

28. GENERAL GOVERNMENT

Table 28-1. FEDERAL RESOURCES IN SUPPORT OF GENERAL GOVERNMENT
(In millions of dollars)

Function 800	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Spending:							
Discretionary Budget Authority	11,539	11,807	12,809	12,514	12,052	11,796	11,828
Mandatory Outlays:							
Existing law	129	934	787	761	942	726	731
Proposed legislation			-15	57	162	281	419
Credit Activity:							
Direct loan disbursements	379	461					
Tax Expenditures:							
Existing law	46,745	48,130	49,500	50,770	52,130	53,560	55,140
Proposed legislation			11	37	46	53	57

The General Government function encompasses the central management activities of the executive and legislative branches. Its major activities include Federal finances, tax collection, personnel management, and general administrative and property management.

Four central management agencies, for which the budget proposes a combined \$12.2 billion for 1998, establish policies and provide administrative and other services—the Treasury Department (\$11.8 billion); the General Services Administration (GSA, \$226 million); the Office of Personnel Management (OPM, \$188 million); and the Office of Management and Budget, in the Executive Office of the President (OMB, \$56 million). The Federal Government also provides tens of billions of dollars in tax incentives to help State and local governments and those who are subject to their taxes.

Department of the Treasury

Treasury is the Federal Government's chief financial agent—producing and protecting U.S. currency; helping to set the Nation's fiscal, tax, and economic policies; regulating financial institutions and the alcohol, tobacco, and firearms industries; protecting citizens against

criminals who launder money and threaten our borders; and helping agencies to strengthen their financial systems. In 1996, Treasury collected \$1.4 trillion in revenues and issued nearly 850 million payments (99 percent on time and 50 percent electronically). Treasury plans to further improve its performance by issuing Government-wide Audited Financial Statements and modernizing the Nation's tax administration systems.

The Internal Revenue Service (IRS), a part of Treasury, administers the Federal tax system with the goal of collecting the proper revenue at the least cost. In 1996, the IRS collected \$1.36 trillion in net revenue, including \$38 billion in direct enforcement collections, at a cost of \$7.3 billion. The IRS estimates that compliance with Federal tax laws is now 86 percent—calculated by adding together the income and employment taxes that come in through voluntary compliance (83 percent), with those that come in through direct enforcement (three percent).

The IRS processed over 195 million individual tax returns (including over 20 million which were transmitted electronically) and one billion information returns in 1996, and it issued 90.5 million individual refunds.

It provides customer service through telephone assistance (answering close to 45 million TeleTax calls and 54 million live assisted calls in 1995) and maintains information for taxpayers on the Internet.

The IRS is improving the administration of Federal tax laws by investing in changes in work practices and information technology. Of the over 20 million taxpayers filing electronically in 1996, 2.8 million used the Telefile option, which allows taxpayers to file a simple tax return over the telephone in under 10 minutes. Forms and other information are readily available on the Internet. Ongoing investments in modern technology will allow the IRS to improve taxpayer compliance by improving access to data and allowing the Federal Government to target resources to cases of deliberate noncompliance.

The complexity of our tax laws, and of the systems designed to administer them, imposes a significant burden on individuals and businesses—by some estimates, a burden of over \$70 billion a year. The IRS is taking steps to reduce the burden by providing alternative ways to file and pay taxes, easing reporting requirements, expanding access to needed information, making it easier for taxpayers to contact the IRS, and reducing the need for the IRS to contact taxpayers.

General Services Administration

GSA provides administrative services to other agencies, including housing, supplies, transportation, and telecommunications. GSA also works with the agencies to establish and oversee the implementing of policies and standards for administrative services—except for personnel and financial management—that affect work environments.

In the last two years, GSA has aggressively responded to the changing needs of its customer agencies by working to transform itself into a market-driven, customer-oriented agency. Two recent initiatives, Can't Beat GSA Space Alterations and Can't Beat GSA Leasing, focus on revising the way it delivers services to meet or beat private sector performance standards.

Since GSA provides services on a reimbursable basis, the budgets of the individual

agencies themselves provide most of the funding for GSA's activities. In 1997, for example, GSA's budget authority was \$550 million, but projected obligations through its revolving funds exceeded \$11 billion.

GSA also is working to develop a new Federal management model, focusing on performance measurement, accountability for agencies and employees, and the effective use of technology in changing work environments.

Office of Personnel Management

Working with agencies and employees, OPM provides human resource management leadership and services, based on merit principles. It provides policy guidance, advice, and direct personnel services. OPM also operates a Nation-wide job information and application system every hour of every day, available to the public through multiple electronic (including the Internet) and traditional sources at convenient and accessible locations. It also develops and administers compensation systems for both blue-collar and white-collar employees.

But perhaps OPM's most important function is administering the Federal civil service merit systems, which includes recruiting, examining, and promoting people on the basis of their knowledge and skills—regardless of race, religion, sex, political influence, or other non-merit factors. OPM runs an aggressive oversight program, identifying opportunities for improving Federal personnel policies and programs and helping agencies meet mission goals by effectively recruiting, developing, and utilizing employees. It encourages maximum employment and advancement opportunities in the Federal service for disabled veterans and others qualified for veteran's preference.

Likewise, OPM helps to implement the President's directive for helping dislocated and surplus employees by assisting agencies with career transition planning and, when vacancies arise, protecting hiring preferences for dislocated and surplus employees. Working with the National Partnership Council, OPM supports and promotes labor-management partnerships throughout the executive branch—partnerships that help transform

agencies into organizations that can deliver the highest-quality services to the American people.

OPM helps Federal program managers in their personnel responsibilities through a range of programs, such as training and performance management, designed to develop the most effective Federal employee. OPM also provides fast, friendly, accurate, and cost effective retirement, health benefit, and life insurance services to employees, annuitants, and agencies.

Other Federal agencies with personnel management responsibilities are the Merit Systems Protection Board, the Office of Special Counsel, the Office of Government Ethics, and the Federal Labor Relations Authority.

Office of Management and Budget

OMB provides direction and management to Federal agencies, helping the President discharge his responsibilities for budget, management, policy development, and other executive matters.

OMB's most dominant function each year is preparing the President's budget, working with the departments and agencies across the Government. In helping to formulate the President's spending plans, OMB evaluates the effectiveness of agency programs, policies, and procedures; assesses competing funding demands among agencies; and sets funding priorities according to the President's direction. OMB also ensures that agency reports,

rules, testimony, and proposed legislation are consistent with the President's budget and with Administration policies.

OMB oversees and coordinates the Administration's procurement, financial management, information technology, and regulatory policies. In each area, OMB helps improve administrative management, develop better performance measures and coordinating mechanisms, and reduce unnecessary burdens on the public.

Due to OMB's predominantly cross-cutting approach to budget and management matters, it is continuously and actively involved in agency efforts to develop strategic plans (under the 1993 Government Performance and Results Act), streamline organizations and work processes, downsize, and improve human resource management.

Tax Incentives

The Federal Government provides significant tax breaks for State and local governments. State and local tax-exempt borrowing for public purposes, for instance, will cut Federal revenues by an estimated \$77 billion from 1998 to 2002¹. Taxpayers also can deduct their State and local income taxes against their Federal income tax, and State death taxes are creditable against Federal estate taxes up to certain limits. Finally, corporations that conduct business in Puerto Rico also receive a special tax credit.

¹ The budget describes various forms of tax-exempt borrowing for non-public purposes in other functions.