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

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B-202613

July 6, 1981

The Honorable William V. Roth, Jr.  
Chairman, Committee on Governmental  
Affairs  
United States Senate

Dear Mr. Chairman:

You asked us to review and comment on S. 421, a bill to provide for reductions in obligations for fiscal year 1982 by departments, agencies, and establishments of the executive branch of the Government. The proposal in S. 421 presents two separate approaches for achieving budget savings. These are mandating: (1) selective object class reductions, and (2) specific savings through enhanced identification and collection of debts. We offer the following comments.

PIECEMEAL OBJECT CLASS REDUCTIONS

Section 2 through 5 of the proposed bill, S. 421, would limit total fiscal year 1982 obligations for travel and transportation, consultant services, public relations, and audio-visual and film making activities. We are generally opposed to such limitations whether they are in the form of percentages or specific sums. We believe that unless there are extraordinary reasons for such limits they should not be used.

We believe piecemeal object class reductions, which leave unclear their impact on the various programs they serve, is a questionable technique to achieve budget savings. A more desirable approach is through analysis of specific programs and their results. This would provide a proper basis for which decisions on budget priorities could be made to effect savings.

In addition to our objections against using a piecemeal approach, the use of the Office of Management and Budget (OMB) to both allocate and implement the reductions would also be undesirable. We believe reductions of the magnitude the bill is trying to accomplish are best achieved through the appropriation process. We feel to do otherwise would result in an erosion of congressional control over the setting of budget priorities. Furthermore, if subsequent to enactment of S. 421, Congress were to enact FY 1982 appropriations without taking the bill's restrictions on obligational authority into account, we believe the appropriations act to the extent it is inconsistent, would govern as the latest expression of the will of Congress.

[Comments on S. 241]

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Other problems of a more technical and practical nature would be related to the management burden such an approach would present for OMB and affected agencies. For example:

- The basis of some of the reductions, e.g., public relations, are difficult if not impossible to identify in the President's budget. Presently this level of detail is not required nor presented in the President's budget documents.
- The level of detail that is required to allocate, implement, and monitor such reductions would most likely require new reporting systems or extensive modification of those that do exist.
- The bill's language itself is too restrictive in that it does not provide the executive branch flexibility to adjust for unforeseen cost increases.

While the technical and practical problems are considerable, we believe the overriding issue is how should such reductions be effected. We believe the congressional budget process and, more specifically, the appropriation and reconciliation processes are the proper mechanisms to achieve the reductions desired in section 2 through 5 of this bill.

#### DEBT COLLECTION

Section 6 of the bill provides that the Director, OMB, shall effect savings of \$1,750 million during fiscal year 1982 by enhanced identification and collection of debts that agencies have most recently considered uncollectible.

While we have no objection to Section 6, we believe that significant progress in improving collection will require congressional support of and action on legislation directed more specifically to the removal of impediments to effective collection.

In a recent report (March 30, 1981, PAD-81-69) to the House Budget Committee, we dealt with the issue, among others of how to improve the Federal Government's debt collection management to increase budgetary savings. In that report, we stated that a significant amount of delinquent accounts and loans receivable and unpaid taxes could be collected by the Government. However, as we also stated, two major categories of actions must take place in order to collect these amounts: (1) agencies must be given the resources and direction needed to go after debts, and (2) extensive new legislation must give agencies the tools needed to collect the Government's debts.

Because of the need for legislative and administrative actions, and the many variables in Federal agencies' debt portfolios, the estimates we developed in PAD-81-69 were rough and shown in terms of ranges. However, based on these rough estimates, we believe the savings figure in this bill of \$1.75 billion is a reachable "goal" for fiscal year 1982. However, achieving savings of this magnitude will require a sustained high priority, high intensity effort to put in place much stronger policies, procedures and systems, and to operate them aggressively once they are installed. To achieve such savings in the shortrun--starting in fiscal year 1982--very prompt legislative and administrative action will be needed.

One last point, which we believe to be important, is the bill's use of the term "uncollectible." This bill is contradictory in the sense that it is requiring collections from debts that agencies consider "uncollectible" and a certain portion of the outstanding debt will indeed be uncollectible. The bill should instead base improved debt collection on the amount of debt outstanding or delinquent. We used the amount of delinquent debt in the report mentioned above.

In addition to this bill, others have been introduced in the 97th Congress which would bring about needed legislative action. One of these, S. 591, addresses the following issues that we believe are positive steps in improving debt collection management:

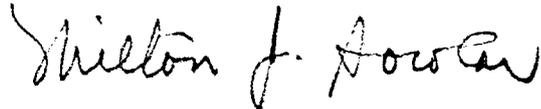
- removes an obstacle to the Government's use of the commercial practice of reporting an individual's delinquent financial obligations to credit bureaus;
- provides authority to collect general debts owed the Government by offset from a Federal employee's salary;
- removes the restriction on redisclosure of a debtor's address that has been obtained from the Internal Revenue Service; and
- provides for making agencies more accountable for their collection activities.

Also, we are aware that the Administration is preparing its own comprehensive legislative package concerning the debt collection issue. Additionally, on April 23, 1981, we testified before your Committee on actions we feel are necessary to improve the collection of debts owed the Government. For your convenience we are enclosing a copy of our testimony.

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In summary, we believe reductions of the magnitude suggested in this bill are best achieved by targeted reductions in programs through the formal congressional budget process, rather than by across-the-board reductions of object classes. We do not have any major objections dealing with the section on debt collection; however, as discussed above, to reach this bill's goal much more substantive legislative and administrative action is necessary.

Sincerely yours,

A handwritten signature in cursive script that reads "Milton J. Fowler".

Acting Comptroller General  
of the United States

Enclosure