

As shown in the table, 10 of the 23 agencies queried report that discounting is used in making decisions. An additional eight agencies do not now use discounting but report that they plan to do so in the future. The remaining five agencies do not use discounting at the present time and do not state that they plan to do so in the future. However, two--Department of Commerce and Veterans Administration-- of these five agencies reported that some programs are evaluated in terms of periods of time which are shorter than the probable actual life of the programs--a procedure which involves implicit discounting. (See discussion of implicit discounting which begins on p. 3.)

Details of rates used by the agencies which use the discounting technique appear in appendix I.

Explanations of the plans of agencies which do not use the discounting technique appear in appendix II.

DIVERGENT AGENCY VIEWS ON DISCOUNT RATES

A divergence of opinion on discounting is reflected in agency practices. Some agencies use the Treasury cost of borrowing money as the discount rate while others use a rate based on the return on investment in the private sector of the economy. Still others employ different criteria to determine the agency's discount rate including the Federal Reserve rediscount rate and agency borrowing cost. The agencies included in our survey use discount rates which vary over an extremely wide range--from about 3 percent to 12 percent.

Within each school of thought there are important differences of opinion. Of those agencies which tie the discount rate to Treasury borrowing costs, one uses the estimated cost of new money to the Treasury, another uses the average cost of money to the Treasury, others use the cost prescribed by Senate Document 97 (about 3.2 percent at the time of our review).

One of those agencies which would tie the discount rate to the rate of return in the private sector uses a rate of