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*Budget*

**Director**

W. F. Willoughby

Mr. Benjamin Strong,  
New York, N. Y.

My dear Mr. Strong:

You are aware that the primary purpose of the Institute for Government Research, to which you have so kindly lent your support, was to provide an organization having as its major function the subjection of the whole problem of budgetary reform in the United States to thorough, scientific study and the taking of the necessary steps to accomplish this, the most important reform needed in present methods of public administration.

The first part of this task the Institute has in large measure accomplished. In the five volumes prepared and published by it dealing with (1) The System of Financial Administration of Great Britain; (2) The Budget, by Rene Stourm, a Translation; (3) The Canadian Budgetary System; (4) The Movement for Budgetary Reform in the States; and (5) The Problem of a National Budget, the Institute has rendered available information regarding budgetary conditions in those foreign countries whose systems of financial administration are most worthy of study, and the problem of budgetary reform in this country as it confronts both our national government and the individual states. Copies of the first two of these volumes have been sent to you. Copies of the remaining three are being forwarded to you today as a slight acknowledgement of appreciation of the support that you have given to the Institute.

There is also being sent to you a recent number of the Nation's Business containing an article by the Director of the Institute upon the need for a national budget and a pamphlet on the same subject, in which the attempt has been made to set forth in summary form the more essential features of this problem.

At the present time the indications are very bright that Congress will seriously apply itself to the working out of this problem. The Deficiency Bill which passed the House and was favorably reported in the Senate, but which failed of passage owing to the congestion of business during the closing days of the last session, contained a section providing for the creation of a Joint Commission of the two Houses, with the duty of investigating and reporting a concrete program for putting this reform into execution. This is a step which the Institute strongly urged in its volume on "The Problem of a National Budget," and has been energetically pushing. It is believed that provision for this commission will certainly be made early in the next session. The pamphlet, a copy of which is being sent you, was prepared as part of the propaganda effort of the Institute and has been given wide circulation.

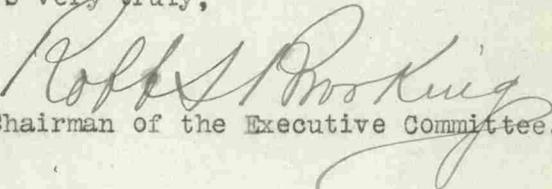
*Best*

With the establishment of such a commission a wide field of usefulness will be presented to the Institute in getting before this body the facts that should be in its possession and in rendering technical assistance to it in working out the many details involved in determining, listing and classifying budgetary data and appropriation heads, in devising the form of accounting and reporting procedure required for the production of these data and in adjusting many other matters.

It is only proper to add that the efforts of the Institute to secure the adoption of a national budget represents but one phase of its activities. In the field of budgetary reform in the states the Institute has been scarcely less active. Direct assistance has been and is being rendered by the Director in the drafting of budgetary measures and wide use will undoubtedly be made of the Institute's volume on Budgetary Reform in the States. It is exceedingly gratifying to note the progress that this reform is making in the states. More than half have taken some positive action and a very considerable number have definitely adopted a budgetary system.

Among its other activities under way, special mention may be made of the study now being made of the organization and activities of the administrative branch of the national government with a view to determining how such activities may be better distributed among the several services of the government and these services grouped departmentally to the end that greater efficiency of organization and administration may be secured. During the war the Institute placed almost its entire staff at the disposal of the government and rendered important aid that was acknowledged by many letters received from the heads of the services to which the assistance was given.

Yours very truly,

  
Chairman of the Executive Committee.

April 3, 1919.

My dear Mr. Brookings:

I was very glad to read your letter of March 27th in regard to the work of the Institute for Government Research. Possibly Mr. Pratt has already told you of the interest which I have felt in the work of the institute ever since it was established. The effort now being made to bring about budget legislation, in which I am already interested, will, I hope, be helpful and supplemental to the work of the Institute for Government Research. At any rate, it was our intention to make sure at the outset, as I believe was done, that nothing which we undertook would be other than in cooperation with your organization.

I suppose you realize that those who have been raising money for the Government for the past two years have developed, inevitably, a keen interest in the methods employed by the Government in spending the money that they have raised literally "by the sweat of their brows."

Thanking you for your letter, I am,

Sincerely yours,

Robert S. Brookings Esq.,  
Institute for Government Research,  
818 Conn. Av., N. W.,  
Washington, D. C.

BS/MSB

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INSTITUTE FOR GOVERNMENT RESEARCH

818 CONNECTICUT AVENUE, N. W.

WASHINGTON, D. C.

A NATIONAL BUDGET SYSTEM

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A NATIONAL BUDGET SYSTEM

The Most Important  
Of All Governmental Reconstruction Measures

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## ADOPTION OF A NATIONAL BUDGET SYSTEM

### THE MOST IMPORTANT OF ALL GOVERNMENTAL RECONSTRUCTION MEASURES

- - -

The problem of reconstruction presents itself to the National Government in two forms: the restoration of the industrial life of the country to its normal, peace basis, and the reorganization of its own administrative machinery. In meeting the second of these two phases the one reform which, in urgency and importance, stands out beyond all others is the adoption of a budget system as the fundamental basis for its whole system of financial administration.

Why a National Budget is Demanded.- The adoption of a budget system by the National Government is demanded;

Because it is the only system under which an efficient administration of the financial affairs of a government can be obtained.

Because the United States is the only country in the world claiming to have a modern government that does not make use of such a system.

Because the leading political parties, in their platforms, the President and his predecessors in office, through official communications, and the industrial and commercial interests of the country, through their organization, the Chamber of Commerce of the United States, have urged that this action be taken.

Because a budget system is the only system under which the Executive, having responsibility for the actual administration of public affairs, can be held to a rigid accountability for the manner in which funds granted for the support of the government have been expended.

Because it is the only system under which the Executive can effectively

discharge its duty of laying before the fund-raising and fund-granting authority -- Congress -- a complete statement of the financial condition and needs of the government so itemized and classified as to enable that body to see their full purport and significance.

Because it is the only system under which Congress, having received this information in proper form, can properly discharge its duty of making provision for these needs in a manner that will have regard, not only for specific requirements, but the general interests of the government as a whole.

Because it is the only system under which the present evils of pork-barrel legislation can be eliminated.

Because it is the only system under which the people can enjoy their right, and exercise their essential function, of holding both the executive and the legislative branches of government to a rigid accountability for the manner in which they perform their respective duties.

Because it is the only system that will automatically present each year a complete and clear picture of the organization and activities of the government, bring to light all cases of overlapping and duplication of organization and activities and lay the basis for the organization of the administrative branch of the government as one logically classified and integrated scheme of administrative machinery.

Because, once established, it will greatly simplify and standardize all methods of accounting and reporting; and

Because in countless other ways it will promote intelligent legislation, simplify and standardize methods of administration, and make more of a reality the fundamental principle upon which our government rests, -- that of real popular control by the people of their representatives, legislative and executive.

Nature of a National Budget.- That a budget system will accomplish these several ends can be seen if appreciation is had of the fundamental principles upon which such a system rests. These principles are;

That the financial affairs of the government shall be considered as a unit.

That the definite obligation shall be placed upon the Chief Executive, as the head of the administration, of laying before the legislature each year a complete statement of the condition of the treasury, the revenues and expenditures of the government during the past and his estimate of the provision that should be made for the revenue and expenditure needs of the government for the year to come.

That this statement shall be considered in its entirety by Congress to the end that the two sides of the account, revenues and expenditures, may be considered in their relation to each other and to the state of the treasury, actual and prospective. .

That to this end the detailed examination of the budgetary proposals shall be submitted to a single committee and its conclusions embodied in a single appropriation bill.

That adequate limitations shall be placed upon the power of individual members of Congress to modify the proposals of the budget committee.

That provisions shall be made for an Auditor General who shall be an officer of Congress and not of the Executive whose duty it shall be to examine critically the accounts of all disbursements and to render to Congress a report giving the results of his findings and such recommendations as he may deem pertinent.

That provision shall also be made for a Committee on Accounts of each House, or better still, a Joint Committee on Accounts of the two Houses whose

duty it will be to receive the report of the Auditor General, submit it to examination, and to report to Congress the action, if any, which in its opinion, should be taken to correct any improper acts which such examination may have developed.

Wherein Present Financial System of the National Government Fails to Meet

Budgetary Requirements.- Examination of the system under which the financial needs of the National Government are now determined and provided for shows that in scarcely a single respect does it conform to the essential requisites of a proper budget system, or indeed to any sound system of financial administration.

No attempt is made to consider the whole problem of financing the government at one time.

Expenditures are not considered in connection with revenues.

Even the idea of balancing the budget does not obtain.

There is a complete failure to provide the means by which the data required for budgetary purposes may be secured and presented.

The idea that a system of accounts should have for its purpose to produce information needed for the proper conduct of affairs, as well as to establish the fidelity with which legal provisions are carried out, scarcely exists.

No standard classification of units of organization, activities or of expenditures according to their character or object has ever been adopted.

No uniform scheme of expenditure documents calling for the recording of expenditure data in accordance with any general informational plan is employed.

The President makes no pretense of laying before Congress a carefully thought out financial and work program representing his judgment as to the provision that should be made for the conduct of governmental affairs.

He does not even submit to Congress a consolidated statement of expenditures in a form permitting that body or the people to judge intelligently re-

garding past operations.

Nor does he submit any report of a general administrative character in which the operations of the government as a whole are reviewed.

The administrative reports of the heads of departments, establishments and bureaus are not prepared according to any uniform plan, nor are they of a character to serve as supporting documents to their estimates.

There is, indeed, absolutely lacking any organ corresponding in character and powers to the Treasury under the British system through which these requirements can be met and the President enabled properly to perform his duties as head of the administration, either from a budgetary or general supervision and control standpoint.

The estimates, such as they are, are not compiled in accordance with any one principle, nor in such a way that their significance can be clearly seen.

No attempt is made by Congress to consider these estimates as a whole.

The two sides of the budget are considered independently and by separate committees.

The attempt is not even made to concentrate in one committee the responsibility for the formulation of an expenditure program.

Provision for expenditures is made through the passage of no less than thirteen general appropriation acts, emanating from, and piloted through, the House by no less than nine different committees.

It is exceptional when the entire needs of a service are considered by a single committee or provided for in a single appropriation act.

The power of individual members to initiate expenditure proposals or to secure the amendment of proposals emanating from the appropriation committees is inadequately restricted and is grossly abused.

The fundamental distinction between the authorization of an expenditure and

the voting of money with which to put such authorization into execution is persistently ignored.

Not the first approach has been made toward the adoption of a consistent plan in respect to the itemization of appropriations or the harmonizing of the conflicting factors of control and flexibility in the expenditure of funds.

Our National Government, in a word, has neither adopted nor made any step towards the adoption of a budget system such as is employed by the governments of every other civilized nation.

More than this, it has not even worked out any alternative system corresponding to sound principles of financial administration.

Outline of Budget System for the National Government.- Under the heading "Nature of a Budget System" has been given in the most summary form the fundamental principles underlying a budget system. If such a system is to be put into execution a number of specific steps have to be taken. These steps, in the case of the government of the United States, are:

1. That the definite obligation be placed upon the President of the United States as the head of the administration to lay before Congress, each year, upon its assembling in regular session, a consolidated document, known as a budget, in which are brought together in one place; full and detailed statements of the condition of the treasury on the date on which the budget is prepared; the revenues and expenditures of the government during the last completed year, and during the year in progress; and the revenues and expenditures to be provided for the year to be financed.

2. That these statements shall be prepared in accordance with some logical principle of classification which shall be rigidly adhered to.

3. That the principle of classification employed in stating expenditures, past and proposed, shall be that of organization units so that definite informa-

tion shall be available regarding the cost of maintaining and operating each organization unit such as a lighthouse, army post, or what not, of each group of similar units, such as all lighthouses, army posts, etc., of each distinct service, of each group of services constituting a department, of all departments and independent establishments together constituting the administrative branch of the government, of each of the several great branches of the government, the legislative, executive and judicial, and of the government as a whole viewed as an organization or public corporation.

4. That these general statements shall be accompanied by supporting tables, one for each organization unit, showing the totals itemized according to: (1) distinct activities performed; (2) character; that is, whether for capital outlay, fixed charges or current operation; and (3) objects of expenditure; that is, things purchased, such as services remunerated in the form of salaries or wages, equipment, supplies, etc.

5. That these itemizations shall be made in conformity with a standard classification of expenditures so that the details of expenditures of different units and different years may be brought into accurate comparison.

6. That a similar logical classification of revenues shall be formulated and employed.

7. That the preparation and presentation of this budget shall be made the definite obligation of the President as the head of the administration.

8. That, in preparing this budget, the President shall have the same power to amend, revise and correlate the estimates as they come to him from the heads of administrative departments and establishments, as the latter have to amend, revise and correlate the estimates as submitted to them by the heads of the bureaus and services over which they exercise jurisdiction.

9. That the President shall have the power to prescribe the system of

accounting and reporting to be employed by all accounting officers of the government to the end that such systems will automatically produce the data required for budgetary and administrative control purposes.

10. That, to enable him to meet the obligations thus imposed upon him, the President shall have a special service whose duty it shall be to act as his agent in formulating the system of accounting and reporting to be employed, and in revising, examining and compiling the estimates and other budgetary data.

11. That the budget, as so prepared, shall be submitted to Congress, immediately upon its assembling in each regular session, by the President, accompanied by a special budgetary message having for its purpose to present a general survey of the financial transactions of the government in the past, of present financial conditions and of the more significant features of his budgetary proposals for the future, as set forth in detail in the budget.

12. That it shall be definitely established by law that the President is the sole authority by whom requests for the grant of funds for the executive and administrative branches of the government shall be made of Congress; and that, to this end, all officers of the government shall be prohibited from making any such requests directly of Congress or of seeking to influence Congress or any member thereof to take any action in respect to the granting or withholding of grants of funds for any purpose except as they may be requested so to do by the President, in which case they shall be deemed to be acting with his authority.

13. That the budget, immediately upon its receipt by the House of Representatives shall be referred to a single Committee on Finance, or, better still, to a single joint Committee on Finance of the two Houses.

14. That, for the consideration of the expenditure proposals contained in the budget, this Committee shall organize itself into sub-committees, cor-

responding to executive departments and establishments, which shall consider, and determine in the first instance the action to be taken upon the estimates of the corresponding departments and establishments.

15. That the determinations of these sub-committees shall be reviewed and compiled by the whole committee and the decisions of the latter shall be assembled in a general appropriation bill which shall be laid before the House of Representatives, or the two Houses, for its or their consideration.

16. That this appropriation bill shall follow the same scheme of classification of items that is employed in the budget, but will not enter into the same itemization of details as the latter.

17. That this bill shall be accompanied by a report, setting forth the amounts estimated for under the several appropriation heads in the budget and the amounts recommended for grant by the Committee, together with a statement of the reasons which have actuated the Committee to depart from the budgetary estimates whenever such departure is recommended.

18. That the rules of the two Houses shall: (1) make a clear distinction between legislation having for its purpose the authorization of action, and that having for its purpose the grant of funds with which such authorization may be put into effect; (2) provide that consideration of legislative proposals of the first character shall belong exclusively to committees of general legislation; and (3) provide that consideration of proposals of the second character shall belong exclusively to the Committee on Finance.

19. That the rules of the two Houses shall provide that the appropriation bill shall not be subject to amendments having for their purpose the increase of items appearing therein or the insertion of new items except upon a two-thirds affirmative vote or the meeting of other requirements making it difficult to alter in this way the provisions of the bill as prepared and reported by the

committee.

20. That provision shall be made for an Auditor General, who shall be an officer of Congress and not of the Executive, whose duty it shall be to examine the accounts of all disbursements and to render to Congress a report giving the results of his findings and making such recommendations as he may desire.

21. That provision shall also be made for a Committee on Accounts of each House, or better still, a Joint Committee on Accounts of the two Houses, whose duty it will be to receive the report of the Auditor General, submit it to examination, and to report to Congress the action, if any, which, in its opinion, should be taken to correct any improper acts which such examination may have developed.

Application of Budget System to American Form of Government.- Examination of the foregoing statement of the essential features of a proper budget system shows that there is nothing in them that is not thoroughly consonant with the fundamental principles of the American form of government.

1. They maintain, and indeed emphasize, the fundamental principle of the separation of legislative and executive powers.

2. They make effective the obligation of the Executive to render a full account to the legislature of the manner in which the administrative affairs of the government have been conducted and "from time to time give to the Congress information of the state of the union and recommend to their consideration such measures as he shall judge necessary and expedient."

3. They leave to Congress unimpaired its function of acting as the fund-raising and fund-granting organ of the government.

4. They place in the hands of Congress the means of exercising a real direction, supervision and control over the conduct of administrative affairs

such as it has never had in the past.

5. Finally they definitely locate responsibility and provide for the furnishing to the people of that knowledge regarding the financial operations of their government which they must have if they are intelligently and effectively to perform their function of holding all government officers to a strict accountability for the manner in which they perform their duties.

Comparison of the Proposed System with that of Great Britain.-- The administration of a budget system has four phases; that of the formulation of a budget; that of its consideration; that of action upon it; and that of review of its execution.

In respect to the first phase the system here proposed is identical with that of Great Britain.

Both call for the preparation and submission to the legislature by the chief executive of a consolidated document setting forth the condition of the treasury, past financial operations and future proposals in such a form that their general, as well as their specific, purport can be clearly seen.

Both thus definitely place upon the Chief Executive the responsibility for making known how money voted has been expended and what provision, in the opinion of that officer, should be made for the future.

Both make provision for a special service through which the Chief Executive may meet this responsibility.

In respect to the second, the two systems are similar in that they call for the consideration of these proposals at one time by a single committee to the end that the problem of financing the government will be considered as a whole and the several proposals examined in their relations to each other and the general state of the treasury.

In respect to the third, the two systems are radically different in that

the British system leaves practically no power to the legislature to modify the budgetary proposals of the Chief Executive, while the system here proposed for the United States leaves unimpaired the power of the legislature to modify the proposals so coming before it for consideration.

While leaving undiminished this power of Congress to modify the budgetary proposals, the system proposed for the United States does seek, however, to throw safeguards around its exercise by concentrating responsibility in a single committee and by limiting the right of individual members to initiate expenditure proposals or to secure the amendment of proposals as formulated by the Budget Committee.

In respect to the fourth, the two systems are identical in that they both call for the examination by an officer of the legislature of the manner in which money voted has been expended, the report of the results of this examination to the legislature, and the consideration by the latter of such report.

Fundamentally, therefore, the only difference between the two systems is that the British system calls for what is known as an Executive Budget, in the sense that the budget is both formulated, and in effect adopted by, the Executive, while the system proposed for the United States calls for a legislative budget, in the sense that, though the budget is formulated by the Executive, it is adopted by the legislature.

The British system is one which is in complete conformity with the principles of responsible government such as is enjoyed by Great Britain. Its advantages are fully appreciated. While there is nothing in the American system of government that would prevent its adoption, recognition must, however, be had of the fact that it is hardly likely that Congress is prepared at this time to make such a radical change in the distribution of political powers as would be thereby effected. The system proposed goes as far as it is believed that Congress is prepared to go at this time. It moreover has one advantage

which is lacking in the British system. It provides for a rigid and detailed examination of executive proposals that does not obtain under the British system.

If Congress can be induced to impose upon the President the definite obligation of submitting to it a budget in proper form, to provide for the consideration of this budget by a single committee, and to throw around its further consideration by the two Houses proper safeguards, it can well happen that the United States will secure a budget system which, while thoroughly consonant with its political principles, will have all or most of the undoubted advantages of the British system, or for that matter, of any budgetary system in the world.

Method of Procedure in Adopting a Budget System.- It is one thing to decide upon the action that should be taken and quite another to determine the means or procedure by which this can best be done.

The problem here presented is so important and fundamental, and involves so many points, that it is inconceivable that Congress will be willing to act in reference to it until it has subjected the whole proposition to thorough study and has carefully elaborated a program of action.

The first step looking to the accomplishment of this great reform is thus the appointment by the House or by the two Houses of a special committee or commission with the duty of not only making an examination of the whole question in all of its phases, but of definitely recommending the action to be taken for its solution.

Detailed Data Regarding the Problem of a National Budget and the Budgetary Systems of Other Countries.- In the preceding pages the attempt has been made to state in as succinct a form as possible the more important considerations involved in the problem of the adoption by the National Government of a budget

system.

Though the principles involved in this problem are comparatively few and easy of comprehension, the putting into effect of these principles requires action of a far-reaching character and necessitates what is in effect a thorough overhauling and revision of our entire system of financial administration, both as regards administrative methods and legislative procedure.

The accomplishment of this reform is thus by no means a simple problem.

It is due to an appreciation of this fact that the Institute for Government Research has sought as one of its major activities to make known in detail the several phases of the problem and the manner in which these phases have been met by the leading governments of the world.

This it has done through the preparation and publication of the following five volumes to which reference is made for a full statement of the points which it has been sought to bring out in this paper and of the arguments that are to be made in favor of the action here urged.

1. The Problem of a National Budget  
By W. F. Willoughby.
2. The Movement for Budgetary Reform in the States  
By W. F. Willoughby.
3. The System of Financial Administration of Great Britain  
By W. F. Willoughby, W. W. Willoughby and S. M. Lindsay.
4. The Budget; A Translation of Le Budget by René Stourm  
T. Plazinski, Translator, W. F. McCaleb, Editor.
5. The Canadian Budgetary System  
By H. G. Villard and W. W. Willoughby.

All of these volumes have been published by the Institute for Government Research in its series "Studies in Administration," published for the Institute by D. Appleton & Company, New York.

*Fraser*

INSTITUTE FOR GOVERNMENT RESEARCH

818 CONNECTICUT AVENUE, N. W.

WASHINGTON, D. C.

A BUDGET SYSTEM FOR THE  
WAR DEPARTMENT

MEMORANDUM  
ON  
A BUDGET SYSTEM FOR THE WAR DEPARTMENT.

## A BUDGET SYSTEM FOR THE WAR DEPARTMENT

- - -

The administration of the financial affairs of the War Department upon a budgetary basis calls for three things:

(1) That its entire financial needs shall be estimated, considered and provided for as a unit.

(2) That these needs shall be set forth according to a scheme of classification of items that shall be based upon some principle or principles which shall be rigidly adhered to.

(3) That this system of classification of financial data shall be followed in all financial operations -- estimates, appropriations, apportionments or allotments, accounts and reports.

Single Statement of Estimates: Consideration of this Statement by a Single Committee: and Single Appropriation Act.-- The accomplishment of the first end means: that the War Department shall submit to Congress a complete statement of its estimated financial needs in a single document, that this statement shall be considered by a single committee; and that its action and that of Congress shall find expression in a single appropriation act. It is thus essential that the present system under which provision is made for the financial needs of the War Department through a number of appropriation acts which are considered by two separate committees shall be abolished.

Classification of Financial Data.-- Investigation shows that information regarding the financial operations of the War Department, as of any large undertaking having varied activities is required from five standpoints:

1. Function or Purpose
2. Organization Units
3. Activities
4. Character of expenditure; that is, whether for capital outlay, fixed charges or current operation

5. Objects of expenditure; that is, things purchased, such as personal services compensated for in the form of salaries and wages, travel, equipment, supplies, etc.

It is highly desirable that the accounts of the Department shall be so kept that it is possible for the Department to prepare reports and estimates showing its total expenditures and estimated needs for any one of these five standpoints. It should, in other words, be in a position where it can show its total expenditures and its estimated financial needs from each of these standpoints.

It is impossible for the Department to do this at the present time since its present system of appropriation and apportionment heads is based upon no principle of classification. One item may be for an organization unit, another for an activity, a third for an expenditure of a particular character, such as capital outlay, and a fourth for a particular object, such as transportation, fuel or what not.

To correct this defect, which is fundamental, it is essential that the estimates and the appropriation and apportionment heads shall be stated and classified according to some one of these standpoints as the primary basis of classification, using the other standpoints as secondary and subsequent bases of classification.

General Function: Military and Civil; the Primary Basis of Classification.--

The selection of the order in which the several standpoints mentioned shall be made bases of classification should be determined by the relative importance of the facts which it is desired to bring out for information and administrative control purposes. In the case of the War Department, it is submitted that the primary distinction which should be clearly made is that between expenditures for military and for civil purposes. It is of the utmost importance that the Department, Congress and the people shall know precisely the cost entailed in maintaining an army and the other factors entering into

the work of public defense. If Congress entrusts to the War Department, as it has done, the performance of purely civil duties, the expenditures thereby entailed should at the start be segregated from that for military purposes to the end that each may be separately known and provided for.

Organization Units the Secondary Basis of Classification.- With the segregation of military and civil expenditures made, the expenditures under each head should next be classified by organization units. The reasons for giving precedence to this basis over the other bases of classification have been fully set forth in the author's volume on "The Problem of a National Budget", and need not be repeated here. In classifying units of organization all units of a like character should be thrown under a common head so that information is furnished regarding the needs and expenditures of, not only each distinct unit of organization, but the total for all units of a class. For example, it is desirable to know, not only the cost entailed by each army post, national military park, cemetery, etc., but by all army posts, all national military parks, and all cemeteries.

Data Regarding Activities, Character of Expenditures and Objects of Expenditure.- As has been stated it is desirable to know, not only the cost of performing each general function, and of maintaining and operating each distinct unit of organization, but also the nature of the expenditures, represented by this cost; that is, how much goes for capital outlay, and how much for current operation, and how much for each category of expenditures from the standpoint of things purchased, services, transportation, supplies, etc. These data can be secured through adopting a classification of expenditures from each of these standpoints, and then of providing for an apportionment or allotment of funds under the heads therein set up and of requiring the several units to keep their accounts, render their reports and submit their estimates itemized under these heads. The reports and estimates thus submitted will constitute the supporting sheets to justify the total

asked for by each unit of organization in submitting its estimates.

Classification of Objects of Expenditure.- A task of fundamental importance is the classification in detail of all objects of expenditure. Especially is this important in respect to the main heads such as salaries-, other personal remuneration, travel, equipment, supplies, etc., and the subclasses and items of equipment and supplies. Large corporations have found it advantageous to do this even at a cost running into hundreds of thousands of dollars. It is understood that the lack of any such standard classification during the last war gave rise to an infinite amount of trouble. A standard classification of objects of expenditure is of extreme value in property accounting, the purchase, storage, requisition and issue of supplies, and the establishment of a uniform system of allotments, accounts and reports by organization units to the end that their financial operations may not only be compared with each other, but consolidated in general showings by groups of units. It is strongly urged, therefore, that this work of classification of objects of expenditure be immediately entered upon.

Reclassification of Existing Appropriation Heads in Accordance with the Foregoing Principles.- In a statement appended to this memorandum the attempt has been made to reclassify the appropriation heads of all the appropriations made for the War Department for the year 1918 as set forth in the Annual Report of the Secretary of War for the year in accordance with the principles above laid down. This statement has been prepared purely for illustrative purposes, since the appropriation heads are in many cases not of a character to lend themselves to any scientific system of classification. It is certain, therefore, that individual heads are not in all cases placed where they properly belong, and the amounts carried by them should be distributed under a number of heads. The statement does serve, however, to give in concrete form the main principles of classification of appropriation and apportionment heads that it is believed should be employed.

Main Appropriation or Apportionment Heads.- In this classification the main appropriation or apportionment heads provided for are the following:

I. Military Affairs

1. Department Proper; Washington
2. Military Plant
3. Regular Army
4. Auxiliary Corps
5. Supplemental Military Service
6. Munitions Procurement Service

II. Civil Affairs.

1. Public Works
2. National Parks
3. National Monuments
4. Lakes Survey
5. Public Buildings and Grounds; District of Columbia.

The reasons for making this primary classification of appropriation and apportionment heads are in the main apparent. It is certainly desirable that a clear distinction should be made between military affairs and civil affairs. In like manner it is desirable to distinguish between the main activities appearing under each of these two heads as indicated by the classes of organization units provided for.

Munitions Procurement Service.- Much the most radical change from existing practice that is here recommended consists in the segregation of the Munitions Procurement Service from all the other divisions of the Military Establishment. The proposal here made is that this service shall be set up as a distinct service having the single function of acting as a procurement service for the Military Establishment. It will have no other responsibility. Its jurisdiction and responsibility will cease when it has delivered to the Military Establishment the articles demanded of it by the latter. The importance of this recommendation is such that the reasons for making it should be set forth with some considerable degree of particularity.

In all large private undertakings, and, to a considerable extent, in the civil branch of the national government, the importance of distinguishing between operation and procurement is deemed of the utmost importance. The reason for this is evident. On the one hand the operating services are, or should be, primarily interested in the performance of the work for which they are maintained; and, as far as possible, their attention should be concentrated upon such work and not be distracted by the necessity of having to concern themselves with other matters. On the other hand, the procurement service, if independent, is relieved of all responsibility for operations and can concentrate its attention exclusively upon the technical problem of procuring supplies; can build up a permanent staff specially qualified for this work; and familiarize itself with the sources of supply and other considerations that have to be taken into account in securing the supplies required.

The advantages of this separation are excellently illustrated in the civil branch of the national government, in the Government Printing Office. Due to this institution the several operating services of the government are relieved of all necessity for maintaining in their services divisions to concern themselves with the work of securing printing. All that they have to do is to make requisition upon the Government Printing Office for the printing desired by them. The latter service has no responsibility other than that of meeting demands made upon it, and can devote its attention to the purely technical problems of providing itself with the plant, equipment and technical personnel required by it, and the conduct of its procurement functions.

Under this arrangement responsibility is definitely located. It rests with the operating services to determine what they want, to make their wants known through definite requisitions, supported, where necessary, by detailed specifications, and to make use of supplies received according to their own discretion. The function and responsibility of the procurement service have to do merely with the securing of the supplies asked for.

If provision is made for a distinct procurement service to be known as the Munitions Procurement Service, as is here suggested, the Military Establishment as an operating organization will be relieved of all responsibility for getting into touch with producing enterprises of the United States or having to concern themselves in any way with the purely industrial problems of manufacturing, contracting, purchasing, hiring and compensation of labor, etc. It can thus confine itself to the purely military duties for the performance of which it is maintained. On the other hand, the Munitions Procurement Service, with its distinct organization, will furnish to the General Staff a technical agency to concern itself, not only with the procurement of equipment and supplies by purchase or manufacture, but with the whole problem of locating sources of supplies, of inventorying the facilities of the country for the production of military supplies, and, when necessary, of taking the steps necessary for the increase of such facilities as may be demanded by the requirements of military preparedness. Such a service, in a word, should do all that was done for the War Department by the Council of National Defense and the War Industries Board, except in so far as those bodies acted as agencies for coordinating the work of the War, Navy and other Departments of the government.

The Military Establishment under this plan will requisition for equipment and supplies, not only for its current needs, but for the accumulation of such supplies as may be required to enable it promptly to meet any military emergency. The custody and control of such supplies will, of course, be in the Military Establishment.

From the standpoint of the budget, and financial administration, generally, there is a very special reason why this segregation should be made. The War Department procures a no inconsiderable part of its product through the process of manufacture. It maintains and operates large industrial plants. Its work in this field is in all essential respects analogous to that of any large industrial concern engaged in a varied line of activities. The finan-

cial affairs of such undertakings should be managed in accordance with the same principles that are followed by any industrial corporation operating upon a proper financial basis. This means that use should be made of balance sheets, capital accounts, operation accounts, cost accounts, inventories, depreciation accounts, etc.; all of which are not required in the case of operating services having no tangible product such as is the case with the Military Establishment properly speaking, and most services of the government.

Such a system of financial administration cannot well be set up unless the operations and financial transactions of the Munitions Service are rigidly separated from those of the operating services or Military Establishment strictly speaking.

It is a part of the proposition here presented that all appropriations and apportionments for equipment and supplies will be made to the Military Establishment. They will constitute credits against which the Military Establishment will make requisitions and from which payments for equipment and supplies purchased from the Munitions Procurement Service will be made. Actual payment will be made by transfers from appropriations for the Military Establishment to the revolving funds of the Munitions Procurement Service. The only appropriations that will be made for the Munitions Procurement Service will be for capital expenditures and for working capital. In theory such appropriations will have to be made only once, unless it is decided to add to the plant of the service. The appropriation for working capital should be treated as a "Revolving Fund". From it all expenditures should be made by the Munitions Procurement Service, and to it should be credited all payments made to the Service by the Military Establishment for equipment and supplies furnished. The Munitions Procurement Service will charge the Military Establishment with the cost of manufacture, or purchase price, when the goods were purchased or received from contractors, plus an agreed upon percentage sufficient to cover all overhead charges.

In effect the proposal here made is that of treating the Munitions Procurement Service practically as a subsidiary corporation. It may in fact be found desirable actually to give it this character in the same way that the U. S. Shipping Corporation, the Food Administration, the Labor Administration and the Treasury Department found it desirable to create special corporations, the Emergency Fleet Corporation, the Grain Corporation, the Housing Corporation, and the War Finance Corporation, to handle their purely industrial activities.

A necessary consequence of this policy will, of course, be that the Finance Department of the Military Establishment will not concern itself with the financial affairs of the Munitions Service, except in respect to the making of settlements between the Military Establishment and the Munitions Service.

In thus defining the duties and responsibility of the Munitions Procurement Service, on the one hand, and the Military Establishment on the other, it is not meant that the two should not maintain intimate working relations with each other. Thus it is highly important that the Munitions Service should at all times place its technical knowledge regarding materials, their relative merits, costs, expedition with which they may be secured, etc., at the disposal of the Military Establishment. This information may be furnished in advance upon the request of the Military Establishment, while the latter is considering its needs; or after the requisitions have actually been received by the Munitions Procurement Service. Though the latter should have no power to modify a requisition it should, however, not only have the power, but the duty, of bringing to the attention of the requisitioning branch of the Military Establishment facts which might tend to cause the latter to modify its requisition with a view to securing economy, supplies more adapted to its needs or greater expedition in delivery. In case the point at issue is one of considerable importance the Munitions Procurement Service should also have the right to bring the matter to the

attention of the Chief of Staff or the Secretary of War for a final decision. The Military Establishment, on the other hand, should, when feasible, give advance information to the Munitions Service of demands that will be made upon it whenever large quantities are desired or where special steps to procure the articles desired have to be taken, to the end that the latter may be in a position to make plans for the work that it will be called upon to do.

It is recognized that the adoption of the proposal here made will raise many questions of organization and administration that will have to be settled. For example, it will be necessary for the Military Establishment as such to have a highly trained technical service, the function of which will be that of studying the extent to which the equipment and supplies made use of by the army give satisfaction and, on the basis of such study and that of the equipment and supplies made use of by other armies, of determining the character of equipment and supplies that the Military Establishment will demand to have furnished to it by the Munitions Procurement Service. To meet this need, it is submitted that the General Staff should have a special service for this work. This service would in effect constitute a service or department of scientific research. It would be manned by officers from the army detailed for the work on account of their special competence. As a part of their training they might be detailed to the several production plants of the Munitions Procurement Service with the duty of familiarizing themselves with all the details of the manufacture of the particular articles upon which they are specializing. In doing this they could also act as liaison officers for certain purposes. They would not, however, constitute a part of the personnel of the Munitions Procurement Service nor be responsible in any administrative way for its work.

Again it is certain that the Military Establishment, as represented by forces at army posts and in the field, will have to have authority to make certain purchases, such as perishable food commodities and other commodities to meet immediately urgent needs, directly. Careful provision must thus be made in respect to what articles must be procured through the Munitions Procurement Service and what directly.

An important, though by no means an essential, feature of the plan here proposed is the possibility of making the segregation of the Munitions Service the means of distinguishing, more clearly than has been the case in the past, between those classes of work which should be performed by, or under the direction of, army officers, and those which should be performed by, or under the direction of, civilians. Fundamentally the work of the Military Establishment is of a military character and should be performed by military men. The work of the Munitions Procurement Service, though performed for the Military Establishment is primarily of a civil character, and, under any system, must be performed in great part by civil employees. The question presented is thus that of determining the extent to which the directing personnel of this organization shall consist of army officers detailed for that purpose or of civilians specially selected for their competence to perform the duties entailed by such positions.

The author of the present memorandum does not hesitate to state that it is his opinion that, as far as possible, the latter system should be the one to be adopted. Under present conditions officers who are trained at West Point and otherwise at great expense to the government for the performance of purely military duties are taken away from such duties and placed in charge of purely business activities for the performance of which they have received no special training nor had any past technical experience. This is doubly unfortunate. On the one hand, it deprives the Military Establishment of officers and men of whom they have urgent need; and, on the other, it results in highly technical operations being placed in charge of persons

not specially trained for the performance of that work. This question of the extent to which the work of the Munitions Procurement Service should be entrusted to civilians, it should again be stated, is, however, not an essential feature of the actual proposition of giving administrative and financial autonomy to the Munitions Procurement Service and relieving it of all duties except those of a procurement service strictly speaking.

Segregation of Military Plant.- Another feature of the classification of appropriation and apportionment heads here recommended requiring special consideration is that of the segregation of military plant from the army as a Personnel Service. This segregation is believed to be desirable from a number of standpoints. In the first place it is of importance to know the exact expense involved in maintaining and operating each field station and each class of field stations of a permanent character. If this expense is combined with that of maintaining troops, it is impossible to have the data which should be available for determining the question of the desirability of continuing to maintain individual stations. Secondly, the nature of the expenditures called for in maintaining and operating plants is quite distinct from that of expenditures for the army as a mobile body. If the two classes of expenditures are separated the problem of working out and operating standardized systems of accounts for the two is much simplified.

Segregation of Services of the Army.- A third suggestion, which is not shown in the Classification of Appropriations and Apportionment Heads, but which should receive careful consideration is that of making the several services of the army the primary heads under the generalhead of the Regular Army. In other words, it is suggested that the total estimated or appropriated for the Regular Army should be itemized in the first instance by the distinct service corps composing it; viz., Infantry Service, Cavalry Service, Artillery Service, Air Service, Machine Gun Service, Tank Service, Medical Service, Surgical Service, Engineer Service, Motor Transport Service, and the sum called for under the heads "Pay, etc. of the army", "Travel" and "Equipment and Supplies" be shown for each service separately.

If this is done this part of the classification outline would run as follows:

1. Combat Services: Primary
  1. Infantry Service
    1. Pay, etc.
    2. Travel
    3. Equipment and Supplies.
  2. Cavalry Service,
    1. Pay, etc.
    2. Travel,
    3. Equipment and Supplies,  
Etc.
2. Combat Services ; Auxiliary
  1. Medical Service
    1. Pay, etc.
    2. Travel,
    3. Equipment and Supplies.
  2. Surgical Service
    1. Pay, etc.
    2. Travel
    3. Equipment and Supplies  
Etc.

Under this system the needs and cost of each service can be taken up on its individual merits. The classification moreover would conform to that of the overhead administration in the War Department proper, an end which is evidently highly desirable. Though the separate service should thus be estimated for separately it is probable that it would be desirable that all should be appropriated for under one common head. Certainly provision should be made whereby transfers could be made from one appropriation or allotment head to another.

Appropriations under Main Heads Only.- A prime requisite of any proper budgetary system is that a reasonable degree of flexibility shall be permitted to the spending authority in the expenditure of funds granted. This can be secured in three ways: (1) by Congress making appropriations under main heads only, leaving it to the Department subsequently to apportion such lump sums more specifically; (2) by Congress granting to the Department the right to effect transfers from one appropriation head to another; or (3) by a combination of both of these methods. Of these the first method is the most desirable. Every effort should be made to persuade Congress not to carry its itemization too far. For example, where a number of units of a like character are concerned; such as, army posts, cemeteries, national parks, etc., the appropriation should not go farther than to specify the sum available for the entire class, discretion being left with the Department to apportion this sum to the individual units included within the class.

In seeking to induce Congress to take this position, it should be made plain to Congress that the expenditures on account of the several units will be as carefully segregated and made known as if a separate appropriation was made for each. The estimates as submitted will thus show for each unit the expenditures during the past year belonging to it and the amount estimated for it for the year to be provided for. There may indeed be submitted with the estimates a supporting sheet for each unit showing its expenditures, actual and estimated, classified by objects of expenditures in accordance with the standard classification of objects of expenditure, which, as set forth above, should be adopted by the Department. It is believed that if Congress appreciates that it will secure this full and detailed information regarding the expenditures of the Department, past and proposed, it will be willing to make its appropriations under more general heads than it has in the past.

Need for a budgetary Organ in the Department if Provision is made for an Apportionment System.- If Congress can be persuaded to authorize a liberal apportionment system in the War Department, it will be necessary for the

latter to create some organ, in the form of a Board or Council, to exercise this power of apportionment. This body will take up the work of allotting funds to specific units of organization or objects of expenditure where Congress leaves off. Its action will result in the setting up of accounting heads in all respects similar to appropriation accounting heads, with the important exception that transfers between apportionment heads may be made upon the order of the Budgetary Board or Council of the Department, while transfers between appropriation heads can only be made with the approval of Congress. The fact that this apportionment of funds will be made with the same careful consideration and formality by a general overhead apportionment body as are employed by Congress itself will go a long way towards inducing Congress to authorize a liberal apportionment system. It is not thought necessary to suggest the composition of such an organ, other than to state that it evidently should be composed of officials of the highest rank sitting under the presidency of the Secretary of War or the Chief of Staff. This body, moreover, will be the one having responsibility for the receiving of the reports and estimates of the several services of the War Department, of correlating them, and on the basis of the data so secured of framing the Departmental Budget for submission to Congress. In performing this work it will make use of the Department of Finance as its executive or administrative agent.

MAIN APPROPRIATION AND ALLOTMENT HEADS

WAR DEPARTMENT

I. Military Affairs

1. Department Proper; Washington
2. Military Plant
3. Regular Army
4. Auxiliary Corps
5. Supplemental Military Services
6. Munitions Procurement Service

II. Civil Affairs

1. Public Works
2. National Parks
3. National Monuments
4. Lakes Survey
5. Public Buildings and Grounds; District of Columbia

MAIN APPROPRIATION AND ALLOTMENT HEADS

WAR DEPARTMENT

I. Military Affairs

1. Department Proper; Washington
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4. Lakes Survey
5. Public Buildings and Grounds; District of Columbia

APPROPRIATION AND ALLOTMENT HEADS

WAR DEPARTMENT

1. Military Affairs

1. Department Proper; Washington

1. General; Undistributed.
2. Office of Secretary and Assistant Secretaries.
3. Office of Chief of
4. 1. Army War College.
4. Office of Adjutant General
5. Office of Inspector General,
6. Office of Judge Advocate General
7. Office of Provost Marshal General
8. Office of Quartermaster General
9. Office of Chief of Ordnance,
10. Office of Chief of Engineers,
11. Office of Surgeon General,,
  1. Library, Office of Surgeon General,
  2. Army Medical Museum,
12. Office of Chief Signal Officer,
13. Office of Chief of Coast Artillery,
14. Bureau of Militia,
15. Bureau of Insular Affairs,

2. Military Plant.

1. Fortifications,
2. Army Posts,
3. Depots, Shipping Facilities, etc.
4. Proving Grounds,
5. Education and Training Institutions.
6. Communications Systems.

3. Regular Army.

1. Departmental and Corps Expenses.

1. Office of Secretary.
2. General Staff Corps,
3. Adjutant General's Department,
4. Surgeon General's Department,
5. Provost Marshal General's Department
6. Ordnance Department,
7. Signal Corps,
8. Engineers Department,
9. War Post Board, New York.

2. Pay, etc. of the Army.

3. Mileage,

4. Equipment and Supplies.

4. Auxiliary Corps.

1. Reserve Officers Training Corps.
2. Enlisted Reserve Corps,
3. National Guard,
4. Civilian Training Institutions.

5. Supplemental Military Services,

1. Soldiers Homes,
2. Cemeteries,
3. Miscellaneous.

6. Munitions Procurement Service.

1. Arsenals,

1. General: Undistributed.
2. Augusta Arsenal, Augusta, Ga.
3. Benicia Arsenal, Benicia, Calif.
4. Frankfort Arsenal, Philadelphia, Pa.
5. Picatinny Arsenal, Dover, N.J.

6. Rock Island Arsenal, Rock Island, Illinois,
7. San Antonio Arsenal, San Antonio, Texas,
8. Springfield Arsenal, Springfield, Illinois,
9. Watertown Arsenal, Watertown, Mass.
10. Watervliet Arsenal, West Troy, New York.

2. Nitrate Plants.

II. Civil Affairs.

1. Public Works,

1. General: Undistributed.
2. Rivers and Harbors,
3. California Debris Commission,
4. Permanent Industrial Commission of Congresses of Navigation,
5. Alaska.

2. National Parks,

1. Chickamauga & Chattanooga National Park,
2. Shiloh National Military Park,
3. Gettysburg National Park.
4. Vicksburg National Military Park,
5. Guilford Courthouse National Military Park
6. Crater Lake National Park
7. Yellowstone National Park

3. National Monuments.

1. Antietam Battlefield,
2. Birthplace of Washington, Wakefield, Va.
3. Birthplace of Lincoln, Kentucky,
4. Building where Lincoln Died, Washington, D.C.

4. Lakes Survey,

5. Public Buildings and Grounds, District of Columbia,

1. General : Undistributed.

2. Washington Monument.
3. Executive Mansion.
4. Telegraph connecting Capitol with the Departments and the Government Printing Office.
5. Patomac River Bridge.

RECLASSIFICATION OF APPROPRIATIONS FOR 1918

GENERAL SUMMARY

WAR DEPARTMENT

I. Military Affairs

1. Department Proper: Washington	\$ 17,213,049.98
2. Military Plant	1,852,640,066.36
3. Regular Army	3,755,196,744.53
4. Auxiliary Corps	23,903,000.00
5. Supplemental Military Services	7,097,065.82
6. Munitions Procurement Service	<u>34,912,500.00</u>
Total: Military Affairs	\$ 5,690,962,426.69

II. Civil Affairs

1. Public Works	38,266,451.17
2. National Parks	380,910.00
3. National Monuments	5,820.00
4. Lake Survey	125,000.00
5. Public Buildings and grounds, D.C.	<u>1,070,849.00</u>
Total: Civil Affairs	<u>39,849,030.17</u>
GRAND TOTAL: Military Affairs and Civil Affairs	<u><u>5,730,711,456.86</u></u>

RECLASSIFICATION OF APPROPRIATIONS FOR 1918  
WAR DEPARTMENT

I. Military Affairs

1. Department Proper: Washington

1. General: Undistributed

(1) Increase of compensation: War Dept.	\$110,952.59
(2) Additional employees: War Dept.	8,161,232.00
(3) Increase of compensation, War, Miscellaneous, Civil.	177,789.44
(4) Contingent expenses: War Dept.	1,394,175.00
(5) Stationery, War Dept.	445,000.00
(6) Maps: War Dept.	10,000.00
(7) Postage & Postal Union Countries: War Dept.	500.00
(8) Rent of buildings: War Dept.	300,399.95
(9) Temporary Office buildings: War Dept.	2,377,500.00
(10) Temporary Office buildings, War & Navy Dept.	<u>2,100,000.00</u>
Total: General: Undistributed	<u>15,077,519.98</u>

2. Office of Secretary and Assistant Secretaries.

(1) Office of Secretary of War	155,940.00
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3. Office of Chief of Staff

(1) Army War College

1. Army War College	9,000.00
2. Maintenance, Army War College	<u>10,700.00</u>
Total: Army War College	<u>19,700.00</u>

4. Office of Adjutant General

(1) Adjutant General's Office	852,540.00
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5. Office of Inspector General

(1) Office of Inspector General	18,160.00
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6. Office of Judge Advocate General

(1) Office of Judge Advocate General, U.S. Army	35,640.00
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7. Office of Provost Marshal General

(1)

8.	Office of Quartermaster General	
	(1) Office of Quartermaster General	410,340.00
9.	Office of Chief of Ordnance	
	(1) Office of Chief of Ordnance	126,210.00
10.	Office of Chief of Engineers	
	( 1) Office of Chief of Engineers	112,510.00
11.	Office of Surgeon General	
	1. General: Undistributed	
	(1) Office of Surgeon General	182,640.00
	2. Library: Office of Surgeon General	
	(1) Library Surgeon General's Office	10,000.00
	3. Army Medical Museum	
	(1) Army Medical Museum	7,500.00
	TOTAL: Office of Surgeon General	<u>200,140.00</u>
12.	Office of Chief Signal Officer	
	(1) Signal Officer	45,960.00
13.	Office of Chief of Coast Artillery	
	(1) Office of Chief of Coast Artillery	22,360.00
14.	Bureau of Militia	
	(1) Militia Bureau	49,800.00
15.	Bureau of Insular Affairs	
	(1) Bureau of Insular Affairs	85,230.00
	TOTAL: Department Proper; Washington	<u>17,213,049.98</u>
2.	Military Plant	
	1. Fortifications	
	1. General: Undistributed	
	(1) Armament for seacoast defenses	1,517,110,000.00
	(2) Supplies for sea coast defenses	60,000.00
	(3) Submarine Mines	700,000.00
	TOTAL: General: Undistributed	<u>1,517,870,000.00</u>

2. Insular Possessions

(1) Fortifications in insular possessions	115,000.00
(2) Fire Control in insular possessions	2,000.00
(3) Sea coast defenses, Philippine Island & Hawaii	<u>95,000.00</u>
Total: Insular Possessions	<u>210,000.00</u>
TOTAL: Fortifications	1,518,080,000.00

2. Army Posts

1. General: Undistributed

(1) Barracks & Quarters	113,407,744.00
(2) Barracks & Quarters, Sea coast defenses	7,027,000.00
(3) Roads, Walks, Wharves and drainage	21,794,100.00
(4) Construction & repair of hospitals	55,404,300.00
(5) Quarters for hospital stewards	25,000.00
(6) Shooting galleries and ranges	7,043,540.00
(7) Military post exchanges	850,000.00
(8) Rent of buildings	79,100.10
Total: General Undistributed	<u>205,630,784.10</u>

2. Gulf Ports

(1) Repairs to buildings, etc., Gulf Ports	89,962.60
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3. Fort Monroe, Va.

(1) Sewage system, Fort Monroe, Va.	10,723.48
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4. Fort Riley, Kans.

(1) Bridge across the Republican River, Fort Riley, Kans.	15,000.00
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5. Philippine Islands

(1) Barracks and Quarters, Philippine Islands	500,000.00
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6. Schofield Barracks, Hawaii

(1) Purchase of land, Military Post, Schofield Barracks, Territory of Hawaii	10,300.00
(2) Military Post, Schofield Barracks, Ter- ritory of Hawaii	<u>1,077,000.00</u>
Total: Schofield Barracks, Hawaii	<u>1,087,300.00</u>
Total: Army Posts	207,333,770.18

3. Depots, Shipping Facilities, etc.

1. General: Undistributed

(1) Inland & port storage & shipping facilities	100,000,000.00
(2) Terminal storage & shipping facilities	15,000,000.00
(3) Storage facilities at armories & arsenals	1,000,000.00
(4) Engineer depots	35,000.00
Total: General: undistributed	<u>116,035,000.00</u>
2. Quartermasters Depot, St. Louis, Mo.	
(1) Quartermasters Depot, St. Louis, Mo.	300,000.00
Total: Depots, Shipping Facilities, etc.	<u>116,335,000.00</u>
4. Proving Grounds	
1. General Undistributed	
(1) Proving Grounds facilities	8,500,000.00
2. Sand Hook, N. J.	
(1) Proving Grounds, Sandy Hook, N.J.	94,000.00
(2) Proving Grounds, Sandy Hook, N.J.	31,000.00
Total: Sandy Hook, N.J.	<u>125,000.00</u>
Total: Proving Grounds	<u>8,625,000.00</u>
5. Education and Training Institutions	
1. Military Academy, West Point, N.Y.	
(1) Pay of Military Academy	983,602.18
(2) Maintenance, U.S. Military Academy	375,844.00
Total: Military Academy, West Point, N.Y.	<u>1,359,446.18</u>
2. Coast Artillery School, Fort Monroe, Va.	
(1) Coast Artillery School, Fort Monroe, Va.	28,000.00
3. Engineers School, Washington, D. C.	
(1) Engineers School, Washington, D. C.	30,000.00
4. United States Service Schools	
(1) United States Service Schools	35,350.00
5. Vocational Training for Soldiers	
(1) Vocational Training for Soldiers	250,000.00
Total: Education and Training Institutions.	<u>1,702,796.18</u>
6. Communication Systems	

6. Communication Systems

1. Coast Artillery Posts

(1) Commercial telephone service at  
coast artillery posts 13,500.00

2. Alaska

(1) Construction & Maintenance of mili-  
tary and post roads, bridges and  
trails, Alaska 500,000.00

(2) Washington-Alaskan Military Cable &  
telephone systems 50,000.00

Total: Alaska 550,000.00

Total: Military Plant 1,852,640,066.36

3. Regular Army

1. Departmental and Corps Expenses

1. Office of the Secretary

(1) Secretary's Office: contingencies  
of the Army 50,000.00

2. General Staff Corps

(1) Contingencies, military information  
section, General Staff Corps 500,000.00

(2) Expenses of military observers  
abroad 15,000.00

Total: General Staff Corps 515,000.00

3. Adjutant Generals Department

(1) Adjutant Generals Department, Con-  
tingencies headquarters of military  
departments, etc. 7,500.00

4. Surgeon Generals Department

(1) Hospital care Canal Zone garrisons 55,000.00

5. Provost Marshal Generals Department

(1) Registration & selection for military  
service 12,476,490.00

6. Ordnance Department

(1) Ordnance Service 12,175,000.00

(2) Small arms target practice	92,576,000.00
(3) National trophy & medals for rifle contests	10,000.00
Total: Ordnance Department	<u>104,761,000.00</u>
7. Signal Corps	
(1) Signal Service of the Army	51,800,000.00
(2) Increase for Aviation, Signal Corps	640,000,000.00
Total: Signal Corps	<u>691,800,000.00</u>
8. Engineer Department	
(1) Engineers operations in the field	256,300,000.00
(2) Military Surveys & maps	500,000.00
(3) Contingencies, Engineers Dept., Philippine Islands	4,000.00
Total: Engineer Department	<u>256,804,000.00</u>
9. War Port Board, New York	
(1) Expenses, War Port Board, New York	4,500.00
Total: Departmental and Corps Expenses.	<u>1,066,473,490.00</u>
2. Pay, etc., of the Army	
1. Pay, etc., of the Army	492,533,278.40
2. Increase of compensation, military establishment	1,764,005.29
Total: Pay, etc., of the Army	<u>494,297,283.69</u>
3. Mileage	
1. Mileage of officers & contract surgeons	6,490,000.00
4. Equipment and Supplies	
1. Supplies, services & transportation	1,383,497,496.00
2. Horses for Cavalry, artillery, Engineer, etc.	40,400,000.00
3. Medical & Hospital Dept.	101,000,000.00
4. Engineer equipment of troops	12,100,000.00
5. Ordnance Stores: Ammunition	189,482,000.00

6. Manufacture of arms	50,686,100.00
7. Ordnance stores and supplies	143,346,585.00
8. Automatic rifles	220,277,000.00
9. Armored motor cars	37,350,000.00
10. Machinery for rifles	9,500,000.00
11. Ordnance material proceeds of sales	<u>248,129.84</u>
Total: Equipment and Supplies	<u>2,187,887,310.84</u>

Total: Regular Army

3,755,196,744.53

4. Auxiliary Corps

1. Reserve Officers Training Corps

(1) Quartermasters supplies, equipment, etc., Reserve Officers Training Corps	173,170,000.00
(2) Ordnance stores, equipment, etc., Reserve Officers Training Corps	<u>1,000,000.00</u>
Total: Reserve Officers Training Corps	<u>4,170,000.00</u>

2. Enlisted Reserve Corps

(1) Quartermasters supplies, equipment, etc. Enlisted Reserve Corps	250,000.00
(2) Signal equipment, Enlisted Reserve Corps	<u>300,000.00</u>
Total: Enlisted Reserve Corps	<u>550,000.00</u>

3. National Guard

(1) Arming, equipping & training the National Guard	5,312,000.00
(2) Arms, uniforms, equipment, etc., for field service, National Guard	7,000,000.00
(3) Supplying & exchanging infantry equipment, National Guard	<u>1,200,000.00</u>
Total: National Guard	<u>13,512,000.00</u>

4. Civilian Training Corps

(1) Civilian military training camps	4,771,000.00
(2) Rifle ranges for civilian instruction	320,000.00
(3) Ordnance supplies for military equipment of schools & colleges	500,000.00
(4) Quartermaster supplies for military equipment of schools & colleges	<u>80,000.00</u>

Total: Civilian Training Corps 5,671,000.00

Total: Auxiliary Corps 23,903,000.00

5. Supplemental Military Services

1. Soldiers Homes

1. National Home for Disabled Volunteer Soldiers, District of Columbia

(1) Board of Managers, National Home for Disabled Volunteer Soldiers 4,429,000.00

2. National Sanitarium for Disabled Volunteer Soldiers, Hot Springs, S. D.

(1) National Sanitarium for Disabled Volunteer Soldiers, Hot Springs, S. D. 206,500.00

3. State or Territorial Homes for Disabled Soldiers and Sailors

(1) State or territorial homes for disabled soldiers and sailors 1,030,000.00

4. Soldiers Home Interest Account

(1) Soldiers Home Interest Account 98,206.55  
Total: Soldiers Homes 5,763,706.55

2. Cemeteries

(1) National Cemeteries 120,000.00  
(2) Pay of superintendent, National cemeteries 63,120.00  
(3) Repairing roads of national cemeteries 12,000.00  
(4) Headstones for graves of soldiers 50,000.00  
(5) Monuments or tablets in Cuba and China 1,000.00  
(6) Disposition of remains of officers, soldiers and civil employees 560,000.00  
(7) Burial of indigent soldiers 2,000.00  
(8) Burial of indigent patients, army and navy hospital, Hot Springs, Ark. 200.00  
(9) Care, etc., of Confederate burial plat 1,250.00  
(10) Confederate Stockade Cemetery, Johnstons Island, Sandusky Bay, Ohio. 250.00  
Total: Cemeteries 809,620.00

3. Miscellaneous

(1) Claims of officers & men of the army for destruction of private property 4,685.95

(2) Claims of officers & men of the army for loss of private property	200,000.00
(3) Claims for damages to & loss of private property	15,000.00
(4) Judgment, Court of Claims, War	50,488.72
(5) Judgment, United States Court, War	9,395.46
(6) Arrears of pay, bounty, etc., certified claims	25,000.00
(7) Pay, etc., of the army, war with Spain, certified claims	1,000.00
(8) Extra pay to volunteers, war with Spain	1,135.68
(9) Extra pay to regular army, war with Spain	83.46
(10) Relief of legal representatives of Napoleon B. Giddings	1,950.00
(11) Artificial limbs	210,000.00
(12) Trusses for disabled soldiers	2,000.00
(13) Appliances for disabled soldiers	1,000.00
(14) Care of insane Filipino soldiers	1,500.00
(15) Care of insane soldiers, Porto Rico Regiment of infantry.	300.00
Total: Miscellaneous	<u>523,539.27</u>

Total: Supplemental Military Services

7,097,065.82

6. Munitions Procurement Service

1. Arsenal

1. General: Undistributed

(1) Repairs of arsenals	1,150,000.00
(2) Testing machines	25,000.00
Total: General: Undistributed	<u>1,175,000.00</u>

2. Augusta Arsenal: Augusta, Ga.

(1) Augusta Arsenal, Augusta, Ga.	5,000.00
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3. Benicia Arsenal, Benicia, Calif.

(1) Benicia Arsenal, Benicia, Calif.	98,200.00
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4. Frankfort Arsenal, Philadelphia, Pa.

(1) Frankfort Arsenal, Philadelphia, Pa.	2,996,000.00
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5. Picatinny Arsenal, Dover, N. J.

(1) Picatinny Arsenal, Dover, N.J.	108,500.00
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6. Rock Island Arsenal, Rock Island, Ill.

(1) Rock Island Arsenal, Rock Island, Ill.	7,434,100.00
(2) Rock Island Bridge, Rock Island, Ill.	20,000.00
(3) Rock Island Power Plant, Rock Island, Ill.	12,500.00
Total: Rock Island Arsenal, Rock Island, Ill.	<u>7,466,600.00</u>

7. San Antonio Arsenal, San Antonio, Tex.

(1) San Antonio Arsenal, San Antonio, Tex.	158,000.00
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8. Springfield Arsenal, Springfield, Mass.

(1) Springfield Arsenal, Springfield, Mass.	339,500.00
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9. Watertown Arsenal, Watertown, Mass.

(1) Watertown Arsenal, Watertown, Mass.	1,703,100.00
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10. Watervliet Arsenal, West Troy, N.Y.

(1) Watervliet Arsenal, West Troy, N.Y.	982,600.00
Total: Arsenals	<u>15,032,500.00</u>

2. Nitrate Plants

(1) Nitrate Plants	19,880,000.00	
Total: Munitions Procurement Service	<u>34,912,500.00</u>	<u>34,912,500.00</u>
Total Military Affairs		<u>5,690,962,426.69</u>

II. Civil Affairs

1. Public Works

1. General: Undistributed

(1) Civilian assistants to Engineer Officers	75,000.00
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2. Rivers and Harbors

(1) Harbor at Portland, Me.	300,000.00
(2) Waterway connecting Buzzards Bay and Cape Cod Bay, Mass. etc. etc.	5,000.00
Total: Rivers and Harbors	<u>37,974,142.65</u>

3. California debris Commission

(1) Expenses, California Debris Commission	15,000.00
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(1) Rock Island Arsenal, Rock Island, Ill.	7,434,100.00	
(2) Rock Island Bridge, Rock Island, Ill.	20,000.00	
(3) Rock Island Power Plant, Rock Island, Ill.	12,500.00	
Total: Rock Island Arsenal, Rock Island, Ill.	<u>7,466,600.00</u>	

7. San Antonio Arsenal, San Antonio, Tex.

(1) San Antonio Arsenal, San Antonio, Tex.	158,000.00	
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8. Springfield Arsenal, Springfield, Mass.

(1) Springfield Arsenal, Springfield, Mass.	339,500.00	
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9. Watertown Arsenal, Watertown, Mass.

(1) Watertown Arsenal, Watertown, Mass.	1,703,100.00	
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10. Watervliet Arsenal, West Troy, N.Y.

(1) Watervliet Arsenal, West Troy, N.Y.	982,600.00	
Total: Arsenals	<u>15,032,500.00</u>	

2. Nitrate Plants

(1) Nitrate Plants	19,880,000.00	
Total: Munitions Procurement Service	<u>34,912,500.00</u>	<u>34,912,500.00</u>
Total Military Affairs		<u>5,690,962,426.69</u>

II. Civil Affairs

1. Public Works

1. General: Undistributed

(1) Civilian assistants to Engineer Officers	75,000.00	
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2. Rivers and Harbors

(1) Harbor at Portland, Me.	300,000.00	
(2) Waterway connecting Buzzards Bay and Cape Cod Bay, Mass. etc. etc.	5,000.00	
Total: Rivers and Harbors	<u>37,974,142.65</u>	

3. California debris Commission

(1) Expenses, California Debris Commission	15,000.00	
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4. Permanent International Commission of Congresses  
of Navigation

(1) Permanent International Commission of  
Congresses of Navigation 3,000.00

5. Alaska

(1) Wagon roads, bridges & trails, Alaska  
Fund 199,308.52

Total: Public Works

38,266,451.17

2. National Parks

1. Chickamauga & Chattanooga National Park

(1) Chickamauga & Chattanooga National Park 55,260.00

2. Shiloh National Military Park

(1) Shiloh National Military Park 29,550.00

3. Gettysburg National Park

(1) Gettysburg National Park 42,500.00

4. Vicksburg National Military Park

(1) Vicksburg National Military Park 33,000.00

5. Guilford Courthouse National Military Park

(1) Guilford Courthouse National Military Park 3,100.00

6. Crater Lake National Park

(1) Improvement of Crater Lake National Park 50,000.00

7. Yellowstone National Park

(1) Improvement of Yellowstone National Park 167,500.00

Total: National Parks

380,910.00

3. National Monuments

1. Antietam Battle Field

(1) Antietam Battle field preservation 4,500.00

2. Birthplace of Washington, Wakefield, Va.

(1) Improvement, birthplace of Washington,  
Wakefield, Va. 100.00

3. Birthplace of Lincoln, Ky.

(1) Preservation birthplace of Abraham Lincoln 1,020.00

4. Building where Lincoln Died, Washington, D.C.

(1) Repairs to building where Abraham Lincoln died 200.00

Total: National Monuments 5,820.00

4. Lakes Survey

(1) Survey of Northern and Northwestern Lakes 125,000.00 125,000.00

5. Public Buildings and Grounds, District of Columbia

1. General: Undistributed

(1) Salaries of employees, public buildings and grounds 99,305.00  
(2) Contingent expenses, public buildings & grounds 8,054.00  
(3) Improvements & care of public grounds 14,400.00  
(4) Improvement & care of public grounds, D. C. 376,550.00  
(5) Lighting public grounds, D. C. 27,620.00  
Total: General: Undistributed 525,929.00

2. Washington Monument

(1) Care & Maintenance of Washington Monument 20,820.00

3. Executive Mansion

(1) Repairs, fuel, etc., Executive Mansion 115,000.00  
(2) Sighting, etc., Executive Mansion 8,600.00  
Total: Executive Mansion 123,600.00

4. Telegraph connecting Capitol with Departments and Government Printing Office

(1) Telegraph to connect the Capitol with the Departments and Government Printing Office 500.00

5. Potomac River Bridge

(1) Bridge across Potomac River at Georgetown, D. C. 400,000.00

Total: Public Buildings and grounds: District of Columbia 1,070,849.00

Total: Civil Affairs 39,849,030.17

GRAND TOTAL: Military Affairs and Civil Affairs 5,730,883,556.86