land R. Hughes. This approach would have continued
the use of a number of separate appropriations bills.
None of the individual bills would be sent to the Presi-
dent for his signature until work was completed on
every bill. Then all would be combined into a single
bill, which both appropriations committees and both
full houses would have an opportunity to re-examine.
They would be able to view each spending program in
the light of all others and in relation to latest revenue
estimates, and to make other changes as might seem to
be called for (such as to bring the budget into balance).
This final bill, embodying all regular appropriations
actions for the year in question, would be sent to the
President.

Until the House changes its attitude, nothing is likely
to happen in regard to use of an omnibus bill. Since the
House originates appropriations bills, it can in effect
force the Senate to follow whatever method the House
desires concerning the organization of such bills. If it
wishes to use the combined bill (as it did in 1950) it
can do so without specific legislation. In contrast, no-	hing which the Senate wishes to do can of itself have
any control over the House.24

ARGUMENTS FOR THE OMNIBUS BILL. Several rather
forceful arguments have been advanced on behalf of the
omnibus bill.

1. It would permit the two appropriations committees
to view simultaneously all regular appropriations ac-
tions taken in any congressional session. Lawmakers
would take action only after examining each appro-
priation request in the light of all other proposals — for competing and complementing operations.

2. Its use would result in the discovery and elimination
of conflicts and duplications in appropriations re-
quests. With a combined bill, it is asserted, logrolling
would be made more difficult, since all the cards
would be placed on the table and attempted trading
of votes between congressmen on particular items
could easily be recognized. It is also held that the
authorization of all appropriations at one time would
reduce the chances of deficits.

3. A combined bill could be devised, along the lines of
the Byrd-Williams proposal, to do more than bring all appropriations together for consideration in
one place. Such a bill could include authorization
actions and do what neither the legislative budget
nor the 1950 omnibus appropriations bill was able
to do, namely, regulate actual expenditures for a given
year, e.g., within the limits set by estimated revenues.

4. An omnibus bill would permit the handling of indi-
vidual agency requests in a more intelligent manner
and the carrying out of reductions in a more orderly
and less haphazard way. Admittedly the use of a
combined bill would create some inconvenience for
executive agencies in program planning, since indi-

24 Burkhead, op. cit., p. 331.

ARGUMENTS AGAINST THE OMNIBUS BILL. Those
who oppose the omnibus bill have presented an array
of arguments against its use, some denying the ad-
vantages claimed for it by its advocates.

1. An omnibus appropriations bill would not neces-
sarily concentrate in one place all of the appropri-
ations actions which Congress takes in any session.
Supplemental and deficiency appropriations bills
seem to be inevitable. In addition, the large size and
the technically complex nature of defense spending

might necessitate at least two appropriations bills—one for defense and the other for nondefense.

2. The omnibus appropriations bill used in 1950 did not set any over-all limits to appropriations, nor did it provide an over-all picture of both proposed appropriations and estimated revenues. Moreover, it could not regulate the actual flow of expenditures for any given fiscal year since appropriations are not the same as expenditures.

3. An omnibus bill would not give executive agencies adequate time to plan their programs for the upcoming fiscal year in the light of knowledge of their forthcoming budgets. Under the system of separate bills funds for certain departments are normally voted early in the session. With a combined bill, all expenditure authorization would be held up until work was completed on all items.

4. If the general expenditure authorization type bill were to be used (setting limits to actual expenditure for any given fiscal year), it would seriously interfere with the discretion of the executive branch over disbursements under authority granted in earlier years for such long-term programs as defense procurement.

5. During the one year of trial use of the omnibus bill caused protracted delays in the appropriations process. Yet in haste to complete work on the huge measure, Congress rushed through appropriations actions at the last minute without giving due attention to each item. When the 1950 omnibus bill came before the full membership of the House Appropriations Committee, only about 10 minutes were allowed for discussion of each section. Probably never before in Congressional history had so few members familiarized themselves with so monumental a measure.

Use of the omnibus bill also left the full membership of the House and Senate insufficient time to examine the contents when the bill was finally reported out of committee. When separate bills are used, they are reported out one at a time; the full membership is not required to pass on the entire appropriations action at any one time. When a combined bill is used, all the spending requests, it is said, are likely to be held up until the last minute, at which time they "descend in an avalanche," overwhelming the membership with the sheer mass of detailed matters to be considered (and approved) in a short space of time.

When the combined appropriations bill for fiscal 1951 finally became law on September 6, 1950, nine weeks had elapsed since the beginning of the new fiscal year. Three "continuing resolutions" had to be enacted in order to provide funds for continuing government operations.

6. Opponents admit that the use of the omnibus bill in 1950 resulted in a reduction in appropriations as compared with the year before and the year after. They believe that this result came about because supporters of the omnibus bill made a special effort to hold down expenditures, to "sit on the lid," in order to establish a favorable record which would serve as an argument for retention of the method.

7. An omnibus bill, by its sheer size, is said by its opponents to have greater pork-barrel potentiality than do individual bills. The larger the bill, the less the possibilities for close examination of its component parts, they hold, and the greater the inducement for supporters of pet ending projects to seek to add special riders.

8. In response to claims that the use of an omnibus bill will increase Congressional control of expenditures, opponents answer that the combined bill actually weakened Congressional influence and concentrated an undue amount of power in the hands of the Chief Executive. In 1950 Congress became so entangled in the complexities of handling the omnibus bill that the usual practice of applying all cuts to specific programs and particular items was not performed. Instead, in its haste to complete work, Congress issued a directive to President Truman to reduce the spending total by $550 million, leaving to his discretion the choice of where to make reductions. This action in effect gave the President an "item veto" over specific appropriations, but with the added characteristic that this was a veto which Congress could not override.

9. Finally, it is held that use of the omnibus bill could entail serious disruption of the entire financial operation of the national government in the event that the President were to veto the bill. Thus, in connection with actual introduction of the omnibus bill procedure, the then Budget Bureau Director, Frederick J. Lawton, insisted that if this approach were to be used, the President would have to be given the "item veto" power, as a protection against legisla-
The Constitution does not authorize the President to veto individual items in appropriations bills. He must either approve or disapprove such bills in their entirety. Advocates of economy in government have sometimes recommended that the President be granted the item veto power, and proponents of the omnibus appropriations bill generally have held that this method would be unworkable otherwise.\(^{24}\)

Support for the item veto, however, has by no means been posited on the assumption that a combined appropriations bill would be used. In his budget message of January 1959, President Eisenhower said:

"The item veto is another important and needed reform regardless of whether appropriations are made in a number of bills or in a consolidated bill. (Italics added.) In either case, the necessity of accepting or rejecting a bill in its entirety prevents the President from considering separable provisions on their own merits."\(^{25}\)

Well over 100 proposals for granting the President this power have been introduced in Congress since 1873. Presidents Grant, Hayes, Arthur, Franklin D. Roosevelt, Truman, and Eisenhower have specifically requested this authority. Governors of 42 of the 50 states are permitted an item veto, every state admitted to the Union since the Civil War, except Nevada, grants some form of item veto to its Chief Executive. Where the item veto has been used on the state level, it has been employed frequently to weed out wasteful expenditures.

Bills providing an item veto have been introduced in Congress in recent years by members of both parties. Sponsors have comprised a cross-section of all shades of political opinion. In 1963 item veto bills were introduced by Reps. James G. Fulton of Pennsylvania, and Morris K. Udall of Arizona. Representative Fulton's measure proposed that the Constitution be amended to provide specifically for an item veto power for the President. Congress, however, has consistently refused to strengthen the President's hand in this manner. Of all the bills introduced for granting the item veto, only one has ever come up for a vote in either house.

Proponents of the item veto claim that such added power for the executive would:

1. Reduce extravagance in public expenditures.
2. Discourage "pork-barrel" appropriations.
3. Curb logrolling.
4. Restore to the President his veto power in regard to substantive legislation. At present "legislative riders" are often attached to appropriations bills. Unless the Chief Executive is prepared to hold up all funds provided in a bill, he is in effect compelled to allow these legislative proposals to be enacted into law.
5. Expedite completion of the appropriations process when there is a veto by requiring Congressional review of vetoed items only, rather than bills vetoed in entirety.\(^{26}\)

Opponents charge that introduction of the item veto would bring about a further shift in power from the legislative branch to the President. It is felt that with such added authority the President would have far-reaching power to reward or punish individual members of Congress by vetoing those particular items in appropriations bills which pertain to outlays in their districts. Such expenditures could then be approved only if supported by a two-thirds vote in both houses of Congress. Consequently legislators would be loath to incur the dislike of the President by opposing any important part of his program. As one representative commented:

"If we had a President who is politically minded and he has the item veto, just imagine what he could do to his friends to help them and just imagine what he could do to hurt his enemies. That is more power than a good man should want or a bad man should have."\(^{27}\) (Italics added.)

\(^{23}\)C. ITEM VETO

\(^{24}\)Nelson, op. cit., pp. 276-277.


\(^{27}\)Wallace, op. cit., pp. 127-138.

Another aspect of the Federal expenditure process which has come in for serious criticism is the lack of coordination between appropriations acts which provide funds for government programs and the substantive legislation which authorizes the existence of these programs. Before 1921 legislative committees exercised jurisdiction over important areas of appropriations. However, the 1921 act, at least on paper, provided for a clear-cut separation of function between the legislative and appropriations operations.

Appropriations committees, as noted earlier, are authorized to vote funds for particular programs only after they have been authorized by substantive legislation. In some cases the statutes establishing the programs provide the necessary authorization. But certain programs, examples of which appear below, must be approved by the legislative committees on an annual basis before the appropriations committees may vote any funds to implement them.

Although Congress may at times suspend its own rules and attach so-called “legislative riders” to appropriations bills, authorization and appropriation must usually be enacted separately. Yet despite an apparently neat theoretical separation between the legislating and appropriating functions, there is in practice a considerable area of overlap. This can lead to confusion and duplication of effort between the legislative and appropriations committees. Embarrassing conflicts between their respective objectives will sometimes arise.

In some cases legislation authorizing programs can provide for a method of financing which does not come before the appropriations committees for review. Legislation which stipulates that operations are to be financed through one or the other of the “backdoor financing” methods (see page 29) in effect preempts the jurisdiction of the appropriations committees.

Legislative authorization of what in essence amounts to advance commitments of “appropriations actions” has been widely criticized. Commitments to spend money is argued, should not be made until the appropriations committees have had the opportunity to view all spending proposals in relation to each other and weigh them against revenues and the goals of public policy.

Such spending programs as public works, space activities, procurement for the Defense Department, military construction, and parts of the foreign aid program require annual authorization by legislative committees and both houses before the appropriations committees may approve funds. There is a dilemma. The programs authorized each year by substantive legislation may require specific amounts for designated objects in particular fiscal years. The program objectives may be so precisely defined that they can be attained only if funds of a given amount are provided. If the legislative committees do not consider specific amounts to be spent, they cannot effectively delimit the nature and scope of the activities which they authorize. Yet as they do become involved with program costs, they will inevitably transgress on the functions of the appropriations committees.

Actions by legislative committees may have the same effect as if they were taken by appropriations committees. A legislative committee may refuse to authorize an agency to undertake a new program, the cost of which is stated in exact amounts in the agency budget proposal. In 1963, for example, final action by a compromise committee made up of members of the House and Senate Science and Astronautics Committees resulted in disapproval of programs involving a total of $362 million contained in the President’s budget requests for the National Aeronautics and Space Administration for 1964. The reduced program authorization automatically set a lower ceiling on the amount of new spending authority which the appropriations committees could subsequently approve. The result, therefore, was the same as if the appropriations committees had reduced the agency budget by $362 million.

In examining the program proposals, appropriations committees generally go over much the same ground as the legislative committees and may approve a different amount of new spending authority from that recommended by the legislative committees. Although the appropriations committees are not normally empowered to vote funds not authorized by the legislative committees, there is often nothing to prevent the appropriations committees from reducing or eliminating budgetary allocations for the programs which have been authorized. Doing so can have the same practical result as if the legislative committees refused to authorize the programs.

Some programs which do not require annual authorization by substantive legislation are governed by basic statutes which are couched in broad terms.

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28 Wallace, op. cit., p. 10.
29 Ibid., p. 4.
They do not require that particular operations of any predetermined size take place in a given fiscal year. Appropriations committees are thus free to approve or disapprove particular spending requests contained in agency budgets without acting in conflict with basic authorizing legislation.

There are important instances, however, in which the basic legislation in effect predetermines the subsequent appropriations. This situation applies in the case of such continuing programs as veterans' benefits, agricultural price supports, and the programs of grants-in-aid to the states which are administered by the U.S. Department of Health, Education, and Welfare.

Unless the law establishing one of these programs is either amended or repealed, the appropriations committees find that they have no control over the amounts to be made available. In such cases, where in effect the basic budgetary decisions have been made in the authorizing legislation, the appropriations committees find their role reduced to that of examining details.40 These committees do not have a legal obligation, strictly speaking, to provide the funds for payments under such programs as obligations accrue. The moral obligation, however, is recognized so that there is never any attempt to withhold the amounts voted under other laws.41

This automatic provision of funds in totals that are not subjected to annual review by the appropriations committees has been criticized as among the more important factors limiting effective control of Federal expenditures. The author of a leading study of budgeting believes that this is one of the most serious defects in Federal budgetary procedures.42 Other observers, however, question the extent to which this practice represents a genuine weakening of control. They point out that if there is widespread agreement in Congress not only that veterans should receive pensions for service-connected disabilities but also that the pensions should be of a particular size, then there is no need for the appropriations committees to become involved in determining the merits of providing the necessary funds.43 Congress itself passes the substantive legislation setting up the programs and determining the circumstances under which Federal funds are to be expended for their operation. Thus if Congress and the President do not wish to see money spent for these purposes, or wish to provide smaller amounts, repeal or amendment of the substantive legislation is possible.

The only existing machinery for avoiding potential conflicts between authorizing legislation and implementing appropriations is the Senate practice of having the chairmen and ranking members of certain legislative committees participate in an ex-officio capacity in the work of the appropriations subcommittees. The House has made no similar provision. No member of the House Appropriations Committee may serve on any other committee, and members of other committees do not serve, even informally, on the appropriations committee. Nevertheless, as stated some years ago:

"... the fact that the Congress operates as cohesively as it does is a tribute to the influence of leadership within the Congress, to the informal coordination achieved by experienced staffs, and to the unwritten code of 'Congressional courtesy' which demands some degree of consultation among members of various committees dealing with the same subject."44

While there is no noticeable sentiment for returning to the pre-1921 situation of having the same committee, or committees, handle both substantive legislation and appropriations, suggestions have been made from time to time to bring about a better working relationship. Professor Smithies has suggested that the rules of the House be amended so as:

1. to require that reports on legislation authorizing appropriations or expenditures made by legislative committees contain comments by the appropriations committee concerning the effects which the recommended programs may have on expenditure control;

2. to permit the appropriations committee to propose inclusion in appropriations bills of amendments to those sections of the substantive legislation which set formulas for expenditures.

The proposals would effect similar changes between Senate committees, although the procedural arrangements would necessarily be somewhat different.45

A certain overlap between the legislative and appropriating functions appears inevitable. In some cases the content of substantive legislation will of necessity have some effect on the specific size of expenditure authorizations. In some cases, where substantive legislation requires the almost automatic appropriation each year of funds for the operation of more or less permanent programs, the substantive law should probably be re-examined at stated intervals to discover whether continuation is clearly desirable in the light of current and prospective conditions.46 There should also be thorough re-examination and probably drastic reduction if not complete cessation of the practice by which the legislative committees at times grant agencies authority to utilize backdoor financing and thereby escape review by the appropriations committees.

40 Smithies, op. cit., p. 144.
42 Smithies, op. cit., pp. 175-178.
43 Burkhead, op. cit., pp. 310-311.
44 Smithies, op. cit., p. 147.
45 Smithies, op. cit., p. 147.
46 This occurs automatically when the substantive legislation sets a definite time limit for duration of a program.
E. SEPARATION OF APPROPRIATIONS AND REVENUE-RAISING FUNCTIONS

A number of students of Federal government finance have concluded that one of the principal procedural shortcomings in the present system is that Congress handles appropriations entirely separately from revenue raising. A 1959 report of the Committee for Economic Development advocated that appropriations procedures be revised to require that Congress relate expenditure decisions to over-all tax policy. The report stated:

"We believe the Congress should begin . . . to face up to the tax implications of its expenditure decisions. If it refuses to economize in places where economy is called for, it should be prepared to increase taxes. It should make a careful evaluation of the revenue estimates in the light of the data obtained after the budget was submitted and keep a close account of its actions on the President’s budget requests as each appropriation bill is completed."

The 1921 Budget and Accounting Act did not require that Congress, in approving spending authority, consider the relationship between total appropriations and estimated revenues. The two aspects of finance are handled by separate committees in each house. No member of the Appropriations Committee of the House may serve on the revenue-raising Committee on Ways and Means in any regular or ex-officio capacity.

There is no formal procedure for coordinating the operations of the two committees. The Committee on Ways and Means is as independent a body as the Appropriations Committee and is not prone to approve revenue policies just so that they may correspond to the Appropriations Committee’s views on what the level of spending ought to be. Whatever co-ordination does exist between the two committees is said to be informal, resulting from the influence of Congressional leadership and the efforts of the President and the Treasury. The executive branch has traditionally dealt with the Ways and Means Committee with caution and respect.

Similarly, the Senate Appropriations Committee conducts operations largely independently of the Senate revenue-raising committee — the Finance Committee. No member of the Senate Appropriations Committee serves on the Finance Committee, although there is no specific prohibition against overlapping membership.

Appropriations committees thus approve expenditures without any need to relate them to the revenues out of which the spending must be financed. There is sentiment for working out some procedural formula by which Congress can carry out the appropriating and revenue-raising functions on an interrelated basis. Irrespective of the fiscal policy which the Federal government may follow, any consideration of the total budget must take into account the estimated volume of future revenue.

In his last budget message (January 1961), President Eisenhower pointed out that the complete separation of tax legislation from the consideration of appropriations and expenditures adds to the difficulty of exercising fiscal controls. Congress was urged to "provide a mechanism by which the total receipts and total appropriations (and expenditures) can regularly be considered in relation to each other."

Advocates of bringing together the appropriating and revenue-raising processes undoubtedly hold the view that if those who vote on spending must also assume the responsibility for raising the necessary revenue, they might exercise greater caution in approving expenditure requests. The present Chairman of the Committee on Ways and Means, Rep. Wilbur D. Mills, has attributed the continual increase in expenditure levels to the fact that there is no satisfactory method for weighing alternatives concerning both expenditure requests and tax proposals. He has pointed out that:

"At no place in the budgetary process is there a real opportunity to consider the fact that a given expenditure may require a tax increase and that as an alternative to that expenditure there not only is the possibility of making other expenditures but also the possibility of making no additional expenditures at all, and instead decreasing taxes, or at least not increasing them."

The Joint Committee on the Legislative Budget, consisting of all members of both the appropriations and revenue-raising committees of both houses was to submit a figure which was to serve as a ceiling on total "appropriations for expenditure" and was to take into consideration the relationship between appropriations and revenues. The committee, however, was given no authority to make recommendations in regard to tax policy. The revenue committees retained full control over this function. Thus, while the members of the revenue committees participated in the decisions which could be binding on subsequent actions of the appropriations committees, members of the appropriations committees had

48 Membership of three House committees — Appropriations, Rules, and Ways and Means — is said to be exclusive. A member who serves on any one of them may serve on no other committee. See: Masters, op. cit.
49 Smithies, op. cit., p. 137.
no similar power or obligation to control actions of the revenue committees.

Many arguments have been advanced against combining procedurally the appropriating and revenue-raising functions. Opponents point out that the operations are separate and distinct. Appropriations committees must examine government programs in the light of varied conditions, social and economic, defense, etc. It is argued that this is a task quite different from that faced by the revenue committees.22

Most proposals for the joint handling of these functions have emanated from persons who believe that such action limits spending, since the outflow of expenditures would be measured against the inflow of revenue. If revenue estimates actually served to restrict spending, the procedure would achieve the desired purpose. In practice, however, the primary consideration might continue to be given to particular types of expenditure regardless of the size of estimated revenues; if so, the procedure would not lead to the desired result. There might then be attempts to use expenditure totals as the guidelines to which revenues should be adjusted. Few would advocate that tax policies be subject to erratic year-to-year fluctuations in spending. Tax policies should be determined on a longer run basis and after careful consideration of standards which are not necessarily related to short-run expenditure requirements.23

Admittedly, hard problems are involved in getting formal coordination of the appropriations and revenue committees. Serious difficulties were encountered in dealing with the two functions by a single committee in each house of Congress before the establishment of separate appropriations committees in the 1860's. Even then, the workload for the single committees was excessive, and with it came what was considered an undue amount of power.24

Nevertheless, there is a very real need for keeping members of appropriations committees continuously aware of the amount of revenues which will be available. The need might be met in part by providing these committees, during the entire period when they are considering expenditure authorizations, with the most up-to-date estimates of expected revenues.

In view of the fact that appropriations for a given year are not the same thing as actual expenditures for that year, it is not enough to set up a procedure which would require appropriations committees merely to relate appropriations to estimated revenues for a fiscal year. Far more meaningful would be the establishment by appropriations committees of limits on actual expenditures each year. Such a requirement would serve to make the men who decide on spending more constantly aware of the relationship between expenditures and revenues and of the possible effects on the size of the public debt.

F. SUMMARY

For 1964, a typical year in this respect, only 30 percent of the total estimated expenditures from the administrative budget was subject to Congressional action yet to be taken. The principal cause of about 70 percent "uncontrollability" is that much of the actual spending will be based on authority granted in previous years. When Congress acts on the budget for any given year, it does not thereby determine the amount of funds which may be spent during that year. Instead, it grants new spending (or obligational) authority which may be spent over a period of several years. Congress will normally examine carefully the purposes for which new spending authority is requested. But actual spending which results from the carryover of previously granted expenditure authority will receive relatively little attention.

Appropriations are the form of expenditure authorization most susceptible to continuing control by Congressional appropriations committees. Yet the manner in which certain appropriations are made lessens the degree of control over the time sequence in which the funds are spent. Moreover, appropriations committees have no real control over the amounts which must be provided for certain purposes, such as payment of interest on the public debt, or provision of funds required for operation of open-end or grant-in-aid programs to the states.

Large sums are spent by government "enterprises" which obtain little or none of their financing through appropriations. Although enterprises wholly owned by the government must submit annual budgets which form part of the over-all executive budget and thus come under examination of the appropriations committees, as a practical matter, the bulk of the spending is largely outside effective control of the appropriations process.

"Backdoor financing," which by-passes the jurisdiction of the appropriations committees and yet authorizes agencies to spend public funds, constitutes another device which undermines expenditure control. The practice of reappropriating and reallocating the unobligated balances of funds previously approved also makes for confusion in measuring the total amounts available for expenditure.

In some respects control is weakened by the practice

23 Leiserson, op. cit., p. 123.
Every effort to raise funds to the revenue outlook

funds should be expanded as needed. Where
which purposes the annual appropriation or
which committee and coresolution are submitted, the
appropriations are reviewed and recorded in the
appropriations and resolutions function. Although
appropriations corn call the attention of the
appropriations, when they have been carried, the Committee on Appropriations

Other characteristics of the Congression al System:

such added powers to the President,
occasionally, the legislative branch is required to gain

the device has been proposed to Congress on numerous
occasions. The legislative branch is indispensable in many

The House and the Senate have been associated as a procedure for

The House would often be seen associated as a procedure for

real

other forms of executive administration, but any given
would need to cover not only all appropriations, but also
bill appropriations another bill. Such a bill, to be effective,

There are good argurnents for limiting the committee

expectably to be expected

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has expanded with a legislative budget and in on-

European bills, in searching for improvements, Congress
of various appropriations by means of a dozen or more
VI. HOW EXPENDITURE AMOUNTS ARE DETERMINED

Congressional procedures, it has been seen, by no means assure that decisions to spend rest upon any precise knowledge of the probable fiscal consequences. Nevertheless, Congress has worked out a number of methods for determining the size, measuring the justification, and limiting the volume of Federal spending. In addition to the practices actually employed, other procedural rules and substantive criteria have been suggested.

A. LEGISLATIVE CONSERVATISM

One rule-of-thumb method which Congressional appropriations committees use for limiting the size of new spending authority is referred to as "legislative conservatism." This may be described as a preference for granting agencies the same amounts—the same means for attaining program objectives—with which they operated during the past year or years. One method of applying this rule is to compare the number of personnel which an agency has used in the past with the number requested for the future.

Legislative conservatism leads appropriations committees to look with favor on those agencies which submit budgets no higher than the ones which they proposed the year before. On the other hand, it is said, agencies which ask for more funds each year engender a degree of resentment among committee members irrespective of party affiliation or political philosophy. This attitude has been expressed by one subcommittee chairman:

"When you have sat on the Committee, you see that those bureaus are always asking for more money—always up, never down. They want to build up their organizations. You reach the point—I have—where it sickens you, where you want to rebel against it."

In practice committee members thus tend to give most of their time and attention to examining and questioning those budget requests which are higher than the year before, while agencies which request no increases have their proposals accepted with much less difficulty.

A principal reason why this method has developed is that committees experience great difficulty in obtaining information on which to base valid judgments about the real justification of departmental requests. Congress cannot really be certain whether the spending proposals put forth by some agencies are based on a correct estimate of program requirements. Therefore, it may feel that under the circumstances, the safest course of action is to follow the precedent of earlier budgetary decisions.

"Legislative conservatism" helps to keep the level of new spending authority from rising automatically. This approach may tend to prevent increases in funds for programs when the value of the benefits as compared to the costs has not been demonstrated satisfactorily. It may also lead to rejection of suggestions for program expansion which might be justified on their merits if the latter were known.

"Legislative conservatism" can also operate to prevent Congress from uncovering and removing areas of inefficiency. By placing a premium on unchanged budget requests, Congress may discourage those who might suggest decreases as well as those who advocate expansion.

B. "MEAT AXE" REDUCTIONS

Another method is the so-called "meat-axe" approach. This involves deciding on some particular percentage—for example, 5 percent—by which some or all spending requests are to be reduced, and then applying this percentage cut across the board to some or all departments and agencies.

This practice is arbitrary, indiscriminate, and applies to efficient agencies as well as the inefficient. Indeed, those government operations which seek to attain their program objectives with the most economical use of funds will be hurt the most. In contrast, agencies which allow themselves a considerable margin of safety in their operating budgets may not have their programs curtailed at all. In this latter case, the "meat axe" will be trimming away fat only, while in the former it will be cutting into vital organs. The "meat-axe" approach is criticized also on the grounds that it represents a virtual abdication of Congressional responsibility for exercising intelligent spending control.

Finally, what can happen in practice is that agencies which have been hit by the "meat axe" may later indicate an inability to perform their program operations with the reduced funds. This may be a feigned inability.
to induce Congress to restore an originally inflated amount. In other cases it may be a genuine inability to carry out agency obligations with the monies provided. In either case, if a "meat-axe" cut is then followed up by a deficiency appropriation, the end result may be little or no net reduction in new spending authority.

As long as Congress is faced with spending requests which are huge in size and almost infinite in complexity, the temptation will be great to employ the "meat axe" for lack of any better method. For example, the defense budget has been characterized by requests for vast sums couched in language which, because of technical detail and necessary secrecy, is virtually incomprehensible to most committee members. Yet at the same time Congress is irritated by exposure of waste and extravagance, perhaps unrepresentative and unknowable because of technical detail and necessary secrecy. is virtually incomprehensible to most committee members. Yet at the same time Congress is irritated by exposure of waste and extravagance, perhaps unrepresentative but still undeniable. With agency spokesmen customarily defending all requests as of equal importance, the appropriations committees may be unable to determine where waste may be involved. So the "meat axe" may be used because Congress believes that some action must be taken. An example of this attitude was expressed when the House Appropriations Committee reduced the spending authority for the Defense Department for 1953 by about 10 percent, saying:

"... a considerable portion of the 4.2 billion dollar reduction in the current bill has been made with the specific purpose in mind of enforcing a better job of military management and expenditure. Some way must be found to shock the Department of Defense from top to bottom into the full realization that Congress and the American people will not tolerate waste in money and manpower." (Italics added.)

C. OVER-ALL REDUCTIONS

A variation of the "meat-axe" cut is the over-all reduction. In this case Congress will direct that total appropriations be cut back by a specified percentage or amount. It will not, however, designate that the cut be applied proportionately to all agencies.

An example was the Bridges-Byrd amendment to the general appropriations act of 1951; it directed the President to reduce the total in the bill by not less than $500 million, leaving to the Budget Bureau Director authority for determining precisely where the cuts were to be applied. The Bureau then made reductions in 150 of the total of about 350 individual appropriations items, leaving the remaining 200 untouched. Of a total reduction of $573 million, $509 million, or 89 percent, was concentrated in 17 spending areas which are generally considered to be popular with the public. The cuts included a reduction of $86 million for loan authority for rural electrification, $75 million in public health services hospital construction, and $32 million for flood control. Fighting in Korea had just begun, and it could be argued that these were types of spending which should be cut back during such emergency.

Over-all budget reductions have been criticized on the grounds that they give to the President and department heads very broad authority to allocate the cuts; thus they sharply reduce Congressional responsibility for the results. The reductions can in practice be made where Congress, on closer examination, would not wish to see reductions, while the untouched programs would include those which the legislative branch might prefer to see curtailed. Executive branch officials might deliberately concentrate reductions in programs known to be popular, thus discrediting Congressional attempts at economy.

On the other hand, this approach can be defended as representing the kind of control to which Congress ought to limit itself—namely, direction of the broad lines of general policy—while leaving to the executive branch maximum discretion in the handling of the details of agency spending. Those who defend this method claim that in fact Congress can do no more than this, effectively, and that if it attempts to act on all the detailed aspects of budget requests, it will inevitably get so bogged down in trivial ramifications that it will lose sight of the general policy considerations on which its attention ought to be concentrated.

D. REDUCTION IN OVERHEAD

Another procedure centers around attempts to cut overhead, to "remove the fat," "reduce the flabby waistline," etc., of agency budget requests, while seeking to leave untouched the essential program objectives. One writer has described the attitude of appropriations committee members as follows:

"Members are hailed by their fellows as being 'pretty sharp with the knife...'. Executives are urged to put their agencies 'on a fat boy's diet.' Budgets are praised when they are 'cut to the bone.' And members agree that 'You can always get a little more fat out of a piece of pork if you fry it a little longer and a little harder.' "

Because of a belief that there is considerable over-

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1 Wallace, op. cit., pp. 75-77.
4 Fenno, op. cit., p. 312.
staffing in certain Federal agencies (a feeling which is not limited to those who question the large-scale use of governmental power to accomplish social objectives), moves to cut overhead can take the form of directives to agencies to reduce their personnel by certain stated percentages, to freeze the hiring of new employees, to leave unfilled employment slots vacant until the required reduction has been absorbed, etc.

An example was provided in the amendments proposed by Representative Jensen of Iowa and Sen. Homer Ferguson of Michigan, for several non-defense appropriations bills for 1952. These amendments specified that particular agencies were not to fill more than 25 percent of their vacant personnel positions until their total personnel complement had been reduced to 90 percent of the total on which the President's 1952 budget requests for those particular agencies had been based.

Another instance occurred in the handling of the 1953 budget. Representative Curtis of Missouri proposed to cut the authorization for operating expenses of the General Services Administration by 25 percent. He stated that as far as he could see this would result in “mainly cutting the top overhead personnel, and should in no way affect the actual operation of the GSA . . . .” The amendment was adopted.

E. ATTEMPTS TO LIMIT NEW SPENDING AUTHORITY OR ACTUAL EXPENDITURES

Still another method suggested to aid Congressional control of expenditures is to set an over-all ceiling on the amount of new spending authority which could be approved for any one fiscal year. This was attempted by the Legislative Budget, discussed earlier.

A proposal introduced in 1952 by Rep. Frederic R. Coudert of New York, but not adopted, would have established on a one-year basis a ceiling on actual expenditures. The bill provided that expenditures must not exceed revenues for fiscal 1953 unless there were a war or a period of national emergency as declared by Congress. It also provided that Congress could not make appropriations for the fiscal year in excess of revenues for that year. Proposals of the same general nature introduced by Mr. Coudert in 1953 and 1957 were not adopted.

Attempting to limit expenditures to revenue on a single-year basis was criticized by officials of the Eisenhower Administration as being flexible and impractical. At any given time there would already be in existence a backlog of spending authority approved by Congress in earlier years. Some of this unused authority would be scheduled to be used in the current fiscal year; there was nothing which a later session could do to prevent this result, even if total expenditures would thereby go over the established ceiling.

In 1957, Rep. John H. Ray of New York introduced a resolution which would also have established on a one-year basis a mandatory ceiling for both appropriations and expenditures. The ceiling was to be set at a definite dollar amount. For fiscal 1958—the year to which the limitations were to apply—this limit was to be placed at $65 billion. Any revenues in excess of $65 billion were to be set aside, one-half for reduction of the public debt and one-half for a reduction of taxes. This proposal was not adopted; appropriations for 1958 amounted to $70 billion, while actual expenditures totaled $71.9 billion.

In 1961, Rep. H. R. Gross of Iowa introduced a bill which would have required that Federal expenditures not exceed revenues, and that there be systematic reduction of the national debt. It, too, failed to pass.

In 1963, Senators Byrd of Virginia and Carl T. Curtis of Nebraska introduced a measure—not acted upon—to require the President to submit a balanced budget annually, with provision for debt retirement. If Congress then authorized expenditures in excess of the estimated receipts, it would be prohibited from adjourning until action was taken to balance the budget.

F. CONTROL THROUGH SUBSTANTIVE LEGISLATION

The amounts provided for certain Federal programs, as described earlier, are not in effect determined by the appropriations process but by substantive legislation. Thus, the amounts which must be provided for veterans' pensions depend in part on the number of eligible veterans and not on any specific action of the appropriations committees. The programs of welfare assistance to the states also require Federal outlays as determined


The 90 percent figure represented a revision of the earlier version of the amendment as submitted by Representative Jensen. (He wanted the amount of personnel to be reduced to 80 percent before any new hiring could take place, but the Senate raised the figure to 90 percent.) Smithies, op. cit., p. 145.

3 Declaration of a national emergency by Congress would have required a concurrent resolution passed by both houses with a majority of at least two-thirds of the authorized membership.

4 Total new obligational authority approved for fiscal year 1958, including reappropriations, contract authorizations, and authorizations to expend from public debt receipts, amounted to $76.3 billion.
by the basic legislation, but dependent as well upon the actions of state governments in providing matching funds.11

Substantive legislation also controls the spending of the Federal highway aid program.12 The Bureau of Public Roads enters into agreements with the states under which the Federal government obligates itself to match funds put up by the states themselves, according to specific formulas set down in the substantive legislation. Federal grants for primary, secondary, and urban highways are provided on a one-for-one basis—one dollar of Federal assistance for each dollar put up by the states for these purposes. Grants for the interstate highway system are generally provided on the basis of nine dollars of Federal funds for each one dollar of state funds.

Reflecting concern for the possible loss of spending control because of these continuing programs, Rep. Charles E. Goodell of New York introduced a measure in 1963 which would provide for a periodic review of the various grant-in-aid programs, and for automatic expiration of any program every five years unless it is specifically renewed by Congress. A periodic review of these programs had earlier been recommended by the Advisory Commission on Intergovernmental Relations. Neither the Goodell proposal nor others of a similar nature has yet secured Congressional approval. However, hearings on the general subject are scheduled for early 1964.

G. BENEFIT-COST CRITERIA

Benefit-cost criteria13 as a tool for guiding government expenditures are of potential value for some programs. But they are complex and may be better suited for use within executive agencies than by Congressional committees until the latter obtain more professional staff and technical assistance.

Benefit-cost comparisons attempt to do for certain government operations what the interplay of the market does for private firms, namely indicate the optimum, or at least an improved, allocation of resources. Their objective is to compare the cost of programs, such as a waterway development, against the benefits to be expected from them as well as those which might be obtained from alternative uses of the same amounts. Where applicable, the analysis can be used to indicate whether a particular program should be initiated, expanded, or terminated, or whether another program should be undertaken in its place. Major application has been in planning natural resource developments.

Use of the benefit-cost approach entails the massing of extensive cost data, but these should be available in any case before a project is approved. Greater difficulty arises in estimating benefits. Some may be measured by probable payments by users, e.g., irrigation fees or charges for electricity. For others, such as secondary and tertiary benefits including some that are intangible, measurement is as difficult as is measurement of the secondary and more remote effects of taxes. By putting a high appraisal on such benefits, an advocate of a project may make it appear far better than it may in fact be justified.14 Moreover, where an important fraction of the benefits will appear many years in the future—typically the case in natural resource projects—the rate of interest used in discounting their value makes a substantial difference. For example, if the value of electricity to be produced and sold 50 years from now is discounted at 5 percent, each dollar's worth then is worth only 9 cents today. If the discount is at 2 percent, the present value is 37 cents. Similarly, if the benefits are capitalized over 50 years, they produce one result; over 100 years, another. For these and other reasons computations of cost-benefit ratios tend to be highly subjective.

Executive agencies and Congressional committees passing on substantive legislation make increasing use of benefit-cost analysis. Thus far it appears that this criterion has had little value in restraining expenditures, except in eliminating clearly useless projects. Appropriations committees might well subject the analyses to further scrutiny even when the decisions about projects and programs have apparently been made.

12 As the highway grants are financed from the taxes dedicated to the highway trust fund, these payments do not form part of expenditures under the regular or administrative budget.
14 It has been charged that cost-benefit calculations have been used to justify otherwise marginal or even undesirable programs.
VII. POSSIBLE IMPROVEMENTS IN PROCEDURES: A RECAPITULATION

This study has indicated shortcomings in the procedures by which the legislative branch must carry out its responsibility in the determination and control of Federal expenditures. Information supplied in the annual executive budget is not entirely adequate for intelligent decision-making by the Congressional appropriations committees. These committees have not provided themselves with professional staff assistance sufficient for a complete understanding of the ramifications involved in executive recommendations.

In addition, Congress handles the appropriations process in a piece-meal and disjointed fashion. There is no satisfactory procedure for coordinating all forms of expenditure authorization (the unused past balance and current approvals) to determine actual expenditures for a coming year. Individual areas of the budget are approved on a separate basis, without sufficient attention being given to the total of all actions or to the amount of revenue which will be available. Moreover, the function of the appropriations committees in reviewing spending requests is in part by-passed by “backdoor spending.”

Changes in procedures will not of themselves bring effective expenditure control, unless accompanied by an over-all determination on the part of Congress, and particularly the appropriations committees, to make the procedures work. If there were an overriding interest in achieving the objective, the present system, despite its weaknesses, could be made to work much more effectively.

However, there is much of what appears to be ambivalence in present Congressional attitudes. Individual legislators are theoretically in favor of economy. But holding the line on spending would often conflict with even stronger desires to maintain or increase particular types of expenditure. The present system permits legislators to “have it both ways” in that congressmen are able to vote for particular expenditure authorizations without having to face, in a clear-cut fashion, the over-all fiscal consequences of the total of all of these actions. Better results could be expected from a procedure which assured that each spending action is clearly related to the total of all spending actions and to the size of the revenues.

Congress can never control expenditures in any real sense until it is able to control the amount which is actually spent during a year, instead of as at present, merely the amount of new spending authorization made available. Since actual spending is made up partly of new, and partly of previously approved spending authority, actual outlays for any one year cannot be controlled by setting limits to new authority only. There is need for a method by which Congress will determine annually the limits of actual expenditures from all forms of spending authority, both new and previously existing. Otherwise, Congress cannot establish an effective annual fiscal policy.

Congress will continue to have difficulty in controlling expenditures so long as appropriations are put through by means of a dozen separate bills. Some type of comprehensive bill, but one which goes beyond that used on a trial basis in 1950, seems to be necessary. The bill should encompass all forms of expenditure authorization, not merely appropriations. If the bill were also to set a limit on all actual expenditures to be made during the year, effective legislative power to determine outlays would be enhanced. Such a general expenditure authorization bill would create problems for the executive branch in program planning and in the schedule for disbursements for certain long-range operations, as in the defense program. Experience and experiment, however, should enable government to master these difficulties.

The approach suggested would also take care of the vexing problem of “backdoor spending.” The method would automatically require review by appropriations committees of authorizations granted to agencies to enter into contractual obligations which necessitate subsequent appropriations, or to borrow from public debt receipts.

The item veto deserves serious consideration. Congress is understandably loath to grant this additional power to the Chief Executive. Its supporters, however, believe that it would be an effective device for eliminating pork-barrel and other wasteful items, as well as provisions extraneous to appropriations.

Formal coordination between the functions of the appropriations, legislative, and revenue committees seems eminently desirable in principle. Yet efforts to require such coordination could well come to grief because of the zealous concern of Congressional committees for preserving their prerogatives. Certain changes, however, might improve the actual control exercised by the appropriations committees.

Requiring that all forms of expenditure authorization be brought before the appropriations committees on an annual basis would remove the present conflict resulting from the practice of providing expenditure authorizations by substantive legislation. There is also
need for a procedure by which Congress would re-
examine the basic legislation establishing the open-end
programs at stated intervals—for example, every four
or five years—to determine whether revisions might
be in order in the light of present and prospective
conditions.

The budget document would be improved by fur-
ther grouping of expenditure requests on a program
basis. Appropriations committees would thereby get
a better opportunity to examine and compare individ-
ual requests with alternative uses of equal funds. In
addition, the budget document should contain projec-
tions of estimated costs of programs and of estimated
revenues beyond the 12-month period comprising the
fiscal year in question. Committee members would then
have an overview of the total costs that might ulti-
mately be involved. It would also be helpful to provide
in the budget document a more comprehensive presenta-
tion of the assumptions concerning operation of the
national economy on which revenue estimates are
based.

Finally, if appropriations committees are to be able
to decide intelligently on the justification and relative
priority of spending requests, some method must be
found for insuring that they obtain and make use of
adequate professional staff and of the findings of the
studies of past operations as the evidence becomes avail-
able from the General Accounting Office.
## APPENDIX

### Table A

**Expenditures of the Federal Government**

**Fiscal Years 1789-1964**

(in millions)

<table>
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<tr>
<th>Year</th>
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(a) Expenditures are those from the regular or administrative budget. Data for 1963 and 1964 are estimated; beginning in 1932 certain interfund transactions are excluded; beginning with 1913 refunds of receipts are excluded; for the period 1789-1842, the years end with December 31; for 1844-1964, years end June 30; for 1843, figures are for January 1-June 30.

LEGISLATIVE REORGANIZATION ACT OF 1946
(P.L. 601, 79th Cong., 2nd sess.)
Section 138 (pertaining to the Legislative Budget)\(^1\)

(a) The Committee on Ways and Means and the Committee on Appropriations of the House of Representatives, and the Committee on Finance and the Committee on Appropriations of the Senate, or duly authorized subcommittees thereof, are authorized and directed to meet jointly at the beginning of each regular session of Congress and after study and consultation, giving due consideration to the budget recommendations of the President, report to their respective Houses a legislative budget for the ensuing fiscal year, including the estimated over-all Federal receipts and expenditures for such year. Such report shall contain a recommendation for the maximum amount to be appropriated for expenditure in such year which shall include such an amount to be reserved for deficiencies as may be deemed necessary by such committees. If the estimated receipts exceed the estimated expenditures, such report shall contain a recommendation for a reduction in the public debt. Such report shall be made by February 15.\(^2\)

(b) The report shall be accompanied by a concurrent resolution adopting such budget and fixing the maximum amount to be appropriated for expenditure in such year. If the estimated expenditures exceed the estimated receipts, the concurrent resolution shall include a section substantially as follows: "That it is the sense of the Congress that the public debt shall be increased in an amount equal to the amount by which the estimated expenditures for the ensuing fiscal year exceed the estimated receipts, such amount being $\underline{\text{}}\underline{\text{\ldots}}\underline{\text{\ldots}}$"

\(^2\) In 1949, Section 138 was amended to extend until May 1 the deadline by which the committee was to make its recommendations.