

like to discuss our conclusions at this time so you may consider them in the light of what our survey has shown. Many Federal agencies have made good use of the discounting technique in evaluating individual projects. By applying the discounting technique to alternatives within a single program, the agencies have been in a better position to select the most economical alternative.

In our opinion, however, there is even a greater need for a consistent discounting policy when decisionmakers must choose from many competing projects, either within an agency or among agencies. This calls for a common standard, with justifications for variations only in special circumstances. Although some agencies indicated that the discount rate is viewed as an aid in choosing between programs within an agency, there appears to be little recognition in practice that this kind of evaluation of Federal programs calls for a common yardstick for use by all agencies.

Our study brings out the significant impact on benefit-cost ratios of discount rate variations. For example, a proposed program showing a benefit-cost ratio of 2:0 without discounting might have a benefit-cost ratio of only 1:1 if costs and benefits were discounted at a 10-percent rate. Our survey has disclosed variation in the discounts ranging from about 3 to 12 percent. This sort of reduction in benefit-cost ratios as a result of discounting would be characteristic of many programs because the high initial investment costs are not reduced and, therefore, become greater in relation to the future annual costs and annual benefits.

In our opinion, the general acceptance of the technique of discounting by Federal agencies should be supplemented with improvements necessary to bring about consistency in and among agencies in the discounting rates used, and in the techniques and underlying concepts employed. We believe such improvements are needed if this aid is to be of most effective use to the agencies, the Bureau of the Budget, and to the Congress in its evaluation of executive agency programs submitted for consideration.

We believe that improvement in the direction suggested will still require a substantial amount of additional study. We have received statements from several Federal agencies in which they express recognition of the need for standardization and offer to work with us on further studies.

With these conclusions in mind, I would now like to describe the highlights of our survey.

Our survey of 23 Federal agencies disclosed that there is a variety of policies and practices for the use of the discounting technique.

Ten of the 23 agencies used the discounting technique in evaluating their fiscal year 1969 programs.

Eight of the 23 agencies did not use the technique for evaluating 1969 programs but plan to do so in the future.

Five of the agencies do not use discounting and did not state that they plan to do so in the future.

The 10 agencies that use the discounting technique cite a variety of rationales as support for the discount rates they use, which vary from about 3 to 12 percent. As an example, the Office of Economic Opportunity has used rates of both 3 and 5 percent to evaluate its Job Corps and Upward Bound programs and has used a rate of 5 per-