

of the trust funds total \$28.4 billion, as against \$98.8 for the administrative budget.<sup>20</sup>

Use of a budgetary concept which includes trust fund transactions provides a more complete picture of the extent to which Federal financial operations affect both individuals and the national economy. Almost all of the monies used for trust fund expenditures come from taxes. Moreover, since 1954, rates of the taxes used to finance the trust funds have increased substantially, while the rates of individual and corporation income taxes (which make up the bulk of receipts of the administrative budget) have remained stable.

A complete change-over from the administrative budget to the consolidated cash statement would create problems. The administrative budget focuses attention on the financial operations over which Congress and the executive branch exercise the largest degree of control. The relationship between administrative budget receipts and expenditures (the current surplus or deficit) is of greatest interest to Congress and frequently helps determine its fiscal actions.

The third budget type — the Federal sector of the national income accounts — is widely used by economists to measure the impact of Federal finances on the national economy. It is not, however, designed to serve as a fiscal control device.

For different purposes, different classifications of budget data are needed. No single budget presentation is fully satisfactory as a guide for the control of spending.

### Budget Organization

Probably the most important changes which have been made in the budget document in recent years have been the steps to rearrange it in accordance with the principle of a program-type budget. Experts in public finance for a number of years advocated that the spending requests, or "appropriations items," be arranged so as to emphasize the program goals to be attained through use of the funds, rather than the specific objects to be purchased, personnel to be hired, etc. In 1949 the first Hoover Commission recommended that the entire budgetary concept of the Federal government be refashioned through adoption of a budget based on functions, activities, and projects.

In 1950 the Budget and Accounting Procedures Act gave the President explicit authority to arrange the entire executive budget in accordance with a program concept. Since then some progress has been made toward meeting this objective. Total expenditure re-

<sup>20</sup> In arriving at the total for estimated payments to the public in fiscal year 1964, intragovernmental transactions and other adjustments amounting to \$4.7 billion must be deducted. Thus total estimated cash payments are \$122.5 billion.

quests are now grouped in a dozen broad functional categories, corresponding to the principal objectives of national policy.<sup>21</sup> Also, summary measures of workload and performance have been introduced for a number of spending programs, and narrative statements are provided to describe both proposed and actual performance.

The budget document as a whole, however, is still a compromise between the traditional item-type and the newer program-type concepts. Expenditure requests are still based primarily on departments and agencies, rather than on programs. Although some effort has been made to reorganize the mass of detail in the budget document, it is still not an entirely satisfactory tool for effective decision-making.

The full-size 1964 budget covers nearly 1,200 closely-printed pages and weighs five and a quarter pounds.<sup>22</sup> It is not the sheer volume of data which creates the basic difficulty; appropriations committees often need a considerable amount of background detail to decide on the validity of spending proposals. The main problem is that the individual bits and pieces are not effectively organized to indicate the benefits which are expected to result from suggested expenditures, nor to provide facts needed for choices among alternative uses of funds.<sup>23</sup> At the same time, despite its mass of detail, the budget document does not contain all of the specific information which would be helpful for members of appropriations committees.

One-year projections of major economic aggregates furnish the broad assumptions on which revenue estimates for the year ahead are based. There is no long-range view of total costs of specific programs over a period of several years, or even of revenues under different assumptions as to the course of the general economy.

The Budget Bureau has been testing the feasibility of working out five-year projections of program costs. In 1961 a set of alternative projections for 10 years ahead, compiled by the Bureau, was presented to the President for consideration in establishing guidelines for future budgets. For fiscal 1964 the Bureau developed five-year projections of estimated appropria-

<sup>21</sup> These 12 functional categories are: national defense; international affairs and finance; space research and technology; agriculture and agricultural resources; natural resources; housing and community development; health, labor, and welfare; education; veterans' benefits and services; interest on the national debt; and general government.

<sup>22</sup> This is the complete appendix volume, used by appropriations committees and a limited number of scholars of government finance. In addition, the budget is now presented in two more condensed versions: the compact volume (440 pages for 1964) and the *Budget in Brief*.

<sup>23</sup> The Department of Defense has grouped its total appropriations requests into a number of program packages, so that a choice can more easily be made between alternative means of providing for national security. See: *Criteria for Government Spending*, *op. cit.*, 1962, pp. 18-19.

tions for some of the major new programs recommended. For public works, the 1964 budget document contains estimates of the total costs involved for projects now under way or recommended for 1964. For the budget as a whole, estimated costs of programs are given only for the fiscal year to which the budget applies; that is, for a period no more than 18 months beyond the date on which the budget is presented to Congress.

This point is of extreme importance because of the well-known tendency of multi-year Federal programs to increase in cost far beyond initial estimates. The expansion in budget expenditures over the years for programs involving health and welfare, natural resources, space research and technology, and education illustrates the problem. A recent example of the cost expansion potential of new programs was provided in the testimony of Robert C. Weaver, Housing and Home Finance Administrator, before the House Banking Committee in February 1963. He pointed out that the proposed \$500 million mass transportation bill (H.R. 3881) would be only the beginning of an attack on urban transit problems.<sup>24</sup>

### Suggested Improvements

In recent years numerous private reports and studies have called attention to problem areas in the budget document and have suggested changes. In addition, proposals have been made within government circles for improving the budget document as a tool for administrative program planning and Congressional expenditure control.

In October 1961, the Subcommittee on National Policy Machinery of the Senate Committee on Government Operations submitted a study of budgetary procedures as related to national security spending.<sup>25</sup> The report emphasized the need for "extending the budgetary time horizon" forward into the future since

the 12-month budget period reveals only "the tip of the fiscal iceberg" in regard to ultimate costs of programs. It stated that effective program planning and budgetary decisions require projections for several years ahead of national income and tax receipts, based on differing assumptions as to the facts which influence the level of economic activity. Such projections would help to determine whether future program costs over several years could be met within an existing tax structure, or whether new taxes or deficit financing would be required. In addition, the study commented favorably on the system of program presentation for expenditure requests which the Defense Department was then undertaking and has since put into effect. The report also pointed out shortcomings in the budget document in regard to establishing priorities and to measuring expenditures against meaningful performance yardsticks.

Other recommendations for improvement of the budget document were presented in a 1963 report by the Subcommittee on Economic Statistics of the Joint Economic Committee of Congress.<sup>26</sup> This study also emphasized the need for presenting program costs in terms of long-run projections (at least five years into the future). In addition, it called for revamping the entire budget document to put it on a thorough-going program basis, with all appropriations items grouped by program. Another recommendation involved presenting the budget in a five-volume series, each succeeding volume containing more factual detail than the one preceding. The volumes would be keyed to one another by subject matter and page number so that each level of budget user could have as much (or as little) background detail on each program area as suited his purpose.

Studies by private organizations which relate to the effectiveness of the budget document include reports by the American Enterprise Institute, the Committee for Economic Development, and the National Planning Association.<sup>27</sup>

### G. SUMMARY

Since 1921, the President has had responsibility for determining the spending requests of executive departments and agencies and combining them in one executive budget document. This must be transmitted to Congress each January. The Bureau of the Budget acts as the staff arm of the Chief Executive in reviewing and evaluating the individual agency requests. However, final decisions on the allocation of funds as between programs and agencies are made by the President in conjunction with his chief policy advisers.

The executive branch is faced with a number of prob-

<sup>24</sup> The Bureau of National Affairs, Inc., *Daily Report for Executives*, Number 40, February 27, 1963, p. A-3.

<sup>25</sup> *Organizing for National Security—The Bureau of the Budget and the Budgetary Process*, op. cit.

lems which hamper effective expenditure control in the preparation of the budget. Neither the President nor the Budget Bureau can determine the amounts which must be spent each year for certain programs established on a long-range basis. In addition, statutory legislation prevents executive agencies in some cases from planning

<sup>26</sup> Report of the Joint Economic Committee to the Congress of the United States, *The Federal Budget as an Economic Document* (Washington, D. C.: U. S. Government Printing Office, August 14, 1963).

<sup>27</sup> See, for example: *The Need for Further Budget Reform*, and *The Federal Budget and the National Economy*, National Planning Association, 1955; *The Budget and Economic Growth*, Committee for Economic Development, 1959; and *Tax Proposals and the Federal Finances, Part I: Federal Expenditures*, American Enterprise Institute, 1963.

program operations so as to involve minimum cost. The principal difficulty is in making intelligent decisions as to the justification of spending requests which the agencies propose. Agencies may not always be motivated by considerations of economy and efficiency in their budget planning, and the Budget Bureau, in the final analysis, has no really satisfactory way of going behind the figures which they submit.

The budget document itself is not as effective a vehicle as it might be for transmitting the over-all fiscal plan of the executive branch to Congress. The budgetary concept on which it is based has been criticized because it does not take in all financial operations of the Federal govern-

ment. The organization of material presented also has shortcomings. While progress has been made in revamping the budget in accordance with the principles of program budgeting, much still remains to be done in order to make the budget an effective tool for presenting, evaluating, and comparing the benefits and costs of programs.

Awareness of inadequacies in the budgetary process has been evidenced in recent studies by both private and government groups. Concrete proposals for improvement have been offered. Of special significance is the recurring suggestion that current budget decisions be made in fuller awareness of their probable long-range implications.

## IV. BUDGET EXAMINATION IN THE LEGISLATIVE BRANCH

The United States is now the only major nation in the world in which the legislative branch in effect makes a budget of its own, through its actions in examining and approving or disapproving parts of the budget submitted by the executive branch. In other nations the legislature merely approves or disapproves the executive budget in its entirety. Under the British system, for example, the House of Commons must either accept without amendment the budget as presented by the Cabinet, or force the government to resign so that it can be replaced by one which will submit an acceptable budget. In the United States, however, Congressional disinclination to accept the executive spending proposals as authoritative goes back to the time of Alexander Hamilton.

While insisting on this budget-making role, the Congress encounters severe handicaps in performing the function which it has claimed for itself. The process of budget preparation in the executive branch also has many shortcomings. Congress receives the recommendations of the executive branch with their existing defects. But in addition, Congress suffers from the absence of any established procedure for consideration of budget authorization in other than a disjointed, piecemeal fashion. While the 1921 Budget and Accounting Act established machinery for formulation and transmission of the budget by the executive branch, it did not set up any comparable guidelines for unified handling in Congress.

Congress does not review the President's budgetary

policy in its total dimensions, with a view to examining expenditure proposals in the light of anticipated revenue, nor with regard for the interrelationships among expenditure programs. In fact, the term "budget authorization" in the United States government is applied to expenditures only and does not extend to revenues.<sup>1</sup> Moreover, Congressional actions since 1921 seem to support the charge that the legislative branch views the budget not as a tool for systematic planning and for aiding debates on major policy issues, but more as a means of preserving detailed Congressional power over expenditures in particular programs.<sup>2</sup> Unquestionably, many of the procedural problem areas in regard to the control of Federal spending lie within the legislative branch. Many recommendations for improvement involve changes in Congressional procedures.

### A. CONGRESSIONAL APPROPRIATIONS COMMITTEES

The crux of spending authorizations by Congress lies in the appropriating process. The 1921 law placed complete jurisdiction for committee handling of appropriations matters in the hands of the two appropriations committees, House and Senate. Both committees are subdivided into 13 subcommittees,<sup>3</sup> which deal with particular parts of the budget.<sup>4</sup> The scope of neither the House nor the Senate appropriations sub-committees corresponds exactly with the jurisdiction of the legislative "standing committees" which must first approve the substantive programs before the appropriations com-

<sup>1</sup> Burkhead, *op. cit.*, p. 316.

<sup>2</sup> Avery Leiserson, "Coordination of Federal Budgetary and Appropriations Functions under the Legislative Reorganization Act of 1946," *National Tax Journal*, Volume 1, Number 2 (June 1948), p. 119.

<sup>3</sup> The Senate subcommittee on Foreign Operations is composed of all members of the full committee. See: *Congressional Staff Directory*, 1963, compiled and edited by Charles B. Brownson, Washington, D. C., 1963.

<sup>4</sup> The list of House and Senate subcommittees is as follows: Department of Agriculture and Related Agencies; Department of Defense; Deficiencies; District of Columbia; Foreign Operations; Independent Offices; Department of Interior and Related Agencies; Departments of Labor and Health, Education, and Welfare and Related Agencies; Legislative Branch; Military Construction; Public Works; Departments of State, Justice, Commerce, the Judiciary, and Related Agencies; and Departments of the Treasury, Post Office, and Executive Office.

mittees are called on to review and approve spending requests.

The Constitution (Article I, Section 7, Paragraph 1) specifically provides that all revenue-raising measures must originate in the House. There is no similar constitutional stipulation in regard to appropriations bills; nevertheless, it is a firmly established custom that all appropriations measures are handled initially by the House of Representatives, and it is the House Appropriations Committee, therefore, which has first review of appropriations bills.

The appropriations proposals contained in the President's budget are divided into groups and individual appropriations bills are drafted. Each of these bills is then handed over for action to the proper subcommittee. After subcommittee decisions have been made, the bill is acted upon by the full appropriations committee and then by the House. After the House versions of appropriations bills reach the Senate, they are handled in parallel fashion. If the amounts approved by the House and the Senate differ, a conference committee must reconcile the differences. The conference committee is empowered to adopt a final figure between the amounts approved by the House and Senate; the decision is then reported back to the full membership of both houses.

Occasionally one body will send the bill back to conference with instructions for further discussion. Ordinarily, however, the original conference decision is accepted as reported.<sup>5</sup>

### Committee Composition

It has been estimated that perhaps 90 percent of the total work of Congress is concerned, directly or indirectly, with the spending of public money.<sup>6</sup> Therefore, the appropriations committees are said to be among the most important, if not the most important, committees in Congress. In them resides the Congressional "power of the purse"; or as it is sometimes phrased by committee members: "Where the money is, there is where the power is."

The House Appropriations Committee presently consists of 50 members, 30 from the majority and 20 from the minority party. The Senate Appropriations Committee has 27 members, 18 from the majority and nine from the minority party. Because of the importance of the appropriations committees, membership is ordinarily given only to members of Congress with long terms of service. For example, in 1961 the 50 members of the House Appropriations Committee had served an average of 13.1 years in the House and had an average of 9.3 years of service on the committee. Out of a total of 106 House members who had served at one time or another on the House Appropriations Committee between 1947 and 1961, only 17, or 16 percent, had been selected for membership while they were first-term congressmen.<sup>7</sup> Members of the House of Representatives who serve on the appropriations committee are precluded from holding membership on any other committee.<sup>8</sup>

Senate rules require that members of certain legislative committees participate in an ex-officio capacity in the work of the appropriations committee when the latter deals with aspects of the budget which relate to matters within the jurisdiction of these legislative committees. Thus, members of the Senate Committee on Agriculture and Forestry sit in on the work of the appropriations committee when the Department of Agriculture budget is under consideration; members of the Senate Post Office and Civil Service Committee for the Post Office Department budget; and so on.<sup>9</sup> The result is some coordination between the substantive legislation establishing programs and the appropriations necessary for carrying them out.

<sup>5</sup> Burkhead, *op. cit.*, pp. 99-100.

<sup>6</sup> Estimate of Dr. George Galloway, of the Legislative Reference Service, Library of Congress. Quoted by Wallace, *op. cit.*, p. 3.

<sup>7</sup> Richard F. Fenno, Jr., "The House Appropriations Committee as a Political System; the Problem of Integration," *The American Political Science Review*, Volume LVI, Number 2 (June 1962), pp. 313-315.

<sup>8</sup> Nicholas A. Masters, "House Committee Assignments," *Ibid.*, Volume LV, Number 2 (June 1961), p. 351.

<sup>9</sup> *United States Statutes at Large*, 1946 (Washington: U. S. Government Printing Office, 1947), Volume 60, Part 1, pp. 821-822; and *Congressional Staff Directory*, 1963, *op. cit.*, p. 90.

### Subcommittees

In both the House and Senate, the individual subcommittees tend to dominate the appropriations process.<sup>10</sup> The full committees seldom act as units except to give perfunctory confirmation of subcommittee decisions. Except on broad policy matters, the full committees will usually accept the recommendations of the subcommittees.

Membership on Senate appropriations subcommittees is based on seniority and personal choice. In the House, the chairman of the appropriations committee allocates the subcommittee membership allotted to the majority party and the ranking minority member does the same for the minority party. The chairmen of both the House and Senate appropriations committees are in a strong position to influence subcommittee policy, since they appoint subcommittee chairmen and serve on all subcommittees, in either a regular or an ex-officio capacity.

The relatively small size of the Senate Appropriations Committee does not permit exclusive subcommittee assignments. However, while members of the House Appropriations Committee may at times be members of more than one subcommittee, they are expected to specialize in the work of one subcommittee and thus to develop an intimate familiarity with particular aspects of the budget. This familiarity will of course vary with the particular spending area involved. For example, while subcommittee members may acquire a highly specialized knowledge of agricultural programs or public works, they may have difficulty, even with the best will in the world, in grasping the manifold technical complexities relating to the defense budget.

The taxpayer does not always benefit from the expertise which appropriations subcommittee members acquire. Members may develop a defensive interest in the spending area involved. The effect may be magnified by the practice of assigning members to subcommittees dealing with matters in which the members' constituencies have a vital stake.<sup>11</sup> For example, it has been said that hearings held before the appropriations subcommittee handling agricultural matters are notable for the "happy camaraderie" between subcommittee members and officials of the Department of Agriculture, that they are conducted from a "distinctly agricultural point of view," and that the "interests of the consumer in the agricultural program are seldom represented."<sup>12</sup>

Moreover, the Federal budget has become so large and complicated that even the appropriations subcommittees which specialize in an area of expenditure may no longer be able to cope with it effectively.<sup>13</sup> Subcommittee mem-

<sup>10</sup> Wallace, *op. cit.*, p. 28.

<sup>11</sup> Committee for Economic Development, *Control of Federal Government Expenditures*, a Statement on National Policy by the Research and Policy Committee, New York, January 1955, p. 7.

<sup>12</sup> Smithies, *op. cit.*, p. 143.

<sup>13</sup> Joseph P. Harris, "Needed Reforms in the Federal Budget System," *Public Administration Review*, Volume XII, Number 4 (Autumn 1952), p. 242.

bers can easily become bogged down in the great mass of detail in which spending requests are presented, and lose sight of the over-all direction of even those portions of the spending process on which they work full time. This situation is much more likely to occur on the House side of Capitol Hill, where the entire original agency requests are examined in detail, than on the Senate side, where the normal focus is on items which have been cut by the House.

Each subcommittee carries on its work in considerable isolation from the other subcommittees. Members specializing in one particular type of spending may be relatively unfamiliar with, and at times unconcerned with, other programs. In situations in which it may be desirable to give priority to certain programs as against others, the subcommittee members specializing in the programs which deserve lower priority may see no need for curtailing them.

### Committee Operations

Each subcommittee will work for weeks on its part of the budget before reporting to the full committee. Subcommittee members will usually reach agreement among themselves on all items before reporting out an appropriations bill. They come to have something of a proprietary interest in their completed work and as a rule are not overridden by the full committee.

The full House almost always approves an appropriations bill as reported out by the committee. For example, a study of 443 cases of appropriations for executive bureaus found that in 387 instances—87.4 percent—the House Appropriations Committee's recommendations were accepted by the House.<sup>14</sup> In both the House and Senate, members who are not on the appropriations committees tend to be extremely hesitant to question committee recommendations. Sometimes, of course, a member does raise a question, but this is rare.<sup>15</sup> For example, when the appropriations bill containing recommended expenditure authorization of \$47.1 billion for the Defense Department for fiscal year 1964 was voted on by the House on June 26, 1963, only one member voted against it.<sup>16</sup>

Appropriations bills often get to the floor late in the session. In such cases they are likely to be rushed through to beat an adjournment deadline. Proposals introduced in the 85th and 86th sessions of Congress were intended to provide more time for the handling of

<sup>14</sup> Fenno, *op. cit.*, p. 323.

<sup>15</sup> Wallace, *op. cit.*, p. 36.

<sup>16</sup> The dissenter said that he was not questioning the justification of any item in the bill, but that he wanted to call attention to the seriousness of deficit spending.

<sup>17</sup> Senate bill 2846 proposed in the 85th, and Senate bill 1838 introduced in the 86th session, both by Sen. Warren G. Magnuson of Washington. Committee on Government Operations, United States Senate, *Financial Management in the Federal Government* (Washington, D. C.: U. S. Government Printing Office, 1961), pp. 272-273.

appropriations. They would have established a regular annual fiscal session separate from the ordinary session which would handle all other subjects. No action was taken on this proposal on either occasion.<sup>17</sup>

### Contrasting Roles of House and Senate

Within Congress, the House committee has the reputation of being the more severe of the two appropriations committees in examining and cutting back proposed expenditures. The House committee is reputed to have an image of itself as guardian of the Federal Treasury, screening requests for money, checking against ill-advised expenditures, and protecting the taxpayer's dollar. This view has apparently been accepted by almost all committee members, regardless of party affiliation or personal attitudes on government spending.

House Appropriations Committee members, it is said, tend to consider expenditure requests as containing "waste," "padding," "fat," etc., so that any proposal not only can, but should, be reduced. In practice reductions are usually made. A study of the case histories of appropriations requests of 37 executive agencies from 1947 to 1959, found that of 443 requests, 342, or 77.2 percent, were reduced by the House Appropriations Committee.<sup>18</sup>

On the other hand, concern for spending proposals in which some of a committee member's constituents may have a strong interest will serve as a brake on cutting appropriations. In such situations members are caught between a committee-oriented interest in keeping expenditures down and a constituency-oriented interest in securing increased spending for particular purposes.

The Senate Appropriations Committee is something of an appellant tribunal, or board of review. Before it representatives of agencies whose requests have been slashed by the House can plead for restoration of funds. Executive agencies and other groups interested in spending therefore tend to mobilize their principal efforts to restore cuts in appropriations when the bills reach the Senate.

Some years ago one senator remarked that it was a common joke around Washington that an agency will request more than it actually needs on the assumptions that the House will reduce the amount by 50 percent, the Senate will restore it to 100 percent, and the conference committee will compromise at 75 percent; the eventual result is that the agency ends up with about the amount which it wanted in the first place.<sup>19</sup> While these percentages exaggerate the magnitude of the changes made, they are indicative of their direction. An example of these interrelationships was provided by the experience of the appropriation bill for the Department of the Interior and Related Agencies in the first session of the

<sup>18</sup> Fenno, *op. cit.*, pp. 311-312.

<sup>19</sup> Paul H. Douglas, *Economy in the National Government* (Chicago: The University of Chicago Press, 1952), p. 58.

88th Congress. The President's request for new spending authority amounted to \$898 million; the House approved \$824 million, a reduction of \$74 million; the Senate restored the amount to \$873 million; and the eventual compromise amounted to \$850 million.<sup>20</sup>

In fact there is apparently some feeling among House Appropriations Committee members that their committee does the difficult spadework of examining appropriations requests; it listens to and passes on the testimony of witnesses for months on end, only to have the Senate, "with little more than a cursory glance, restore most of the funds cut."<sup>21</sup> However, there have been times—in 1950, for example—when the Senate committee has not been content to confine its role to one of examining and partially restoring cuts in appropriations made by the House, but has undertaken the item-by-item examination of all original expenditure proposals which is usually done only by the House committee. In 1963 Sen. Joseph S. Clark of Pennsylvania introduced a proposal (subsequently withdrawn) which would have required

that half of the appropriations measures be initiated in the Senate.

The net effect of Congressional action on the President's budget requests is that while changes are made in a large number of appropriation items, total proposals are ordinarily reduced by only a relatively small amount. Moreover, some of the reductions may eventually be restored through deficiency appropriations. Congress at times votes appropriations above the amounts requested in the executive budget. In 1949, for example, Congress voted funds for a 70-group air force although President Truman actively opposed such an expansion.<sup>22</sup> Similarly, in 1955 funds were voted for the Marine Corps in excess of what President Eisenhower wished.

More recently, in 1962, appropriations were voted for the full development of the RS-70 long-range bomber program, although the Department of Defense, as a result of the increased emphasis on missiles, was downgrading the importance of manned aircraft as a strategic deterrent weapon.

## B. STAFF ASSISTANCE FOR APPROPRIATIONS COMMITTEES

In view of the wide ramifications of the substantive programs for which appropriations are requested, as well as the extreme complexity in which these spending proposals are presented to Congress, the question of adequate staff assistance for appropriations committees has come in for considerable attention. It has been said that the appropriations committees need "a better organization of their curiosity."

### Information from Executive Branch

In the course of reviewing and passing on agency requests, the Budget Bureau examines a vast amount of information which does not appear in the final budget document. Congress is legally entitled to have access to as much of this background data as it may desire. The 1921 Act requires that the Budget Bureau:

"... shall, at the request of any committee of either House of Congress having jurisdiction over revenue or appropriations, furnish the committee such aid and information as it may request."

Executive branch spokesmen will furnish the committees with information, but if the committees are to be successful in getting such data someone must be sufficiently familiar with agency operations to know the questions to ask. There must also be someone to evaluate the answers received. Agency representatives are not likely to volunteer information which may be unfavorable.

The administration may at times revise its own spend-

<sup>20</sup> Tax Foundation, Inc., *Washington Report*, Number 3-1963 (July 25, 1963), Washington, D. C., pp. 3-4.

<sup>21</sup> *Washington Post*, April 24, 1962, p. 1. Quoted by Fenno, *op. cit.*, p. 314.

ing requests after presenting the budget document to Congress.<sup>23</sup> Nevertheless, the composite package of expenditure proposals contained in the President's budget does represent top-level policy decisions of the executive branch. When representatives of the Budget Bureau are called on to testify before an appropriations subcommittee, they will as a matter of course take the position that the spending requests as presented represent an "irreducible minimum," that the budget is "tight," that all requests are of equal importance, and that the implementation of substantive programs cannot be carried out unless the amounts requested are approved. This situation will prevail no matter which party is in power. In hearings before the House Committee on Appropriations, concerning the proposed budget for 1963, the then Budget Director said:

"I think this: Our methods of inquiry into the budget, the questions we ask all the way through the process, develop a result that we think is a correct one and has no soft spots. The committee in its probing and the committee's type of questions and its investigations into the budget may reach a different conclusion with respect to one item or another."<sup>24</sup>

It is completely unrealistic to expect that the Budget Bureau staff can be used to furnish Congress with much

<sup>22</sup> Smithies, *op. cit.*, p. 136.

<sup>23</sup> See discussion in Section III.

<sup>24</sup> *The Budget for 1961, Hearings before the Committee on Appropriations*, House of Representatives, 86th Congress, 2nd Session (Washington: U. S. Government Printing Office, 1960), p. 114. The Secretary of the Treasury made a somewhat stronger reply to the suggestion of one Congressman that "there are soft spots and fat in every budget" submitted to Congress: "I would not want to dispute the Congressman, but I am not aware of any places in the budget that I would so characterize."

information for "going behind" the original budget requests in any critical sense. The Budget Bureau, having had the initial responsibility for coordinating, reviewing, and approving requests, is hardly free to criticize them. As one Senator has observed:

"So far as the Bureau is concerned, all final decisions have been made. Its staff strongly opposes any changes by Congress. To do otherwise would be disloyal to the President. If any staff employee of the Bureau furnished members of Congress with data which were useful in cutting budget requests, he would probably be fired." (Italics added.)<sup>25</sup>

Moreover, representatives of executive agencies can hardly be expected to testify as to why or how their budget requests can be cut, when the Budget Bureau may already have pruned them. On this point Rep. Ben F. Jensen of Iowa, ranking minority member of the House Appropriations Committee, indicated what must be a common reaction among committee members:

"These men from the departments that line up across the table from us, and there are generally from six to a dozen from every branch of the respective departments, those gentlemen are schooled in the art of justifying their requests, they have spent years at it and we are so busy with a thousand and one things to carry on our duties here in Congress. . . .

"When they come before us . . . we are obliged to take their word . . . in the end, we appropriate blindly, so to speak."<sup>26</sup>

When agency spokesmen lead committees to suppose that proposed budgets should be changed, it is to secure increases. While civil servants may not overtly propose expenditures in excess of those in the budget, there are ways in which attitudes can be conveyed to committee members.

To bring pressure on Congress to get the desired appropriations, an agency can use informal liaison channels to mobilize opinion among "clientele" groups which benefit from its programs. Activities of the Veterans Administration, for example, are normally supported by veterans' organizations; those of the Commerce Department by business groups; those of the Labor Department by labor unions; and those of the Agriculture Department by various organizations of farm operators.<sup>27</sup> A large agency, such as the Post Office Department, can call upon its employees for such influence. In some cases an agency may operate in such a way as to suggest that its responsibilities cannot be carried out without appropriations of a particular size,

<sup>25</sup> Douglas, *op. cit.*, p. 63.

<sup>26</sup> Elias Fuzar, *The Purse and the Sword* (Ithaca: Cornell University Press, 1950), pp. 383-384.

<sup>27</sup> J. Leiper Freeman, "The Bureaucracy in Pressure Politics," *The Annals of the American Academy of Political and Social Science*, Volume 319 (September 1958), p. 17.

a method sometimes referred to as "administrative discretion."<sup>28</sup>

Finally, there is no legal prohibition on agency spokesmen disclosing, in reply to questioning before appropriations committees, the size of the budget requests which the agency originally submitted for review to the Budget Bureau and which may have been cut back at that level. These disclosures may, of course, be made in response to prodding by "friendly" committee members.<sup>29</sup>

### Information from Private Citizens and Groups

The right to petition the government for redress of grievances is guaranteed by the First Amendment to the Constitution. Individual citizens and organized groups do present their viewpoints to appropriations committees about initiating, expending, or reducing spending programs. For example, the civil functions appropriations bill, which provides funds for the programs of improvements for rivers, harbors, and flood control (under the Corps of Engineers of the Army) is a natural focus for the efforts of groups who wish funds for projects in their home areas. Despite the fact that members of such groups may in principle favor economy in government, they will press their congressmen to get money for local projects. Congressman may at times feel that support for these requests is the price of political survival. Congressmen are also subjected to pressures for continued production of weapons which have become obsolete, and the maintenance of unnecessary military establishments, both being considered necessary props for the economy of particular localities.

In his farewell message in January 1961, President Eisenhower warned against strong pressures for spending from what he termed the military-industrial com-

<sup>28</sup> In 1957, the Postmaster General issued instructions to curtail mail deliveries one day each week. This was at a time when Congress was showing some reluctance to appropriate certain funds which the Post Office Department said were necessary for its operations. Congress subsequently voted the money as requested. Freeman, *ibid.*, p. 18. In the spring of 1963 a similar occurrence took place when the Postmaster General informed the Senate Appropriations Committee that unless it restored nearly \$92 million in cuts in the Department's 1964 budget, made by the House Appropriations Committee, the Department might be forced to eliminate all Saturday mail deliveries after July 1, 1963, and make other reductions in the postal program. *Daily Report for Executives*, *op. cit.*, Number 75 (April 17, 1963), p. A-4.

<sup>29</sup> Freeman, *op. cit.*, p. 13. On the matter of testimony before Congressional committees, Secretary of Defense Robert S. McNamara in June 1963 assured the Senate Armed Services Committee that while it was a long-standing policy that military and civilian personnel of the Defense Department should not volunteer opinions at variance with administration policy, nevertheless when queried by Congressional committees they should certainly express their opinions, even if those vary from established policy, and in so doing they should be without fear of punitive action. There had been some concern expressed in Congress when the term of office of the Chief of Naval Operations was not renewed and that of the Air Force Chief of Staff received only a one-year extension. Quoted by *Daily Report for Executives*, *op. cit.*, Number 125, June 27, 1963, p. A-1.

plex which has grown up in the United States as a result of world conditions.

A number of groups which regularly submit information to, or testify before, Congressional committees present well-organized, factually balanced, and accurate information which is often very useful to committees in finding their way through the welter of issues related to a particular spending program. Aids of this sort provide a means by which the legislative branch can double-check information submitted by the executive branch in justification of proposed expenditures.

To the extent that the testimony presented to committees is not factually balanced and accurate, additional problems are created for already overburdened committee members who must decide on the merits of particular issues. Moreover, the sheer volume of Federal spending means that government purchases affect almost every sector of the economy; hence there are many private groups whose tangible interest in particular spending programs is at least as compelling as their more remote concern with government economy in general. This can easily bring about the sort of situation described by the present Chief Justice of the U. S. Supreme Court in which:

"... the voice of the people may all too easily be drowned out by the voice of special interest groups seeking favored treatment while masquerading as proponents of the public weal."<sup>30</sup>

Senator Douglas has remarked that the special interests which favor spending tend to be concentrated and strong, while the general interest which might favor economy tends to be diffused and weak.<sup>31</sup> About the only time that witnesses testify in favor of reductions is when representatives of one particular group argue in favor of lower spending for programs which would favor some competing group.

#### Legislative Staff Facilities

The Congressional appropriations committees can expect little or no real help from either the Budget Bureau or executive agencies in obtaining the sort of information which can permit them to criticize effectively the President's requests. Furthermore, the assistance which they can get from outside groups, while often useful, is essentially limited and not always disinterested.

One viewpoint is that the General Accounting Office, as a legislative agency, should aid the appropriations committees as a staff arm for budget review somewhat as the Budget Bureau services the executive

<sup>30</sup> Statement by Chief Justice Earl Warren, concerning the rationale of the Federal Regulation of Lobbying Act of 1946. Emanuel Celler, "Pressure Groups in Congress," *The Annals of the American Academy of Political and Social Science*, Volume 319 (September 1958), p. 6.

<sup>31</sup> Douglas, *op. cit.*, p. 60.

branch. Under such proposals the General Accounting Office would make continuing studies on the possibilities of reducing expenditures.<sup>32</sup> Since the General Accounting Office audits past expenditures by executive departments, it is probably acquainted with some shortcomings in agency operations and with some "soft spots" in their proposed budgets. The 1946 Legislative Reorganization Act does provide that the Comptroller General (the head of the General Accounting Office) is to make expenditure analyses of each agency in the executive branch to help Congress determine whether public funds are economically and efficiently administered, and to report the results of these studies to the Congressional committees on appropriations. This function has never been carried out, because Congress has not provided the requisite appropriation.

The Legislative Reference Service, located administratively within the Library of Congress and thus also a legislative agency, has been of valuable assistance to Congressional committees in providing general-purpose research. Established in 1914 to gather, classify, and make available information bearing on legislation to Congress, the Legislative Reference Service was greatly strengthened by the Legislative Reorganization Act of 1946. The duties of the Service were defined for the first time in statutory form, and authorization was provided for hiring senior specialists in 19 fields for work with the Congressional appropriations committees. Personnel could be hired without regard to Civil Service laws and without reference to political affiliation, solely on the basis of ability to perform the requisite duties.<sup>33</sup>

The Legislative Reference Service maintains a staff of political scientists, economists, and lawyers—probably the largest government pool of experts on these matters not under the jurisdiction of the executive branch. The staff is made available to individual congressmen and Congressional committees, and its services have been utilized by the lawmakers to an increasing extent since World War II.

The 1946 Legislative Reorganization act also empowered committees to engage whatever staff they may require,<sup>34</sup> so that they would have sufficient professional personnel to gain an understanding of every item in every appropriation request. The situation today is not what it was a decade or so ago, when Sen. Paul H. Douglas pointed out that the Senate Appropriations Committee had only one professional staff assistant to help it evaluate a proposed Defense Department budget which for 1952 (for military functions) amounted to \$60.7 billion.<sup>35</sup> However, while the Senate committee

<sup>32</sup> Douglas, *op. cit.*, p. 69; and Wallace, *op. cit.*, p. 151.

<sup>33</sup> George B. Galloway, "The Operation of the Legislative Reorganization Act of 1946," *American Political Science Review*, Volume XLV, Number 1 (March 1951), p. 53.

<sup>34</sup> Other Congressional committees were authorized to appoint not more than four professional staff members on a permanent basis.

<sup>35</sup> Douglas, *op. cit.*, p. 68.

moved to hire a professional staff, the House was somewhat reluctant to take this step, because of a reported belief that "professional and clerical staff imrede each other."<sup>26</sup> Although it was at the insistence of the House Appropriations Committee that no restrictions were placed on the number of staff members which the appropriations committees could hire, certain influential members of this committee were nevertheless said to fear the consequence of setting up a large staff.

There are a number of problems which would be created by setting up large-size permanent professional staffs for the appropriations committees. For one thing, it would be rather difficult for the lawmakers to exercise effective supervision of staff activities on a continuing basis. The 1945 La Follette-Moroney report suggested that a Congressional Personnel Office is needed to help individual members and committees with staffing problems, but no such office has yet been set up.

Moreover, there has even been a question about the effectiveness of a professional staff attached to the appropriations committees. As one observer has noted, not all members of Congress know how to use staffs. Some members, for example, use staff data to support preconceived ideas or party dictates; such subordination of the work of professional staff to political exigencies, personal and sectional or other prejudices and preconceived notions, can both frustrate and alienate staff members whose standards of workmanship and integrity are high.<sup>27</sup>

At present (1963), the Senate Appropriations Committee has a staff, including both professional and clerical employees, of 33, the House committee has 18, making a total of 51.<sup>28</sup> This must suffice to provide the members with the professional assistance for passing on \$107.9 billion in requested new spending authorization and to handle a budget document put together by a Budget Bureau with a staff of 459 on the basis of requests submitted by executive agencies having thousands who work on budget preparation.

In 1963 Senator McClellan introduced a bill, later supported by 75 other Senators, to set up a Joint Committee on the Budget. This committee would be composed of 14 members, seven from the Senate and an equal number from the House Appropriations Committee. Of each house's delegation, four would be from

<sup>26</sup> Galloway, *op. cit.*, p. 64.

<sup>27</sup> Galloway, *op. cit.*, p. 55. A related problem in the appropriations committees is that the available staff in effect is said to be controlled by the majority party so that staff assistance for the preparation of minority positions is lacking.

<sup>28</sup> *Congressional Staff Directory, 1963*, *op. cit.*, pp. 88-89, 199.

the majority and three from the minority party. It would be empowered and directed to investigate and analyze the budget and all expenditure proposals and submit recommendations. Such a committee would supplement the work of the appropriations committees, and, hopefully, broaden the whole Congressional outlook on budgetary matters. The committee would have a permanent professional staff to assist Congress and the appropriations committees. Senator McClellan has pointed out that a corps of technical experts from the Budget Bureau and the executive agencies appear before appropriations committees to testify in favor of expenditures; Congress, he believes, must be equipped with a technical staff to guard against wasteful spending.

The bill was approved by the Senate, but not by the House, thus repeating the pattern which occurred in the 82nd, 83rd, 84th, 85th and 87th Congresses when similar bills were approved by the Senate but never by the House.<sup>29</sup> From the first, the idea has reportedly encountered opposition from important members of the House Appropriations Committee. Both the Chairman and ranking minority member were said to have been against the measure on two counts: (1) the Legislative Reorganization Act already provided appropriations committees with unlimited authority to hire professional staffs; and (2) the measure represented to them an encroachment by the Senate on the House prerogative of initiating appropriations measures.<sup>30</sup>

If the appropriations committees have not made adequate use of their already broad authority to obtain permanent, technically qualified staff members, it is difficult to see how providing still further legal authority for hiring staff assistance will improve the situation. One student of Congressional expenditure procedures has voiced the opinion that if the Joint Committee on the Budget were set up it would only be a "highly generalized committee which would be relatively unimportant."<sup>31</sup> However, proponents point out that while appropriations committees may not make use of already-existing authority to hire professional staff, the Joint Committee on the Budget might use such power. Thus the setting up of this additional committee might make possible the acquisition of desirable staff assistance even if the appropriations committees themselves do not engage such staff in adequate numbers.

<sup>29</sup> Tax Foundation, Inc., *Washington News*, Volume 15, Number 5 (Feb. 1, 1963), p. 3.

<sup>30</sup> Wallace, *op. cit.*, p. 155. In the 1963 session the companion bill providing for setting up the Joint Committee on the Budget was introduced in the House by the ranking minority member of the House Appropriations Committee, Representative Jensen of Iowa.

<sup>31</sup> *Ibid.*, p. 154.

## V. PROBLEM AREAS IN CONGRESSIONAL CONTROL

The spending which is most immediately subject to Congressional control is that in the administrative budget. Nevertheless, the extent to which the legislative branch does *not* at present have control over this spending was highlighted in an analysis of administrative budget proposals for 1964 in the Tax Foundation's *Washington Report*.<sup>1</sup> This study showed that Congress, under present procedures, would be able to exercise effective control over only about 30 percent of the estimated \$98.8 billion to be spent. The remainder, comprising the outlays which would be relatively uncontrollable by the 1963 session of Congress, could be divided into six categories according to the factors influencing the loss of effective control, as indicated in Table 2.

At any one time Congress is in fact limited by actions taken in earlier years. What Congress does in any one year will bear fruit, higher or lower spending, over several years.

### A. HOW EXPENDITURE CONTROL IS LOST

The actual methods by which Congress authorizes expenditures have been referred to as "too convoluted for the human mind to fathom." This procedural pattern is extremely complicated and confusing, and in practice it creates difficulties for those who seek effective expenditure control.

#### Expenditure Authorization versus Expenditures

As indicated in Table 2, \$42.4 billion, or 43 percent of the expenditures estimated for fiscal 1964 were based on *obligational authority* carried over from prior years. This is by far the most important reason why the Congress can not do much in limiting expenditures for the coming year.

This situation stems from the practice of voting funds, not in terms of actual expenditures to be made

<sup>1</sup> Tax Foundation, Inc., *Washington Report*, Number 2-1963 (April 19, 1963), Washington 5, D. C., pp. 4-23.

during a given fiscal year, but in terms of new spending (obligational) authority. New spending authority permits agencies to enter into obligations requiring either the immediate or subsequent payment of Federal monies. When Congress acts on the budget for a given fiscal year, it does not determine that \$ x billion will actually be spent during that year, but only that \$ x billion in new spending authority will be made available to be spent at some time in the future. The spending need not take place during the fiscal year for which the authorization is approved, and large amounts may be left over to be spent later.

There was a time, before World War I, when annual appropriations and annual expenditures were virtually identical. At present, only by sheerest accident would spending authority approved for a given fiscal year even approximately equal actual expenditures for that year. For example, in the executive budget for fiscal 1964,

Table 2  
Relative Controllability of Federal Expenditures, Fiscal Year 1964

Classification	Expenditures (millions)
Total estimated expenditures in administrative budget	\$98.8
Total expenditures relatively uncontrollable by Congress in 1963	68.8
Expenditures from obligational authority of prior years	42.4
Contributions to trust funds, payments of claims, and payments required by treaties and international obligations	6.8
Expenditures under permanent and indefinite authorizations	10.9
Expenditures to liquidate contract authorizations	.9
Expenditures under "open-end" programs	4.3
Expenditures of government enterprises (public enterprise revolving funds)	3.5
Remainder (relatively controllable expenditures)	30.0

Congress was asked to approve \$107.9 billion.<sup>2</sup> Actual expenditures for 1964 were estimated as \$98.8 billion.

Public works and defense provide the most conspicuous instances in which the actual outlays from spending authority approved in one year are made later. Military procurement involves long "lead times" between the date of the original contract and the eventual payment based on delivery of finished equipment. The full amount expected to be required for completing the program is authorized at the outset. However, the money, so to speak, is placed in a "pipe line" for the agencies to use as needed.

This dichotomy between the granting of authority to spend and the actual "writing of the check" seriously complicates budget planning. The second Hoover Commission task force commented that:

"There is no direct and effective control over the annual surplus or deficit. This is due to the fact that the appropriations which Congress enacts each year are intended to control not annual expenditures but the level of obligations which the agencies may incur, sometimes over several years."<sup>3</sup>

The practice also causes confusion about what takes place when Congress "cuts" the budget for a given fiscal year. Since the spending authority will not necessarily be used in the year in question, reductions may have little or no effect on the actual outlays during that year. Committees consider with care requests for new spending authority, while giving little attention to past authorizations. Congress has evinced a "head in the sand" or "leave it to the executive branch" approach in regard to the spending authority carryover.<sup>4</sup>

#### New Expenditure Authorizations by Appropriations Committees

The principal method for approving new expenditure authorizations is through the appropriations process. Appropriations bills are generally of three types: (1) regular appropriations bills, based on requests in the executive budget presented to Congress at the beginning of each session; (2) supplemental appropriations bills, for which estimates are not submitted until later in the session; and (3) deficiency appropriations bills, which make appropriations for the current fiscal year after the regular and supplemental appropriations for that year have been voted (ordinarily the year before).

*Current appropriations* are for definite amounts for

<sup>2</sup> This \$107.9 billion in new spending authority applies to the administrative budget. In addition, an estimated \$30.4 billion in new spending authorization was to become available in fiscal 1964 under trust fund programs.

<sup>3</sup> *Financial Management in the Federal Government, op. cit.*, p. 58.

<sup>4</sup> Karney S. Brasfield, *Tax Review*, Volume XXI, Number 3 (March 1960), Tax Foundation, Inc., New York, p. 9. On the other hand, much of the carryover spending authority may be contracted for by the time Congress considers a new budget.

specific purposes but may vary according to the periods of time for which the spending authority will remain in effect.

1. There are "one-year" appropriations, which are commonly used for salaries and other current expenditures of executive agencies.
2. Then there are "multiple-year" appropriations, available for a specified period extending beyond one year. These are often used for nonrecurrent expenditures.
3. In addition, there are "no-year" appropriations which provide spending authority for an indefinite period until the special purpose has been accomplished. These are used primarily for construction contracts.
4. Other variations include (a) indefinite appropriations, (b) permanent appropriations for both definite and indefinite amounts, and (c) appropriations to liquidate contract authorizations.<sup>5</sup>

All items in appropriations bills must come before the appropriations committees for annual review. This type of expenditure authorization is thus most susceptible to specific Congressional decision. However, some types of appropriations bills make spending authority available in a way which makes annual control difficult. The large "over-hang" of spending authority from prior years results largely from appropriations for "one-year" (if obligated, they are available for actual expenditure for two or more years), for "multiple-years," and for "no-year."

In addition, the appropriations committees are not in practice free to determine the amounts which are appropriated annually for certain substantive purposes. Among these are (1) payments for certain continuing Federal obligations, (2) appropriations made under permanent and indefinite authorization, (3) funds for the liquidation of prior contract authorizations, (4) and those for "open-end" grant-in-aid payments.

1. Each year the executive budget contains requests for appropriations to meet obligations for civil service, military and veterans' retirement and pension funds, claims against the Federal government, and expenditures required under the terms of international treaties and similar agreements. The nature of these commitments is such that the appropriations committees have little, if any, year-to-year control in determining the amounts to be spent. As indicated in Table 2, expenditures during fiscal 1964 for such purposes were estimated at \$6.8 billion.

<sup>5</sup> Examples of these variations of appropriations can be found in the 1964 budget. Indefinite appropriations include retired pay of commissioned officers; permanent definite, colleges of agriculture and the mechanical arts; permanent indefinite, interest on the national debt; and appropriations to liquidate contract authority, urban renewal fund.

2. Permanent and indefinite appropriations are made each year on the basis of permanent authorizations to spend whatever amounts are necessary to meet particular obligations—\$10.9 billion in fiscal 1964. They do not require annual authorization by Congress. These appropriations are used for such purposes as payment of interest on the national debt, specific agricultural and educational aid programs, and certain shared-revenue programs. By far the largest part is for interest (\$10 billion, or over 90 percent of the total).
3. Appropriations made to liquidate contract authorizations constitute another area over which Congress has almost no control. They result from earlier decisions by Congress authorizing agencies to enter into contractual agreements requiring the eventual expenditure of funds. This practice frees Congress from the need to appropriate funds immediately in order to initiate a program. This method was once used extensively for procurement of military equipment. It is still used to provide funds for certain programs of agencies such as the Bureau of Public Roads and the Maritime Commission, the Bureau of Indian Affairs, the National Park Service, and the Public Health Service. Expenditures during fiscal 1964 from appropriations to liquidate contractual authorizations were estimated at \$941 million.
4. Another type of spending subject to little current control by appropriations committees comprises that made on the basis of grant-in-aid programs and prior contracts and agreements. The substantive legislation establishing "open-end" programs, such as the programs of grants-in-aid to the states administered by the Department of Health, Education, and Welfare,<sup>6</sup> and certain agricultural subsidy programs,<sup>7</sup> requires that whatever funds are necessary to fulfill payment obligations be made available. These amounts are determined by such circumstances as the number of old people and dependent children put on the rolls by the states in administering the programs or, in the case of agricultural payments, on weather and a variety of economic conditions. Table 2 shows estimated expenditures from these automatic appropriations at \$4.3 billion.

The second Hoover Commission recommended that the substantive legislation committing the Federal government to provide funds for public assistance payments, as well as for veterans' benefits and agricultural price supports, ordinarily be enacted for limited periods only. The programs would then be subjected to periodic Congressional review. Such a requirement was viewed as a step toward tightening Congressional control of

<sup>6</sup> Grants for old-age assistance, medical assistance to the aged, dependent children, the blind, and the permanently and totally disabled.

<sup>7</sup> Sugar act program, agricultural conservation program, conservation reserves program, food stamp program, etc.

expenditures which do not now require annual approval by appropriations committees.<sup>8</sup> Although several bills have been introduced to make this recommendation effective, none has been enacted; however, hearings have been scheduled.

#### Other Ways in which Expenditures Are Determined

**EXPENDITURES OF GOVERNMENT ENTERPRISES.** Outlays by Federal "enterprises" engaged in lending, mortgage purchase and guarantee, subsidies, power production, housing, public works, etc., are not ordinarily provided by direct Congressional appropriations. Instead, funds are obtained from receipts from the operations of the agency, capital stock issuance, contract authority, authority to spend from corporate debt and public debt receipts, and restoration of capital impairment. (Any actions to make up operating losses or to raise new capital by borrowing from the Treasury must be approved by Congress.) Estimated 1964 expenditures of such enterprises will total \$3.5 billion.

Although the operations of wholly owned corporations are reported in the executive budget, the financing does not ordinarily come from appropriations. Therefore control through the appropriations process is narrowly limited. In practice the most the committees are likely to do is occasionally to limit certain administrative expenses of these entities.

**"BACKDOOR FINANCING."** Appropriations voted to liquidate prior contractual obligations have been mentioned. Actions which authorize agencies to incur such obligations, or to borrow against public debt receipts provided by the Treasury Department, do not always come before the appropriations committees for review. In this case, they are popularly referred to as "backdoor financing." The device has been used to provide funds for the United States subscriptions to the International Bank and the International Monetary Fund, operating funds for the Export-Import Bank, loans for housing programs, etc.

Under a parliamentary ruling of the House of Representatives in 1949, "backdoor spending" devices (or at least those for the purpose of making loans) have been held not to constitute appropriations. This ruling permits legislative committees, which are specifically prohibited from handling appropriations matters, to authorize agencies to obtain funds via the "backdoor" method. In some cases these spending authorizations do not come before the appropriations committees for review.

This method has been severely criticized, and suggestions have been made for curtailing or abandoning it outright. President Eisenhower's last two budget

<sup>8</sup> *Financial Management in the Federal Government, op. cit., pp. 60-61.*

messages proposed halting any further use of "backdoor spending." He recommended that henceforth all such measures—whether borrowing against debt receipts or the incurring of contract obligations requiring subsequent appropriations—be routed through the normal appropriations process. In his last budget message he said:

"We must never be led into thinking that special funding arrangements, which are a claim against budget receipts or borrowing, are somehow not a part of the budget or not a cost to the taxpayer."<sup>10</sup>

The recommendations were not followed. Nor did Congress approve a 1960 proposal by Rep. Howard W. Smith of Virginia to require appropriations committee action, nor a 1961 proposal to change the House rules to prohibit "backdoor spending." The Kennedy Administration favored use of "backdoor financing," particularly for foreign assistance and aid to depressed areas.<sup>11</sup>

Resolutions introduced in 1963 by Representatives Smith of Virginia and Thomas M. Pelly of Washington to prohibit "backdoor financing" were not adopted. Nevertheless, the 1963 session witnessed strong sentiment against the procedure. This dislike was highlighted in the handling of the substantive legislation extending the life of the Export-Import Bank and granting it additional operating funds. The House refused to go along with the Senate's desire to have the bank continue to get funds via the "backdoor" method. The House insisted that such money be obtained through the regular appropriations process, but the final Senate-House compromise avoided mention of the financing method to be used, thus postponing final decision.<sup>12</sup>

**REAPPROPRIATIONS AND REAUTHORIZATIONS.** Another practice is that of reappropriating previous appropriations which would otherwise lapse, or reauthorizing authority to incur contractual obligations or to spend from public debt receipts. The result is not only some loss of expenditure control but also a false appearance of economy.

The final totals of appropriations for any year do not include monies approved by reappropriations. Thus Congress can reappropriate unused spending authority left over for a particular program from a previous year (authority which would otherwise lapse), reduce the current spending authorization by a like amount, and claim that it has achieved a reduction in spending.

<sup>10</sup> *The Budget of the United States Government for the Fiscal Year Ending June 30, 1962, Budget Message of the President and Summary Budget Statements* (Washington, D. C.: U. S. Government Printing Office, 1961), p. M 93.

<sup>11</sup> Tax Foundation, Inc., *Federal Fiscal Issues*, New York, September 1961, p. 22.

<sup>12</sup> Tax Foundation, Inc., *Washington News*, Volume 15, Number 32 (Aug. 16, 1963), p. 2.

### Suggestions for Regaining Control over Certain Expenditures

**ANNUAL ACCRUED EXPENDITURES PRINCIPLE.** In 1955 the second Hoover Commission proposed a major change in appropriations procedures aimed at regaining Congressional control of spending. The commission recommended that the executive budget and Congressional appropriations be set up in terms of estimated annual accrued expenditures. All appropriations were to be on an annual basis, long-term procurement was to be handled through contract authorizations requiring annual review and extension, and the practice of obligating from unexpended balances of prior-year appropriations was to be abandoned.

Legislation embodying this principle was proposed on four different occasions by President Eisenhower. In 1958 a modified version of the accrued expenditure concept was enacted (P.L. 759, 85th Cong., 2nd sess.). The President was thereby authorized to submit to Congress proposed limitations on annual accrued expenditures for all appropriations and funds; however, the proposed limits were not to be effective unless the legislative branch agreed to include them in appropriations bills. Although the Bureau of the Budget made several attempts to work out such annual expenditure limits for some spending areas, the House Appropriations Committee was very reluctant to go along with the new procedure. The annual accrued expenditure principle was thus never given any real practical application.

**GENERAL EXPENDITURE AUTHORIZATION BILL.** In the 1963 Congressional session a proposal was introduced which would go far toward resolving at least some of the problems resulting from the existing procedures for making spending authorizations. This was the measure sponsored by Senators Byrd of Virginia and John J. Williams of Delaware (S. Con. Res. 12) which would amend the rules of both the House and Senate so that all expenditure authorizations, including those from past years, would be brought together in a single bill to be known as the General Expenditure Authorization Act. Reps. Joe Skubitz of Kansas and John W. Byrnes of Wisconsin introduced similar bills in the House.

The new type of bill would cover all current appropriations, permanent appropriations, contract authorizations, authorizations to spend from public or corporate debt receipts, cancellation of obligations of government agencies to the Treasury, reappropriations, and reauthorizations. It would not include appropriations from trust funds or deposit funds, transactions involving public debt retirement, appropriations made solely for payment of refunds and drawbacks, supplemental or deficiency authorizations, expenditure authorizations made under private acts of Congress, or revisions of expenditure authorizations.

The bill would contain expenditure limitations for all authorization items, except for expenditure authorizations made solely for payment of claims certified by the Comptroller of the United States, judgments, appropriations for the payment of interest on the public debt, or expenditures from intragovernmental revolving and management funds. The measure would also re-

quire the Secretary of the Treasury to submit revised estimates of revenue at each stage of the legislative action on the single money bill (at the time the bill is submitted to the House, and later to the Senate).

This general expenditure authorization bill may be viewed as a strengthened variation of the omnibus appropriations bill (see page 32).

## B. HANDLING OF APPROPRIATIONS BILLS

During the early years of the nation's history, appropriations were generally handled by means of a single annual bill. However, with the expansion of Federal functions, it became the practice to vote funds for different spending areas through separate appropriations bills.<sup>12</sup> Thus at present, in contrast to most state and local governments, and to certain foreign nations such as Britain, France, and Sweden, the U.S. Congress does not pass on the Federal budget as a whole but approves funds through about a dozen different regular appropriations bills.<sup>13</sup> Each bill is examined and acted on separately. Congress does not have at any one time an over-all view of the total expenditure to which these separate appropriating acts will lead.

In recent years there have been two attempts at instituting major procedural changes in Congress to remedy this situation. The first was the setting up of a Joint Committee on the Legislative Budget, authorized and directed to work out a "legislative budget." The second attempt consisted of the experiment with combining the separate appropriation acts into one "omnibus appropriations bill."

### The Legislative Budget

In 1946, Congress voted to set up the Joint Committee on the Legislative Budget, made up of all the members of both the appropriations and revenue committees of the House and Senate. The law calls for this committee to meet during the opening weeks of each regular session, examine the total budget submitted by the President, compare proposed expenditures with anticipated revenues, and then work out a "legislative budget" setting the maximum "to be appropriated for expenditure" for all purposes during the forthcoming fiscal year (including an amount to be reserved for deficiency appropriations). This "legislative budget" was to be submitted to both houses by each February 15 as a recommendation. However, the committee was at the same time to submit a concurrent resolution embodying this recommended amount. Approval of this resolution by both houses would in effect make the recommended maximum a mandatory ceiling

for appropriations. If estimated expenditures were less than anticipated revenues, the committee was to recommend a reduction in the national debt. If revenues appeared to be inadequate, the concurrent resolution was to provide for an increase in the national debt by whatever amount estimated expenditures exceeded anticipated revenues.<sup>14</sup>

This legislative requirement has never been repealed. Yet the procedure was followed in only two years, fiscal years 1948 and 1949, and then allowed to fall into disuse. In 1947 a concurrent budget resolution was passed in each house. The amounts differed, however, and representatives of the House and Senate could not come to agreement in conference committee. The following year agreement was reached on the amounts. But Congress then proceeded to disregard its own self-imposed spending ceilings, and voted total appropriations \$6 billion over the maximum set in the concurrent resolution. Thus, in the words of a former member of the House Appropriations Committee, the resolution "came to be regarded as a joke."<sup>15</sup>

The following year—1948—Congress amended the law to extend until May 1 the deadline by which the Joint Committee on the Legislative Budget was to submit its concurrent resolution. Some members felt that by providing more time for preparation the system might be made to work. Yet every May 1 since then has rolled by without any action to comply with the law.

There was a considerable body of opinion both within and outside Congress which felt that the idea of the legislative budget was laudable. Why did the plan not work out in practice? It has been said that the committee was unwieldy because of its large size, that it did not have sufficient time to prepare properly, that it had inadequate staffing, that its operations were not adjusted effectively to the appropriations process,<sup>16</sup> and that it conflicted with Federal accounting practices. The committee was also criticized on the grounds that while it included the members of the revenue committees as well as those on appropriations, its recommending

<sup>12</sup> See Appendix for text of Section 138.

<sup>13</sup> John Phillips, former member of Congress from the 22nd District of California. Quoted in his article, "The Handicraft of the Budget Makers," *National Tax Journal*, Volume IV, Number 3 (September 1951), pp. 256-257.

<sup>14</sup> Galloway, *op. cit.*, pp. 62-63.

function was limited to appropriations. Another argument was that the functions of this committee could be performed by an existing committee, such as the Joint Committee on the Reduction of Nonessential Federal Expenditures.

The principal reason the procedure did not work was that members of Congress, and in particular the appropriations committees, were not prepared to accept over-all limits in advance of the scrutiny of the individual items. The committees jealously guarded their traditional "power of the purse" and were not ready to have their hands tied by any other Congressional group.

One basic conceptual shortcoming in the procedure as voted in 1946 has received scant attention.<sup>17</sup> The 1946 act provides that the Joint Committee on the Legislative Budget is to determine a "maximum amount to be appropriated for expenditure" for the forthcoming fiscal year. Yet setting limits on the amount to be appropriated will not of itself control the size of expenditures for any given year. A very large proportion of the amount actually spent in any year consists of the "overhang" of unused spending authority voted in prior years.

For this reason, comparing a total amount to be appropriated with total estimated revenues for a given fiscal year does not provide a forecast of the surplus or deficit for that year, and thus gives no indication of probable changes in the public debt. To accomplish the latter objective, some additional procedures would be required to take into account actual expenditures for a fiscal year, those resulting from both current and past actions.

Although the prospects for a revival of the legislative budget method do not appear bright, there is continued interest in this approach. In the 1963 session, Representatives Byrnes of Wisconsin and Thomas B. Curtis of Missouri called on Congress to reactivate the system. No action was taken in response to this appeal. Since the law has never been repealed, Congress would appear to have a legal obligation to try to use the procedure.

#### Omnibus Appropriations Bill

The *de facto* abandonment of the legislative budget led to consideration of other means for bringing about a coordinated handling of the appropriations process. The increase in Federal expenditures and in the size of the national debt also stimulated interest in the problem. One result was Congressional experimentation with an omnibus appropriations bill. Such a bill combines in

<sup>17</sup> This point was made in the report by the Committee on Government Operations, United States Senate, *Financial Management in the Federal Government*, *op. cit.*, p. 32: "A ceiling on total expenditures cannot be enforced as long as appropriations are based upon obligations whose liquidation in the form of expenditures is frequently spread over more than 1 year."

one measure the dozen or so individual appropriations bills. Such a bill was suggested in 1945 by Mr. Harold Smith, then Director of the Bureau of the Budget.<sup>18</sup> In 1947 Senators Byrd of Virginia and Hugh Butler of Nebraska sponsored a resolution for an omnibus bill which would have encompassed all forms of expenditure authorization for a given year. In 1949 the Senate approved a similar measure. Also in 1949, and before the Senate action, the chairman of the House Appropriations Committee, Representative Cannon of Missouri, instituted a combined appropriations bill. He stated that the committee had authority to decide for itself the number and format of its bills, and that no formal enabling legislation was required.<sup>19</sup>

Although the new procedure did not encounter a markedly friendly reception in certain influential quarters of Congress, it was used for appropriations for fiscal 1951.<sup>20</sup> The following year the Senate majority leader, Sen. Ernest W. McFarland of Arizona, reported that the consensus favored a return to the traditional method of using separate bills. Every subcommittee chairman in the Senate Appropriations Committee supported this position. The ranking minority member of the House Appropriations Committee led the fight against retention of the omnibus bill, and the full committee voted 31 to 18 to discontinue its use.<sup>21</sup> In so doing, the committee took the "almost unprecedented step of voting down its chairman."<sup>22</sup>

Since then a number of attempts have been made in Congress to return to the use of an omnibus bill. Representative Cannon introduced a measure in 1961 to require this procedure. It was not adopted. Senator Byrd has sponsored resolutions in each session from the 82nd to the current 88th proposing the use of an omnibus expenditure authorization bill. The most recent of these was introduced by Senators Byrd and Williams in 1963.<sup>23</sup> This bill would bring together in one act all expenditure authorizations (not only appropriations). It would also set a limit to actual expenditures for a given fiscal year in the light of estimated revenues. While the Senate has passed Senator Byrd's proposals several times, the House has never accepted them.

Another variation of the omnibus bill approach, known as the "deep freeze," has never been presented to Congress, although it was for a time under consideration by former Secretary of the Treasury George M. Humphrey and former Budget Bureau Director Row-

<sup>18</sup> Hearings before the Joint Committee on Organization of Congress, 79th Congress, 1st session, p. 674.

<sup>19</sup> Nelson, *op. cit.*, p. 275.

<sup>20</sup> Speaker of the House Sam Rayburn of Texas was reportedly skeptical of the plan, while Rep. John Taber of New York, ranking minority member of the House Appropriations Committee, was unenthusiastic. However, Taber did believe that the method should be tried. (See: Nelson, *op. cit.*, pp. 276-277.)

<sup>21</sup> Nelson, *op. cit.*, p. 283.

<sup>22</sup> Burkhead, *op. cit.*, p. 330.

<sup>23</sup> S. Res. Con. 12. A description of the principal features of this proposal was provided on pp. 30-31 of this study.