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PROFILES OF EXISTING
GOVERNMENT CORPORATIONS

A STUDY

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PROFILES OF EXISTING GOVERNMENT CORPORATIONS

I. BACKGROUND

This study provides profiles on 45 active government corporations authorized or established by the Congress.¹ The individual profiles are presented in appendixes A and B. The following sections address (A) the history of the Government Corporation Control Act (GCCA), (B) the parameters used in defining a government corporation, (C) several past studies of government corporations, and (D) the objectives of the recently authorized National Commission on Executive Organization, which will include evaluating government corporations.

A. THE GOVERNMENT CORPORATION CONTROL ACT

Before the 1930s, there was no pressing need for general procedures to govern the management of government corporations. Most corporations were created to meet production needs during World War I and were liquidated quickly. Therefore, their financial control was not at issue when the Congress created the Bureau of the Budget and the General Accounting Office (GAO) in the Budget and Accounting Act of 1921.

¹Government corporations are federally chartered entities usually created to serve a public function of a predominately business nature.

During the 1930s, a number of government corporations were formed to help the economy. These corporations included the Commodity Credit Corporation, the Federal Deposit Insurance Corporation, the Federal National Mortgage Association, and the Tennessee Valley Authority. When these corporations were created, the law did not provide control procedures for them. Instead, control procedures developed through piecemeal administrative action. A 1934 Executive order directed government agencies, including corporations, to account for all receipts and expenditures to the General Accounting Office; however, many corporations were soon exempted. After 1934, various executive orders required that certain corporations submit annual estimates of administrative expenses to the Bureau of the Budget (now the Office of Management and Budget (OMB)) for approval. In 1936, corporations were statutorily precluded from incurring administrative expenses unless such expenses were specifically provided for in an appropriation act.

During the 1940s, several other corporations were created to support wartime production needs. By the mid-1940s, there were 63 wholly owned and 38 mixed-ownership federal corporations. At that time, the Congress recognized the need for effective control of these corporations.

Legislative control of government corporations actually occurred in two stages during 1945. Legislation enacted on

February 24, 1945, required GAO to audit the financial transactions of all government corporations. In December, the more comprehensive Government Corporation Control Act superseded these audit requirements.

The Government Corporation Control Act of 1945 resulted from a 2-year Senate study which concluded that there was no effective overall control over government corporations. Among the recommendations that grew from the study were that budgeting procedures should be improved and that GAO should be required to audit and report on government corporate activities to the Congress. In hearings following the study, the final legislation was also influenced by the Bureau of the Budget, GAO, and the Department of the Treasury.

The Act's purpose was to make the corporations accountable to the Congress for their operations while still allowing them the flexibility and autonomy needed for their commercial activities. Under the Act, corporations classified as wholly owned were required to prepare budgets for inclusion in the budget submitted by the President to the Congress. Some mixed-ownership government corporations were subject to oversight by the Secretary of the Treasury with respect to issuing obligations to the public and maintaining their accounts. GAO was required to audit the financial transactions of all corporations, except some mixed-ownership corporations which had no capital of the United States

invested in them. The Act also specified that only an act of Congress could create new government corporations. At the time the Act was passed, all government corporations then operating under state charters were to be dissolved and reincorporated under federal charter.

The Government Corporation Control Act is now codified in 31 U.S.C. 9101-9110 as a result of Public Law 97-258. The Act, as amended, identifies 23 government corporations,² which are defined as either wholly owned (31 U.S.C. 9101 (3)) or mixed-ownership government corporations (31 U.S.C. 9101 (2)). The Act describes requirements for (1) the budget submissions by wholly owned government corporations (31 U.S.C. 9103), (2) congressional action on budgets of wholly owned government corporations (31 U.S.C. 9104), (3) auditing and reporting by the Comptroller General (31 U.S.C. 9105-9106), and (4) government corporations maintaining Treasury accounts and issuing obligations (31 U.S.C. 9107-9108). A copy of the Act, as amended, is included as appendix G.

B. GAO's WORKING DEFINITION OF A GOVERNMENT CORPORATION

This current study updates GAO's 1985 study. In that there is no generally accepted definition for a government corporation, GAO

²Of these 23 corporations, one has been terminated, the U.S. Railway Association (April 1987), and two others--the Federal Intermediate Credit Bank and the Federal Land Bank--were combined to form the Farm Credit Bank (July 1988).

developed the inventory of government corporations included in its study by listing those corporations contained in the GCCA, other corporations identified elsewhere in the U.S. Code which are subject to one or more provisions of the Act, and other corporate entities that meet criteria established for prior GAO studies discussed below.

The 1985 Study

GAO's 1985 study, Reference Manual of Corporations Authorized or Established by Congress, contained an inventory of 44 corporations which were defined as entities established, created, or authorized by the Congress to operate as corporate entities. In compiling that inventory, GAO reviewed the characteristics of all congressionally chartered entities and used the following criteria from its 1983 report on government corporations to identify the corporations for inclusion in its 1985 study. (See section C for discussion of GAO's 1983 report.)

- The corporation should be chartered under the laws of the United States.
- The corporation should serve a public function of a predominately business nature that requires the authority to buy, or otherwise acquire, or sell property or other assets in its own name.

-- The corporation should be subject only to federal decisions, rules, administrative practices, and procedures that the Congress deems appropriate to a corporate activity.

It should be noted that application of those criteria results in the inclusion of entities which are not agencies of the U.S. government and entities classified in the federal budget as government-sponsored enterprises.³

Some entities were included in the 1985 listing although they did not meet all of the criteria. Specifically, GAO included in the 1985 inventory the Corporation for Public Broadcasting and the Legal Services Corporation because the Congress established them as corporate entities even though they primarily provide financial assistance rather than conduct business-type operations. Also, the U.S. Postal Service was included even though it is not a chartered corporation because its structure and operating functions were similar to other government corporations. The absence of a corporate charter was not deemed a sufficient reason to omit the Postal Service.

³Such enterprises are established and chartered by the Federal Government to perform specific functions under the supervision of a Government agency.

Several federal entities were omitted from GAO's 1985 inventory because they did not meet GAO's criteria. GAO did not include:

- international banking institutions, such as the African Development Bank, because they are not U.S. corporations;
- some regulatory banking agencies, such as the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency, because they are governing bodies and were not chartered to operate as corporations; and
- patriotic and public service organizations which are federally chartered corporations, but which typically are comprised of private individuals who raise funds from the private sector for charitable purposes. (See appendix E for a list of federally chartered patriotic and public service corporations.)

The study also excluded the National Homeownership Foundation, which was unfunded, and the Gorgas Memorial Institute of Tropical and Preventive Medicine, Inc., which is an international entity.

The 1988 Study

GAO's current study contains updated or new profile information on 45 government corporations. The following entities were added to the 1985 listing because they met the 1985 definition: the Federal Asset Disposition Association,⁴ the Federal Agricultural Mortgage Corporation, the Financing Corporation, the National Endowment for Democracy, the National Fish and Wildlife Foundation, and the Farm Credit Bank. The following entities were deleted from the 1985 study because they were terminated or combined: the Solar Energy and Energy Conservation Bank, the United States Railway Association, the United States Synthetic Fuels Corporation, the Federal Intermediate Credit Bank, and the Federal Land Bank.

C. PAST EFFORTS TO STUDY GOVERNMENT CORPORATIONS

In the early 1980s, three organizations issued reports on government corporations: the National Academy of Public Administration (NAPA), the U.S. General Accounting Office, and the Congressional Research Service (CRS). The reports⁵ discussed

⁴According to a Comptroller General Decision (B-226708, September 16, 1988), the Federal Asset Disposition Association was chartered as a federal savings and loan association, but it does not perform any of the basic functions of such an association. Instead, it is wholly owned and controlled by FSLIC and is, in fact, a wholly owned government corporation.

⁵See appendix F for a matrix of government corporations included in these reports.