# SPECIAL ANALYSIS G

## UNOBLIGATED BALANCES OF BUDGET AUTHORITY AVAILABLE IN 1970

This analysis presents the results of a study of unobligated balances expected to be available for obligation or commitment after June 30, 1969. The study was made in response to the provisions of section 204 of the Revenue and Expenditure Control Act of 1968 (Public Law 90–364), which requires that:

- A special study and analysis be made of 1969 unobligated balances that are expected to remain available in 1970;
- A report on this study and analysis be made to the Congress when the 1970 budget is transmitted; and
- The report include specific recommendations for rescission of not less than $8 billion of such balances.

This analysis constitutes the report called for in Public Law 90–364. Possible rescissions in the required amount are specified at the conclusion of the report; however, they are not reflected in the 1970 budget schedules because the President does not favor such rescissions.

Table G–1 summarizes the data considered in this study. Two major features should be noted:

*First*, only unobligated balances of Federal funds were considered. Similar balances in trust funds were excluded, since they represent mainly receipts which are firmly committed for a specified use in the future.

*Second*, small balances, defined as under $20 million in any account, were excluded. Of the 1,063 presentations of Federal fund appropriations and other accounts in the 1970 Budget Appendix, there are 96 that show unobligated balances of $20 million or more at the end of 1969, amounting in total to $48,674 million. The remaining 967 schedules include those with unobligated balances under $20 million, which amount to a total of $416 million.

Table G–1. **SUMMARY OF UNOBLIGATED BALANCES ESTIMATED TO BE AVAILABLE IN 1970** (in millions of dollars)

| | End of 1969 estimate | |
|---|---|---|
| Total unobligated balances shown in 1970 budget schedules | | 139,238 |
| Deduct trust fund balances | | 90,148 |
| Total Federal fund balances | | 49,090 |
| Deduct Federal fund balances of less than $20 million | | 416 |
| **Total Federal fund unobligated balances considered in study (accounts of $20 million or more)** | | 48,674 |
| Department of Defense—Military | 11,481 | |
| Civilian agencies | 37,193 | |



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## Characteristics of Unobligated Balances

Balances of budget authority—both obligated and unobligated—are a natural outgrowth of the Federal budget system, in which outlays can only occur subsequent to the enactment of appropriations or other forms of budget authority. In the case of most Government accounts, the timelag between appropriations of budget authority, obligations of funds, and related outlays is relatively short, and appropriations not obligated by the end of the fiscal year expire. However, in other cases, such as major procurement and construction programs, obligations and outlays may occur over a period of years after the budget authority is granted, and balances are carried forward until the authority is obligated and spent. In still others, authority is provided for possible emergencies, and is hoped not to be actually needed; if such authority is not needed nor used, it is carried forward as part of the balances year after year.

To the extent that unobligated balances affect program levels and anticipated outlays for a given fiscal year, they must be considered in executive formulation and congressional action on requests for new budget authority. Nevertheless, it should be noted that they do not represent cash on hand and therefore, if canceled or rescinded, there is no return of cash to the Treasury.

***Nature of unobligated balances.***—There are several major reasons for the large unobligated balances in the Federal budget. For purposes of this analysis, the Federal fund balances (covering accounts with balances of $20 million or more), are classified in the categories set forth below (see table G–2). These categories *are not mutually exclusive* since an individual item might justifiably be placed in more than one category, but they do serve to illustrate the basic characteristics of these balances.

***Guarantee and insurance programs.***—The Federal Government provides guarantees and insurance in certain areas, notably in housing and banking activities. In these kinds of programs, appropriations or other budget authority have been provided as contingency backup against claims. To the extent such authority is not used, the amounts are carried forward as unobligated balances. Of the $48.7 billion Federal fund balances estimated to remain unobligated at the end of 1969, $21.6 billion (45%) fall into this category.

A significant portion of this amount is basically *standby authority* which is hoped not to be used in the foreseeable future—for example:

- $6,633 million is available for investment in the International Bank for Reconstruction and Development and other international financial institutions, if these institutions make a "call" upon member nations for more paid-in capital;
- $3,000 million is available for investment in the Federal Deposit Insurance Corporation;
- $2,250 million is available for investment in the Federal National Mortgage Association; and

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Table G-2. **NATURE OF UNOBLIGATED BALANCES OF FEDERAL FUNDS** [1]
**(in millions of dollars)**

| Category and agency | End of 1969 estimate | |
|---|---|---|
| **Guarantee and insurance programs** | | **21,586** |
| International financial institutions | 6,633 | |
| International Bank for Reconstruction and Development (5,715). | | |
| Inter-American Development Bank (818). | | |
| Asian Development Bank (100). | | |
| Department of Housing and Urban Development | 6,458 | |
| Government National Mortgage Association: | | |
| Loans to Federal National M rtgage Association (2,250). | | |
| Participation Sales Fund (871). | | |
| Public housing (1,272). | | |
| Federal Housing Administration fund (1,228). | | |
| Flood and riot insurance operations (538). | | |
| Urban renewal loans (299). | | |
| Federal Home Loan Bank Board (1,000 for investment in banks; plus 750 backup authority and 2,275 reserves in Federal savings and loan insurance fund) | 4,025 | |
| Federal Deposit Insurance Corporation | 3,000 | |
| Other | 1,470 | |
| **Full funding policy** | | **11,366** |
| Department of Defense—Military | 10,554 | |
| Procurement (8,683). | | |
| Military construction (1,090). | | |
| Research, development, test, and evaluation (781). | | |
| Civilian agencies | 812 | |
| **Loan programs** | | **11,208** |
| Department of Housing and Urban Development | 5,300 | |
| Government National Mortgage Association: Special assistance and management and liquidating functions (2,318). | | |
| College housing (2,618). | | |
| Public facility loans (292). | | |
| Housing for the elderly (72). | | |
| Export-Import Bank | 2,387 | |
| Department of Agriculture | 1,164 | |
| Farmers Home Administration (1,136). | | |
| Rural Electrification Administration (28). | | |
| Veterans Administration | 686 | |
| Other | 1,671 | |
| **Other** | | **4,514** |
| Department of Housing and Urban Development | 1,704 | |
| Department of Defense—Military | 903 | |
| Department of Agriculture | 300 | |
| Tennessee Valley Authority | 461 | |
| Department of Health, Education, and Welfare | 237 | |
| Department of Transportation | 417 | |
| Other | 492 | |
| **Total** | | **48,674** |

[1] Covers accounts with balances of $20 million or more.

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- $1,750 million is available for investment in Federal home loan banks, and as backup for Federal savings and loan insurance.

For the domestic financial institutions listed above, Federal investment funds are held available for use if funds are ever needed for the protection of insured deposits or for loans in a financial emergency.

Some *reserves against losses* which are counted as unobligated balances in this category derive from fees, premiums, and other types of collections obtained from the protected groups themselves. Such reserves are essentially akin to funds held in trust. Significant items in this group include $2,275 million in fees and premiums collected from insured savings and loan institutions, and $1,228 million for Federal housing insurance.

Most of the remaining balances in this category are in the Department of Housing and Urban Development, which has an estimated $2,980 million in balances representing *backup* for various kinds of programs. Of this amount, $1,571 million is backup for guaranteed private loans in the low-rent public housing and urban renewal programs, and $538 million is available for prompt payment to insurance companies of reinsurance claims in flood indemnity and riot damage cases. The Department also has $871 million for payment to holders of participation certificates as they mature.

***Full funding policy.***—Except for a few programs (mainly water resources), the Federal budget system provides for full funding; i.e., appropriating budget authority for the entire cost of a major procurement program or a construction project at the time it is started. Of the $48.7 billion Federal fund balances estimated to remain unobligated at the end of 1969, $11.4 billion (23%) is attributable to the full funding policy. This includes most of the balances of the Department of Defense ($10,554 million), and $812 million in civilian agencies for construction of ships, buildings and facilities, and roads and trails.

Full funding has the effect of setting a limit on the size of the specific program or project. Since this approach discloses to Congress the estimated full cost involved before the work actually begins, decisions can be made with a greater awareness of the amounts the Government is committing itself to spend. Full funding also provides the executive branch with more flexibility in programing work if economic or other conditions change, and in making more efficient use of resources in the conduct of the work.

On the other hand, full funding places larger unobligated balances in the hands of the executive branch than would otherwise exist. This has the effect of making it unnecessary for the Congress to review program funding in these cases each year. However, the Congress can, if it so desires, examine the progress in each fully funded project annually, and take positive action to reaffirm or revise earlier decisions if the situation has changed since the funding was provided.

Under the full funding concept, it should also be recognized that funds may be *committed* to a given purpose, even though legally unobligated. For example, in the Department of Defense, funds are committed when the contracting organizations are directed to proceed with procurement—that is, before invitations to bid are issued. Thus,

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funds are clearly earmarked for specific projects when contractors are asked to bid. This avoids having bidders go to the expense of responding to an invitation to bid only to find that no contract can be awarded due to unavailability of funds. This practice of earmarking funds is an important aspect of the Department of Defense's system for program and financial controls, and provides assurance to the business community that contracts will be awarded when an acceptable bid is developed.

***Loan programs.***—Another sizable category of unobligated balances relates primarily to the financing of loan programs. Approximately 23% of the unobligated Federal fund balances estimated to be carried over into 1970—$11.2 billion—is in loan programs.

These programs generally are financed through revolving or business-type funds, which are established to carry on a cycle of operations, mainly with the public. Most of these funds are expected to be self-sustaining over a period of years. Their capital requirements are supplied through budget authority. As they generate receipts from their own operations, they pay interest or return unneeded capital. Balances of the revolving funds usually consist of the assets of the funds, or of undrawn authorizations to borrow from the Treasury or on their own.

Almost half of the unobligated balances in this category ($5,300 million), is in the Department of Housing and Urban Development, largely for the special assistance and management and liquidating functions of the Government National Mortgage Association ($2,318 million) and the college housing program ($2,618 million).

Many of the programs in the Department of Housing and Urban Development require budget authority on a long-leadtime basis in order to provide assurance to the potential borrower or contractor that adequate financing will be available for the total cost involved. The requirements for these programs are complex, and considerable time and money is required on the part of the applicant to develop a project to the stage where the Government can enter into a firm legal obligation. To deal with this problem, a *reservation* system has been worked out under which the Government sets aside sufficient financing at the time it is convinced that the applicant can develop a project that will meet requirements. These reservations are converted into legal obligations when an acceptable application is submitted and approved. The amounts so reserved are counted as unobligated until the final agreement or legally binding contract is actually consummated.

In the absence of this reservation system, most applicants would be unwilling to spend the time and money needed to develop applications, and projects needed to accomplish Federal objectives would not be started. On the other hand, if the Government negotiated with applicants in the absence of fund availability, the Congress and the executive branch could be faced with demands for additional appropriations from applicants who felt the Government had made a moral commitment to finance the projects once it encouraged their

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development. The reservation system, therefore, protects applicants against wasted effort and enables the Government to attain its objectives more effectively and to improve its control over the amount of outlays to which it is committed.

The Farmers Home Administration and the Veterans' Administration also carry sizable, although considerably smaller, unobligated balances for housing loan programs, totaling $1,822 million at the end of 1969. Another loan revolving fund program with a substantial unobligated balance is the Export-Import Bank ($2,387 million).

***Other.***—Of the remaining $4.5 billion (9%) of unobligated balances estimated to be carried forward into 1970, $903 million is in the Department of Defense industrial fund operations. These balances are characteristic of industrial fund activity—they are attributable mainly to the timelag that occurs between receipt of a work order by the fund, and completion of the work required under the order. The Department of Housing and Urban Development has $1,704 million in this category, representing primarily urban renewal grant authority which is reserved for obligation when acceptable applications are developed. Another $1,907 million represents scattered balances which are largely in programs involving both direct construction and construction grants. These include road, highway safety, and aviation programs of the Department of Transportation; public buildings management; and hospital and health facilities construction. Also included are the balances carried under the program for removal of surplus agricultural commodities, and the uncommitted authority of the Tennessee Valley Authority to issue bonds for its power program, estimated at $461 million at the end of 1969.

***Unobligated Federal fund balances, by agency and type.***—Given the general characteristics of unobligated balances, it is predictable that most of the unobligated Federal fund balances of civilian agencies would occur where there are large lending or insurance activities, and would tend to be financed in the form of authorizations to expend from debt receipts or revolving funds, rather than through regular appropriations. Table G–3 summarizes these balances by agency and shows the types of financing involved.

As the table indicates, almost one-fourth of the total unobligated Federal fund balances are in the Department of Defense. The Departments of Defense and Housing and Urban Development together represent over one-half of the total.

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Table G-3. **SUMMARY OF UNOBLIGATED BALANCES OF FEDERAL FUNDS ESTIMATED TO BE AVAILABLE IN 1970, BY AGENCY AND TYPE**[1]

**(in millions of dollars)**

| Agency and type of authority | End of 1969 estimate | Percent of total | Percent of civilian total |
|---|---|---|---|
| **Agency** | | | |
| Department of Defense—Military | 11,481 | 23.6 | ---------- |
| Civilian agencies | (37,193) | (76.4) | ---------- |
| Department of Housing and Urban Development | 13,462 | 27.6 | 36.2 |
| International financial institutions | 6,633 | 13.6 | 17.8 |
| Federal Home Loan Bank Board | 4,025 | 8.3 | 10.8 |
| Export-Import Bank | 2,387 | 4.9 | 6.4 |
| Federal Deposit Insurance Corporation | 3,000 | 6.2 | 8.1 |
| Veterans Administration | 1,527 | 3.1 | 4.1 |
| Department of Agriculture | 1,991 | 4.1 | 5.4 |
| Other | 4,168 | 8.6 | 11.2 |
| **Total** | **48,674** | **100.0** | **100.0** |
| **Type of authority** | | | |
| Appropriations | (13,687) | (28.1) | ---------- |
| Department of Defense—Military | 10,554 | 21.7 | ---------- |
| Civilian agencies | 3,133 | 6.4 | 8.4 |
| Authorizations to expend from debt receipts (all civilian) | 23,425 | 48.1 | 63.0 |
| Contract authorizations (all civilian) | 2,232 | 4.6 | 6.0 |
| Revolving and management funds | (9,330) | (19.2) | ---------- |
| Department of Defense—Military | 927 | 1.9 | ---------- |
| Civilian agencies | 8,403 | 17.3 | 22.6 |
| **Total** | **48,674** | **100.0** | **100.0** |

[1] Covers accounts with balances of $20 million or more.

Balances of appropriations comprise 28% of the total unobligated balances, most of them for the Department of Defense. The remaining balances in Defense (2% of the total) are financed through revolving and management funds. For the civilian agencies, about 6% of the total balances are in appropriations, while 70% is financed through authorizations to expend from debt receipts, contract authorizations, or revolving and management funds.

## Analysis of Estimated Requirements for Federal Funds Unobligated Balances in 1970

***Summary.***—An analysis has been made of the estimated requirements in 1970 for the Federal fund unobligated balances which will remain available in that year. This analysis reflects an appraisal of the operations and plans of the agencies for obligating some or all of their balances in 1970, consideration of the characteristics of the balances as described above, and the possibilities and effects of rescinding the balances in 1970. The resulting evaluation is briefly summarized in table G-4.

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Table G-4. **REQUIREMENTS FOR UNOBLIGATED BALANCES OF FEDERAL FUNDS IN 1970[1] (in millions of dollars)**

| Description | End of 1969 estimate | |
|---|---|---|
| Planned for obligation in 1970 | | 16,927 |
| Department of Defense—Military | 9,481 | |
| Civilian agencies | 7,446 | |
| Not planned for obligation in 1970, but held for others (e.g., reserves against losses in guarantee and insurance programs)[2] | | 4,940 |
| Not planned for obligation in 1970 and available for recission if statutes are changed (e.g., revising the basis for providing backup in various insurance and guarantee programs)[2] | | 16,420 |
| Not planned for obligation in 1970 and available for recission if administrative practices are changed (e.g., departing from the full funding policy) | | 2,913 |
| Department of Defense | 2,000 | |
| Civilian agencies | 913 | |
| Not planned for obligation in 1970 and available for recission under present statutes and practices[2] | | 7,474 |
| **Total** | | **48,674** |

[1] Covers accounts with balances of $20 million or more.
[2] Involves only civilian agencies.

***Planned for obligation in 1970.***—Based on the budget proposals for 1970, $16.9 billion (almost 35%) of the $48.7 billion unobligated Federal fund balances is estimated to be obligated in 1970 for various programs. Assuming no major changes in the budgeted levels, if some or all of these balances were rescinded, a like amount of budget authority would have to be proposed for 1970 to keep the programs on schedule.

For the Department of Defense, an estimated $9,481 million of the balances will be obligated, largely for procurement. Furthermore, practically all of the remaining $2,000 million balances will be earmarked or committed to use for specific programs or projects. These balances, as noted earlier, arise almost entirely from the Defense practice of fully funding major weapons systems and construction projects.

For the civilian agencies, $7,446 million is estimated to be obligated in 1970. Of this total, $2,750 million is for programs of the Department of Housing and Urban Development. For the most part, these represent amounts reserved but unobligated on June 30, 1969, which are expected to be converted to obligations in 1970.

Other Federal fund balances as of June 30, 1969 which are estimated to be obligated in 1970 are detailed in table G-5, showing the agency involved and the programs for which the funds will be used.

***Held for others.***—An estimated $4.9 billion (10%) of the unobligated Federal fund balances are held for others. They consist primarily of reserves against losses in guarantee and insurance programs derived from fees, premiums and other receipts collected from the group served by the program and held for them for possible later use or distribution. These balances closely resemble those of trust funds. The breakdown of this total is reflected in table G-6.

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Table G-5. **UNOBLIGATED FEDERAL FUND BALANCES PLANNED FOR OBLIGATION IN 1970[1] (in millions of dollars)**

| Agency and program | End of 1969 estimate | |
|---|---|---|
| **Department of Defense—Military** | | **9,481** |
| Procurement | 6,833 | |
| Military construction | 940 | |
| Research, development, test, and evaluation | 781 | |
| Revolving and management funds | 927 | |
| **Department of Housing and Urban Development** | | **2,750** |
| Urban renewal programs | 1,467 | |
| Government National Mortgage Association: Special assistance functions | 640 | |
| College housing loans | 167 | |
| Model cities programs | 121 | |
| Other | 355 | |
| **Export-Import Bank:** Loan program | | **1,361** |
| **Department of Agriculture** | | **720** |
| Farmers Home loan and credit insurance programs | 692 | |
| Rural Electrification—loan program | 28 | |
| **Small Business Administration:** Loan program | | **498** |
| **Department of Labor:** Advances to State Employment Services pending tax collections | | **341** |
| **Department of Health, Education, and Welfare:** Mainly hospital construction | | **284** |
| **Agency for International Development:** Economic assistance program | | **271** |
| **Department of Transportation:** Largely for highway safety and aviation programs | | **222** |
| **General Services Administration:** Public buildings construction and management | | **148** |
| **Veterans Administration:** Mainly housing loan programs | | **146** |
| **Department of Defense—Civil:** Construction program | | **124** |
| **Tennessee Valley Authority:** Power program | | **122** |
| **Commerce:** Merchant ship construction | | **102** |
| **Other** | | **357** |
| **Total** | | **16,927** |

[1] Covers accounts with balances of $20 million or more.

***Available for rescission if statutes are changed.***—An estimated $16.4 billion (34%) of unobligated balances in Federal funds is in this category. Most of these could be rescinded by converting from definite to indefinite authority the backup or emergency financing of various guarantee or insurance programs. This would not change the nature of the Government's contingent liability, and would not reduce the actual availability of funds if they were needed for obligation. However, it would eliminate the balances from the unobligated total because the amounts available would no longer be specifically stated and therefore could not be counted. For the most part, these balances represent standby borrowing authority not expected to be obligated in the foreseeable future.

Conversion rather than outright rescission would be necessary to continue the programs, but entails some lessening of control over potential program levels in the unlikely event the authority is needed at some time in the future. Some period of concern in the private markets could occur, mainly because of the uncertainty surrounding changes in traditional procedures. There would probably be particular sensitivity to changes in the standby authority for the international financial institutions, and agreement between the Treasury Department and the institutions would be required.

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Table G-6. **UNOBLIGATED FEDERAL FUND BALANCES HELD FOR OTHERS[1] (in millions of dollars)**

| Agency | End of 1969 estimate | |
|---|---|---|
| Department of Housing and Urban Development | | 2,063 |
| Government National Mortgage Association (participation sales fund—collections to be used for payment to holders of participation certificates, 871; special assistance and management and liquidating functions, 150) | 1,021 | |
| Federal Housing Administration fund—insurance fees and premiums collected from homeowners | 1,004 | |
| Federal Insurance Administration—accumulated premiums in insurance fund | 38 | |
| Federal Home Loan Bank Board (Federal Savings and Loan Insurance Corporation insurance reserves—fees and premiums collected from insured institutions) | | 2,275 |
| Veterans Administration (premiums and interest in reopened and special term insurance programs) | | 352 |
| Agency for International Development (Foreign investment guarantee fund—fees, sales of assets, etc.) | | 108 |
| District of Columbia—loans for capital outlay | | 65 |
| Department of Transportation—amounts required for supersonic aircraft development program | | 55 |
| Department of Agriculture (Federal crop insurance premiums) | | 22 |
| **Total** | | **4,940** |

[1] Covers accounts with balances of $20 million or more.

The Department of Housing and Urban Development has $4,134 million in this category. Of this total, $2,250 million is available to make loans to the Federal National Mortgage Association if it should be unable to continue borrowing on the private market. This standby authority represents 30% of the $7,500 million of such private borrowings expected at the end of 1969. Another $1,384 million is borrowing authority that backs up loan commitments to localities for urban renewal and public housing. Most of these commitments are never disbursed, because localities are able to obtain private financing as long as the Federal commitment is outstanding. The unobligated balance represents 19% of the expected outstanding loan commitments which are undisbursed and not covered by obligations. The remaining $500 million is available to pay reinsurance claims in the civil disorder and flood insurance programs, which are just starting in 1969.

In the Federal Deposit Insurance Corporation, the $3,000 million in unobligated balances, plus retained earnings that will approximate $3,900 million on June 30, 1969, are held to provide coverage for failures in insured banks which, as of June 30, 1968, have insured deposits of $272 billion.

The Federal Home Loan Bank Board shows $1,750 million of unobligated balances in this category, of which $1,000 million is available as backup for Federal Home Loan Bank borrowings, which are expected to total $5 billion at the end of 1969. The remaining $750 million is available to the Federal Savings and Loan Insurance Corporation if the $2,275 million of reserves accumulated from premiums should be exhausted. These reserves and borrowing authority together represent 2.2% of the total amounts insured.

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In the case of the Tennessee Valley Authority, while rescission technically is possible, projects already underway would require borrowings of all but $100 million of the balances involved. Furthermore, rescinding action would later require legislation for new borrowing authority to meet the growing power needs of the area served.

Table G–7 provides a summation of the amounts in this category.

Table G–7. **UNOBLIGATED FEDERAL FUND BALANCES WHERE RESCISSION REQUIRES CHANGE IN STATUTES**[1] **(in millions of dollars)**

| Agency | End of 1969 estimate | |
|---|---|---|
| **International financial institutions** | | **6,633** |
| International Bank for Reconstruction and Development (assuming one dollar callable for every dollar of debt, the maximum estimated requirement through 1970 would be $4.3 billion) | 5,715 | |
| Inter-American Development Bank | 818 | |
| Asian Development Bank | 100 | |
| **Department of Housing and Urban Development** | | **4,134** |
| Public housing (backup for private guaranteed loans) | 1,202 | |
| Urban renewal loans (backup for private guaranteed loans) | 182 | |
| Government National Mortgage Association loans to Federal National Mortgage Association (standby authority for emergency capital investments) | 2,250 | |
| Flood insurance (assurance of payment of reinsurance claims to insurance companies) | 250 | |
| Riot or civil disorder insurance (assurance of payment of reinsurance claims) | 250 | |
| **Federal Deposit Insurance Corporation** (standby authority for insured bank deposits) | | **3,000** |
| **Federal Home Loan Bank Board** | | **1,750** |
| Investment in Federal home loan banks (standby authority for emergency capital investments) | 1,000 | |
| Federal Savings and Loan Insurance Corporation (backup for insurance reserves) | 750 | |
| **Veterans Administration** (backup for outstanding loan guarantees) | | **451** |
| **Tennessee Valley Authority** (uncommitted authority for power bond issues) | | **339** |
| **Farm Credit Administration** | | **113** |
| Investment in banks for cooperatives (standby authority for emergency capital investments) | 50 | |
| Investment in Federal intermediate credit banks (standby authority for emergency capital investments) | 63 | |
| **Total** | | **16,420** |

[1] Covers accounts with balances of $20 million or more.

***Available for rescission if administrative practices are changed.***—Of the estimated $2.9 billion (6%) of unobligated Federal fund balances not planned for obligation in 1970 which fall in this category, $2,096 million arises from the full funding policy of the Department of Defense and the public buildings construction program of the General Services Administration; $445 million from the reservation system used for programs of the Department of Housing and Urban Development; and $372 million from other administrative practices that could be changed. (See table G–8.)

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A change in full funding practices for the activities in this category would permit rescission of $2,096 million of these unobligated balances in 1970, but would require later restoration unless the program levels were altered. For example, the rescission of $2,000 million of unobligated balances in the Department of Defense would mean that items normally contracted for late in the procurement cycle would no longer be funded. Large items of equipment, such as ships, submarines, aircraft, and large missile systems could not be made militarily operational until funds were restored to complete the projects. Budget authority would have to be made available in 1971 to meet the time schedule within which these systems are to have operational capability, or there would be a deferral of program objectives.

Elimination of the reservation system would permit rescission of $445 million of balances, principally in the Government National Mortgage Association special assistance program, and the urban renewal and college housing programs. However, builders, financial institutions, localities, and others would probably interpret rescission to mean that funds would not be available for planned projects and, therefore, refuse to participate in these programs. In turn, this would make it more difficult to achieve the desired Federal objectives.

Table G-8. **UNOBLIGATED FEDERAL FUND BALANCES WHERE RESCISSION REQUIRES CHANGE IN PRACTICES**[1] **(in millions of dollars)**

| Type of practice and agency | End of 1969 estimate | |
|---|---|---|
| **Change in full funding practices** | | **2,096** |
| Department of Defense—Military (mainly procurement and military construction) | 2,000 | |
| General Services Administration (public buildings) | 96 | |
| **Elimination of reservation system** | | **445** |
| Department of Housing and Urban Development: | | |
| Government National Mortgage Association: Special assistance functions (reservations to be converted to obligations after 1970) | 175 | |
| Urban renewal grants (outstanding reservations on June 30, 1969 which will not convert to obligations until after 1970) | 152 | |
| College housing (reservations not converted to obligations in 1970) | 102 | |
| Public facility loans (reservations not converted to obligations in 1970) | 14 | |
| Housing for the elderly (reservations not converted to obligations in 1970) | 2 | |
| **Other** | | **372** |
| Department of Housing and Urban Development (change accounting definition in FHA fund) | 134 | |
| District of Columbia (change definition and administrative actions in general fund appropriation for capital outlay loans) | 176 | |
| Small Business Administration (maintain nominal balance in disaster fund) | 52 | |
| Other (Department of Justice and Veterans Administration) | 10 | |
| **Total** | | **2,913** |

[1] Covers accounts with balances of $20 million or more.

***Available for rescission under present statutes and practices.***—An appraisal of agency program plans, as reflected in the 1970 budget, indicates that the remaining $7.5 billion (15%) of unobligated

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Federal fund balances could be rescinded without requiring changes in basic statutes or current administrative practices, if the Congress wishes to take such action. Table G–9 summarizes these data.

Table G–9. **UNOBLIGATED FEDERAL FUND BALANCES AVAILABLE FOR RESCISSION**[1] **(in millions of dollars)**

| Agency and account | End of 1969 estimate | |
|---|---|---|
| **Department of Housing and Urban Development** (after allowing for needed obligations or reservations in 1970) | | **3,936** |
| College housing loans | 2,349 | |
| Government National Mortgage Association: Special assistance functions | 1,353 | |
| Public facility loans | 234 | |
| **Department of Agriculture** | | **1,249** |
| Farmers Home Administration (after providing for adequate funding for 1970) | 639 | |
| Section 32 balances | 300 | |
| Forest roads and trails | 310 | |
| **Export-Import Bank** (after allowing for needed obligations in 1970) | | **1,026** |
| **Veterans Administration** (after allowing for needed obligations in 1970) | | **574** |
| Direct loan revolving fund | 553 | |
| Hospital construction | 21 | |
| **Department of Transportation** | | **237** |
| Highway safety | 150 | |
| Forest and public lands highways | 32 | |
| Urban mass transportation | 55 | |
| **Department of Health, Education, and Welfare** (Higher education facility loans) | | **153** |
| **Farm Credit Administration** (after estimating needs for standby authority for emergency investment in banks for cooperatives and Federal intermediate credit banks once Federal capital is retired) | | **147** |
| Banks for cooperatives | 98 | |
| Federal intermediate credit banks | 49 | |
| **Department of the Interior** (National Park and Indians parkways and roads) | | **94** |
| **Department of Commerce** (Economic Development Administration revolving fund) | | **58** |
| **Total** | | **7,474** |

[1] Covers accounts with balances of $20 million or more.

In the Department of Housing and Urban Development this analysis indicates that $3,936 million is available for rescission under present statutes and administrative practices. For example, the college housing program has available balances of $2,618 million; after deducting $167 million to be obligated in 1970, and $102 million being used for administrative reservations which will mature into obligations after 1970, the balance ($2,349 million) could be considered for rescission. A similar analysis of the Government National Mortgage Association balances yields, as a potential candidate for rescission, an amount of $1,353 million in the special assistance program; and the $234 million in the public facility loan program is another possibility.

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This analysis also indicates that $1,249 million is available for rescission in the Department of Agriculture without changing existing statutes or practices. This includes $300 million for the removal of surplus agricultural commodities (section 32) which probably should not be considered for rescission in order to continue the policy of providing reserve funds to meet contingencies. There is also an unobligated balance of $310 million for forest roads and trails. Rescission in this case, however, would have the effect of removing some administrative flexibility that is helpful in dealing with changes in economic conditions. Balances of $639 million in the direct loan and the rural housing loan accounts of the Farmers Home Administration are potential candidates for rescission. However, a balance of $121 million should be retained for the rural housing loan account to leave a small margin to provide for needs in subsequent years. Rescission of the remaining $518 million, however, may require additional budget authority to continue these programs in future years.

Of the $2,387 million of unobligated balances in the Export-Import Bank, $1,361 million is needed to cover the gap between receipts and obligations estimated for 1970. The residual balance of $1,026 million is not planned for use in 1970 and thus could be considered for rescission. However, this would reduce operational flexibility and will require new budget authority in subsequent years.

In the Veterans Administration, $574 million of unobligated balances could be rescinded without changing existing statutes or practices. Of that total, $553 million in the direct housing loan program is not required to support the program level reflected in the 1970 budget, and if considered for rescission, probably would not require equivalent funding before 1971. On the other hand, the remaining $21 million for hospital construction might best be held to provide flexibility in coping with changes in local project requirements.

Another potential candidate is the $153 million of the balances held in the higher education facility loan account of the Department of Health, Education, and Welfare. These are unused due to a change in financing for this program; instead of direct loans, new interest subsidy grants will permit use of private financing. Thus, these balances could be rescinded without altering the 1970 program level and, under the budget proposals, would not require equivalent future financing.

This analysis identifies other possibilities with respect to the remaining balances. In the Department of Transportation, for example, rescission of the $237 million balances would have no 1970 program impact; the slower-than-anticipated pace of the new highway safety program accounts for the largest part of those balances. Similarly, rescission of the $147 million balances in the Farm Credit Administration also would not affect the 1970 program, but is held primarily to meet emergency requirements. While the parkways and roads item in the Department of the Interior reflects balances that could be rescinded, those balances provide leeway in dealing with changing economic conditions related to construction work. Rescission action on the balance in the Economic Development Administration revolving fund would have no program impact; however, this fund is used to pay interest costs to Treasury.

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## Recommended Approach To Rescinding $8 Billion of Unobligated Balances

Various overall approaches to an $8 billion rescission of unobligated balances suggest themselves from the foregoing study. For example, a decision by the Congress to depart completely from full funding in Federal fund accounts would yield rescissions of over $11 billion, including elimination of most Department of Defense balances. However, full funding has many important advantages, and full departure from that concept is not suggested as a desirable course. If such action were taken, approximately $9 billion of the budget authority so rescinded would have to be replaced in 1970 to maintain planned program activities. Only $2 billion of these balances are not expected to be obligated in 1970.

Similarly, a decision to change the laws so as to convert all standby balances in these accounts to indefinite authority would produce rescissions well over the statutory $8 billion, but involves substituting one form of authority for another and entails problems and disadvantages, as described earlier. Other alternatives are, of course, possible—both general and selective.

This study suggests, first, that consideration of rescissions should not include certain of the balances in Federal fund accounts. These are (a) balances planned for obligation in 1970 which, if rescinded, would require 1970 budget authority instead (unless program plans—particularly for Defense—were greatly altered); and (b) balances not planned for obligation in 1970, but held for others. The effect of excluding these balances from the base for reduction (accounts with balances of $20 million or more) is as follows:

| | *$ millions* |
|---|---|
| Total estimated unobligated balances in Federal funds | 48,674 |
| Less: | |
| Federal fund balances planned for obligation in 1970 | 16,927 |
| Federal fund balances not planned for obligation in 1970, but held for others | 4,940 |
| Revised base | 26,807 |

Thus, in effect, the remaining balances must be reduced by approximately 30% if an $8 billion rescission is to be accomplished.

The study further suggests that if $8 billion of balances are to be rescinded, they should be selected as follows:

- First, from the $7.5 billion of Federal fund balances which are not planned for obligation in 1970 and for which rescission would not involve changing laws or traditional administrative practices. Selections from this category should be made to the extent possible without affecting or causing undue difficulty in working toward program objectives.
- Second, from other Federal fund balances where changes in practices are required but the amounts available are not planned for obligation in 1970. Selections from this category should be made (a) to the extent necessary to reach a total of not less than $8 billion; and (b) so as to provide for a rescission of Department of Defense balances in an amount proportionate to its share (23.6%) of the total unobligated balances of Federal funds as of June 30, 1969.

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Based on an evaluation of these categories of balances, a reasonable approach to legislation for an $8 billion rescission is reflected in table G–10.

Table G–10. **A REASONABLE APPROACH TO RESCISSION OF $8 BILLION OF UNOBLIGATED BALANCES**[1] **(in millions of dollars)**

| Agency and account | End of 1969 estimate | |
|---|---|---|
| **From balances where changes are not required:** | | |
| Department of Housing and Urban Development | | 3,936 |
| College housing loans | 2,349 | |
| Government National Mortgage Association: Special assistance functions | 1,353 | |
| Public facility loans | 234 | |
| Export-Import Bank: | | |
| Export-Import Bank fund | | 1,026 |
| Veterans Administration: | | |
| Direct loan revolving fund | | 553 |
| Department of Agriculture: | | |
| Farmers Home Administration | | 518 |
| Direct loan account | 268 | |
| Rural housing direct loan account | 250 | |
| Department of Health, Education, and Welfare: | | |
| Higher education facilities loan fund | | 153 |
| **From balances where rescission requires change in practices:** | | |
| Department of Defense—Military | | 2,000 |
| Procurement (mainly from full funding requirements beyond 1970) | 1,850 | |
| Military construction (mainly from full funding requirements beyond 1970) | 150 | |
| **Total** | | **8,186** |

[1] Covers accounts with balances of $20 million or more.

For the civilian agencies, the Federal fund balances which offer the best prospects for rescission are in loan programs. The amounts involved take account of funding requirements estimated for 1970 and do not affect the reservation system used in the Department of Housing and Urban Development programs or other customary financing procedures. In other civilian agencies, the balances suggested for rescission would not require changes in present statutes and practices, the action would not affect the 1970 program, and the need for equivalent financing later either is not anticipated or can be held for future consideration.

With respect to the Department of Defense balances proposed for consideration, here too there would be no impact on the 1970 program. However, there would be a need for some change in present practices with respect to the full funding concept. In this case, the Department of Defense has a total of $10.6 billion in unobligated Federal fund balances as a result of the practice of fully funding the military construction, procurement, and research and development activities. Of this total, all but $2 billion will be obligated by the end of 1970. This $2 billion is now planned to be used for procuring large weapons systems through contracts that are made at later stages of completion and for military construction projects. Though not needed in 1970 under present Defense plans, equivalent authority would be required in 1971 in order to complete the projects underway and to make the weapons systems operational.

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