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General Services
Administration

General Services Administration
1978 Budget

Overview

Background

The General Services Administration (GSA) provides space, supplies, motor vehicles, telecommunications, ADP and other services to requesting units in the Federal Government.

The major service components of GSA are:

- The Public Buildings Service (PBS) provides for new construction, repair and alteration of existing space and leasing of rental space through the Federal Buildings Fund. (Gross outlays of \$1339M.)
- The Federal Supply Service (FSS) provides for common use stores items and motor pool vehicles through the General Supply Fund. (Gross outlays of \$1594M).
- The National Archives and Records Service (NARS) is responsible for Federal records management and publishes the Federal Register. (Outlays of \$68M).
- The Federal Preparedness Agency (FPA) is responsible for managing the national stockpile, civil emergency preparedness, the Government's civil continuity of Government functions and industrial mobilization programs of the Defense Production Act. (Outlays of \$52M, stockpile net receipts of \$61M).
- The Automated Data and Telecommunications Service (ADTS) operates the "FTS" telephone system and provides ADP services to Federal agencies. (Gross outlays of \$496M).



The functions of GSA are financed primarily through revolving funds. Although large cash flows are experienced each year, the activity is generated by agency demand and not by GSA. Of these funds, only the FBF offers much flexibility in changing outlays through changes in new buildings construction, repair and alterations, etc. The stockpile program offers the only other major opportunity for controlling GSA outlays.

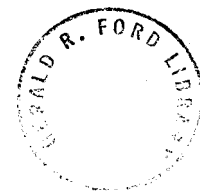
1978 Funding Request

The GSA request calls for an increase of nearly 20% in the Federal Buildings Fund level, principally for new construction and repair and alterations. In addition there are large increases in the Federal Preparedness Agency (FPA). As a result of new stockpile guidance approved by the President in August, FPA is requesting stockpile acquisitions (\$211M) for the first time in recent years. Also, the Interagency Communications System (ICS) has been transferred to FPA from DOD (\$25M). In addition to these FPA changes (which occurred since the establishment of the planning ceiling), GSA is requesting an increase of \$8M to cover mandatory items (SLUC, postage, etc.) and \$13M for other discretionary items scattered throughout the agency. Requests in other major program areas--FSS, NARS, ADTS, general administration--generally reflect minimal or no increases over 1977. Overall, the request reflects stronger oversight by the Administrator (this is the first budget formulated under his supervision) than was true in prior years.

The following table summarizes the differences between the planning ceiling, the GSA request and OMB recommended funding levels:

	(Dollars in millions)				
	<u>Planning Ceiling</u>	<u>GSA Request</u>		<u>OMB rec.</u>	
BA.....	(344)	(602)	(+258) ^{2/}	(385)	(+41) ^{2/}
Program Outlays.....	381	580	+199	394	+13
Stockpile receipts.....	-500	-290	+210	-61	+439
Other asset sales.....	-45	-60	-15	-45	0
Net outlays.....	-164	230	+394	288	+452

1/ Figures exclude pay increases
 2/ Change from planning ceiling



The principal differences between GSA's request and the OMB recommendation can be summarized as follows:

	<u>Outlay Impact</u> (\$M)
GSA request.....	230
Shift funds from construction to repairs/ alterations.....	+10
Lower SLUC estimate.....	+21
Lower stockpile disposals.....	+229
Defer stockpile acquisitions.....	-211
Decrease Defense Production Act chrome and cobalt projects.....	-3
Reduce NARS grant request.....	-1
Miscellaneous reductions.....	-2
Reduce estimate of surplus property disposals....	<u>+15</u>
OMB recommendation.....	288
 <u>Federal Buildings Fund</u> (1977 PL, \$1131M, 1978 Request \$1339M, 1978 Recommended \$1339M)	

GSA's request includes funding for six new construction projects - two of which have not been approved by OMB (San Jose and Providence). Our recommendation (issue 3) is to reduce the construction request by the amount of the unapproved projects (\$62M) and shift those funds to repairs/alterations to meet the growing backlog--now estimated to be \$1.1B--of R&A work in existing government-owned space.



In 1976, the Fair Annual Rental (FAR) system was implemented to establish new rates for FY 1978 standard level user charges (SLUC). FAR is based on a building-by-building appraisal approach, thus reflecting both the quality and the location of property in establishing square footage rates. Compared with 1977, total SLUC income in 1978 is expected to be 15% higher reflecting a restoration of the 10% Congressional cut in 1976 and 1977 SLUC rates as well as general increases in office space, operations and utility costs.

The rental GSA will pay out in 1978 is estimated at \$489M and reflects an austere government-wide space situation but allows a small increase in total leased space (1.2%) to accommodate new workload requirements of the Courts or other Federal agencies.

It is worth noting that GSA has accepted the policy thrust of the 1976 and 1977 budgets in the area of cleaning Federal buildings and has proposed a 4% reduction in government cleaners with a concomitant increase in cleaning by contract.

Further detail on the Federal Buildings Fund is summarized in the back-up material.

Federal Supply Service: General Supply Fund (1977 outlays -\$20M; 1978 req. \$0;
1978 rec. \$0)

The General Supply Fund (GSF) of FSS finances, on a reimbursable basis, a national supply depot system and a system of ordering supplies for direct delivery to agencies. FSS's initial budget submission for the Fund reflected net outlays for FY 1978 at \$55M, an increase of \$75M over the -\$20M estimate for FY 1977 and \$55M over our planning ceiling assumption for this GSA element. The estimated outlay increase resulted from increased motor vehicle purchases (\$29M), increased stock inventory levels (\$20M), and reduced agency advances and other liabilities (\$25M). We have requested and GSA has agreed to reduce planned net outlays in the Fund by \$55M, which will allow the vehicle purchase request, but will hold the stock inventory at 1977 levels and increase the liability level of the fund by \$10M over the FY 1977 estimate.



We believe these actions will permit the GSA to continue effective operations in the motor pool, where vehicle acquisition is essential, without materially distorting the inventory or liabilities estimates.

Asset Receipts (1977 net receipts \$-197M; 1978 requested net receipts \$-139M; 1978 recommended net receipts \$-106M)

The disposal bills for stockpile materials (issue 1) and rare silver dollars were not passed this Fall. We are recommending that the silver dollar legislation be reintroduced in January. The silver dollar disposals amount to about \$28M, all of which could be realized in 1977 if the legislation were to permit sales to dealers rather than only to individuals. For the stockpile program we propose deferring submission of acquisition and disposal requests to Congress pending a review of stockpile policy in light of revised defense planning guidance expected in November 1976. We are also proposing transfer of stockpile policy from GSA to DOD. Finally, we estimate \$45M in receipts from surplus property sales.

Office of the Administrator/Miscellaneous (1977 supplemental of \$675K)

A 1977 supplemental has been requested for the Administrator's office in the amount of \$675K. This is principally to fund the costs of newly created positions in the Administrator's office and expansion of his Office of Program, Planning and Evaluation (OPPE). The new positions provide for persons to improve the fiscal management capability and upgrade the business-management capability of the Office of the Administrator. OPPE was established to assist the Administrator in his planning, policymaking and evaluation by providing him with independent evaluations of proposals and inhouse activities. Over the last few years, OMB has strongly endorsed the need for such an office and a general strengthening of the Administrator's capacity to manage the agency. Consequently we are recommending approval of this request.



Employment

The following table reflects the GSA request, OMB ceiling and OMB recommendation for full-time permanent employment:

	<u>Full-time Permanent Employment</u>	
	<u>1977</u>	<u>1978</u>
OMB ceiling.....	36014	xxx
GSA request.....	36035	36399
OMB recommendation.....	36035	36236

The recommendation for 1977 reflects a transfer of functions and positions to NARS from DOD and HEW.

GSA requests a net increase of 364 positions in 1978. This reflects the transfer of 303 positions from DOD with the Interagency Communications System plus increases in the FBF and ADTS, partly offset by decreases in real property operations (cleaning). The OMB recommendation for a net increase of 201 provides for the ICS transfer, accepts the decreases in real property operations, but reduces the requested increases in the FBF and ADTS. (See miscellaneous reductions back-up sheet).

Summary

OMB's recommendations provide for program levels for 1978 that will permit prudent management of ongoing programs, cost effective levels of repair and alterations, construction of approved projects, and expansion of evaluation capability while holding most programs and employment close to the FY 1977 levels.



SUMMARY DATA

General Services Administration
1978 Budget

Summary Data 1/

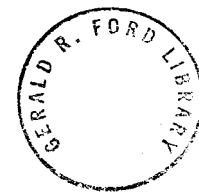
	(In millions)		<u>Employment, end-of-year</u>	
	<u>Budget</u>		<u>Full-time</u>	
	<u>Authority</u>	<u>Outlays</u>	<u>Permanent</u>	<u>Total</u>
1976 actual.....	161	-90	35679	37679
1977 Budget, January 76 estimate..	-598	-628	36014	38014
enacted.....	335	311	xx	xx
supplementals recommended.....	38	37	xx	xx
agency request.....	177	153	36035	38035
OMB recommendation.....	177	153	36035	38035
OMB employment ceiling.....	xx	xx	36014	38014
1978 Planning target.....	-201	-164	xxx	xxx
agency request.....	264	250	36399	38399
OMB recommendation.....	291	308	36236	38236
1979 OMB estimate.....	352	369	36236	38236

Summary of Issue

	1978				1979	
	<u>Agency req.</u>		<u>OMB recom.</u>		<u>OMB est.</u>	
	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>
Issues:						
1. Stockpile receipts.....	-290	-290	0	0	0	0
2. Stockpile transfer (GSA receipts)	-290	-290	0	0	0	0
3. Federal Telecommunications Fund (1977 supp. req.).....	0	0	0	0	0	0
4. Construction and R&A.....	2222/	65	2222/	90	-	-

1/ Includes pay supplementals

2/ Limitation on new obligational authority



Agency Objectives and Program Evaluation Efforts

1976 Program Accomplishments

- (1) A major objective initiated by GSA and endorsed by OMB was to establish a capability for planning and program evaluation in the Office of the Administrator. This office has been created and is being staffed.
- (2) The Federal Telecommunications System when initiated in 1963 was capable of handling 13 million calls. In 1964 it was converted to a direct dial system capable of handling upward of 160 million calls annually. The system was converted from 10 to seven digit dialing in December 1975. Expected savings are \$500K annually plus a cost avoidance of \$600K for the first 25 cities.
- (3) GSA initiated an exercise in April 1976 to reduce the number of GSA reports that collect information from the public. The effort resulted in the cancellation of 14 reports (23 percent) totalling 708K person hours (40 percent).
- (4) The Federal Supply Service's General Supply Fund experienced severe cash shortages in 1974, as a result of earlier than anticipated deliveries and the placing of excess orders for inventory items. A request for a \$157M supplemental in 1976 was not acted on by OMB partly to require internal management improvements. As a result of actions by GSA, the financial position of the fund is greatly improved, service has become markedly better, and the need for a supplemental has been lessened.

Improvements in FSS include:

- A redesigned supply system to centralize requisition control, procurement, and inventory management functions.
- A planning and review system comprised of workload forecasts, performance requirements, business volume forecasts and monthly program review.



1977 Objectives and Plans for Accomplishments

GSA has initiated a system of management tracking that consists of traditional MBO milestones and key indicators.

Among MBO's are:

- To establish mandatory teleprocessing services contracts.
- To determine the economic and service impact of procuring telephone equipment services on a competitive basis.
- To develop and implement the improved FSS schedules program - nonstock Automated Delivery Order System (ADO).
- To reduce the cost of records storage.
- To promote improvement in government-wide utilization of reproduction equipment and services.
- To develop and apply systematic analytical processes to identify potential resource shortages.
- To apply concepts learned from a study of comparing construction costs entailed by private builders vs Federal construction.

Adequacy of Agency 1978 Objectives Received

The key indicators concept is excellent since it ties performance to budgetary resources and provides for visible accountability. Among projects identified for special action in 1978 are to increase the vehicles in the motor pools in order to improve service to the agencies and to initiate internal procedures that will put the General Supply Fund on a sound basis.



Program Evaluation Efforts

Several evaluations anticipated, such as development of management guidelines for evaluating program performance of an ADP organization and telephone bill and tariff analysis are to be done by contract.

An evaluation to be accomplished by the Budget Office on implementation of simultaneous billing and collection system is to be done by questionnaire. The study is appropriate and the implementation is in good sequence.

Other proposed projects are given in too sketchy detail to enable one to judge the appropriateness of the technique contemplated. Most appear to be efficiency rather than impact evaluations.

GSA has the capability to complete the evaluations proposed, but the quality of the analysis and the completeness of the studies may not be as good as one would like. The evaluations could be improved by (1) specifying the methodology in greater detail, (2) conceptualizing the problem in terms of evaluation-related hypotheses, and (3) planning in advance how results will be used.

Greater evaluation effort is required in the area of new construction and R&A criteria for prospectuses.

Presidential Management Initiatives

GSA's original PMI plan was considered inadequate in the following ways; it did not provide measurable cost reductions or benefits for many of the initiatives included; it covered items of questionable Presidential interest and it provided completion dates only by fiscal year. The September 21 progress report did not accommodate the OMB request for extensive reworking due to lack of time. The October progress report is expected to address the deficiencies in the original plan. In some areas, GSA has performed well:



Decisionmaking and Departmental Organization

The Administrator has shown strong support for making improvements and has demonstrated the creativity and flexibility to recognize good proposals. Items chosen for review are good in that they can assist management in decisionmaking. The capability exists to gather data and conduct technical reviews, but the creativity required to turn the facts into innovative actions may be deficient.

Reduction in Federal Reporting and Regulation

GSA has taken the initiative in reducing reports required and in hours required to complete reports.

Contracting Out and Holding Down Overhead Costs

GSA has moved toward contracting out in the areas of cleaning, guarding and printing. There are additional areas where achievements can be made, such as motor vehicle leasing, and contracting of studies.

Government-wide Role

In addition to its internal plan, GSA is also playing a helpful role in providing technical assistance and analysis in seven of the sub-initiatives where GSA has a government-wide role.

Consumer Representation Plans

Plans include several new initiatives in GSA activities, such as:

- (1) A Consumer Advisory Council with a Director of Consumer Affairs to implement the Consumer Representation Plan and to coordinate consumer activities within GSA.
- (2) The Office of Federal Register will help consumers use the Register more effectively.



- (3) The Regulatory Law Division in the Office of General Counsel will publish a notice of intervention in the Federal Register when it intends to enter a public utility case on behalf of the Federal Government.
- (4) The Consumer Information Center will increase the number of reader surveys to obtain a better idea of the public's interest in consumer topics.



GENERAL SERVICES ADMINISTRATION
1978 BUDGET
PROGRAM LEVEL 1/
(\$ in millions)

Program	1976 Actual	1977			1978		1979 OMB Est.
		Jan Budget	Agency Req.	OMB Rec.	Agency Req.	OMB Rec.	
A. Real Property Activities							
Federal Buildings Fund 2/	(1141)	(1146)	(1131)	(1131)	(1339)	(1339)	(1425)
Real Property Disposal	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>9</u>	<u>8</u>	<u>8</u>
					9	8	8
B. Personal Property Activities							
Federal Supply Service	165	155	152	152	155	155	155
General Supply Fund	<u>40</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	205	155	152	152	155	155	155
C. Other Programs							
Automated Data & Telecomm. Service	7	8	32	32	8	7	7
Records Activities	62	66	66	66	67	66	66
Administrative and Staff Support	55	65	72	72	76	76	76
Preparedness Activities	16	27	16	16	58 3/	55 3/	55
Stockpile Acquisitions	-	-	-	-	211	-	-
Stockpile disposals	(-163)	(-870)	(0)	(0)	(-290)	(-61	(0)
Miscellaneous	<u>16</u>	<u>17</u>	<u>17</u>	<u>17</u>	<u>18</u>	<u>18</u>	<u>18</u>
	156	183	203	203	438	222	222
Subtotal (Budget authority)	368	345	362	362	602	385	385
D. Receipts from assets sales							
Stockpile	-163	-870	-124	-124	-290	- 61 4/	0
Other	<u>-44</u>	<u>- 73</u>	<u>- 73 5/</u>	<u>- 73 5/</u>	<u>- 60</u>	<u>- 45</u>	<u>- 45</u>
	-207	-943	-197	-197	-350	-106	- 45
Net Budget authority	161	-598	165	165	252	279	340
Pay increases Req. B.A.	-	-	12	12	12	12	12
TOTAL BUDGET AUTHORITY	161	-598	177	177	264	291	352

- 1/ Budget authority unless otherwise noted.
2/ Limitations on new obligational authority.
3/ Includes ICS transfer.
4/ Includes only disposals under existing authorization.
5/ Includes rare silver dollar receipts.



GENERAL SERVICES ADMINISTRATION
1978 BUDGET
OUTLAYS

(\$ in millions)

Program	1976	1977			1978		1979
	<u>Actual</u>	<u>Jan Budget</u>	<u>Agency Req.</u>	<u>OMB Rec.</u>	<u>Agency Req.</u>	<u>OMB Rec.</u>	<u>OMB Est.</u>
A. Real Property Activities							
Federal Building Fund	-105	- 10	- 5	- 5	- 20	- 11	- 11
Real Property Disposal	7	7	7	7	9	8	8
	<u>-100 1/</u>	<u>- 3</u>	<u>- 8 1/</u>	<u>- 8 1/</u>	<u>- 11</u>	<u>- 19</u>	<u>- 19</u>
B. Personal Property Activities							
Federal Supply Service	163	155	152	152	155	155	155
General Supply Fund	- 87	- 20	- 20	- 20	0	0	0
	<u>- 76</u>	<u>- 135</u>	<u>- 132</u>	<u>- 132</u>	<u>- 155</u>	<u>- 155</u>	<u>- 155</u>
C. Other Programs							
Automated Data and Tele-							
communication Service	- 5	10	18	18	12	11	11
Records Activities	60	66	66	66	68	67	67
Admin. & Staff Support	56	64	69	69	75	75	75
Preparedness Activities	15	26	16	16	54 2/	51 2/	51
Stockpile Acquisitions	0	0	0	0	211	0	0
Stockpile Disposals	(-163)	(-870)	(0)	(0)	(-290)	-61	(0)
Miscellaneous	15	17	18	18	16	16	16
	<u>- 141</u>	<u>- 183</u>	<u>- 187</u>	<u>- 187</u>	<u>- 436</u>	<u>- 220</u>	<u>- 220</u>
Subtotal Outlays	117	315	327	327	580	394	394
D. Receipts from Assets Sales:							
Stockpile	-163	-870	-124	-124	-290	- 61 3/	0
Other	- 44	- 73	- 73 4/	- 73 4/	- 60	- 45	- 45
	<u>-207</u>	<u>-943</u>	<u>-197</u>	<u>-197</u>	<u>-350</u>	<u>-106</u>	<u>- 45</u>
Net Outlays	- 90	-628	130	130	230	288	349
Pay Increases	-	-	23	23	20	20	20
TOTAL OUTLAYS	- 90	-628	153	153	250	308	369

1/ Includes offsets from construction services fund and miscellaneous assets.

2/ Includes ICS transfer.

3/ Includes only disposals under existing authorization.

4/ Includes rare silver dollar receipts.



General Services Administration
1978 Budget
Supplementals and Legislative Program Items

	(\$ in millions)		Employment, end of period	
	Budget authority	Outlays	Full-time Permanent	Total
Federal Buildings Fund				
Construction				
Agency request.....	0.1 ^{1/}	0.1	-	-
OMB recommendation.....	0.1	0.1	-	-

Recommendation provides for use of presently unprogrammed FBF receipts in this activity for payment of construction contractor's claim in Mobile, Alabama.

General Management, Agency Operations

Agency request.....	0.7	0.7	-	-
OMB recommendation.....	0.7	0.7	-	-

Recommendation provides for additional specialized personnel in the Office of the Administrator to strengthen evaluation capability and accomplish special projects.

Automated Data and Telecommunications
Service

Federal Telecommunications Fund

Agency request.....	25.0	13.0	-	-
OMB recommendation.....	25.0	13.0	-	-

Recommendation provides for increased capital for FT Fund based on analysis provided in issue paper.

Pay increases:

Agency request.....	12.0	23.0	-	-
OMB recommendation.....	12.0	23.0	-	-

^{1/} Increased limitation on obligational authority.



General Services Administration
Employment Full-Time Permanent

		1977		1978	
	1976	<u>Agency</u> <u>Req.</u>	<u>OMB</u> <u>Rec.</u>	<u>Agency</u> <u>Req.</u>	<u>OMB</u> <u>Rec.</u>
Program:					
A. Real Property.....	19320	19067	19067	18994	18967
B. Personal Property.....	7705	7752	7752	7719	7719
C. Other Programs					
ADTS.....	2624	2197	2197	2341	2205
Records.....	2358	2477	2477	2477	2477
Adm. & SS.....	2716	3432	3432	3316	3316
FPA	614	668	668	971	971
Other.....	342	442	442	581	581
Subtotal.....	<u>8648</u>	<u>9216</u>	<u>9216</u>	<u>9686</u>	<u>9550</u>
Total.....	35679	36035	36035	36399	36236



General Services Administration
1978 Budget

Authorizing Legislation Required for 1979
(Under sec. 607(f), P.L. 93-344,
this legislation must be transmitted to Congress
no later than May 15, 1977)

The General Services Administration has none.



ISSUE #1

Issue Paper
General Services Administration
1978 Budget
Issue No. 1. Stockpile

Background

In August of 1975 the National Security Council issued NSSM 228 that called for a complete review of stockpile planning policy and guidance. This study was initiated in part to allay Rep. Bennett's reservations about the 1973 guidance. As Chairman of the Subcommittee on Seapower and Strategic and Critical Materials, Rep. Bennett had blocked all disposal legislation. The NSSM 228 study culminated in a Presidential decision in August of 1976 and issuance of NSDM 337. Compared with the 1973 guidance, NSDM 337 reflects more stringent assumptions related to sources of supply and results in a higher stockpile goal, \$10.2B compared with \$1.2B under the 1973 guidance. The value of the materials currently held in the stockpile is about \$7.2B. Key issues and variables are shown below:

<u>Policy issues and other key variables</u>	<u>NSDM 337 (1976)</u>	<u>1973 guidance</u>
Years of stockpile planned for war of indeterminant length	3	1
Number of war fronts	2	2
Mobilization level	full	unclear
Warning period	one year	none
Provision for civilian needs	essential and general	not directly comparable
Military force levels	about 4 million related to DOD expenditures	5 million persons
<u>Estimated \$ levels</u>		
Stockpile objective	\$10.2B	\$1.2B
Sales - 5 year total	\$2.4B assuming disposal legislation	unclear due to inability to get disposal legislation
Acquisitions 5 year total	\$1.5B	none
Net - 5 year total	receipts of \$.9B	unclear



The present \$10.2B stockpile goal could take 25 or more years to achieve due to the cost of materials and the requirement that markets not be disrupted. Under terms of the NSDM, the FPA periodically will update its technology and data and will recalculate the total goal. An interagency process will produce an annual material plan with proposals for specific acquisitions and disposals based upon priority requirements, market conditions and fiscal capacity. For FY 1977, a supplemental request for acquisitions may be submitted in response to the President's suggestion at the August NSC meeting. This request is expected to be under \$100M. A request has been received for acquisitions for FY 1978. Although Rep. Bennett's subcommittee acts on disposals, a different House committee, over which Bennett has no control, acts to approve acquisitions.

The planning assumptions used in NSDM 337 on the stockpile differ from those used in other defense planning which are based on different time periods and different degrees of protection or hedging. The reason for using different planning assumptions for the stockpile was to provide a degree of "insurance" so that errors in the one approach might be compensated by the alternative assumptions in the other.

Shortly after the President's decision on the stockpile, the NSC issued NSSM 246 calling for a study of overall defense strategy to be completed in November. While NSSM 246 will not directly address the stockpile, OMB could use its completion to raise again with the President the possibility of reexamining the relationship between assumptions used for stockpile planning and other defense planning. Even if the "insurance" principle is accepted, one could argue that the gap between the stockpile that would be consistent with defense assumptions (which result in no stockpile) and stockpile assumptions (\$10.2B) is providing too much "insurance".

Issue:

Should the budget reflect full acceptance of the Federal Preparedness Agency's stockpile request for acquisitions and disposals?



Pro:

- Would maximize the speed with which the President's stockpile decisions could be implemented.
- Could maximize the likelihood of achieving enactment of disposal legislation by convincing Congressional opponents of disposals that the Administration is also committed to acquisitions.

Con:

- Would permit acquisitions of materials OMB analysis does not deem critical and would forego an opportunity for additional receipts OMB would recommend.
- Would establish a precedent that the annual material plan submitted by FPA should be sent without change to the Congress as the President's budget request.
- Acquisitions may be more readily agreed to by the appropriations committees than disposals by the Bennett subcommittee. This could result in initial acquisitions that would increase the size of the stockpile beyond its present size and further delay reducing it to conform to any lowered guidance the President might later agree to.

Alternatives:

- #1 - Implement the President's August stockpile guidance by reflecting in the budget the FPA's full requests for both acquisitions and disposals in both 1977 and 1978 (agency request).
- #2 - Implement the President's guidance more gradually and with more attention to budget constraints by modifying the annual material plan to somewhat reduce non-critical acquisitions and accelerate planned disposals.



- #3 - To preserve the possibility of more easily implementing a lowered stockpile goal that might result from revised Presidential stockpile guidance, request only the disposals consistent with present guidance--defer all acquisitions.
- #4 - Obtain Presidential agreement this fall to reexamine the stockpile guidance. Since this is a process requiring more time than is available before budget transmittal, include no requests for either disposals or acquisitions in the budget. (Division recommendation).

Analysis and Details of Alternatives

Stockpile Acquisitions and Sales (\$ in millions) 1/

	<u>A. 1977</u>				<u>B. 1978</u>		
	<u>Acq.</u>	<u>Rec.</u>	<u>Net</u>		<u>Acq.</u>	<u>Rec.</u>	<u>Net</u>
#1. (FPA Request)	75	-497	-422	#1. (FPA Request)	211	-663	-452
#2.	0	-497	-497	#2.	111	-680	-569
#3.	0	-497	-497	#3.	0	-680	-680
#4. (OMB rec.)	0	0	0	#4. (OMB rec.)	0	0	0

Alternative #1 - Including the full FPA request 2/ in the 1977 and 1978 budgets would require in 1977:

- ° Requesting a supplemental of \$75M for acquisitions
- ° Resubmitting the four disposal bills that died in the final days of the 94th Congress (April enactment would mean \$373M in 77 budget receipts and \$373M in 78 budget receipts).

1/ Includes receipts under existing legislation
2/ Preliminary - subject to change.



In 1978:

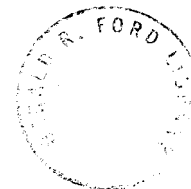
- Requesting \$211M in appropriations for acquisitions specified in the annual material plan.
- Showing \$290M in receipts, of which \$229M would require 1978 disposal legislation.

The President, in the August 1976 NSC meeting at which he determined the new stockpile goals, suggested that the FPA prepare a FY 1977 supplemental for acquisitions. The President's suggestion that a FY 1977 supplemental be prepared was at a time when passage of disposal legislation appeared likely. The issue has not been raised again with the President since the failure of the disposal bills to pass.

The 1978 request for disposals is based on those materials in excess of the total stockpile goal. The request for acquisitions is based on first and second year DOD needs and first year essential civilian needs.

Alternative #2 - This alternative would exclude the proposed 1977 supplemental, include reintroduction of 1977 disposal legislation, and reduction of the annual material plan for 1978 by a net \$117M in the following manner:

- The 15 percent (\$28M) included in the plan for inflation and market impact would be deleted because we do not budget for inflation in civilian agencies and the legislation prohibits operations disruptive to the markets.
- Nickel acquisitions would be reduced because the FPA request exceeds DOD and civilian requirements for the planning period for the current material plan. (\$26M).
- Rubber acquisitions would be deleted pending further study to determine whether changing technology has rendered slab rubber obsolete. (\$45M).



- ° Abaca and sisal acquisitions would be deleted (\$300K) pursuant to FPA testimony regarding the obsolescence of these materials before the House Armed Services Subcommittee on April 3, 1973, and because modern substitutes for these materials are available.
- ° Ferro high carbon manganese and metallurgical manganese receipts would be increased (\$17M). The increased amounts are within the limits of the new stockpile goal and similar to amounts actually sold in recent years.

In discussion with FPA, OMB has emphasized that the annual material plan would represent the agency's budget request and would be reviewed by OMB in the context of economic conditions and priorities for competing claims. Option 2 is consistent with these discussions.

Alternative #3 - This alternative would include only receipts from disposals--those now authorized and those requiring additional legislation in 1977 and 1978. Funding for all planned acquisitions would be deleted, however. This alternative would contribute the most toward showing constrained 1977-1979 Presidential budget totals. It would be regarded by the Armed Services Committees as contrary to the assurances received late this summer that the Administration would be requesting acquisitions as well as disposals.

Alternative #4 - No proposals for new legislation--either disposal bills or appropriations--would be reflected in the 1977 or 1978 stockpile account. This alternative amounts to adding \$472M to the 1978 GSA outlays planning ceiling. It would be explained as a hiatus in stockpile action while the guidance is being reevaluated.

Agency Request (Alternative #1)

The agency believes its request is in full conformity with the President's stockpile decisions in August and with understandings reached during the past year with Congressional committees. They believe the annual material plan provides a basis for interagency agreement on how the government should move toward the President's stockpile goal of \$10.2B in a manner which recognizes priority requirements, market conditions, and fiscal capacity.



OMB Recommendation (Alternative #4)

The Division continues to believe that the current stockpile guidance results in an excessively high stockpile goal, the realization of which can add significantly to budget deficits in fiscal years 1978 and beyond. It further believes that the current stockpile guidance bears too little relationship to the assumptions used for other defense planning. Consequently, the Division favors reopening the guidance issue with the President as one of the steps that can contribute to balancing the budget in 1979. The next opportunity for doing so appears to be the conclusion of the NSSM 246. While that study does not directly relate to the stockpile, the planning assumptions it contains can be used to point up the dissimilarity to the stockpile assumptions.

The Division is opposed to alternative #1 (rapid implementation of present guidance) for two reasons: (1) it is the alternative most contrary to reexamining the basic guidance and (2) it sets the extremely undesirable precedent of accepting without change the annual material plans presented by FPA after interagency coordination.

The Division does not favor alternative #3 (seek disposals, but no acquisitions) because it might be attacked as being illogical and the Administration might be hard pressed to defend its position. Nor would it be likely to instill in the Congress confidence that the Administration has a sound guidance plan and is pursuing it.

The Division sees alternative #4 (seek neither acquisitions nor disposals) as most consistent with reopening the issue of what the appropriate stockpile goal should be. For this reason, the Division recommends alternative #4. If this alternative is not chosen, the Division would turn to alternative #2 (slower implementation of present guidance) because (1) it would establish OMB's authority to make changes in the annual material plan, (2) would be in conformance with present Congressional understanding of the stockpile goal and thus aid in securing enactment of disposal bills and (3) would realize \$69M more than the \$500M of the 1978 receipts included in the planning ceiling. While this alternative would not be the most conducive to reopening the question of basic stockpile guidance, we do not believe it would preclude it. While alternative #2 has several arguments in its favor in the short run, its disadvantage is that it ultimately leads to a \$10.2B stockpile which OMB staff believes to be too high and which we recommend be reexamined.

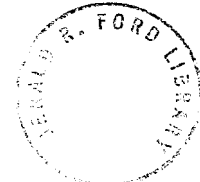


FY 1978 ACQUISITIONS
(\$ in thousands)

		FPA Request		OMB Modification 1/	
<u>Material</u>	<u>Unit</u>	<u>Quantity</u>	<u>Value</u>	<u>Quantity</u>	<u>Value</u>
Bauxite, refractory	000 LDT	20	2,400	20	2,400
Beryllium, copper master alloy	ST	250	1,500	250	1,500
Cadmium	000 lbs	806	2,400	806	2,400
Chromite, chemical grade	000 ST	20	1,100	20	1,100
Cordage Fibers (abaca)	Mill lbs	*	200	0	--- 2/
Cordage Fibers (sisal)	Mill lbs	*	100	0	--- 2/
Fluorspar, Metallurgical	000 ST	56	4,800	56	4,800
Mica, phlogopite block	lbs	1,000	4	1,000	4
Nickel	ST contained	15,000	64,500	8,882	38,192 3/
Platinum, iridium	Troy oz	88	30	88	30
Pyrethrum	lbs	5,000	100	5,000	100
Quinidine	000 Avoir. oz	50	400	50	400
Rubber	LT	50,000	45,400	0	--- 4/
Shellac	TH lbs	200	400	0	--- 5/
Tantalum carbide powder	TH lbs	15	400	15	400
Tantalum metal	TH lbs	50	2,400	50	2,400
Titanium sponge	ST	10,000	54,000	10,000	54,000
Vanadium, Ferro	ST	250	3,100	250	3,100
 SUBTOTAL			 \$183,234		 \$110,826
 Allowance for inflation and market impacts - 15%			 27,589		 ---
 TOTAL ACQUISITIONS			 \$210,823		 \$110,826

* 0.5

- 1/ Represents Alt. #2. OMB Rec. (Alt. #3) provides for no acquisitions.
2/ Obsolescent according to 1973 FPA testimony.
3/ Nickel reduced to amount required under 1st and 2nd year DOD and 1st year E.C. tiers.
4/ Questionable industry use of slab rubber.
5/ Questionable shelf life and availability of substitutes.



FY 1978 DISPOSALS
(\$ in thousands)

FPA Request

OMB Modification

<u>Material</u>	<u>Unit</u>	<u>Quantity</u>	<u>Value</u>	<u>Quantity</u>	<u>Value</u>
<u>New legislation</u>					
Aluminum oxide crude	ST	30,000	5,640	30,000	5,640
Antimony	ST	2,000	6,400	2,000	6,400
Asbestos crysotile	ST	10,955	5,543	10,955	5,543
Bismuth	LB	200,000	1,350	200,000	1,350
Caster oil	LB	2,000,000	2,520	2,000,000	2,520
Diamond dies	PC	5,000	235	5,000	235
Diamond ind. stones	KT	1,000,000	9,200	1,000,000	9,200
Iodine	LB	300,000	810	300,000	810
Mang. Ferro Hi Carbon	ST	66,000	26,268	100,000	39,800 ^{1/}
Mang. Elect. Met.	ST	200	222	200	222
Mica muscovite splittings	LB	976,000	508	976,000	508
Silver, fine	TR OZ	50,000,000	175,000	50,000,000	175,000
Tin	LT	6,000	52,920	6,000	52,920
	SUBTOTAL		286,516		300,148
<u>Existing authority</u>	SUBTOTAL		76,387		83,887 ^{2/}
	Total Sales		363,003		384,035
	RECEIPTS (80% of sales)		290,402		307,228
	Carry over receipts from FY 1977 disposals		373,000		373,000
	Total Receipts		663,402		680,228

^{1/} Increase ferro hi carbon manganese from 66,000 to 100,000 ST.

^{2/} Increase metallurgical manganese from 50,000 to 100,000 SDT.



ISSUE #2

Issue #2
General Services Administration
1978 Budget
Transfer of Stockpile to DOD

Background

The question of assigning responsibility for the stockpile to DOD was raised during budget season last year. The President agreed that the issue was worthy of consideration. OMB prepared a memorandum to NSC which proposed the transfer. Both NSC and DOD objected to the transfer and no further action was taken.

During the spring planning review this year, the Director again raised the issue of how stockpile decisions could be tied to the DOD budget. The Division investigated the possibility of utilizing various apportionment mechanisms or policy letters and agreements between GSA and DOD. These procedures were determined to be infeasible and unenforceable. Nevertheless, reopening the issue of a transfer of stockpile responsibilities at this time is consistent with the alternatives presented in Issue #1:

- As a result of the President's decisions reflected in NSDM 337, the stockpile is projected to grow to a level of \$10.2B. Decisions regarding the speed and manner in which this goal, or any alternate goal, might be reached will be heavily dependent upon DOD impact.
- Should the stockpile guidance be reexamined, there would be a new incentive for DOD to support a lower stockpile goal if stockpile expenditures were directly tied to DOD's budget.

It should also be noted that NSSM 244 requires a study which is due to be completed within the next month examining the entire issue of civil defense preparedness. One of the options being considered in the study is the transfer of FPA to DOD. While the issue of transferring the stockpile planning function from FPA to DOD can be determined separately from the eventual location of the civil defense preparedness function, the NSSM study could affect all of FPA, including the stockpile.



The actual transfer under consideration could be carried out by Executive Order. The Strategic and Critical Materials Stockpiling Act places responsibility (1) with the President for stockpile policy and management and (2) with GSA for actual purchases and sales. The President has delegated his authority to the Administrator of the Office of Emergency Preparedness (now FPA) via E. O. 11051. If the President were to choose to do so, he could transfer the delegated authority via another Executive Order to DOD. Alternatively, the President could assign only budgeting responsibility to DOD; In either case, the budget could show the effects of the stockpile in DOD rather than GSA. Receipts from sales would offset DOD outlays and purchases would be made by FPA with funds allocated from DOD.

Pros:

- DOD would be required to trade off purchases for the stockpile against other needs in the Department of Defense's budget, with the result that they may support a smaller stockpile and may have more interest in supporting disposal legislation in Congress.
- Since DOD has a larger interest in and more influence over stockpile policy than any other agency, policy and planning responsibility should be assigned to DOD to reflect this role.

Cons:

- Stockpile policy and planning is a preparedness function protecting the civilian as well as defense sectors of the economy and hence is appropriately assigned to FPA, the central civilian preparedness agency. Furthermore, some domestic agencies are concerned that DOD would devote inadequate funding to civilian needs if there were a direct trade off with military hardware.
- DOD could argue that it currently has a vital interest in the stockpile--stockpile receipts and disposals are attributed to the defense function which the Congress uses in its budget resolutions and DOD (and other affected Government agencies) participates in



FPA's annual material planning process which sets the acquisition and disposal objectives for specific commodities.

- ° Department of Defense totals would be affected by the receipts and outlays for the stockpile. In past years, the proposals for disposal legislation would have decreased the Departmental total. In future years, the effect on the total will be less easy to predict since acquisitions as well as disposals will be needed to achieve the current stockpile goal.

Alternatives^{1/}

- #1 - Responsibilities for stockpile policy, planning and budget remain in GSA. (Agency request)
- #2 - All expenditures related to the stockpile are reflected in the DOD budget but responsibilities for stockpile policy and planning are carried out by GSA.
- #3 - Responsibilities for stockpile policy, planning and budget should be transferred from GSA to DOD. (OMB rec.)

Analysis

Agency Request - Alternative #1

GSA believes that the stockpile policy and planning functions are well managed by the Federal Preparedness Agency. GSA also currently receives the benefits of negative outlays from disposals in the budget and believes it has considerable influence in setting stockpile requirements through its interagency reviews. DOD has not been recently queried on this issue, but EGD and NSD both believe Defense would oppose a transfer for the following reasons:

^{1/} In alternatives 1 and 3 \$540K and 19 positions are involved. In alternative 2 the \$540K and 19 positions would remain in GSA, while the dollar effects of acquisitions and disposals would show up in the DOD budget.



- (1) DOD does not view itself as the chief user of the stockpile and would be reluctant to take over responsibility for a civilian economic requirement;
- (2) Defense does not want the administrative burden for an activity that in their view supports mainly civilian purposes, and
- (3) Defense now has enough input to satisfy its own mission requirement.

The views of Commerce, Interior, State and Treasury, and other agencies in the interagency steering group, regarding the transfer are not known.

OMB Recommendation - Alternative #3

The division believes that GSA has done a good job in administering the stockpile, but is aware of no significant decrease in efficiency which would result from a transfer to DOD. More importantly, unless the budgetary implications more directly affect DOD, the division believes that the department will have no incentive to recommend the minimum effective level for the stockpile.

Even though stockpile receipts are now considered within the national security function by the Congressional budget committees, NSD advises that there is little evidence that this fact has an impact one way or another on the appropriation committees in their decisions on DOD appropriations. Alternative 3 would not change the inclusion of stockpile receipts in the national security function but it would impact directly on the DOD budget--and hence appropriation decisions. Had this alternative been in effect in recent years it would have reduced DOD budget totals. Under the new stockpile guidance, it would tend to have a neutral effect or increase DOD totals slightly depending on the annual stockpile implementation plan. In order to avoid increasing budget totals (or to obtain the benefit of a lower total), DOD would have to exercise restraint on acquisitions and accelerate disposals.



The division believes that the argument that the stockpile is primarily for civilian needs is an exaggerated interpretation of the Stockpiling Act. Much of the stockpile as now calculated will be used in the general civilian sector. This sector, it is argued by DOD and other major agencies is expected--either directly or in terms of morale--to support the defense effort. The degree to which the Act requires civilian coverage is unclear and over time has been interpreted in vastly different ways. OMB has argued for no stockpile coverage of general civilian needs. Likewise, the argument that DOD already has its needs recognized through the interagency process, while true, ignores the lack of an institutional mechanism which would assure that DOD stockpile needs are related to other defense concerns and a control that would constrain DOD in its support of a large stockpile which it now views as a free good. Finally, the fear on the part of domestic agencies that civilian needs will be neglected if DOD has budgetary responsibility ignores the checks and balances provided by the interagency steering committees. Problems which could not be resolved within the committee could be brought to the President.

Option #3 is favored over option #2 primarily on the general rule that unless there are significant overriding concerns, program control is facilitated if both funding and program implementation responsibilities reside in the same agency.



ISSUE #3

General Services Administration
1978 Budget

Issue No. 3: Federal Buildings Fund: New Construction vs. Repairs and Alterations

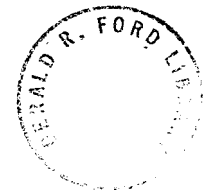
Background

The Federal Buildings Fund (FBF) finances all of GSA's real property operations, including new buildings, repairs and alterations (R&A), payments on purchase contract buildings, rental of space, real property operations (cleaning, guarding, etc.) and program direction. \$222 M is the maximum expected to be available in 1978 for construction activity, including new buildings and R&A. This estimate is firm given the relatively fixed funding needs of other activities in the FBF and the probability that estimated income from standard level user charges will not increase and, if anything, might decline as a result of individual agency budget decisions by OMB and/or the Congress.

Although the need for R&A work on existing Government-owned buildings can be readily demonstrated, there are as yet no criteria agreed upon between GSA and OMB for new construction. At OMB direction, GSA has recently developed revised guidelines/criteria for determining the viability of proposed new Federal buildings and has published them in the Federal Register for comment by early December, to be followed by final promulgation in early January.

Statement of Issue

Should the construction activity in the FBF provide for both new construction and repairs/alterations as requested by GSA?



Pros.

- GSA could undertake 6 new construction projects, including two major Federal buildings.
- GSA could undertake high priority projects in the R&A backlog of \$1.1 billion.

Cons.

- This would give tacit approval to two major Federal building proposals not yet approved by OMB, and for which no agreed criteria exist.

Alternatives

1. Provide for six new construction projects (\$79 M) and an R&A level covering high priority projects ((\$143 M). (Agency request.)
2. Provide for only the new construction prospectuses approved by OMB (\$17 M) and retain the remainder of the requested new construction (\$62 M) funds as an unobligated balance in the fund for future new construction; fund high priority R&A projects (\$143 M).
3. Provide for only the four new construction proposals already approved by OMB (\$17 M) but shift the remaining construction funds (\$62 M) to R&A, thus meeting the GSA total construction request. (OMB rec.)



Analysis

	CONSTRUCTION ACTIVITY Limitation on NOA <u>1/</u>		
	<u>1976</u>	<u>1977</u>	<u>1978</u>
Alt. #1 (Agency req.)			
New construction	30	28	79
R&A	<u>105</u>	<u>61</u>	<u>143</u>
	135	89	222
Alt. #2			
New construction	30	28	17
R&A	<u>105</u>	<u>61</u>	<u>143</u>
Unobligated balance	<u>-</u>	<u>-</u>	<u>62</u>
	135	89	222
Alt. #3 (OMB rec.)			
New construction	30	28	17
R&A	<u>105</u>	<u>61</u>	<u>205</u>
	135	89	222

1/ Program level in the FBF is measured in terms of limitations on new obligational authority.

New Construction

The agency request (alternative #1) for \$79 M for 6 new construction projects includes two new Federal buildings in San Jose (\$29 M) and Providence (\$32 M). OMB staff recommendations on the prospectuses for both projects are for



disapproval but no decision has been made on either project, nor do the final guidelines for new construction projects exist as of now. It does not appear prudent to give tacit approval to these projects through the budget process when they may be turned down through the prospectus review process.

Alternatives #2 and #3 both eliminate the two unapproved buildings but allow funding for the remaining 4 projects on GSA's list which include border stations for Detroit, Fort Kent, and the Alaska highway and a parking facility in Los Angeles. The principal difference between these alternatives is whether the balance of the new construction funding request should be shifted to R&A construction or left in an unobligated balance within the FBF for future new building construction.

Alternative #2 would set aside the funds (\$62 M) requested for the two Federal buildings in an unobligated balance to be available for new construction following establishment of building criteria and approval of specific projects. Since there is nearly \$300 million of major building projects now pending at OMB, and since the FBF is estimated to generate only \$75-80 million annually which could be devoted to new construction, it might be desirable to keep the \$62 M available for new buildings should the new criteria result in approvals of pending prospectuses.

Repair and Alteration Construction

GSA's request for R&A funds is based on a workload inventory that has grown from \$370.4 M in 1962 to \$1,127.7 M as of the end of 1976. The increase results partly from an increase in the GSA space inventory from 195 M sq. ft. to 232 M sq. ft. and partly from an increase in the cost of construction of 139% since 1962.



R&A work is divided into six categories, including basic work to correct deterioration, malfunction and obsolescence; alterations to improve space utilization; fire and safety work; modification for the handicapped; environmental protection; and energy conservation. Most of the request (\$87.1 M, 61%) would go to basic repair work, which has almost always been approved by OMB in reviewing large R&A prospectuses. Investments in the category of improved space utilization (\$18 M, 13%) have also been approved by OMB on an individual prospectus basis upon a showing of demonstrated returns in lowered operating costs, higher "rent" (SLUC) and rental cost avoidance. The remaining categories of work (\$38 M, 26%) are based on statutory or code requirements and have also been generally approved in OMB reviews of R&A prospectuses.

Both alternative #1 and #2 would provide the amount requested by GSA for R&A. Alternative #3 would provide \$62 M more to address the large R&A backlog in existing Government-owned space by shifting the funding for the two unapproved federal buildings to R&A.

OMB Recommendation:

The Division recommends alternative #3. R&A work has generally been adequately justified in our review of GSA R&A prospectuses. It prevents existing Government-owned space from becoming uninhabitable and provides for the recycling of vacant and underutilized Government-owned space for occupancy. This generates rental cost avoidances and relieves pressures for new Federal construction. With an existing backlog of more than \$1 billion in R&A work the additional funding can be effectively employed.



ISSUE #4

Issue Paper
General Services Administration
1978 Budget

Issue #4: Level of Capitalization of Federal Telecommunications Fund

Background

The Federal Telecommunications Fund (FTF) was established by Public Law 87-847, on October 23, 1962, and charged with providing "least cost" telecommunications services to the Federal sector. In complying with this mandate, the fund finances, on a reimbursable basis, the present telecommunications system for the Federal government.

Initial capitalization of the fund in the amount of \$9M occurred with the enactment of Public Law 88-25, on May 27, 1963. Since that time, capitalization has remained at a constant level while the fund has increased its sales from \$51M in FY 1964 to \$323M in FY 1976. The original \$9M of appropriated capital has been almost totally invested in equipment, supplies, deferred charges and advances to customer agencies. GSA maintains that, as a result, it has insufficient operating capital with which to meet current obligations. With the current level of monthly expenditures approximating \$29M, GSA states that advanced billings and collections from customer agencies are the only short term means by which obligations can be met. To provide relief, GSA, in a supplemental request for FY 1977, is asking that the fund be augmented with \$20M in working capital.

In combination with this request GSA has also included a request for an additional \$5M in capitalization to finance the purchase of telephone equipment. The decision to initiate such a program is the result of recent FCC decisions requiring AT&T to offer network service (without equipment). This decision has



encouraged the formation of many small equipment suppliers competing with Western Electric in providing telephone instruments and office equipment. GAO, in a Comptroller General's decision (B-178442), has found that GSA is obligated to obtain competition for public utility services and equipment to the extent it is available.

GSA has been moving cautiously in this area. It has been negotiating contracts with the new industry to provide instruments, cables, wiring, switchboards and maintenance for certain installations and geographic areas in lieu of leasing equipment from AT&T. Initial experience indicates that substantial savings can be accrued if equipment is purchased from small suppliers.

Statement of Issue

Should the level of capitalization in the Federal Telecommunications Fund be increased by \$25M: \$20M to provide working cash for current operations; and \$5M for equipment acquisition?

Working Cash

Pros.

- Based on analyses completed to determine adequacy of capital, i.e., Total Sales/Capital Investment and Current Assets/Current Liabilities, increased capitalization of the FTF is now required to provide sufficient resources to meet current expenses.
- Increased capitalization would allow the FTF to continue expansion to meet the agency demands for least cost telecommunications services.



Cons.

- The FTF has maintained operations by paying expenses through advances (increasing the fund's liability account). Although undesirable, the fund could continue to operate on this basis without capital augmentation.
- Without the supplement, activity within the FTF would necessarily be slowed--a desirable choice if the emphasis is on placing the lid on present reimbursable business.

Equipment AcquisitionPros.

- Increased capitalization would provide the FTF with sufficient resources to procure least cost telecommunications equipment.
- Having the option of purchase or lease will encourage commercial competition in providing telephone equipment to the Government.
- There are technological advantages in encouraging competition. The equipment being offered by the small suppliers frequently incorporates features not available from AT&T equipment.

Cons.

- Some question exists as to actual savings which could be realized through purchase vs. lease procurements. Further contract negotiations will better focus on the materiality of these predicted savings.



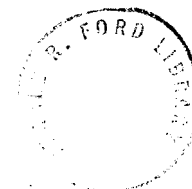
-- GSA's negotiations to date have been marked by extreme caution and mutual misunderstandings with the new telephone suppliers industry.

Alternatives

- #1. Grant the supplemental request in full i.e., \$20M to improve the working cash balance; \$5M for telecommunications equipment acquisition. (GSA request) (OMB recommendation).
- #2. Turn down the GSA request of \$20M to supplement working cash level. Require GSA to develop guidelines for lesser activity in the fund. Allow the \$5M request for equipment purchases.
- #3. Turn down the GSA request of \$5M for equipment purchases. Require GSA to continue the lease operations. Allow the \$20M for working cash supplement.
- #4. Turn down both requests from GSA.

Analysis

	<u>1977</u>		<u>1978</u>		<u>1979</u>		<u>1980</u>		<u>1981</u>		<u>1982</u>	
<u>Budget Authority/Outlays</u>	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
<u>(\$ Millions)</u>												
FTF Capitalization:												
Alt. #1 (Agency req.)												
(OMB rec.)	25	13	--	--	--	-2.6	--	-2.6	--	-3.3	--	-3.5
Alt. #2.....	5	-7	--	--	--	-2.6	--	-2.6	--	-3.3	--	-3.5
Alt. #3.....	20	11	--	-2.6	--	-2.6	--	-2.6	--	-3.3	--	-3.5
Alt. #4.....	--	-9	--	-2.6	--	-2.6	--	-2.6	--	-3.3	--	-3.5



OMB Recommendation: Alternative #1. The FTF Capitalization level is critically low. Increased sales financed through the FTF, currently at a level 533% greater than in its first year of operation, have diminished the capacity of existing capital to meet recurring obligations. As a result, the FTF cannot now meet its recurring obligations without securing advance agency payments to cover these expenses. When collection of advance payments is delayed, the FTF is forced to make payments of its bills beyond the normal payment cycle and to seek further advances in order to meet current operating expenses that cannot be deferred. This dependency on advances leaves the FTF in a tentative financial position from month to month and may lead to an eventual impasse where the current overextension of available resources might not be mitigated through advances. Our analyses of Total Sales/Capital Investment and Current Assets/Current Liabilities confirms that the FTF's capitalization level is substantially below what is considered normal in a public revolving fund. These key determinants of working cash sufficiency reveal that to bring the FTF to a level where it can reasonably expect to meet recurring obligations (without resorting to advances) would require the \$20M requested by GSA.

The request for \$5M to provide capital for telecommunications equipment purchases will give GSA the flexibility (that it does not now have) to purchase when comparative economic analyses determine that it is the least cost procurement alternative. Presently, procurement alternatives of this program are limited to leasing telephone equipment and services. This action will also encourage competition that will yield both economic and technological benefits to the government.

In one recent case GSA, acting as contract negotiator for the Veteran's Administration (VA) in the Albuquerque procurement, made an extensive comparative analysis of total evaluated system life costs for all lease and acquisition proposals before deciding that acquisition would save the VA an estimated \$184K or 32.2% over the best lease alternative. Similar savings are expected to be



realized through GSA acquisitions throughout the U.S. Although no substantial historical data are available to assure that acquisition is the way for GSA to proceed, sufficient evidence was drawn from the Albuquerque contract to warrant further negotiation efforts in this area. We believe that GSA is taking the right step in pursuing what appears to be the least cost telecommunications procurement alternative.

Alternative #2 would not provide a viable solution to the critical cash problem existing in the FTF. Requiring GSA to develop guidelines for lesser activity in the FTF would result in degradation of services currently provided to customer agencies and effectively prohibit potential customer agencies from receiving least cost Federal telecommunications service--thereby relegating those agencies to higher cost commercial alternatives.

Alternative #3 would not allow GSA to consider all possible options in its attempt to secure least cost telecommunications services.

Alternative #4 would not permit GSA the opportunity to adequately meet current agencies telecommunications requirements while, at the same time, provide least cost procurement alternatives.



General Services Administration
1978 Budget
Long Range Estimates
(OMB Estimate in Millions of Dollars)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Real Property.....B/A	8	8	8	8	8
O	19	19	3	3	3
Program level.....	(1339)	(1425)	(1425)	(1510)	(1696)
Personal Property.....B/A	155	155	155	155	155
O	155	155	155	155	155
Other Programs.....B/A	222	222	222	222	222
O	220	220	226	222	222
Stockpile acquisitions.....	0	0	0	0	0
Stockpile disposals					
(receipts).....	-61	0	0	0	0
Other assets sales.....	-45	-45	-45	-45	-45
Pay increase.....B/A	12	12	12	12	12
O	20	20	20	20	20
Total.....B/A	291	352	352	352	352
O	308	369	359	355	355

Summary Comparison of Outlay Projections

1977 Budget, January 1976 estimates.....	-164	-84	-40	4	-
1977 Budget, Mid-Session Review estimates.....	-211	-113	411	454	-



BACK-UP
MATERIAL

FEDERAL BUILDING FUND

(\$ in millions)

Limitation on New Obligational Authority (Direct Program)	1977		1978		Comment
	Agency Req.	OMB Rec.	Agency Req.	OMB Rec.	
Construction	28.5	28.5	79.0	17.4	Reduced by 61.6M for prospectuses not yet approved. Increased to meet growing backlog.
Repair and Alterations	60.7	60.7	143.1	204.7	
Purchase Contract Payments	92.0	92.0	98.5	98.5	
Rental of Space	473.2	473.2	489.0	489.0	
Real Property Operations	414.9	414.9	463.2	463.2	
Program Direction	61.5	61.5	66.1	66.1	
Subtotal LNOA	1130.8	1130.8	1338.9	1338.9	
Obl. Auth from Prior Years	65.6	65.6	12.8	12.8	
Total Obl. Auth.	1196.4	1196.4	1351.7	1351.7	
Unobl. Balance	- 12.8	- 12.8	- 63.6	- 63.6	
Net Obligations	1183.6	1183.6	1288.1	1288.1	
Reimb. Authority	(500.0)	(500.0)	(550.0)	(550.0)	
Obl. Bal. Start of Year	60.5	60.5	93.9	93.9	
Obl. Bal. End of Year	- 93.9	- 93.9	- 72.2	- 62.2	Reflects different obligation rates resulting from recom- mended increase in R&A.
Gross Outlays	1150.2	1150.2	1309.8	1319.8	
SLUC	-1155.5	-1155.5	-1329.3	-1309.3	OMB estimate reflects decision to budget only for cost in SSA and RRB trust fund activities in 1978.
Total Outlays (excl. pay)	- 5.2	- 5.2	- 19.5	+ 10.5	
Pay Increase	11.7	11.7	6.8 1/	6.8 1/	
TOTAL	6.5	6.5	- 12.7	17.3	

1/ Annualization only.



FEDERAL PREPAREDNESS AGENCY
(\$ in thousands)

<u>Budget authority</u>	<u>1977</u>	<u>1978</u>	<u>1977</u>	<u>1978</u>
	Agency Req.	OMB Rec.	Agency Req.	OMB Rec.
<u>I Operating expenses, FPA</u>				
Civil crisis preparedness	1,817	1,817	1,819	1,819
Conflict preparedness	7,929 <u>1/</u>	7,929 <u>1/</u>	33,072	33,072
Research, dev., prog. coordination	3,600	3,600	3,608	3,608
Defense production act				
Expansion of prod. capacity				
chromium	---	---	2,300	1,300
cobalt	---	---	2,100	---
Interest expenses	---	---	11,000	11,000
Stockpile acquisitions and disposals	2,019	2,019	2,021	2,021
Service Direction	<u>1,933</u>	<u>1,933</u>	<u>2,067</u>	<u>2,067</u>
Subtotal	<u>17,298</u>	<u>17,298</u>	<u>57,987</u>	<u>54,887</u>
Advances & reimbursements	(2,169)	(2,169)	(2,308)	(2,308)
<u>II Stockpile Activities</u>				
Wm. Langer jewel bearings	700	700	700	700
Acquisitions	---	---	211,000	---
Disposals receipts				
New legislation			-229,293	
Existing legislation	-124,000	-124,000	- 61,109	- 61,109
	<u>-124,000</u>	<u>-124,000</u>	<u>-290,402</u>	<u>- 61,109</u>
Subtotal	<u>-123,300</u>	<u>-123,300</u>	<u>- 78,702</u>	<u>- 60,409</u>
TOTAL BA	-106,002	-106,002	- 20,715	- 5,522

\$1M not allowed for exploration.
Allow \$1.3 for studies on re-
cycling and substitutes.

Not allowed due to lack of
firm plan.

Transferred from OE,FSS.
Reduced by \$700K for jewel
bearings, \$28M for inflation.
Sisal, abaca, shellac and
rubber deleted; nickel reduced.

1/ If ICS transfer had been effected in FY 1977, total would be 34,587.



GENERAL SERVICES ADMINISTRATION
1978 Budget
Miscellaneous Reductions
(\$ in thousands)

<u>Item</u>	<u>GSA</u>		<u>OMB</u>		<u>Explanation</u>
	<u>BA</u>	<u>End of Year FTP</u>	<u>BA</u>	<u>End of Year FTP</u>	
Automated Data Processing & Telecommuni- cations	8,386	2,341	7,390	2,205	OMB recommendation disallows GSA's request for no lapse treatment in positions for 1978; i.e. 101 FTP. GSA's request also calls for 43 more full time permanent positions (FTP) for the Teleprocessing Services Program (TSP), Federal Data Processing Centers (FDPC) monitoring, and augmenting central contracting service. OMB staff recommends that: (1) the TSP program be limited to 8 FTP (TSP program increases should be offset by a phaseout of INFONET personnel), (2) FDPC monitoring increases be disallowed in entirety since expansion is in direct conflict with increased policy pressure to contract out ADP services to government agencies, and (3) central contract personnel be disallowed in light of OMB's urging GSA to provide <u>less</u> central ADP contracting service and more oversight to agency ADP procurement operations. The net effect of the OMB recommendation is to allow an increase of 8 FTP over the 1977 level.



<u>Item</u>	<u>GSA</u>		<u>OMB</u>		<u>Explanation</u>
	<u>BA</u>	<u>End of Year FTP</u>	<u>BA</u>	<u>End of Year FTP</u>	
National Historic Publications & Records Commission Grant Program	4,000	--	3,000	--	OMB recommendation reduces level of the records grant program to \$3M, \$1M below GSA request and consistent with FY 1977 funding level. GSA's explanation of change does not fully justify increase to \$4M level.
Real property disposal operations	8,400	250	7,935	223	OMB recommendation would hold to 1977 level since (1) GSA projects productivity decline with additional staff, and (2) projected increase in disposal actions is considered unrealistic in light of GSA's historic record of over-estimating potential transfers.

