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BY THE COMPTROLLER GENERAL
**Report To The Chairman,
Budget Process Task Force,
House Committee On The Budget
OF THE UNITED STATES**

42827

Should Full Funding Be Applied To The Rental Assistance And Family Planning Programs?

GAO analyzed the feasibility of applying full funding to the Rental Assistance program (U.S. Department of Agriculture) and to the Family Planning program (Department of Health, Education, and Welfare). A program (or project) is considered fully funded if the budget authority requested and made available is for the total cost of that program to be initiated in the budget year.

In studying Rental Assistance we found inadequate disclosure of requirements for future appropriations of budget authority for prior years' programs and other problems resulting from the program's being funded in a revolving fund. These problems led us to recommend that Rental Assistance be fully funded in a separate general fund appropriation account.

We concluded that Family Planning is not a prime candidate for full funding.



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

B-165069

The Honorable Norman Y. Mineta ^{HSE} 00801
Chairman, Budget Process Task Force
Committee on the Budget
House of Representatives

Dear Mr. Chairman:

We are providing the results of two case studies as the final step in satisfying the May 31, 1978, task force request to study the further implementation of full funding in the Federal Government.

In September 1978 we gave the task force the first part of our analysis, a report entitled "Further Implementation of Full Funding in the Federal Government" (PAD-78-80, Sept. 7, 1978). That report cited a generally accepted definition of "full funding" in use by civil agencies: A program (or a project) is considered to be fully funded if the budget authority requested and made available is for the total cost of that program to be initiated in the budget year.

That study discussed some advantages and disadvantages of full funding. Advantages include disclosure of total cost of multiyear commitments, aiding congressional decisions on budget priorities, and increasing congressional control over total funding and outlays in the future. Disadvantages include the difficulty of developing long-range budget estimates for full funding, a reduction of the Congress' short-run control over outlays, and the creation of higher budget authority ceilings in concurrent resolutions on the budget.

In addition, we stated that although full funding had traditionally been associated with major procurement and construction, we believed it had potential for application to other types of programs, namely subsidy and social programs and some research and development. We listed these types of programs, as well as construction and procurement ones, having potential to be fully funded. The list did not represent a recommendation to change the way the programs were currently funded. On the contrary, such changes should be made only after careful analysis on a program by program basis.

Consequently, we agreed to do two case studies of particular programs on the list in order to determine what the advantages and disadvantages of fully funding them would

be. The two case studies, which accompany this letter as appendixes I and II, are summarized below. (Note: Since each appendix is intended to stand alone, each has a complete general discussion of full funding.)

At the request of the task force we did not get formal agency comments on this study. We did, however, obtain informal technical comments at the staff level from the Office of Management and Budget, the Farmers Home Administration and the Public Health Service of the Department of Health, Education, and Welfare.

RENTAL ASSISTANCE PROGRAM

The program is funded through the Rural Housing Insurance Fund appropriation account (12-4141-0-3-371) of the Farmers Home Administration in the Department of Agriculture. The program's objective is to provide rent subsidies to low income tenants of housing units financed under other programs of the Farmers Home Administration (Rural Rental Housing and Farm Labor Housing programs). 358

The main problem with the current method of funding Rental Assistance is inadequate disclosure of funding requirements, which weakens congressional control over future spending. In addition, several other issues related to the current method of funding require analysis.

Inadequate disclosure and control

The current method of funding Rental Assistance does not disclose to the Congress the fact that budget authority must be appropriated for the budget year program in years beyond the budget year. The following description illustrates this. Stated as a limitation in the appropriation language, the amount of fiscal year 1980 estimated program obligations is \$393 million. Multiyear contracts in that amount will be entered in 1980. Under the current method of funding, however, an indefinite appropriation 1/ is made to pay for only those payments due under the contracts in the budget year. The amount appropriated in fiscal year 1980 for the payments due under the proposed FY 1980 program is estimated to be \$22 million--only part of the costs of the \$393 million program. This means that over the lives of the contracts entered in fiscal year 1980 (5- and 20-year contracts), the Congress must continue to appropriate about \$371 million in budget

1/This appropriation is established by section 521a(2)(A) of the Housing Act of 1949, as amended.

authority for the remaining payments due as a result of the contracts entered under the 1980 program. 1/

Even though the cost of the 1980 commitment (\$393 million) is known, the requirement to make appropriations in the future (\$371 million) for commitments entered in the past is not clear in the budget information presented to the Congress. Thus the Congress has little control over future appropriations of budget authority because it is not given adequate information on future requirements and does not appropriate the full amount of budget authority needed in the budget year.

Full funding improves disclosure
and congressional control

Our September report stated that full funding significantly affects congressional decisionmaking. It involves providing funds (budget authority) for the total cost of a program when it starts; no further funding is required, except for cost increases or program modifications.

Full funding would improve disclosure of the program's total funding requirements and increase the Congress' control over appropriations of budget authority by allowing the Congress to act on the full program level and cost at a time when the Congress has some discretion to make changes, rather than on a piecemeal basis.

First, if budget authority were appropriated for the total cost of the budget year program in the budget year, the Congress would see the total funding requirement before the commitment was made. Under full funding, for example, the 1980 estimated program level (\$393 million) would represent the total need for funding for the 1980 multiyear contracts.

Second, once the \$393 million has been appropriated for the budget year, the Congress would not have to provide future budget authority for that same budget year program, as is now the case. Congressional control over future years' requests for budget authority, therefore, would also focus on the full commitments to be made in those future years, rather than on a mixture of payments under previous commitments and initial years' payments for new commitments.

1/Since by law obligations must be covered by budget authority, permanent indefinite borrowing authority of the Rural Housing Fund is used to cover Rental Assistance obligations until the appropriation is made.

Disclosure and control were major factors in changing the Lower Income Housing (Section 8) program to full funding in 1976. This program (estimated 1980 obligations: \$20.4 billion) is similar to Rental Assistance in objectives, design, and operation. We believe consistent budget treatment should be used for both.

Disadvantages in fully funding
Rental Assistance would be minimal

As discussed in our September 1978 report, full funding has possible disadvantages. We believe the negative impact of the possible disadvantages on Rental Assistance would be minimal.

Fully funding this program might increase the unobligated balance, if all the budget authority provided for a year were not obligated in that year. While unobligated balances themselves are not a problem, they do have to be monitored.

Another aspect of Rental Assistance requiring monitoring is the large amount of unliquidated obligations. Because actual liquidations involve calculations depending on variables, oversight of program administration is needed. We simply call attention to this since it is outside the scope of this study.

We do not believe that full funding would result in any other disadvantages to the extent that they would be problems.

Other issues analyzed

Funding Rental Assistance in
a revolving fund is inconsistent

Rental Assistance is not a revolving activity and should not be funded in the Rural Housing Insurance Fund, a public enterprise revolving fund. Generally such revolving funds finance a continuing cycle of substantially self-sustaining operations in which outlays generate receipts. This program generates no receipts and is not self-sustaining. Including it in the Rural Housing Insurance Fund with revolving programs and combining its funding requirements with those of revolving activities is unnecessarily complex and confusing. We believe it is inconsistent with good budgetary practices.

Questionable use of borrowing authority

The permanent, indefinite borrowing authority of the Rural Housing Insurance Fund was intended primarily as an immediate

source of funds to meet unknown requirements of the loan programs (to pay off a defaulted guaranteed loan, for example). There is no need for borrowing authority to fund Rental Assistance since the program's contract liability and estimated payments are known up front, and budget authority for the total amount can be appropriated for the period in which the obligations are to be incurred. Farmers Home Administration budget officials underscored this point by stating that actual borrowings would never occur for Rental Assistance. We believe that using this authority to cover Rental Assistance obligations is inappropriate.

The agency gains unnecessary flexibility by recording borrowing authority for Rental Assistance when such authority will never be used for the program. This authority remains available for use by the agency even after the Rental Assistance appropriation is made--as long as the Rural Housing Insurance Fund requires it to cover obligations of other programs. Fully funding Rental Assistance by a direct appropriation rather than through a revolving fund would resolve most of the difficulties.

FAMILY PLANNING

Family Planning is a \$145 million (fiscal year 1980) program funded through the Health Services appropriation account (75-0350-0-1-551) in the Department of Health, Education, and Welfare. Through the program discretionary grants are given to about 240 grantees to provide family planning services. The Federal Government enters into written multiyear project agreements with grantees, but funds are appropriated annually for each year's program cost.

We analyzed several ways in which fully funding Family Planning would affect the Congress. But we focused on the disclosure and control issues since we found it difficult to evaluate the advantages and disadvantages of fully funding the program versus the current method of providing 1 year's funding at a time. This difficulty stems from (1) the nature of the actual commitment to be funded, and (2) the stability of the program.

Other impacts are summarized below and discussed in detail in the accompanying case study.

Importance of the commitment in considering full funding

The commitment of the Federal Government to fund a program is very important in determining the need for full funding and in determining the implications for disclosure and

control (this applies mainly to multiyear programs). In some programs, like Rental Assistance, there is a legally binding multiyear commitment; unless otherwise authorized by law, such programs require full funding. For other programs that involve a commitment which is not legally binding (e.g., Family Planning) full funding is discretionary. In any case, if there is a commitment to fund a multiyear program to completion and it receives annual budgeting and funding, Congress may be affected by (1) a lack of disclosure of the total cost of commitments extending into the future and, (2) decreased control over future spending because budget authority must be provided for commitments started in the past.

In the Family Planning project agreements, there is clear evidence that the Government, subject to appropriations being made and satisfactory project performance, intends to fund the projects to completion (i.e., fund the duration of the agreements--up to 5 years). As long as the Congress wishes the program to continue, there is, in effect, a "moral" or de facto commitment to provide funds over the lives of the multi-year projects. The Congress, however, receives information and makes funding decisions on only 1 year's cost at a time.

Fully funding the multiyear projects would require disclosure of full costs of commitments and would provide complete funding from the start for commitments extending into the future. While this would increase control over appropriations in a pure sense (i.e., future appropriations of budget authority would not be tied to commitments made in the past), the practical aspects of control affected by full funding must be considered.

Practical effect on control of fully funding Family Planning

Two aspects of control by the Congress should be considered: (1) future control in the light of relative program stability and an ongoing commitment, and (2) annual program level control by the Appropriations Committees.

Generally, as stated above, congressional control over future appropriations of budget authority is enhanced by full funding, but the practical effect in this case would be minimal. This is because Family Planning is fairly stable in that few new projects are started each year, a factor that precludes a cumulative buildup of future funding requirements. Funding requirements, therefore, are not likely to get out of control.

Another factor which would affect future control under full funding is the ongoing nature of the program. This means

that (1) year after year practically the same grantees are funded to provide continuous services, (2) the project agreements really encompass funding periods and not finite projects, and (3) there is an ongoing commitment to fund the overall Family Planning program for an indefinite period which cannot be fully funded.

The second aspect of control is gained through the current annual funding of the entire Family Planning program. Through the current annual review and funding, the total level of program activity can be controlled year by year. The Appropriations Committee staff we interviewed preferred this type of program control and they questioned the significance of long-term budgetary control in this case.

Other impacts on the Congress, the executive branch, and grantees

Other impacts on the Congress if Family Planning were fully funded would be

- the creation of program unobligated balances,
- a higher budget authority ceiling under one approach to full funding,
- a need for increased program monitoring, and
- changes in hearing and staff time.

Impacts on the executive branch and grantees if Family Planning were fully funded would be

- the creation of multiyear budget flexibility,
- a need for better multiyear program planning and budgeting,
- a need for increased program monitoring, and
- changes in staff time.

CONCLUSIONS

There are several unsolved problems in the Rental Assistance program. The major ones are inadequate disclosure of total program funding requirements, and decreased congressional control over future appropriations of budget authority. Fully funding the program, through a general fund appropriation account, would solve these problems with minimal disadvantages.

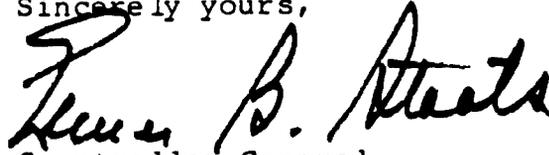
Fully funding the Family Planning program would affect the Congress in several ways. The practical effect, however, would be minimal on two of the usual advantages of full funding--disclosure of total costs and future control of spending. Some annual program control by the Congress in the current method of annual funding could be lost under full funding. Therefore, the Family Planning program does not seem to be a prime candidate for full funding.

RECOMMENDATIONS

We recommend that the Secretary of Agriculture draft legislation to establish a fully funded separate general fund appropriation account to fund the Rental Assistance program.

As agreed with your office we will send copies of this report in 10 days to the Director, Office of Management and Budget, the Secretary of Agriculture, the Secretary of Health, Education, and Welfare; and other interested parties.

Sincerely yours,



Comptroller General
of the United States

FURTHER IMPLEMENTATION OF FULL FUNDING
IN THE FEDERAL GOVERNMENT:

ANALYSIS OF FULLY FUNDING THE
RENTAL ASSISTANCE PROGRAM

(A CASE STUDY)

INTRODUCTION

WHAT IS FULL FUNDING?

A program or project is considered to be "fully funded" if the budget authority requested and made available is for the total cost of that program to be initiated in the budget year. Full funding is usually discussed in terms of multi-year programs whether or not obligations for the entire program are made at one time. Our September report discussed the advantages and disadvantages of this method of funding.

Advantages include facilitating better budget estimates, minimizing construction delays, and helping the Congress in its budget decisionmaking. The decisionmaking is helped in two ways. First, the Congress knows the full cost of a multi-year program and provides funding for it. This adds to controllability of the budget in the future in that the Congress does not have to continue funding a program started with only a fraction of its total cost. Second, full funding helps the Congress decide on funding priorities within the budget year spending ceiling since programs compete more equitably on the basis of the full Federal investment involved.

Possible disadvantages include the difficulty of making long-range estimates, higher unobligated balances, less short-run control by the Congress over outlays, and higher budget authority ceilings in concurrent resolutions on the budget (higher than the ceilings required by providing for partial costs of the same programs).

Full funding is usually associated with construction and procurement programs. An indication of this is OMB's official policy to require full funding for such programs --a notable exception is Corps of Engineers projects. Our September report stated that there was potential for fully funding other types of programs, including research and development, social, and subsidy programs. However, changes in the way programs are funded should be made only after detailed analysis on a program-by-program basis.

This study is a detailed analysis of the feasibility of fully funding a subsidy program.

RENTAL ASSISTANCE PROGRAM

Rental Assistance is one of several different programs funded through the RHIF appropriation account (12-4141-0-3-371) of FmHA. It was authorized in section 514 of the Housing and Community Development Act of 1974 (Public Law 93-383).

The program's objective is to provide rent subsidies to low income tenants of housing units financed under other FmHA programs (the Rural Rental Housing and Farm Labor Housing programs). This is accomplished through contracts between FmHA and owners of the units. If the unit is new, contracts are made for 20 years; for existing units contracts are made for 5 years. Under these contracts FmHA agrees to pay the owner the difference between 25 percent of an eligible tenant's income and the unit's basic rent. Therefore, the program can be described as a rent subsidy payment program. There is no obligation on the part of the owner or the tenant to repay FmHA any of the rental assistance payment.

FULL FUNDING COULD ENHANCE DISCLOSURE
OF PROGRAM COSTS AND CONGRESSIONAL CONTROL

The current method of funding Rental Assistance lacks adequate disclosure of the Congress' commitment to provide budget authority for the budget year program in years beyond the budget year. Thus the Congress' control over future spending is weakened.

We believe that disclosure and control are important in congressional budget decisionmaking and that the analysis of the program's current funding method in this chapter points to a need for improvement.

IMPORTANCE OF FULL DISCLOSURE
AND CONGRESSIONAL CONTROL

We believe the Congressional Budget Act of 1974, with its increased involvement by the Congress in the budget process, requires full and complete disclosure of information to the Congress. We believe this includes total costs of programs being presented for funding, particularly for multiyear programs in which the impact of budget decisions may go beyond the year for which the budget is being considered. For example, a multiyear program or project started in a given year may involve one or more of the following in subsequent years: appropriations, obligations, or outlays. Another aspect of full disclosure is that knowledge of the total cost of programs facilitates congressional decisionmaking with respect to funding priorities within the budget year spending ceiling. Programs compete on a more equitable basis under full funding since it emphasizes the full Federal investment involved. Once the budget authority ceiling is set in the concurrent resolutions on the budget, incrementally funded multiyear programs (those provided funding for a year's cost

at a time) enjoy an advantage in competing for dollars in that only a portion of their total cost is requested each year. The fact remains, however, that once a commitment is made, the Federal Government may find it difficult to terminate the program. As a result, the Congress has little, if any, control over the commitment's future funding. Full funding would increase the Congress' control over total spending and outlays in future years. We consider this one of the primary purposes of the Congressional Budget Act of 1974.

Inadequate disclosure of future funding commitment in Rental Assistance

The current budget presentation and method of funding for Rental Assistance do not fully disclose to the Congress the requirement to provide budget authority for the budget year program in years beyond the budget year. The following description illustrates this. Stated as a limitation in the appropriation language, the fiscal year 1980 estimated program cost is \$393 million. This means that FmHA will enter obligations in the form of multiyear contracts in an amount estimated at \$393 million. Under the terms of the contracts, FmHA agrees to pay that amount to rental housing owners as a subsidy to tenants over periods of either 5 or 20 years. It is not clear, however, that for the fiscal year 1980 program, funds will be appropriated for that year's payments only (\$22 million) in the 1980 appropriation and that Congress must continue to appropriate budget authority, under the current method of funding, for each year's payments throughout the life of the contracts.

A further look at the funding method used for the program will illustrate this.

Calculation of funding requirements for Rental Assistance misleading

One of the major problems of disclosure in Rental Assistance is the method of calculation and presentation of funding requirements. In the program and financing schedule for the RHIF (see figure 1) in the Budget Appendix, 1/ the fiscal year 1980 cost shown for Rental Assistance is \$76.6 million. This amount represents payments (outlays) to be made in fiscal year 1980 as a result of multiyear obligations entered into in fiscal years 1978-80 (the program started in fiscal year

1/The Budget of the U.S. Government, Appendix, fiscal year 1980.

Figure 1.

This figure shows the budget presentation and calculation of funding requirements for Rental Assistance-FY 1980 program level of \$393 million (estimated obligations).

RURAL HOUSING INSURANCE FUND			
Program and Financing (in thousands of dollars)			
Identification code 12 4141 0-3 371	1978 actual	1979 est.	1980 est.
Program by activities:			
Capital investment, funded:			
* * *			
Operating costs, funded:			
1. Administrative expense		3,000	3,000
2. Interest on certificates of beneficial ownership	916,485	1,233,000	1,464,000
* * *			
9. Rental assistance payments	2,404	46,861	76,580
10. Homeownership assistance payments			60,000
* * *			
Total operating costs, funded	<u>993,127</u>	<u>1,338,449</u>	<u>1,661,255</u>
Total program costs, funded	6,569,176	6,223,749	8,198,455
Change in selected resources (undelivered orders)	<u>418,553</u>	<u>578,612</u>	<u>1,231,353</u>
Total obligations	<u>6,987,729</u>	<u>6,802,361</u>	<u>9,429,808</u>
Budget authority:			
Current:			
Appropriation (definite)	329,806	320,192	320,209
Appropriation (indefinite)		46,861	136,580
Permanent:			
Appropriation (indefinite)	726	455	179
Authority to borrow (42 U.S.C. 1487 (h)) (indefinite)	338,457	469,167	1,193,197

Amount of Rental Assistance contract payments due FY 1980 program \$22 million

Rental Assistance obligations other than those to be paid in the fiscal year (\$371 million for FY 1980) Figured in here.

Appropriation for (1) Rental Assistance contract payments due (\$76.6 million due in FY 1980), line 9 above, and (2) Homeownership Assistance payments (\$60 million in FY 1980), line 10 above

Rental Assistance obligations other than those to be paid in the fiscal year by the current appropriation, are covered by the permanent indefinite borrowing authority of the fund.

SOURCE: Partial schedule from THE BUDGET OF THE U.S. GOVERNMENT, APPENDIX, FY 1980, pp. 163, 164.

1978). The portion attributable to the fiscal year 1980 program is \$22 million. The remaining fiscal year 1980 obligations--\$371 million--are calculated in the change in selected resources amount. 1/ Since the Anti-Deficiency Act requires all outstanding obligations to be covered by budget authority, FmHA uses permanent indefinite borrowing authority of RHIF to cover program obligations extending beyond the budget year. (We believe this is a bad budgetary practice and discuss this problem in another section of this study.) That portion of budget year obligations to be paid is covered by an indefinite appropriation. 2/ (See figure 1; fiscal year 1980 amount: \$76.6 million of the \$136.6 million shown.)

This method of funding and the resulting budget presentation are unnecessarily complex and confusing. Visibility of the total funding requirements--especially future requirements--is lost because in calculating the budget year funding requirement (1) the total cost (obligations) of the budget year program (i.e., the total amount of contracts being entered into in the budget year) is not visible--the bulk of the program is "netted" in with the other RHIF obligations to derive the change in selected resources amount, (2) the budget year amount shown in the program and financing schedule for Rental Assistance is for subsidy payments from all years' programs due to be paid out in the budget year (\$76.6 million for fiscal year 1980), (3) the indefinite appropriation amount is only for those payments due, and (4) all obligations outstanding and not due to be paid are covered by the permanent indefinite borrowing authority of RHIF. Not only does this method of funding make it impossible for the Congress to determine exactly how the budget year Rental Assistance program level affects current funding requirements, but it also hides the requirement for future funding. That is, it hides the fact that \$371 million of the \$393 million fiscal year 1980 program not covered by the indefinite appropriation must be appropriated as new budget authority in future years. For example, according to fiscal year 1980 budget figures, the Congress has no control over providing future budget authority of over \$1 billion for 3 years' programs alone (fiscal years

1/The "change in selected resources amount" is defined as the aggregate increase or decrease in those resources and liabilities that have entered into obligations but have not yet become costs, or vice versa.

2/Authorized by section 521(a)(2)(A) of the Housing Act of 1949, as amended.

1978-80). The following calculation shows how this figure was derived. 1/

3-year total program obligations (millions):

1978 actual	\$348.8
1979 estimate	425.5
1980 estimate	<u>393.0</u>

3-year total \$1,167.3

Less: 3-year obligations paid (Rental Assistance payments):

1978 actual	-2.4
1979 estimate	-46.9
1980 estimate	<u>-76.6</u>

3-year total -125.9

To be appropriated in future: \$1,041.4

FULL FUNDING WOULD IMPROVE
DISCLOSURE AND CONTROL

Fully funding Rental Assistance would provide full disclosure of the total cost and funding requirements of each year's program when it is presented to the Congress for funding. This would best be accomplished by taking the program out of RHIF and funding it in a separate general fund account. (See figure 2.) In the program and financing schedule in figure 2, which depicts full funding for the program, the total estimated cost for fiscal year 1980 (\$393 million) would appear on the Rental Assistance line and as the total obligations for that year. The amount of budget authority required, under full funding, would be \$393 million to be appropriated for the 1980 budget year with no future funding required for that year's program. Thus full funding would increase congressional control over future appropriations by eliminating the requirement to provide an indefinite appropriation over the lives of the multiyear contracts.

FmHA budget officials said they believed Rental Assistance was fully funded because total obligations were

1/ Figures from The Budget of the U.S. Government, Appendix, Fiscal Year 1980, pp. 163 and 164.

covered by budget authority (the indefinite appropriation and borrowing authority) in the budget year. We do not consider the program fully funded because the Congress still has to appropriate funds in the future years to carry out the current year's program. The very essence and most important feature of full funding is that funding for the total cost of a program is provided when it is started and no future appropriation of budget authority is required.

Figure 2

Hypothetical Program and Financing Schedule (partial) a/
for a Rental Assistance Program
General Fund Appropriation Account

Program by activities:

	(\$ thousands)		
Rental assistance contracts (costs--obligations)	\$348,800	\$425,500	\$393,000
Total obligations	348,800	425,500	393,000

Financing:

Budget authority (appropriation)	348,800	425,500	393,000
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a/This partial schedule focuses on the proper recording of budget authority. Other aspects of the schedule, such as those necessary to keep track of outlays, unobligated balances, and unliquidated obligations, would also have to be developed.

These same disclosure and control arguments were used by GAO in 1975 in recommending that the funding of the Low Income Housing program (commonly referred to as section 8) be changed to full funding. This program, administered by the Department of Housing and Urban Development, is very large (over \$20 billion in obligations estimated for fiscal year 1980) and has been fully funded since 1976. In that Rental Assistance is very similar to section 8 in objectives, design, and operation, consistent budget treatment should be used for both.

DISADVANTAGES IN FULLY FUNDING
RENTAL ASSISTANCE WOULD BE MINIMAL

Our September 1978 report discussed several possible disadvantages of full funding, including

--diminished short-run control by the Congress over outlays,

- difficulty of making long-range budget estimates,
- higher budget authority ceilings in the concurrent resolutions on the budget,
- questionable accuracy of estimates for obligation and outlay rates, and
- increased unobligated balances.

Of these, only unobligated balances might result from fully funding Rental Assistance. Such balances would occur if all the budget authority provided for a year were not obligated in that year. While unobligated balances themselves would not necessarily be a problem, they would have to be monitored.

Another area of this program requiring monitoring is the large amount of unliquidated obligations. Because actual liquidations involve calculations depending on variables, oversight of program administration is needed. We simply call attention to this since it is outside the scope of this study.

None of the other disadvantages would occur, or at least not to the extent of becoming problems. For example, a higher budget authority ceiling in function 371 (in which the program is included) in the concurrent resolutions on the budget would not occur if Rental Assistance were fully funded. In most cases, providing budget authority for the full program costs in 1 year would require a higher ceiling than would be required by providing budget authority for partial costs for the same program under incremental funding. In Rental Assistance, however, even though each year's multiyear program currently receives budget authority in increments, budget authority--in the form of borrowing authority--for the full cost of that year's program is currently included in the function 371 ceiling. In this case, therefore, full funding, which would do away with the incremental funding, would not affect the budget ceilings.

The overall negative impact of fully funding Rental Assistance would be minimal.

OTHER PROBLEMS WITH THE CURRENT FUNDING METHOD

Although we focused on full funding, several problems need addressing in addition to the aspects of disclosure and control discussed in the previous section.

QUESTIONABLE USE OF BORROWING AUTHORITY

The use of permanent indefinite borrowing authority to cover Rental Assistance obligations is questionable on two counts: (1) the original intended use of the authority and (2) the lack of any need to use it for Rental Assistance. This is not to say that this practice is illegal within the context of a revolving fund operation, but rather to show that Rental Assistance does not require it.

Permanent indefinite borrowing authority was provided RHIF 1/ for use with loan programs for the following purpose:

"If there should not be sufficient cash in the fund to enable the Secretary [of Agriculture] to make payments to mortgagees * * * the Secretary may make and issue notes to the Secretary of the Treasury * * *."

Such authority is needed in these loan programs to cover the potential liability of the Federal Government in case of default. If a borrower cannot pay off an FmHA-guaranteed loan, for example, FmHA has permanent authority to borrow funds from the U.S. Treasury and pay off the loan. Since the authority is permanent and indefinite, FmHA can meet these contingencies without action by the Congress and actual borrowings may be made in any amount required. Thus the intent of this authority was to meet unknown contingencies, such as the need for immediate cash. It would be difficult to interpret the intended use of such authority to cover known funding requirements when no borrowing was ever anticipated. This is the case, however, with Rental Assistance.

There simply is no need for borrowing authority to fund the program's multiyear contracts. The liability and estimated amount of payments due under these contracts are known when they are entered into, and budget authority to provide funds for these payments can be appropriated at the outset. Authority to meet unexpected cash requirements, therefore, is not needed. As a matter of fact, FmHA budget officials stated that borrowings for Rental Assistance would not occur. Thus the recorded amount of potential borrowing from the Treasury is unnecessarily high by the amount of Rental Assistance obligations covered by borrowing authority in RHIF.

1/Farmers Home Administration Act of 1946 (Public Law 79-731), title 1, section 13 (b).

Even though there is authority in law to use the permanent indefinite borrowing authority for the program, we find it is an inappropriate budgetary practice.

FUNDING RENTAL ASSISTANCE IN A REVOLVING FUND IS INCONSISTENT

Rental Assistance is not a revolving type activity and should not be funded in RHIF, a public enterprise revolving fund. Generally such revolving funds finance a continuing cycle of operations in which outlays generate receipts and are substantially self-sustaining. The loan programs of RHIF meet these criteria. The Rental Assistance program, however, does not, since it generates no receipts and is not self-sustaining. It simply requires budget authority to enter the contractual obligations and make outlays in the form of subsidy payments. It is not in any sense a "revolving" activity.

Funding the nonrevolving Rental Assistance program in RHIF with revolving programs, combining their funding requirements, and using borrowing authority intended for revolving activities is unnecessarily complex and confusing. We believe it is inconsistent with good budgetary practices.

TOO MUCH FLEXIBILITY FOR FMHA

FmHA gains unnecessary flexibility by recording borrowing authority for Rental Assistance when such authority will not be used for borrowing for the program. As explained earlier, FmHA uses the permanent indefinite borrowing authority of RHIF to cover Rental Assistance multiyear obligations not covered by the indefinite appropriations for budget year obligations due to be paid that year. (Actually Rental Assistance obligations are lumped with all RHIF obligations; when RHIF financing--loan repayments, sale of assets, etc.--does not cover total obligations, FmHA records additional permanent indefinite borrowing authority.) This borrowing authority remains available for use by FmHA--even after the Rental Assistance appropriation "pays off" obligations thus covered--as long as the amount of total obligations of RHIF requires it. Using Rental Assistance obligations to record borrowing authority which will not be used (to actually borrow) for the program and then retaining that authority for programs which may indeed borrow against it seems to entail unnecessary flexibility for FmHA. (We wish only to point this out and have not analyzed it in depth.)

CONCLUSIONS

There are several problems with the current method of funding the Rental Assistance program. The primary ones are inadequate disclosure of total program costs and funding requirements, and recording of budget authority for only partial costs of 1 year's total program. These practices weaken congressional control over the appropriation of budget authority in the future since the Congress must continue to provide funding for multiyear commitments started in the past.

Full funding would improve the disclosure of the program's total funding requirements and increase the Congress' control over future spending. This would best be accomplished by taking the program out of the RHIF revolving fund and funding it in a separate general fund account. Such a change would require full funding because of the Anti-Deficiency Act stipulation that all obligations be covered by budget authority.

The other problems with the current method of funding--questionable use of borrowing authority, placement of a nonrevolving activity in a revolving fund, existence of too much flexibility for FmHA--would be solved by funding Rental Assistance in a separate general fund appropriation account.

FURTHER IMPLEMENTATION OF FULL FUNDING
IN THE FEDERAL GOVERNMENT:

ANALYSIS OF FULLY FUNDING THE
FAMILY PLANNING PROGRAM

(A CASE STUDY)

INTRODUCTIONDEFINITION OF "FULL FUNDING"

A program (or project) is considered to be fully funded if the budget authority requested and made available is for the total cost of that program to be initiated in the budget year. It is usually discussed in terms of multiyear programs whether or not obligations for the entire program are made at one time.

Some advantages of full funding include facilitating better program planning and budget estimation, minimizing construction delays, and helping the Congress in its budget decisionmaking. This decisionmaking is helped in two specific ways. First, the Congress knows the total cost of a multiyear program and provides funding for it when it begins. Controllability of future budgets is thus enhanced because the Congress is not required to fund in future years the remaining commitments of a program started at only a fraction of its total cost. Second, full funding helps the Congress decide on funding program priorities within a budget year's spending ceiling, since programs compete more equitably on the basis of their total Federal investments involved, not on just their first year's cost.

However, disadvantages include the difficulty of long-range budget estimation, the occurrence of unobligated balances, and higher budget authority ceilings in concurrent resolutions on the budget than currently required to provide budget authority for only 1 year of a multiyear program. 1/

POTENTIAL FOR FURTHER APPLICATION
OF FULL FUNDING

Full funding has traditionally been associated with construction and procurement programs. However, our September 7, 1978, report stated that there was potential for fully funding other types of programs, including some social programs. This study focuses on one of the social programs we identified, Family Planning, and examines in depth the feasibility of fully funding it.

1/For a further discussion of the advantages and disadvantages, see our September 7, 1978, report.

OVERVIEW OF FAMILY PLANNINGGoals

The principal goal of the Family Planning Services and Population Research Act of 1970 and subsequent amendments is to provide individuals the freedom of choice in determining the number and spacing of their children. The Family Planning program was established to accomplish this goal by providing grants to individual projects. In receiving project services, priority is given to persons of low income (earning up to 150 percent of the official poverty line) but services are also offered to anyone, on the basis of a sliding income scale.

Grantees provide counseling, health screening procedures, and a wide range of fertility services. Thus, besides offering family-planning services, the program also serves as a source of preventive health care, especially for low income women of childbearing age. At the end of fiscal year 1976, family planning services were available in 2,924 of the 3,074 counties in the United States, administered by 238 grantees serving about 3 million persons through more than 5,000 local clinics.

Structure

Family Planning is managed by Bureau of Community Health Services (BCHS) within Health Services Administration (HSA), part of HEW's Public Health Service (PHS). Program management, headquartered in the Washington, D.C., metropolitan area, writes regulations and guidelines reflecting congressional intent as embodied in the Family Planning Services and Population Research Act of 1970 and develops Family Planning's annual budget, which in 1978 totaled \$135 million (95 percent of this is for discretionary grants). Ten regional offices throughout the country oversee the program. They approve projects as grant candidates on a multiyear basis but award actual project funds only on a yearly basis.

Grantees are either State health departments or large private nonprofit agencies. These departments and agencies deliver family-planning services directly through local service centers and/or by contracting with smaller private nonprofit delegate agencies. The grantees as a group have been very stable, with a nationwide yearly turnover rate of only about 4 percent.

FULL FUNDING APPROACHES

There are two basic approaches for fully funding grant-based social programs like Family Planning which deliver services on an ongoing basis. Since some of the impacts of full funding discussed later are affected by the choice of approach, it is necessary to describe them before such discussion starts.

Periodic approach

Under this approach all grant projects in Family Planning would be funded only at the beginning of each full funding period for the total period. Appropriation and authorization hearings could be held in the same year (e.g., both every 3 years) or in multiples of one another (e.g., appropriation hearings every 2 years, authorization hearings every 4 years). The synchronization of appropriation and authorization hearings could allow for a "sunset" legislative approach. In every congressionally designated period of time, both authorization and appropriation hearings would be held in the same year--which could affect both the program's purpose and its funding level as much or as little as the Congress deemed necessary.

Staggered approach

This approach would be the most similar to the current annual approach in that program funds would be provided every year. However, unlike annual funding, funds would be provided every year for only a portion of the program's total grant projects--but on a multiyear fully funded basis. Thus the total program's funding would be staggered between different budget years. For example, if Family Planning had a fully funded staggered period of 3 years, about one-third of the projects would be up for funding each year; the other two-thirds would have been fully funded on a multiyear basis in previous years and so would require monitoring but not a formal budget process as such. This staggered approach is more complex and time consuming to administer than the periodic approach.

If a program like Family Planning were to be fully funded on a staggered basis, changes to the program resulting from authorization legislation would be difficult to implement immediately throughout the total program. Those grant projects beginning when the legislated changes were made could certainly incorporate the changes easily. However, those projects already underway and fully funded might require a supplemental appropriation to support any additional program requirements legislated.

IMPACT ON THE CONGRESS OF FULLY FUNDING THE PROGRAM

This section discusses several ways fully funding Family Planning would affect the Congress. Most of our discussion, however, focuses on full disclosure of budget information and program and budgetary control by the Congress. Attention is centered here since we found it more difficult to evaluate the advantages and disadvantages of full funding versus the current method of providing 1 year's funding at a time. This difficulty stems from two things: (1) defining the actual commitment to be funded and (2) determining how the stability of the program affects the feasibility of fully funding it. (Note: The legally binding period of funding for Family Planning projects--1 year--is funded in full now. In this study, however, we are examining fully funding a period of commitment beyond that.)

THE IMPORTANCE OF THE COMMITMENT
IN CONSIDERING FULL FUNDING

The commitment of the Federal Government to fund any program is very important in determining if full funding is needed and in determining the implications for disclosure and control. All full funding discussion in this study concerns multiyear programs. In some multiyear programs, the commitments are in the form of legally binding contracts. Unless otherwise authorized by law (as Corps of Engineers projects are), they must be fully funded. If these programs do not receive budget authority for the total cost of their commitments when they start (i.e., they are not fully funded), the Congress must provide funding in subsequent years. This significantly affects disclosure of budget information to and budgetary control by the Congress.

In other cases the commitment to fund programs is not binding but may constitute "moral" or de facto commitments. This is the case with Family Planning. Such programs can be considered for full funding if we consider the normal interpretation of "commitment," not just a strict legal interpretation. Our September 7, 1978, report stated that when considering the conversion of a program to full funding, there should be a commitment to the extent that there is clear evidence that the Government intends to fund the program (or project) to completion. 1/ While we believe the

1/We also listed other criteria; our list of candidates for full funding in the September 1978 report included Family Planning as meeting all criteria.

Family Planning project commitments generally meet this criterion, these commitments need to be analyzed in depth in determining whether or not the program should be fully funded.

What is the nature of the commitment in considering fully funding Family Planning?

Grant awards are the primary means of funding Family Planning. Funding is allocated to grantees according to the "Project Period System" established by PHS. Under this system each project is approved on a competing basis for up to a 5-year "project period." Funding, however, is provided only for a 1-year "budget period." (The appropriation is annual; i.e., available for obligation for 1 year only.)

The grantee is notified in writing of its project period duration and budget period amount in an official "Notice of Grant Award" issued by a Family Planning regional office. Since the project period usually is for more than 1 year, it extends beyond the project's yearly budget period. The intent to fund the project beyond the yearly budget period is stated in chapter 1-85-10 (revised Oct. 1, 1978) of the PHS Grants Administration Manual: The project period system "preserves the principle of funding grants on an annual basis, while at the same time providing the grantee with a statement of intent on the part of PHS to continue funding the project for the remainder of the approved project period subject to certain conditions."

Once the project period begins, a grantee is subject to an annual noncompeting review of its program. All subsequent funding during the project period is subject to the availability of funds provided by the Congress to Family Planning. However, if a grantee continues to perform well and if the program continues to be funded by the Congress, then the Federal Government is committed to fund that grantee for its entire multiyear project period, despite funds being appropriated only annually. According to program officials, this multiyear commitment is not binding in the same sense as a multiyear contract. In other words, if the Congress wanted to stop funding Family Planning, the grantees with 1 or more years remaining in their project period agreements (for which no funds would have been appropriated) would not be able to force the Government to fund them by arguing breach of contract.

Program officials, however, consider these agreements to be morally binding and stated that very few were actually terminated. Therefore, while these commitments are not binding technically, in a practical sense they have implications for full disclosure of information and congressional control.

IMPORTANCE OF FULL DISCLOSURE AND
CONGRESSIONAL CONTROL

The Congressional Budget Act of 1974, with its increased involvement by the Congress in the budget process, requires full and complete disclosure of information to the Congress. We believe this includes providing the total costs of programs being presented for funding, particularly for multiyear programs for which the impact of budget decisions may go beyond the year for which the budget is being considered. For example, a multiyear program or project started in a given year may involve one or more of the following in subsequent years: appropriations, obligations, or outlays.

Another aspect of full disclosure is that knowledge of the total cost of programs facilitates congressional decisionmaking with respect to funding priorities within the budget year spending ceilings. Programs compete on a more equitable basis under full funding since it discloses the full Federal investment involved. Incrementally funded multiyear programs (those provided funding for a year's cost at a time) enjoy an advantage in competing for dollars in that only a portion of their total cost is requested each year. The fact remains, however, that once a commitment is made, the Federal Government may find it difficult to terminate it. As a result, future Congresses have little, if any, control over funding that commitment. Full funding would increase the Congress' control over total spending and outlays in future years. We believe this is one of the primary objectives of the Congressional Budget Act of 1974.

How, then, would full funding meet this objective in Family Planning?

The effect of full funding

To assess the impact of fully funding Family Planning commitments, it must be contrasted with the current method of funding.

The annual budget request for the program 1/ represents 1 year's cost of funding the program grants to all projects. In any one year these projects are in various stages of their project periods--some in the first year, some in the second, and so on. Likewise, the appropriation provides for 1 year's funding.

1/In the Health Services appropriation account (75-0350-0-1-551), "The Budget of the U.S. Government, Appendix."

Therefore, the Congress is making funding decisions on partial costs of multiyear commitments. The Congress cannot tell from the budget request the cost of the commitments which exist beyond the budget year.

Therefore, if the Federal Government intends to honor existing Family Planning agreements requiring funding beyond the budget year, current disclosure of the full cost of these commitments may be inadequate and congressional control over future appropriations may be weakened. Fully funding the multiyear projects would require disclosure of full costs of project commitments and would provide complete funding "up front" for commitments extending into the future. While this would increase control over future appropriations in a pure sense (i.e., future funding would not be tied to commitments made previously), this analysis must consider the practical aspects of control affected by full funding.

Practical effect of full funding on control of Family Planning

Two aspects of control need further analysis: (1) future control in the light of relative program stability and ongoing commitments and (2) annual control by the Appropriations Committees.

The preceding section discussed future control by saying that multiyear commitments funded 1 year at a time do not afford the Congress as much control as fully funded ones. There is, however, a question about how much control would really be gained from full funding due to the relative stability of Family Planning. From year to year there are few "new projects" (i.e., additional grantees) and program funding appears to be fairly predictable. The fact that few additional commitments are being made precludes a cumulative buildup of future funding requirements. There is little chance of funding needs getting out of control.

Another factor to be considered in discussing future control of Family Planning under full funding is the ongoing nature of the program. By "ongoing" we mean that year after year practically the same grantees are funded for a continuous provision of services. Even though the project periods are of a definite multiyear duration, basic budgeting and funding for projects is done annually. The end of a project period is not significant in that a project is no more likely to end then than it is at the end of any year under annual review of performance. Project periods define more a period of funding than they do a finite project. While there is a commitment to fund these project periods, there is also an

ongoing commitment to fund the overall program continuously. This overall commitment cannot be fully funded because of the lack of a defined completion.

The second aspect of control involves that gained through the current annual funding of the entire Family Planning program. This was brought up by the Appropriations Committee staff interviewed. They felt that the Congress had better control of the program through annual review and funding. It can appropriate whatever it wants and can control the level of program activity year by year. In their opinion, full funding would take this away from the Congress by setting future program levels in advance and they opposed it.

Such an argument tends to separate "program" control from "budgetary" control as discussed earlier in this section. While both are important from the congressional perspective, the Congress, in deciding whether to fully fund Family Planning, would have to weigh the advantages and disadvantages of the current annual method against full funding.

UNOBLIGATED BALANCES WOULD RESULT

If Family Planning were fully funded and all budget authority were not obligated in the first year, unobligated balances would result. This would reflect the fact that not all program grantees were fully funded by BCHS. However, these unobligated balances by themselves do not constitute a sign of fiscal mismanagement in that:

- A spending plan would have already been submitted to and approved by the Congress as a part of the full funding budget process.
- The Congress could be kept informed as to the status of the unobligated balances. In fact, in our September 7, 1978, report we reiterated a previous GAO recommendation that the Congress (as well as the executive program agency) establish some form of additional oversight for fully funded programs. Specifically, oversight could be directed at the balance of total obligation authority from year to year, not just new budget authority. This could be accomplished in the regular budget review process.

Consequently, while unobligated balances would occur, procedures and mechanisms could be in place to control and monitor them.

PERIODIC FULL FUNDING WOULD REQUIRE A
HIGHER BUDGET AUTHORITY CEILING

As discussed earlier, there are two approaches to fully funding Family Planning--periodic and staggered. ^{1/} Under the periodic approach, the Congress would make an appropriation for all the program's projects once every multiyear full funding period. This could coincide with a "sunset" review. In the year this appropriation was made, it would require a higher budget authority ceiling in the concurrent resolutions on the budget for the Health Services budget function (function number 551) than is currently required for annual funding. This budget ceiling would, however, be higher only in those years when the program's full funding was up for renewal and would be lower in the years during the full funding period when a program request would not be presented. In the long term, using the periodic approach would not require any more funding than is currently required using the annual appropriation.

INCREASED PROGRAM MONITORING

The Congress has traditionally relied heavily on its appropriation hearings as its principal means for yearly oversight of Family Planning. Under either the staggered or periodic approach, this form of oversight would be reduced.

With staggered full funding, Family Planning would come before the Congress every year, but full funding would be sought for only a portion of its total number of projects (i.e., those up for renewal or startup that year). No hearings would be held on the other portion of the program. In periodic full funding, Family Planning would come before the Congress only once per full funding period, representing the entire Family Planning program; no other hearings would be regularly scheduled during the full funding period.

To counteract this reduced oversight, the Congress could conduct supplemental hearings at any time. It could also require regular program and budget status reports between hearings periods. Moreover, the Congress could have 2-year full funding periods (requiring 2-year maximum project periods), which would coincide with election years. In this way each

^{1/}Under the staggered approach a portion of the Family Planning projects would be presented to the Congress for full funding each year. This would have little impact on the budget authority ceilings.

Congress would be able to review, modify, and fund, as it felt necessary, the total Family Planning program.

IMPACT ON HEARING AND STAFF TIME

We have previously recommended in a report entitled, "Fundamental Changes Are Needed in Federal Assistance to State and Local Governments," (GGD-75-75, Aug. 19, 1975) and in a letter to the Chairman of the Senate Committee on Government Operations, dated August 10, 1971 (B-153121), that the Congress seek to relieve the time pressure on its appropriations deliberations through alternative budget mechanisms. One alternative recommended was appropriating funds for more than one year at a time for the ongoing operations of an agency. Ongoing operations were recommended since their funding requirements are fairly predictable.

This principle might be applied to fully funding programs structured like Family Planning. For example, with periodic full funding, Family Planning would come before the Congress only once per funding period (say every 2 years) and the hearing and staff time normally required for the program during the intervening year would be saved (the longer the full funding period, the more time saved). This saving would be offset to some extent by the time required by the Congress to monitor the program during the intervening years. Ultimately the amount of congressional hearing and staff time saved would depend on the amount and complexity of oversight the Congress wanted to perform.

IMPACT ON THE EXECUTIVE BRANCH OF FULLY FUNDING THE PROGRAM

Fully funding Family Planning would significantly affect those executive branch units involved with it. Most affected would be the program agency, the BCHS.

The specific effects of fully funding the program would depend on the exact form of full funding preferred by the Congress, as discussed in the previous chapter (e.g., periodic or staggered funding, the length of the funding periods).

ADDITIONAL BUDGET FLEXIBILITY

Full funding provides budget authority for the total cost of a program without regard to whether funds are obligated all at once. Therefore, if Family Planning were fully funded, BCHS would have greater flexibility in obligating

funds to grantees. Currently the program can fund its grantees only for up to 1 year at a time--the length of its own funding period. Under full funding, BCHS could vary the length of funding for the grantees beyond 1 year and up to the program's own multiyear full funding period assigned to it by the Congress. The grantees interviewed felt that they would benefit administratively and programmatically from multiyear full funding and saw it as a highly desirable alternative to the present annual funding approach. (See following section.) Consequently, BCHS could reward grantee performance by granting full funding time periods it felt appropriate--given the grantee's ability to plan, budget, and monitor itself on a multiyear basis.

BETTER MULTIYEAR PROGRAM PLANNING AND BUDGETING

Under full funding the current annual approach to program development would be replaced by a more stable multiyear approach. That is, since fully funded Family Planning projects would be planned and budgeted on a multiyear basis, program modifications would be limited to the beginning of the full funding period, if at all possible, to avoid disrupting multiyear projects once underway. Because of this, the initiation or renewal of a project at the beginning of a full funding period would have to be made after an exacting, detailed multiyear program assessment, as planning and budgeting decisions made at this time would affect the program for the total length of its multiyear budget period.

Currently multiyear plans for Family Planning are developed, but are only general and are not supported by detailed budgeting. Two primary examples are (1) the Health Services Administration Forward Plan (an HSA-wide, 5-year plan which includes Family Planning) and (2) A Five-Year Plan for Family Planning Services and Population Research. Program officials expressed confidence that more detailed plans could be developed but expressed concern over their ability to budget in detail on a multiyear basis. The consensus was that any detailed budgeting for more than 3 years would become quite subjective. This is because of the dynamic nature of Family Planning, the budget forecasting techniques now in use, and the data base currently available for budget formulation.

If full funding is to operate, Federal program staff have to be able to budget accurately as well as plan in detail for the total full funding period. Currently the limit is about 3 years. However, this is not to say that, given time, effort, and congressional support, program staff could not improve their capabilities in this area.

WOULD REQUIRE INCREASED PROGRAM MONITORING

If Family Planning were fully funded, BCHS would have to install additional fiscal and programmatic controls to more closely oversee the status of the program. Such monitoring would have to include program unobligated balances and the multiyear operation and budgeting of the program at both the BCHS and grantee levels.

Currently BCHS requires (1) grantee progress and fiscal reports semiannually or quarterly (at the discretion of the regional program officer) and (2) a financial audit at least every 3 years. Program officials stated that these procedures and checks probably could be expanded to encompass the new factors brought about by full funding, especially the monitoring of unobligated balances. Further fiscal control could possibly be derived by BCHS' limiting a grantee's spending to only a specified amount each year, even though it was fully funded for a multiyear period.

WOULD AFFECT STAFF TIME

People at all levels of the executive branch are continually developing, compiling, justifying, coordinating, correcting, and approving the Family Planning budget. Full funding would require changes in the amount of staff time and resources required for budgeting. Such changes would vary depending on the full funding approach used.

Under the staggered approach, the executive branch's staff time required to prepare budgets would be as great as or greater than the staff time currently required under annual funding. Each year a Family Planning budget would have to be formulated for a subset of the total program's projects. While there might be a savings of staff time by developing budgets for, say one-third of the total projects (instead of all of them as is done now), this would be partially offset by the necessity to plan and budget on a multiyear basis. Furthermore, the rest of the Family Planning projects already fully funded in previous years would have to be monitored and reported on. While the total amount of executive branch staff time necessary to budget and monitor under staggered funding cannot be exactly determined, it was thought by the executive branch staff interviewed that the time required would be about the same as what is now required, if not more.

Under periodic full funding staff time probably could be saved. Family Planning's budget process would take place only once at the beginning of each multiyear full funding period. Thus, the total program would appear before the Congress periodically, and a budget would not be submitted to the Congress

in the intervening years. The executive branch staff interviewed thought that it would require less time under the periodic approach to plan and budget Family Planning for one project period (say 3 years) than under either the staggered full funding approach or the current annual funding approach.

IMPACT OF FULL FUNDING ON GRANTEES

BCHS officials could also apply full funding selectively to those grantees they felt could operate more effectively under this mode. For grantees full funding would offer advantages over annual funding, while also entailing certain additional requirements, often similar to those mentioned in the previous section for BCHS.

ADDITIONAL BUDGET FLEXIBILITY

Currently grantees can be subject to an annual "use or lose" policy concerning the obligation of their grant funds. This can cause problems when (1) funds are hurriedly and inefficiently spent in order not to lose them or (2) funds lapse and the planned program is not accomplished. Under full funding there would be a multiyear project period during which funds could be used. This added flexibility would allow grantees to obligate grant money at the most efficient rate possible during their multiyear project periods and not be constrained by an annual cycle. However, between full funding periods, a "use or lose" situation could again exist.

Fully funded grantees that contracted with local delegate service agencies for delivering family planning services would also gain flexibility in funding these agencies. While grantees could continue to fund their delegate agencies annually, they would have the option to fully fund them as a performance incentive. As recipients of full funding, delegate agencies would have many of the advantages and additional requirements discussed in the remainder of this section. As providers of full funding, the grantees' relationships with their delegate agencies would be similar to the relationship that BCHS has with the grantees themselves.

MULTIYEAR PROGRAM PLANNING AND BUDGETING

As stated in the section on the executive branch, for full funding to be more effective, multiyear planning and budgeting must occur. Currently grantees plan and budget annually, even though commitments are made on a multiyear basis.

When grantees' staffs were questioned as to their current ability to plan multiyear programs and to budget them in detail, they stated that these functions would be limited to maximum 3-year projections (the same period mentioned by BCHS). Realistically, the grantees stated, this period would be for only the most highly developed grantees. Many grantees and delegate agencies would require substantial technical assistance before they could begin to accurately plan and budget in detail on a multiyear basis.

INCREASED PROGRAM MONITORING AND CHANGED STAFF TIME

Fully funded grantees would have to install additional fiscal and program controls so that they could both report to BCHS and monitor their own programs. These grantees would have unused grant funds at the end of each year except the last during their project periods, and these balances would have to be closely monitored. Further, fully funded grantees would be operating multiyear programs which would come up for grant review less often. This too would necessitate increased monitoring. Finally, if any fully funded grantees in turn fully funded some of their delegate service agencies, they would have to be closely monitored as well.

While grantees would have to prepare initially multiyear grant applications and increase their monitoring and reporting efforts, grantees interviewed stated that the combined staff time expended for these efforts would be offset by the considerable time saved in not having to prepare annual grant requests and budgets during the interim years of the full funding period.

CONCLUSIONS

Fully funding the Family Planning program would affect the Congress in several ways. One of the primary ways it would aid the Congress would be by requiring disclosure of the total cost of program commitments. For Family Planning the total cost of the multiyear project grant commitments would be disclosed to and funded by the Congress. This would be an improvement over the current procedure of reviewing budgets and providing funding for 1 year's cost of these agreements. Fully funding the total cost of multiyear projects when they start usually gives the Congress better control over future funding, since such projects do not require funding in the future. Family Planning, however, is fairly stable--few new projects are started each year and growth in

the program level is moderate. In addition, the project agreements do not guarantee funding beyond 1 year and the overall commitment is to provide services on an ongoing basis. Therefore, control over future funding is not a real problem. Control over the program level year to year--in the annual appropriation process--could actually be weakened by full funding.

Other impacts are the creation of program unobligated balances, the potential for a higher budget authority ceiling in some years, the increased program monitoring and a change in staff time (possible reduction) devoted to the program. None of these would be significant, and the Congress could benefit if hearing time were reduced.

The executive branch and grantees could benefit from multiyear budget flexibility gained from fully funding Family Planning. An impact which would require more effort by program managers and grantees is the need for multiyear program planning and budgeting and increased monitoring.

In summary, even though the executive branch and grantees might gain some advantages, the advantages to the Congress of fully funding Family Planning are not significant. After our analysis we feel Family Planning is not a prime candidate for full funding.

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