

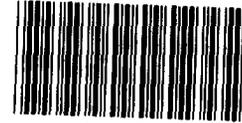


COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

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B-200685

February 18, 1981



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To the President of the Senate and the
Speaker of the House of Representatives

On January 15, 1981, the President's third special message for ~~fiscal year 1981~~ was transmitted to the Congress pursuant to the Impoundment Control Act of 1974. The special message proposes 33 rescissions of budget authority totalling \$1,142.4 million; 15 new deferrals totalling \$1,429.9 million and revisions to three previously-reported deferrals totalling \$4.4 million as follows:

DEPARTMENT OF COMMERCE

- R81-1 National Oceanic and Atmospheric
Administration
Operations, Research, and Facilities
13X1450
- R81-2 National Telecommunications and
Information Administration
Public Telecommunications Facilities,
Planning and Construction
13X0551

Assistance for planning and construction of public telecommunications facilities was provided in the Federal Telecommunications Financing Act of 1978, Public Law 95-567, Title I, §102, 47 U.S.C. 392. The Act provided for matching grants in order to extend delivery of public communications services throughout the United States and to strengthen the capability of existing facilities to provide such services.

The estimated effects section of this rescission message states that a rescission of \$4 million will have no significant impact on the National Telecommunications and Information Administration's ability to meet the "start-up and extension" requirements of the Telecommunications Financing Act of 1978, although the specific demand by States for funds in fiscal year 1981 is not known. Officials with the National Telecommunications and Information Administration, Department of Commerce, supplied us with information which indicates that while specific demand by States for grant funds is unknown, the demand will be in excess of the funds available.

015668

OGC-81-3

The justification section for R81-2 states that this rescission was proposed in response to the President's policy of fiscal restraint; the proposal does not assert an absence of demand for the funds involved. In fiscal year 1979, the number of applications received was more than three times greater than the number of grants awarded, and the funds applied for were more than four times greater than the funds awarded. In fiscal year 1980, the number of applications received was 2.5 times greater than the number of grants awarded and the funds applied for were almost three times greater than the funds awarded. Similar ratios were forecasted for fiscal year 1981, indicating a demand for the funds proposed for rescission in R81-2. The rescission of \$4 million, over 15 percent of the available budget authority, is estimated to result in the elimination of 28 grants.

DEPARTMENT OF EDUCATION

R81-3 Office of Elementary & Secondary Education
School Assistance in Federally Affected
Areas
9110102

The draft statutory language of this and the other four rescissions proposed by the Executive branch for the Department of Education, R81-3 through R81-7, contains provisos on how funds not rescinded should be used and, in effect, amends authorizing legislation in some instances. A rescission under the Impoundment Control Act is defined in section 1011(3), 31 U.S.C. 1401(3), as--

"a bill or joint resolution which only rescinds, in whole or in part, budget authority proposed to be rescinded in a special message transmitted by the President * * *." (Emphasis added.)

Thus the proposed rescission language in R81-3 through R81-7 is not within the scope of section 1011(3) because it would do more than "only" rescind budget authority.

R81-4 Office of Elementary & Secondary Education
Elementary and Secondary Education
9110100

The budgetary resources identified in the deferral message do not reflect the carryover of an unobligated balance of approximately \$31 million. Therefore, the total budgetary resources available to the account should be revised from approximately \$3.838 billion to \$3.869 billion.

The justification states that the projects supported by Title V-B are not necessarily targeted to national needs or national priority populations. Agency officials informed us that this statement more properly characterizes the Title IV-C program, which provides grants to State educational agencies to improve local education practices. The justification statement further characterizes the Title V-B grant program as providing Federal funds for administration. Agency officials informed us that most Title V-B grants provide money for curriculum consultants and other forms of support for State departments of education which, in turn, provide assistance to local school districts.

R81-5 Office of Vocational and Adult Education
Vocational and Adult Education
1910400

R81-6 Office of Postsecondary Education
Student Loan Insurance Fund
91X0230

R81-7 Office of Postsecondary Education
Higher and Continuing Education
9110201

DEPARTMENT OF ENERGY

R81-8 Energy Programs
Energy Supply Research and
Development-Operating Expenses
89X0224

R81-9 Energy Programs
Energy Supply, Research and
Development
Plant and Capital Equipment
89X0225.40

R81-10 Energy Programs
Fossil Energy Research and Development
89X0213

R81-11 Energy Programs
Energy Conservation
89X0215

DEPARTMENT OF HEALTH AND HUMAN SERVICES

We have included comments concerning the revised funding levels which would result from a rescission for five of the proposals pertaining to the National Institutes of Health, Department of Health and Human Services. The information provided by budget officials at the program level differs from that provided in the special message. OMB has informed us that their information was provided by budget officials at the departmental level and that might explain any discrepancies. Our audit staff routinely contacts program officials as a source of information. Time does not permit a full-scale audit of individual impoundments. Consequently, in the time available, we were not able to determine why the information provided to GAO by budget officials at the program level differed from that provided to OMB by budget officials at the departmental level. We are concerned, however, that various officials responsible for the implementation of a program, presumably with the same set of budget documents, have different understandings of the funding levels for their programs.

R81-12 Health Services Administration
Health Services
7510350

R81-13 Centers for Disease Control
Preventive Health Services
7510943

R81-14 National Institutes of Health
National Cancer Institute
7510849

According to information given GAO, the estimated effects section of this rescission message should indicate that the revised funding level for intramural research would be \$156.3 million, rather than \$162.9 million as stated in the message, and for cancer control \$56.3 million, rather than \$54.3 million.

R81-15 National Institutes of Health
National Heart, Lung, & Blood Institute
7510872

According to information given GAO, the estimated effects section of this rescission message should indicate that the revised funding level for intramural research would be \$41.4 million, rather than \$43.6 million as stated in the message, and for direct operations \$26.6 million, rather than \$27.6 million.

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R81-16 National Institutes of Health
National Institute of Dental Research
7510873

R81-17 National Institutes of Health
National Institute of Arthritis,
Metabolism and Digestive Diseases
7510884

R81-18 National Institutes of Health
National Institute of Neurological and
Communicative Disorders and Stroke
7510886

According to information given GAO, the estimated effects section of this rescission message should indicate that the revised funding level for intramural research would be \$34.9 million, rather than \$34.3 million as stated in the message, for direct operations \$12.4 million rather than \$12.9 million, for program management \$2.1 million rather than \$2.2 million, and for research and development contracts \$13.8 million rather than \$15.8 million.

R81-19 National Institutes of Health
National Institute of Child Health
and Human Development
7510844

R81-20 National Institutes of Health
National Eye Institute
7510887

R81-21 National Institutes of Health
National Institute of Environmental
Health Sciences
7510862

According to information given GAO, the estimated effects section of this rescission message should indicate that the revised funding level for intramural research would be \$30.3 million, rather than \$13.9 million as stated in the message.

R81-22 National Institutes of Health
National Institute on Aging
7510843

According to information given GAO, the estimated effects section of this rescission message should indicate that the revised funding level for research projects, other than the investigation initiated grants, would be \$3.6 million, rather than \$1.3 million as stated in the message and for intramural/direct operations/program management \$19.0 million rather than \$19.7 million.

R81-23 National Institutes of Health
 Research Resources
 7510848

R81-24 National Institutes of Health
 National Library of Medicine
 7510807

R81-25 National Institutes of Health
 Office of the Director
 7510846

R81-26 Alcohol, Drug Abuse and Mental Health
 Administration
 Alcohol, Drug Abuse, and Mental Health
 7511361

In the time available to prepare this report, we were unable to verify whether States, in fact, will be able to maintain support for all projects formerly funded by these formula grant programs, as stated in the special message. However, the issues raised by agency officials are included for Congress' consideration of this proposal. Alcohol, Drug Abuse and Mental Health Administration (ADAMHA), National Institute on Drug Abuse (NIDA), and National Institute on Alcohol Abuse and Alcoholism (NIAAA) officials stated that the justification statement was accurate in terms of the Carter Administration's policy regarding alcohol and drug abuse formula grant funds. However, there was sharp disagreement with the Administration's estimate of the effects of this rescission. Both the NIDA and NIAAA officials said that the termination of the formula grant programs may have serious adverse effects on the existing alcohol and drug abuse treatment network and on the coordination and cooperation ties between the Federal Government and the States.

NIDA officials estimated that the loss of the drug abuse formula grant funds would impact on almost all States and have serious impact on at least 20 States. In most cases, the formula funds are used to support single State drug abuse agencies (SSAs)

which are responsible for all drug abuse activities within the States. In at least 20 States, the loss of formula funds would place the SSAs in serious danger of collapse. If this occurs, the entire treatment network in these States would be in jeopardy.

NIDA officials estimated that 45 percent of the formula funds are used to support treatment and rehabilitation projects. The remaining funds are used for management, planning, coordination and management information systems. According to NIDA officials, these functions are vital to the maintenance of an effective prevention and treatment system for drug abusers.

NIAAA officials also stated that the loss of the formula funds would have a serious effect on the existing system for prevention, treatment and rehabilitation of alcoholism and alcohol abuse. Such a loss could cause a total collapse of this system. NIAAA formula grant funds are provided to a State Alcoholism Agency (SAA) which plays a vital role by funding planning, prevention and treatment activities within each State. The officials stated that the funds are the "glue" which holds a very young (less than 10 years old) and very fragile system together. The loss of the formula funds would, in the opinion of the NIAAA officials, cause the loss of much of the advances made over the last 10 years, have an adverse effect on the NIAAA direct treatment grants by eliminating the "glue" which bonds the coordinating system between NIAAA and the States, and transfer much of the SSA's responsibilities to an already overburdened NIAAA without benefit of local and State assistance.

NIAAA officials also provided estimates of the immediate impact that loss of the formula grants would have on the treatment of alcohol abusers. These officials estimate that about 60 percent of the formula grants are used to support projects which treat about 75,500 clients annually. Withdrawal of formula funds would cause the immediate displacement of about 23,000 clients since the remaining treatment system would not have the capacity to absorb these people. About 4,000 of these people would eventually be absorbed by the system, but the remaining 19,000 would remain out of treatment. An additional 16,000 people will seek treatment during the first 12 months after the withdrawal of formula grant funds and not be able to find it. Thus, an estimated 35,000 people who want help will not be able to find it.

We informally advised OMB of the comments made by the program officials. OMB pointed out that the special message does not state that the rescission proposal will have no impact on the programs involved, but rather that it is expected that the

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States will maintain support for the higher priority programs. OMB correctly pointed out the comments by program officials did not address the issue of whether States will be able to support the higher priority programs.

R81-27 Health Resources Administration
Health Resources
7510712

R81-28 Human Development Services
Human Development Services
(Administration on Aging - Social
Services and Centers)
7511636

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

R81-29 Housing Programs
Congregate Services Program
869/40178
860/40178
861/40178

COMMUNITY SERVICES ADMINISTRATION

R81-30 Community Services Program
Community Services Program
8110500

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION

R81-31 Salaries and Expenses
9512800

UNITED STATES POSTAL SERVICE

R81-32 Payment to Postal Service Fund
18X1001

We have recently received a congressional request to determine whether funds appropriated to the Postal Service may be rescinded pursuant to section 1012 of the Impoundment Control Act, 31 U.S.C. 1402. Because of our desire to provide Congress with our impoundment report as expeditiously as possible, we will respond to this request in a separate report to the Congress.

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TENNESSEE VALLEY AUTHORITY

R81-33 Payment to the Tennessee Valley Authority
Fund
64X4110

Based on the current legislative calendar, the 45-day period of continuous session during which the funds may be withheld pending congressional consideration of a rescission bill will end on March 11, 1981.

DEPARTMENT OF COMMERCE

D81-3A General Administration
Participation in United States Expositions
130/41805

The justification for this proposal states that \$17,749,225 is intended for obligation in fiscal year 1981. The amount actually available and intended for obligation is \$16,607,225.

DEPARTMENT OF DEFENSE - MILITARY

D81-27 Shipbuilding and Conversion, Navy
171/51611

D81-28 Family Housing, Defense
970/40701

DEPARTMENT OF DEFENSE - CIVIL

D81-9A Wildlife Conservation, Army, Navy
Air Force
21x5095
17x5095
57x5095

DEPARTMENT OF ENERGY

D81-29 Atomic Energy Defense Activities,
Operating Expenses
89X0220

D81-30 Atomic Energy Defense Activities,
Plant and Capital Equipment
89X0221

D81-31 Energy Programs
Energy Supply Research and Development
Activities, Operating Expenses

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89X0224

D81-32 Energy Programs
Energy Supply, Research and Development
Activities, Plant and Capital Equipment
89X0225

D81-33 Energy Programs
Fossil Energy Construction
89X0214

D81-34 Energy Programs
Energy Conservation
89X0215

DEPARTMENT OF THE INTERIOR

D81-35 U.S. Geological Survey
Exploration of National Petroleum
Reserve in Alaska
14X0805

This proposal is consistent with a GAO report, Oil and Gas Exploration of the National Petroleum Reserve in Alaska (EMD-80-111), dated August 29, 1980. GAO concluded that the Federal exploration program is costly and marginally effective, and that a leasing program is the best approach to developing potential oil and gas resources in the Reserve. The report contained a recommendation that Congress enact legislation to authorize leasing of the Reserve to private industry for exploration and development.

DEPARTMENT OF JUSTICE

D81-16A Federal Prison System
Buildings and Facilities
15X1003

DEPARTMENT OF LABOR

D81-36 Employment and Training Administration
Employment and Training Assistance
161/20174

DEPARTMENT OF STATE

D81-37 United States Emergency Refugee and
Migration Assistance Fund, Executive
11X0040

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INTELLIGENCE COMMUNITY STAFF

D81-38 Intelligence Community Staff
9510400

NATIONAL CONSUMER COOPERATIVE BANK

D81-39 Self-help Development Fund
280/10201
281/20201
PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION

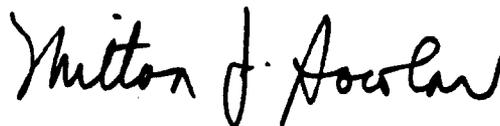
D81-40 Land Acquisition and Development Fund
42X4084

SMALL BUSINESS ADMINISTRATION

D81-41 Business Loan and Investment Fund
73X4154

The estimated effects section of this deferral message states that the effect of this deferral of budget authority for the direct loan program should be mitigated since there will be an increase in the guaranteed loan program. This suggests that loan applicants who otherwise would receive direct loans now will be able to get guaranteed loans. SBA officials informed us that because of differences in the two programs, different entities may benefit from the increase in the guaranteed loan program than those affected by the decrease in the direct loan program. Interest rates on guaranteed loans are now in the 17-20 percent range while interest rates on direct loans are 9 1/4 percent. Consequently, less financially secure businesses who otherwise would share the \$57.5 million in direct loans because they could afford SBA loans at 9 1/4 percent, may not be able to obtain SBA loan assistance if they can not afford to pay a 17-20 percent interest rate.

We have reviewed the third special message. Except as noted above, we have identified no additional information that would be useful to the Congress in its consideration of the President's proposals and we believe that the proposed deferrals are in accordance with existing authority.



Acting Comptroller General
of the United States