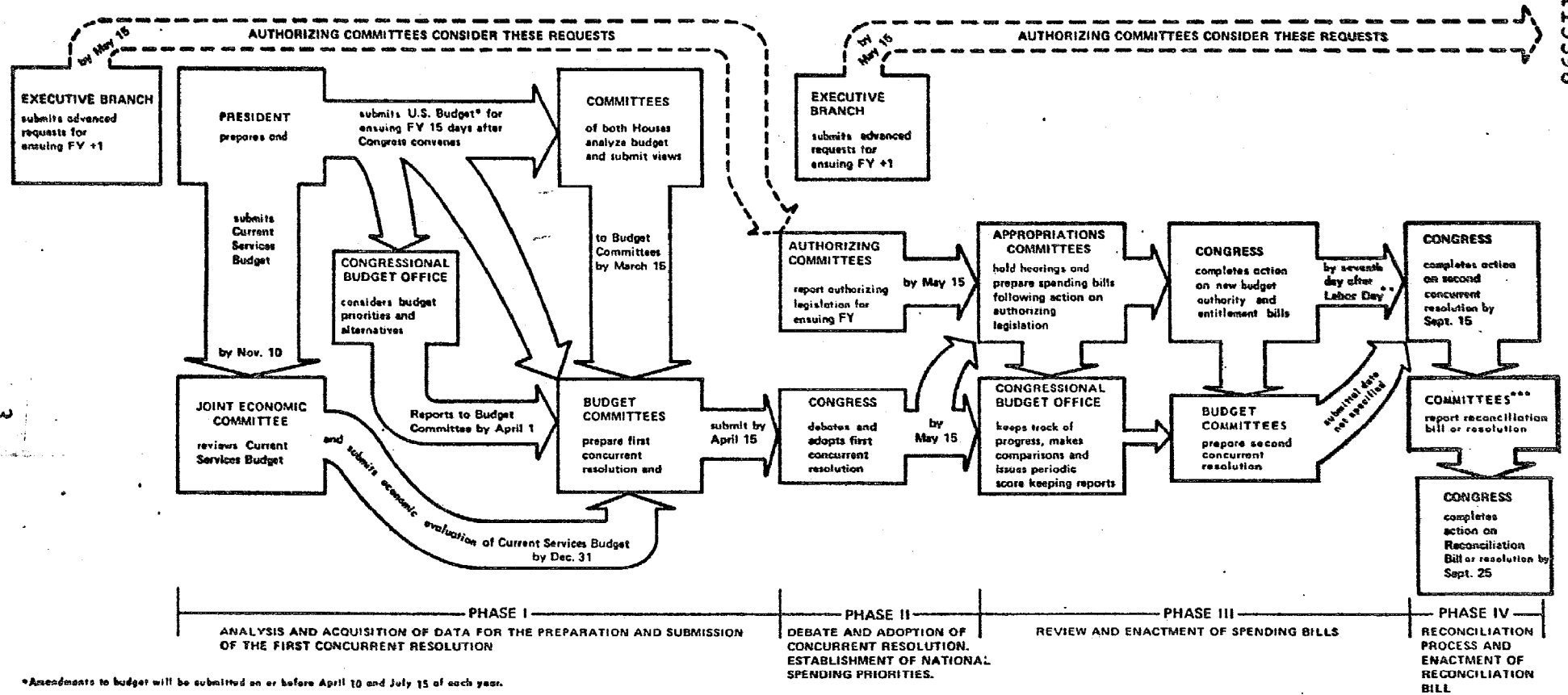
There are four major phases in the congressional budget process, as shown in figure 1. (See p. 3.)

The first phase, involving information gathering and analysis, starts with the President's submission of the current services budget on November 10 and ends with each Budget Committee's submission of its proposed first concurrent resolution.

The second phase extends from April 16 to May 15 and includes debate and adoption, by both Houses, of the first concurrent resolution setting forth

- the appropriate level of total budget outlays and total new budget authority;
- an estimate of budget outlays and an appropriate level of new budget authority for each major functional category, for contingencies, and for undistributed intragovernmental transactions based on allocations of the appropriate level of total budget outlays and of total new budget authority;
- the amount, if any, of the surplus or the deficit in the budget which is appropriate in light of economic conditions and all other relevant factors;
- the recommended level of Federal revenues and the amount, if any, by which the aggregate level of Federal revenues should be increased or decreased by bills and resolutions to be reported by the appropriate committees;
- the appropriate level of the public debt and the amount, if any, by which the statutory limit on the public debt should be increased or decreased by bills and resolutions to be reported by the appropriate committees; and
- such other matters relating to the budget as may be appropriate to carry out the purposes of this act.

FIGURE 1
FLOW DIAGRAM FOR NEW CONGRESSIONAL BUDGET PROCESS



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The third phase, from May 16 to early September, provides for review and enactment of individual spending bills. The act generally requires that new authorizing legislation, except for entitlement bills, be submitted to the floor by May 15 so that the appropriations process can then proceed promptly.

The fourth phase, between early September and September 25, involves congressional action on a budget reconciliation bill after reviewing spending, revenue, and debt requirements included in the second budget resolution.

For fiscal year 1976 certain portions of the new budget process are being implemented by the Budget Committees to enable the Congress to gain as much experience as possible with the process, which becomes mandatory in fiscal year 1977. However, the full impact of each event in the new process on the authorizing committees will not be known until the process becomes fully operational and the various interactions between committees can be more fully understood. Nevertheless, a basic understanding of some of the interactions can be gained by a review of the new budget timetable.

The congressional budget timetable

The new congressional budget timetable is based on a fiscal year starting on October 1. The process of events which may involve the authorization committees is shown below.

<u>On or before</u>	<u>Action to be completed</u>
Nov. 10	President to submit current services budget.
Dec. 31	Joint Economic Committee to submit economic evaluation of current services budget.
15th day after the Congress meets	President to submit his budget.
Mar. 15	Committees and joint committees to submit reports to Budget Committees.

Apr. 1	CBO to submit report to Budget Committees.
Apr. 10	President to submit amendments to budget.
Apr. 15	Budget Committees to report first concurrent resolution on the budget to their Houses.
May 15	Committees to report bills and resolutions authorizing new budget authority.
May 15	Congress to complete action on first concurrent resolution on the budget. <u>1/</u>
July 15	President to submit additional amendments to budget.
7th day after Labor Day	Congress to complete action on bills and resolutions providing new budget authority and new spending authority.
Sept. 15	Congress to complete action on second required concurrent resolution on the budget.

1/As part of the fiscal year 1976 trial with the new budget process, the Congress completed action on the first concurrent resolution on May 14, 1975. The adopted resolution sets forth, on an aggregate basis only, the congressional budget for fiscal year 1976. The resolution does not set forth an estimate of budget authority and outlays to be allocated to each major functional category, which will be required starting in fiscal year 1977. However, the reports accompanying the resolution contain estimates of budget authority and outlays for each major functional area to serve as guidelines for congressional spending for fiscal year 1976, to explain the steps by which aggregate totals were reached, and to provide a benchmark for the second concurrent resolution. Excerpts from the conference reports on the first concurrent resolution on the budget are included in enclosure I.

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Sept. 25

Congress to complete action on reconciliation bill or resolution, or both, implementing second required concurrent resolution.

Oct. 1

Fiscal year begins.

This timetable will be put into operation for the fiscal year 1977 budget. The Office of Management and Budget (OMB) has submitted, along with the 1976 budget, a separate 3-month budget for the July through September 1976 transition period. 27

THE CONGRESSIONAL BUDGET ACT'S
IMPACT ON THE AUTHORIZING COMMITTEES

The Congressional Budget Act of 1974 carries with it new responsibilities for the authorizing committees.

The new budget timetable requires that the committees submit:

- A report to the Budget Committees by March 15 of each year.
- Authorizing legislation by May 15 of each year. This process should be facilitated in the future since the executive branch is required to submit all requests for authorizing legislation a year in advance.

These are the main new committee requirements which are included in the budget cycle.

We believe that the new budget process will increase the committees' needs both for fiscal, budgetary, and program-related data and for evaluative information. This data and information will be necessary for the authorization committees to fulfill their responsibilities under the act. The responsibilities of GAO to assist in providing this information to the Congress are discussed on pages 10 to 15. Actions which GAO has taken in carrying out its responsibilities have been discussed in two recent reports. 1/

1/"Report To The Congress as Required by Section 202 (a)(2) of The Legislative Reorganization Act of 1970 as Amended" (B-115398, June 30, 1975) and "Progress In Improving Fiscal, Budgetary, And Program-Related Information For the Congress" (B-115398, Aug. 29, 1975).

Report by the committees

A new step in the budget process is submission of the views and recommendations of all standing committees of the House and Senate. These reports are due March 15--1 month before the reporting date of the first concurrent resolution of the budget. These annual reports are very important to the proper functioning of the budget process and, accordingly, are made mandatory by the act. They will provide the Budget Committees with an early and comprehensive indication of spending plans for the next fiscal year.

Section 301(c) requires each standing committee to submit a report to the appropriate Budget Committee which is to contain

"* * * the estimate of the total amounts of new budget authority, and budget outlays resulting therefrom, to be provided or authorized in all bills and resolutions within the jurisdiction of such committee * * *"

which the committee intends to be effective during the next fiscal year.

The committee's report must also contain its views and estimates with respect to all matters to be included in the first concurrent resolution which relates to matters within the committee's jurisdiction.

To accomplish this, each standing committee should be able to

- compute the budget authority which will be authorized or provided for in the next fiscal year by bills or resolutions within the jurisdiction of the committee,
- estimate the total outlays which would result from the enactment of this legislation, and
- provide 5-year projections for its programs.

The committee may also develop recommendations on aggregate spending, revenues, and debt and on appropriate funding levels for functional areas other than its own.

Section 401 of the act establishes special requirements for handling new entitlement bills--those under which

the Government "is obligated to make * * * payments" regardless of whether the appropriations initially provided are enough. If the budget resolution contains adequate provision for funding the entitlement authority, then the bill may be reported and considered in the usual fashion. The authorizing committee should request that such provision be made in its March 15 report to the Budget Committee. Other procedures exist for referring entitlement bills to the Appropriations Committees if the budget resolution does not contain adequate provisions for funding. (See enclosure II.) The act provides for action on entitlement bills which exceed the appropriate allocation of new budget authority reported under section 302(b) after agreement on the most recent concurrent resolution and establishes that benefits will not become effective before October 1 of that year.

Deadlines for reporting authorizing legislation

Section 402 of the act calls for a May 15 deadline for the reporting of legislation authorizing new budget authority. There was general agreement by the conferees on the budget reform legislation that the new timetable would work only if authorizing committees complied with this reporting deadline. It is an important part of both the overall budget process and the specific problem of timely enactment of appropriation bills.

To facilitate early action on authorizing legislation, section 607 requires the executive branch to furnish requests for enactment of authorizations for a fiscal year not later than May 15 of the preceding year. Thus, all administration requests concerning fiscal year 1977 authorizations should have been received early in 1975. The intent of this provision is to develop a pattern for the enactment of authorizing legislation well in advance of the fiscal year to which it first applies.

The act recognizes that committees may, sometimes, not be able to meet the May 15 deadline. If the deadline is not met, consideration is permitted in the House if an emergency waiver, reported by the Rules Committee, is adopted. Consideration in the Senate of legislation reported after May 15 is allowed if the committee of original jurisdiction reports a waiver resolution which, after referral to the Senate Budget Committee, is approved by the Senate.

Section 403 of the act provides for the CBO to prepare analyses of public bills reported by all committees (other

than Appropriations Committees) estimating 5-year costs and comparing its estimate with any made by the reporting committee or by the Federal agency. This provision should be helpful to the committees in complying with the requirement for 5-year cost estimates in the Legislative Reorganization Act of 1970.

These estimates are to be included in a committee's report on a bill if they are received in time to allow the committee to examine the analysis before publication.

Review and evaluation by the standing committees

The act emphasizes the committees' need for review and evaluation in support of their oversight function. The conference report for the act states that oversight of executive performance is considered to be among the principal functions of the committees and that the usefulness of program evaluation can be enhanced by the clear expression of legislative objectives and the use of modern analytical techniques. Section 701 of the act provides the committees with the authority to carry out required analyses, appraisals, and evaluations themselves or by contract, or they may require a Government agency to do so. This section also provides for the use of pilot testing, benefit-cost analysis, and evaluation after a defined period. Section 703 provides for the study of budget improvement proposals, including matters relating to the information base for program analysis, evaluation, time limitations for authorizations, the development of human resource accounting and other means of providing noneconomic and economic evaluation measures.

Other sections of the Budget Act

There are sections of the legislation which do not deal directly with events on the budget timetable. Nevertheless, it is important that the committees be aware of this portion of the legislation and make use of the assistance available.

Budget Committees' study, sections 101(c) and 102(a)

The Budget Committees have the duty to make continuing studies of the effects on budget outlays of relevant existing and proposed legislation and to report the results of such studies to the respective Houses on a recurring basis. Each authorizing committee should be aware of the fact that these studies may examine legislation under the jurisdiction of the committee.

CBO assistance to committees, section 202(c), (d)

The CBO will furnish committees with information, including certain information prepared for the Budget Committees and, to the extent possible, additional related information. In addition, the CBO may temporarily assign personnel to committees. This office may be of assistance to authorizing committees on budget and spending matters.

Contract and borrowing authority and entitlement authority, section 401(a)(b)

Section 401 establishes new procedures for handling contract and borrowing authority and entitlement authority.

The act requires that new contract or borrowing authority legislation must contain a provision that such new authority is to be effective only to the extent or in such amounts as are provided in appropriation acts and would prevent its use until acted on by the Appropriations Committees. (Procedures for entitlement authority are covered earlier in this report. See pp. 6 and 7.)

The act also establishes definitions for contract and borrowing authority and for entitlement authority, as follows:

- Contract authority: to enter into contract in advance of appropriations.
- Borrowing authority: to incur indebtedness in advance of appropriations.
- Entitlement authority: to obligate the United States to make payments in advance of appropriations, but not including insured Government loans.

Changes in functional categories, section 802

The act provides that changes in functional categories included in the budget may be made only in consultation with the Budget and Appropriations Committees of both Houses. This is a new responsibility for these Committees.

A major reason for the new budget process is to enable the Congress to better determine priorities for spending between functional areas. Consequently, as noted earlier in this report (see footnote 1, p. 5), the concurrent resolutions on the budget will include allocations by major functional area. Committees should be aware that the programs

under their jurisdiction may appear in more than one functional area and that the spending priorities may be different among these functional areas.

Inclusions in the President's budget, section 601(i)

The act requires that, beginning with fiscal year 1979, the President's budget shall contain descriptive information in terms of national needs, agency missions, and basic programs. To the extent practicable, each agency shall furnish information in support of its budget requests in accordance with its missions and shall relate its programs to agency missions. This additional information may enable committees to gain more insight on agency programs within their jurisdiction.

Study of off-budget agencies, section 606

The act provides for continuing studies by the Budget Committees of exemptions, for certain Federal agencies, from inclusion of their activities or outlays in the President's budget. The Committees should be aware that these studies may affect agencies that are of interest to the Committees.

GAO RESPONSIBILITIES UNDER THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974

Enactment of the Congressional Budget and Impoundment Control Act of 1974 not only provided substantial changes in congressional organization and procedures for considering the Federal budget but also assigned numerous additional responsibilities to the Comptroller General and revised others.

Titles VII, VIII, and X and the act's objective to assure effective congressional control over the budgetary process have resulted in increased efforts by GAO to assist the Congress in:

--Review and evaluation of Government programs:

Title VII of the act strengthens our program evaluation role by requiring us to review and evaluate Government programs carried on under existing law, to develop and recommend methods for reviewing and evaluating Government programs and activities, and to assist in developing statements of legislative objectives and goals and methods for assessing and reporting actual program performance.

--Specification and fulfillment of congressional information needs:

Title VIII of the act clarifies and strengthens the extensive responsibilities concerning Federal fiscal, budgetary, and program-related data and information systems given to the Comptroller General in cooperation with the Secretary of the Treasury; the Director, OMB, and the Director of the CBO.

--Control of Presidential impoundments:

Title X of the act gives us important new responsibilities regarding congressional consideration of rescissions and deferrals of budget authority proposed by the President.

Review and evaluation of Government programs

The Senate Committee on Government Operations pointed out in its pamphlet on congressional budget reform that one of the three major priorities of the act was to strengthen GAO's program evaluation role. Title VII of the act, which amended section 204 of the Legislative Reorganization Act of 1970, states that:

- The Comptroller General shall review and evaluate the results of Government programs and activities carried on under existing law when ordered by either House, or upon his own initiative, or when requested by any committee having jurisdiction over the program activities.
- GAO shall assist committees in developing statements of legislative objectives and goals and methods for assessing and reporting actual program performance.
- GAO shall assist committees in analyzing and assessing program reviews or evaluation studies prepared by and for any Federal agency.
- GAO shall develop and recommend to the Congress methods for review and evaluation of Government programs and activities carried on under existing law.
- The Comptroller General shall review GAO's review and evaluation activities in his annual report to the Congress.

Program evaluation in a general sense is determining whether a program is effectively achieving the objectives intended and, in a more technical sense, determining what has happened as a result of the program that would not have happened in its absence. Evaluation is concerned with questions of program effectiveness. In this respect, it is goal-oriented, focusing on output as well as costs. Evaluation's function is to provide feedback from results to decisions. Evaluation findings can be used to modify current operations and to plan future programs and policies. It provides information for the incremental upgrading of a program or groups of programs with similar objectives.

Both the Legislative Reorganization Act of 1970 and the Congressional Budget Act of 1974 indicate the desire of the Congress for increased emphasis by GAO in reviewing and evaluating the effectiveness of authorized programs. While continuing to emphasize our other important auditing functions, 1/ we are increasingly stressing reviews of program results and effectiveness. For example, the portion of our professional staff time involved in reviews of program results increased from 31 percent in fiscal year 1974 to 35 percent in fiscal year 1975. Over 50 percent of our self-initiated work in fiscal year 1975 was in this category, as compared to 45 percent in fiscal year 1974.

We are also increasing our efforts in reviewing how well Federal agencies carry out their program evaluation responsibilities. Within GAO, responsibility for planning and coordinating reviews of program evaluation systems of the Federal agencies has been assigned to the Office of Program Analysis (OPA).

1/Our statutory responsibilities are outlined in the Budget and Accounting Act of 1921, the Legislative Reorganization Act of 1946, and the Accounting and Auditing Act of 1950. This legislation authorizes us to review Federal programs for

- compliance with applicable laws and regulations,
- efficiency and economy, and
- effectiveness in achieving desired results.

The information gathered in such reviews is analyzed to facilitate making recommendations for greater economy and efficiency in public expenditures.

Other GAO activities dealing with program evaluation include

- aiding congressional committees in preparing evaluation language for proposed legislation;
- developing standards and guidelines for Government program evaluation;
- suggesting to the Congress methods for evaluating programs;
- monitoring executive agency evaluation processes and inventories, including maintenance of a system for disseminating evaluation information on a quick-response basis; and
- reviewing, analyzing, and appraising pertinent studies, reports, and other data and synthesizing the findings to determine their impact on program issues of interest to congressional committees.

While increasing our efforts in program evaluation, each division and office within GAO will continue to assist in providing the Congress with audits, reviews, and analyses timed to mesh with congressional decision processes.

Specification and fulfillment of congressional information needs

Title VIII of the Congressional Budget Act requires GAO to

- develop, in cooperation with the Treasury, OMB, and CBO, standard terminology, definitions, classifications, and codes for fiscal, budgetary, and program-related information;
- conduct a continuing program to identify needs of committees and Members of Congress for fiscal, budgetary, and program-related information;
- assist congressional committees in developing their information needs;
- monitor the various recurring reporting requirements of the Congress and committees and make recommendations to the Congress and committees for changes and improvements in their reporting requirements;

- develop, with CBO, central files of data and information to meet the recurring requirements of the Congress;
- develop, with CBO, the Treasury, and OMB, an up-to-date inventory and directory of sources and information systems for fiscal, budgetary, and program-related information;
- assist committees and Members to obtain information from such sources; and
- assist committees and, to the extent practicable, individual Members in appraising and analyzing fiscal, budgetary, and program-related data and information.

We are continuing efforts begun under title II, section 202, of the Legislative Reorganization Act of 1970 to define congressional information needs. In the future we will continue our work in developing classification structures for reporting budgetary, fiscal, and program information to the Congress and assisting it to identify, specify, and meet its information needs. Our work in this area is discussed in two recent reports. (See footnote 1, p. 6, for references to these two reports.)

We are also increasing our emphasis on the analysis and appraisal of program data. We are seeking to provide the Congress with analyses which deal with both proposed and existing programs so that the socio-economic impact of program alternatives can be more readily assessed.

GAO's role in impoundment control

Three major functions are assigned to GAO under title X of the act.

First, we are required to review each impoundment message sent to the Congress and report promptly to the House and Senate on the facts surrounding each proposal, including the probable effect thereof and, in the case of proposed deferrals, to render a judgment as to whether the proposal is in accordance with existing statutory authority.

Second, we are required to report to the Congress if we find that the President has failed to transmit a special message when required or if a message so transmitted has been misclassified.

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Third, we are authorized to initiate judicial proceedings to enforce the provisions of the Impoundment Control Act of 1974 which require that budget authority be made available for obligation in cases where the Congress has, either by act or omission (in the case of deferrals and rescissions, respectively), indicated that a proposed withholding of funds should cease.

As required by title X of the act, we have begun to review and advise the Congress with respect to the legality and impact of proposed rescissions and deferrals of budget authority by the executive branch.

A more detailed interpretation of title X has been issued in a letter (Dec. 4, 1974, B-115398) from the Comptroller General to the Speaker of the House of Representatives and the President pro tempore of the Senate and is available to the public and the Congress.

Assistance to the CBO

In addition to the responsibilities given to the Comptroller General under titles VII, VIII, and X of the act, title II directs GAO, upon the request of the Director of the CBO, to provide information, data, estimates, statistics, services, facilities, and personnel, as mutually agreed, to the CBO. We have established working relationships with this office and are working on several cooperative projects. We will continue to provide assistance to the CBO as needed.

Sincerely yours,



Comptroller General
of the United States

Enclosures - 2

**FIRST CONCURRENT RESOLUTION ON THE BUDGET—
FISCAL YEAR 1976**

MAY 9, 1975.—Ordered to be printed

CONFERENCE REPORT

[To accompany H. Con. Res. 218]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the concurrent resolution (H. Con. Res. 218) setting forth, on an aggregate basis only, the congressional budget for the United States Government for the fiscal year 1976, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

That the Congress hereby determines, pursuant to section 301(a) of the Congressional Budget Act of 1974, that for the fiscal year beginning on July 1, 1975—

(1) the appropriate level of total budget outlays is \$367,000,000,000;

(2) the appropriate level of total new budget authority is \$395,800,000,000;

(3) the amount of the deficit in the budget which is appropriate in the light of economic conditions and all other relevant factors is \$68,820,000,000;

(4) the recommended level of Federal revenues is \$298,180,000,000, and the amount by which the aggregate level of Federal revenues should be decreased is \$3,400,000,000; and

(5) the appropriate level of the public debt is \$617,600,000,000 and the amount by which the temporary statutory limit on such debt should accordingly be increased is \$86,600,000,000.

And the Senate agree to the same.

BUDGET AUTHORITY AND OUTLAYS: FISCAL YEAR 1976

[In billions of dollars]

Function	Budget Authority			Outlays		
	Senate	House	Conference	Senate	House	Conference
050—National Defense.....	101.0	100.5	100.7	91.2	90.2	90.7
150—International Affairs.....	6.0	4.7	4.9	4.9	5.0	4.9
250—General Science, Space, and Technology.....	4.7	4.7	4.7	4.6	4.6	4.6
300—Natural Resources, Environment, and Energy.....	13.4	14.1	13.8	11.7	11.5	11.6
350—Agriculture.....	4.3	4.3	4.3	2.0	1.8	1.8
400—Commerce and Transportation.....	9.5	11.0	11.3	16.6	18.5	17.5
450—Community & Regional Development.....	6.0	10.8	11.0	6.6	9.0	8.65
500—Education, Manpower and Social Services.....	20.7	19.0	19.0	19.4	20.4	19.85
550—Health.....	32.6	33.1	33.1	31.0	30.7	30.7
600—Income Security.....	138.5	141.3	140.9	126.1	124.9	125.3
700—Veterans Benefits and Services.....	17.6	18.0	18.0	16.9	17.5	17.5
750—Law Enforcement and Justice.....	3.3	3.3	3.3	3.4	3.4	3.4
800—General Government.....	3.3	3.3	3.3	3.2	3.4	3.3
850—Revenue Sharing and General Purpose Fiscal Assistance.....	7.3	7.3	7.3	7.2	7.2	7.2
900—Interest.....	35.3	35.0	35.0	35.3	35.0	35.0
—Allowances.....	1.3	1.7	1.4	1.1	1.5	1.2
950—Undistributed Offsetting Receipts.....	-16.2	-16.2	-16.2	-16.2	-16.2	-16.2
Total.....	388.6	395.9	395.8	365.0	368.2	367.0

Details may not add to totals due to rounding.

PROVISIONS FOR NEW BUDGET AUTHORITYFOR ENTITLEMENT LEGISLATIONNOT COVERED IN THE BUDGET RESOLUTION

If entitlement legislation generates new budget authority in excess of the allocation made after the latest budget resolution, entitlement legislation would be referred to the respective Appropriations Committee, which must report it to the floor within 15 days. The Committee may report the bill with an amendment limiting the amount of new entitlement authority. If the Committee fails to act within this time limit, it is automatically discharged from further consideration and the bill will be placed on the appropriate calendar. The second concurrent resolution may revise entitlements which would then have to be considered in a reconciliation bill.