Form F. R. 511(a)

TO Mr. Vest

FROM Gov. Eccles

Feb. 26, 1951.

REMARKS:

This is the letter from Sen. McClellan, about which I just talked to you on the phone. Would appreciate your preparing a reply for my signature.

M.S.E.

GOVERNOR ECCLES' OFFICE

C O P Y

UNITED STATES SENATE
Washington, D. C.

Committee on
Expenditures in the
Executives Departments

February 22, 1951

Hon. Marriner S. Eccles
Board of Governors
Federal Reserve System
Washington, D. C.

Dear Mr. Eccles:

The attached bill, S. 913, would amend the Legislative Reorganization Act of 1946 to provide for more effective evaluation of the fiscal requirements of the executive agencies of the Government of the United States. It closely resembles S. 2898, introduced in the 81st Congress.

Hearings are planned on this proposed legislation in the near future. Will you please therefore send the Committee your views and recommendations, in triplicate, at the earliest possible date?

Thanking you for your attention to this matter, I am

Sincerely yours,

(Signed) John L. McClellan

Chairman

March 8, 1951.

Honorable John L. McClellan,
United States Senate,
Washington 25, D. C.

Dear Senator McClellan:

This will acknowledge your letter of February 22, 1951, with which was attached your bill S. 913 which would amend the Legislative Reorganization Act of 1946 to provide for the more effective evaluation of the fiscal requirements of the executive agencies of the Government. As you have indicated, S. 913 is similar in every substantial respect to S. 2898 introduced in the 81st Congress.

You may recall that at your request I submitted my views on S. 2898 by letter dated February 15, 1950, copies of which I am enclosing for your ready reference. My views with reference to S. 913 are generally similar to those which I expressed with referernce to S. 2898. I feel that some legislation of this kind is needed and that you are to be commended for your constructive efforts in this direction. The bill provides for an organization and adequate procedures which should enable the Congress to secure information essential to proper consideration of the complex problems involved in the appropriation requests of the various executive agencies.

If I can be of any further assistance to you in connection with this matter, please let me know.

With kindest personal regards, I am

Sincerely yours,

M. S. Eccles.

Enclosures

Form F. R. 511(a)

TO ______________________________

FROM ______________________________

REMARKS:

This came from Senator McClellan --

through the mail.

attach to my letter to McClellan

GOVERNOR ECCLES' OFFICE

(Not printed at Government expense)

Congressional Record

United States of America

PROCEEDINGS AND DEBATES OF THE 82d CONGRESS, FIRST SESSION

Budgeting and Accounting Problems of the Federal Government

EXTENSION OF REMARKS
OF
HON. JOHN L. McCLELLAN
OF ARKANSAS
IN THE SENATE OF THE UNITED STATES
Wednesday, April 25, 1951

Mr. McCLELLAN. Mr. President, I ask unanimous consent to have printed in the Appendix of the RECORD excerpts from an article by Herman C. Loeffler, a member of the staff of the Committee on Expenditures in the Executive Departments, on budgeting and accounting problems of the Federal Government. The article was published in the Quarterly National Tax Journal of March 1951.

There being no objection, the excerpts were ordered to be printed in the RECORD, as follows:

ALICE IN BUDGET LAND

(By Herman C. Loeffler)[1]

Federal budget and appropriation practices have long since developed Alice-in-Wonderland overtones of unreality and confusion. They are badly in need of basic reforms. * * *

DEFECTS IN CURRENT PRACTICES

Appropriations based on obligations

The initial and traditional stages of preparation by the departments and agencies of their annual spending requests make good sense. The organization units formulate their desired work programs in the light of social, economic, political, and many other developments and needs. Wherever possible these programs are divided into proper work units. The work units are then multiplied by estimated costs per unit, thus developing proposed expenditures relative to the budget year.

But from here on, the Alice-in-Wonderland conditions start. The controlling financial statutes require that proposed expenditures be translated into so-called obligations, which [are] the total dollar amounts required to make the arrangements which are necessary as a practical matter to accomplish a work program. They consist of the full commitments to obtain desired services by hiring people and to obtain commodities and other objects by the letting of short- or long-term contracts, usually limited by statute to a maximum life of 3 years.

The result of this requirement is that although the proposed work programs of a Federal agency may be identical for two successive years, the obligations requested of Congress as proposed appropriations to accomplish these programs may be quite different. Why? Assume that in the first of two identical annual work programs of a Federal agency for successive years, obligations were incurred to cover a relatively large number of 2-year contracts in their entirety, and that in the following year few multiyear contracts were included because the expiring contracts were available from the prior year to supply required goods and services. Under this assumption the agency might have the same $10,000,000 work programs in both fiscal years 1949 and 1950, although requiring an appropriation of $12,000,000 for the first year as contrasted with an appropriation of only $8,000,000 for the second year. Under these circumstances, appropriations of course cease to indicate the scope of agency work programs.

This example is much simpler than the conditions existing in practice, particularly in those departments and agencies which carry on many construction projects for which 3-year building contracts are frequent. In these cases computation of an annual appropriation requires that two deductions must first be made from the estimated amount of the actual annual construction to be accomplished, in order to adjust for those expenditures in the budget year which will be met from the unused portions of multiyear contracts awarded in the two prior years (unliquidated obligations carried forward) and still available for expenditure. Further, the appropriation for the proposed construction program must be increased by two additions in order to provide for expenditures occurring in the two subsequent years under the long-term contracts which are to be let in the budget year.

The upshot of these adjustments is that in determining the size of the appropriation for a given construction program, consideration must be given to work involved during a total period of 5 years. The amount of the appropriation may therefore give no indication whatever of the actual amount of work to be done in the fiscal year.

Expenditures not comparable with appropriations

This Alice-in-Wonderland confusion is of course equally bad in connection with the actual expenditures under annual appropriations. As has been indicated, annual appropriations include, in addition to adjustments for carry-overs between years, the total contracts to be awarded in the fiscal year, without regard to the longer period over which expenditures under those contracts may be spread before they are completed. The annual expenditure reported by an agency therefore has no relation to the year when the contracts were let or other obligations were incurred to obtain the necessary current deliveries.

Imagine trying to exercise sound judgment in preparing budgets under this theoretical background. Using the simple example already given, the agency would report expenditures of $10,000,000 each in fiscal years 1949 and 1950. Since $12,000,000 was the first year's appropriation, the agency had presumably been very economical and had underspent its allowance. In the second year, however, it had supposedly broken the law and seriously overspent by the same amount. Of course, both of these conclusions are entirely incorrect.

[1] The ideas expressed in this article by Mr. Loeffler are his own and not to be construed as those of the Senate Committee on Expenditures in the Executive Departments, with which he became associated as a professional staff member in early 1949. For years he was active in research work on problems of local government in New York, St. Louis, Boston, and other cities. Starting in 1941 he served 8 years with the U. S. Bureau of the Budget, mostly as one of the Assistant Chiefs of its Fiscal Division.

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In many agencies, annual appropriations provide only the annual salaries of those employed, plus quarters and small amounts for travel and the like, so that there is practically no carry-over between years. The above difficulties are therefore either nonexistent or relatively inconsequential. In other agencies, however, notably those letting contracts for big building operations, the reverse will be true; very heavy carry-over will occur between years because of the multiyear contracts in effect. Other agencies will lie between these two extremes. The difficulty is that one never knows to what degree the annual expenditures reported for an agency are comparable with the appropriations voted for it.

Lack of cohesion in budget document

As to this never-never land of fiscal planning and control under practical operating conditions, let me comment very briefly on the resultant serious problems for the annual Federal budget document. That huge tome of telephone-directory size contains an immense amount of valuable data laboriously prepared after much discussion and planning by the Federal agencies and then gathered and reshaped by the Bureau of the Budget to fit into the President's program.

It is a fact of great importance to the whole democratic process that this large collection of very important financial material scares off many interested persons. Some of this negative reaction undoubtedly stems from the fact that the basic design of the budget document is so faulty. It starts with some 200 pages of Presidential budget message and summary tables, prepared quite exclusively on an expenditure basis so that the programs proposed in the budget may be fitted into economic and financial developments in national affairs of the present and near future.

Incredible as it may sound, that material is supported—of necessity under existing law—by over 1,000 pages of densely packed and unrelated detail on the obligation basis which must be used for appropriations. The result is that the document has an unbelievable lack of internal cohesion.[2]

* * * * *

Accounting controls a factor

The reader may wonder why responsible officials have so long clung to the present confused procedure. In part that hesitation is probably due to a myriad of technical and perplexing details which departures from traditional methods would raise in the far-flung and complicated operations of the Federal Government.

More important, however, is undoubtedly the fact that the present system lends itself to easy accounting controls to prevent overspending of appropriations. Thus, each appropriation is set up as a control figure over an account when it is voted. The account is then cumulatively charged with a variable mixture of expenditures as they occur—of current expenditures such as the regular payroll and of the full amounts of multiyear contracts as awarded, regardless of their expiration dates beyond the close of the fiscal year.

At the end of the fiscal year, the residual unobligated amount is by law then no longer available for further obligation. But the obligated balance is carried forward, usually for 2 years,[3] so that as the unfinished contracts and other obligations are completed, expenditures are cumulated against the original obligations which were entered in the accounts to provide for each full contract to maturity.

In this simple fashion eventual overspending of any appropriation is prevented regardless of the mixed sequence of long-term and short-term transactions with either slow or rapid subsequent rates of liquidation * * *.[4]

PROPOSED THREE-WAY PROGRAM

Many laws control Federal transactions and finance * * *. One of these, dating from 1874 * * * requires that "the Secretary of the Treasury shall cause all unexpended balances which shall have remained upon the books of the Treasury for two fiscal years, to be carried to the surplus fund and covered into the Treasury."[5]

The second statute, the so-called Antideficiency Act of 1905, provides that "no executive department or other Government establishment of the United States shall expend, in any one fiscal year, any sum in excess of appropriations made by the Congress for the fiscal year, or involve the Government in any contract or other obligation for the future payment of money in excess of such appropriation. * * *"[6]

These two statutes are primarily responsible for the confusion which has been briefly discussed. It is proposed that they be modified by three statutory amendments. These amendments are by no means the original ideas of the author. They also reflect the findings of various writers (A. J. Wilson, *The National Budget*; Charles G. Dawes, *Statement in 1921 Federal Budget*; W. F. Willoughby, *The National Budget System*; A. E. Buck, *Public Budgeting, Financial Control and Accountability*, and *Financing Canadian Government*; J. Wilner Sundelson, *Budgetary Methods in National and State Governments*; and Lucius Wilmerding, *The Spending Power*, and his testimony on June 26, 1945, on H. Con. Res. 18), who have developed different aspects of the thesis underlying this article. Moreover, the proposed statutory changes are in line with the fiscal methods successfully used in Canada and Great Britain.

The following three-way program would replace the present loose and inadequate annual control by Congress over the operations of Federal agencies through appropriations based on obligations, with a proposed annual control which bases appropriations on expenditures. From such an "annuality" concept would arise many benefits of better budgeting, of a cohesive budget document, and of reports which the public really use for controlling the annual expenditures of the executive agencies.

* * * * *

I. LAPSING APPROPRIATIONS AND OBLIGATIONS

On each June 30, lapse all annual appropriations and all unfulfilled obligations against them, thus, without exception, limiting the availability of each annual appropriation to those goods which are actually delivered and those services which are actually rendered up to the end of the fiscal year. As to permanent appropriations (which are undesirable because they escape fresh budget consideration and readjustment each year), it is proposed that the amounts thereby made available in successive fiscal years be

[2] The budget document transmitted to the Congress on January 15, 1951, considerably modifies a former important summary table in an effort to bridge the gap between the expenditure approach of the budget message and the immense supporting obligation detail required by law. To that end the modified table continues the usual six columns of both appropriation and expenditure figures for the three fiscal years covered, then adds eight new columns to trace the degree to which annual expenditures are based on the later liquidation of obligations incurred against prior year appropriations. This painstaking exercise is of doubtful usefulness and unfortunately falls short of meeting the criticisms which motivate the action program proposed in this article.

[3] Actually, under a 1949 statute, unused parts of appropriations are continued as available for paying claims and judgments approved by the General Accounting Office until the statute of limitations takes effect.

[4] It is a great pleasure to indicate a recent basic change promulgated for agency accounting by the General Accounting Office on June 1, 1950 (Accounting Systems Memorandum No. 7, May 2, 1950). The new system permits relegating present accounting for commitments and obligations to memorandum accounts, so that the primary basis of accounting may be the expenditure controls which this article argues would have many beneficial effects in Federal operations. This development has possibilities of far-reaching significance.

[5] 18 Stat. 110.

[6] 31 U. S. C. 665.

treated as if they were individual annual appropriations. * * *

* * * * *

The essence of budget planning should be the translation of the proposed actual work program of each agency for the budget year into estimated dollars of expenditure. Once approved or modified by the Congress, these dollar amounts ought then to become the simple, understandable basis of control for each annual appropriation.

Instead, as has been indicated, there must now first be deducted from such amounts the obligations of the two prior years which it is estimated will be liquidated as expenditures in the current year. Then there must be added the "extra" amounts of long-term new obligations to be incurred against current appropriations although they will not be liquidated until the two subsequent fiscal years. The comprehensibility of such a process is obscure, to put it mildly.

In past years the Budget Bureau has prepared at the request of the House Appropriations Committee, but has not printed for general public circulation, a complicated and extended tabulation which bridges the gap between the disparate part I expenditure and part II obligation bases of the budget document. It shows for each proposed appropriation the proposed expenditures for the budget year ahead and the carry-overs at the beginning and end of that year. * * * [7]

The proposed lapsing provision would have the very great advantage of giving Congress direct control over both the amount and purpose of spending within each fiscal year, through appropriations based on expenditures. As things now stand, the carry-over to a later year of part of the obligations incurred against prior years' appropriations makes it possible for an agency to use up more of those obligations carried forward than had been anticipated, and therefore for the agency to spend at a more rapid rate than Congress had in mind when the relevant appropriation was considered and enacted.

Prevent wasteful last-minute obligations

Of importance also is the fact that since appropriations are based on obligations, unobligated balances of an unexpected size will arise in some agencies as the end of the year approaches. These balances should become savings. Instead, they are a source of possible waste and extravagance. The agencies are now prone to use them to incur last-minute obligations for delivery over future months of rugs, typewriters, motor equipment, and other items which were not part of the original budget plan.

Such abuse is also possible but probably would be of much smaller scope under the proposed expenditure basis of appropriations. The reason is that the unobligated surplus to be used up as the fiscal year matures would usually be revealed too late to permit entering purchase orders and also obtaining delivery thereunder of these last-minute purchases by June 30.

Other benefits of annuality

If the proposed lapsing provision is adopted, the question of obligations will drop out of part II of the budget document because both parts will then be on an expenditure basis. Cohesion will be introduced between parts I and II by standard tables which will present a simple, uniform comparison, first in summary and then in detail. This simple, standard, 3-year comparison will show actual expenditures for the last completed fiscal year, estimated expenditures for the year underway, and proposed appropriations (that is, proposed expenditures) for the budget year ahead.

The new basis would permit easy follow-up and control of the financial aspects of a work program as presented in successive budget documents. Thus, the actual 1950 expenditures for each agency's program, as reported in the 1952 budget document, could be directly compared with (figures for the same year in earlier documents). * * *

This proposal would also make possible an important start toward budgeting Federal capital expenditures. For that purpose, simple tables would be feasible showing (a) actual expenditures, by years and cumulatively, from the annual appropriations voted in prior years to implement each multiyear contract authorization (see point III below); (b) the estimated expenditure during the current year; (c) the proposed expenditure during the budget year; and (d) the residual amounts required to carry contract authorizations to completion, for which annual appropriations must still be voted.

Such capital-budget data would show how far "Uncle Sam has incurred and paid off outstanding mortgages." This very important information is now inextricably mixed in with current appropriations. Surely the financial deliberations of the Congress on new projects would be greatly improved by this much more adequate progress data on authorized projects underway.

The proposed expenditure approach would make possible for the first time the legislative budget stipulated under the Legislative Reorganization Act of 1946. That act was designed to control total expenditures during the year ahead, but the obligation basis of appropriation makes it impossible really to limit expenditures specifically * * *

Likewise, appropriation controls on an expenditure basis would for the first time permit the making of a meaningful table of receipts from and payments to the public. Increasing importance is being placed on this approach in various quarters. * * *

II. NINETY-DAY RESERVES, ETC., TO PAY CLAIMS AND TARDY BILLS

Authorize each department to set up temporary reserves from expiring annual appropriations to pay tardy bills for goods and services actually provided up to the end of the fiscal year, which are rendered within 90 days after June 30. Use special single appropriation to pay billings delayed more than 90 days.

Many Federal agencies operate over huge areas and distances—on a world-wide basis in the case of the State and Military Departments in particular. Even under normal peacetime conditions, therefore, creditors cannot always render bills promptly for goods which have been delivered or services which have been rendered in the closing days of each fiscal year. After the bills are received, some time is required to prepare checks in payment. Finally, further time elapses while the checks are being cashed and cleared by the banks.

It has been testified by experts that the printing process of the Government Printing Office involves up to 90 days of delay in billing; travel, communications, supplies, rents, and utilities introduce delays ranging up to 75 days, and transportation items up to as much as 140 days. In the latter cases, the railroads must not only assemble all freight bills but must then work out the amounts due each participating railroad. * * *

It is suggested that early in July, 90-day reserves be set up in departmental accounts from expiring appropriations to pay anticipated tardy bills submitted for goods actually delivered and services actually rendered before July 1. This length of period seems adequate to meet anticipated tardiness of all except a very small proportion of the bills for the year's transactions. At the same time this period leaves another 90 days before early January during which (a) the Treasury Department can assemble final figures on total actual departmental expenditures for the year ending June 30, and (b) the Budget Bureau can incorporate the actual data in various comparisons in the budget document before it is transmitted to the Congress.

* * * * *

Treatment of bills over 90 days late

After the conclusion of the above 90-day period, there arises the problem of what shall be done with tardy bills received thereafter, including the judgments and claims certified by the General Accounting Office.[8] * * *

[7] See footnote 2.

[8] See 63 Stat. 407, of 1949.

The departments might be allowed to absorb some or all of items below $500 each from their appropriations for the following year, or a simple solution would be to vote a single annual appropriation to a central account in the Treasury Department to pay all amounts billed more than 90 days late. * * *

* * * * *

Where accrual accounts are installed in the departments, adjustment can be made for * * * changes in inventories during each year. The exact role of accrual accounts in the Federal scene must be worked out, however. On the revenue side they cannot follow State and local practice too closely because the Federal tax liabilities of individuals, unlike individual tax liabilities on local real estate, are usually not known in advance. As to expenditures, the accrual accounts will be open to serious basic criticism if they weaken or obscure clear, simple congressional control through annual appropriations in the current year for goods actually delivered and services actually rendered in that current year.

* * * * *

III. CONTRACT AUTHORIZATIONS SUPPORTED BY APPROPRIATIONS

Use contract authorizations exclusively rather than only occasionally, as at present, to provide for multiyear programs. Require that each multiyear contract which is awarded shall contain a clause specifying that until the work is completed annual amounts of expenditure thereunder are to be wholly contingent on the size of the successive annual appropriations voted by Congress.

The latter provision has long been followed in the important construction contracts of both the Corps of Engineers and the Bureau of Reclamation.

Present construction contracts may cover 2 or 3 years of work, thus permitting more labor-saving devices to be used by contractors for the large projects and thereby bringing about lower bids. Large multiyear contracts are equally feasible under the proposed system, but Congress may subsequently reduce annual appropriations, and it is to be expected that contractors will submit higher bids to take care of this eventuality. It is felt that this loss is justified in order to give flexibility to Congress to adjust construction programs to impending booms or depressions. Flexibility could also be achieved by specifying in each contract the amount of work to be done in each of the years covered as specified in the original work plan. * * *

Under present multiyear contract awards, the public benefits if favorable weather conditions or other good luck permits a contractor to make the new facility available sooner than was anticipated. But there is a natural sequence of operations in the erection of a large building, for example, and but little speeding up is feasible as the work moves from excavation to construction of foundation, floors, and walls, to installation of internal equipment. Steel, concrete, and other supplies arrive on prearranged schedules from their separate places of manufacture, perhaps over limited railroad or highway facilities. The employment of different types of skilled and expensive labor must also be planned in advance.

Under such circumstances any great speeding up of the completion of large contracts because of favorable conditions seems improbable. To the extent, however, that there is early completion of contract work, supplementary appropriations could be voted between January and July if a project is moving ahead more rapidly than had been anticipated. Or the annual appropriation might actually be designed to provide for completion of work under contract in the shortest possible time, assuming the most favorable conditions. In the latter case, the Bureau of the Budget would be directed to hold back in nonexpendable reserves any amounts not spent because of delays.

The latter proposal is also a solution for the difficulty of estimating construction and other multiyear costs far in advance. The problem here is * * * one of reducing the amount available * * * by appropriating for average or good conditions, and then holding back proper amounts in reserves if poor conditions develop.

* * * * *

JOINT ACCOUNTING PROJECT

Good work has been done in recent years to improve Federal accounts through the joint voluntary accounting project of the General Accounting Office, the Bureau of the Budget, and the Treasury Department. It does not seem, however, that those agencies are well-advised in compromising with adaptation via accrual accounting to adjust to an obligation basis of appropriations, rather than supporting an expenditure basis of appropriations to bring about adequate reform of budget and accounting procedures.

* * * * *

The members of the joint accounting project can render a great service to the Nation by urging Congress to adopt the three-way program here proposed to meet the difficult problems which arise. Anything short of this fundamental approach will fail to clear up the Alice-in-Wonderland conditions prevailing in Federal budgeting and other fiscal practices.

82D CONGRESS
1ST SESSION

S. 913

IN THE SENATE OF THE UNITED STATES

FEBRUARY 19 (legislative day, JANUARY 29), 1951

Mr. MCCLELLAN introduced the following bill; which was read twice and referred to the Committee on Expenditures in the Executive Departments

A BILL

To amend the Legislative Reorganization Act of 1946 to provide for more effective evaluation of the fiscal requirements of the executive agencies of the Government of the United States.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 138 of the Legislative Reorganization Act of 1946, as amended, is hereby amended to read as follows:

"JOINT COMMITTEE ON THE BUDGET

"SEC. 138. (a) There is hereby created a joint service committee, to be known as the Joint Committee on the Budget (hereinafter in this section called the 'joint committee') and to be composed of ten members as follows:

"(1) Five Members who are members of the Committee on Appropriations of the Senate, three from the majority party and two from the minority party, to be chosen by such committee; and

"(2) Five Members who are members of the Committee on Appropriations of the House of Representatives, three from the majority party and two from the minority party, to be chosen by such committee.

"(b) No person shall continue to serve as a member of the joint committee after he has ceased to be a member of the committee from which he was chosen, except that the members chosen by the Committee on Appropriations of the House of Representatives who have been reelected to the House of Representatives may continue to serve as members of the joint committee notwithstanding the expiration of the Congress. A vacancy in the joint committee shall not affect the power of the remaining members to execute the functions of the joint committee, and shall be filled in the same manner as the original selection, except that (1) in case of a vacancy during an adjournment or recess of Congress for a period of more than two weeks, the members of the joint committee who are members of the committee entitled to fill such vacancy may designate a member of such committee to serve until his successor is chosen by such committee, and (2) in the case of a vacancy after the expiration of a Congress which would be filled from the Committee on Appropriations of the House of Representatives, the members of such committee who are continuing to serve as members of the joint committee, may designate a person who, immediately prior to such expiration, was a member of such committee and who is reelected to the House of Representatives, to serve until his successor is chosen by such committee.

"(c) The joint committee shall elect a chairman and vice chairman from among its members at the first regular meeting of each session: *Provided, however*, That during even years the chairman shall be selected from among the members who are Members of the House of Representatives and the vice chairman shall be selected from among the members who are Members of the Senate, and during odd years the chairman shall be selected from among the members who are Members of the Senate and the vice chairman shall be selected from among the members who are Members of the House of Representatives.

"(d) A majority of the Members of each House who are members of the joint committee shall together constitute a quorum for the transaction of business, but a lesser number, as determined by the joint committee, may constitute a subcommittee and be authorized to conduct hearings and make investigations. Any member of a subcommittee so designated shall constitute a quorum for the conduct of any hearing or investigation, but the concurrence of a majority of the members of such subcommittee shall be necessary before any report or findings may be submitted to the joint committee.

"(e) It shall be the duty of the joint committee—

"(1) (A) to inform itself on all matters relating to the annual budget of the agencies of the United States Government, during and after the preparation thereof; (B) to provide the Committee on Appropriations of the House of Representatives and the Committee on Appropriations of the Senate with such information on items contained in such budget, and the justifications submitted in support thereof, as may be necessary to enable said committees to give adequate consideration thereto; and (C) to consider all available information relating to estimated revenues, including revenue estimates of the Joint Committee on Internal Revenue Taxation, essential programs, and changing economic conditions, and, on the basis thereof, report to said committees findings relating to revisions in appropriations required to hold expenditures to the minimum consistent with the requirements of Government operations and national security;

"(2) to recommend to the appropriate standing committees of the House of Representatives and the Senate such changes in existing laws as may effect greater efficiency and economy in government;

"(3) to make such reports and recommendations to any standing committee of either House of Congress or any subcommittee thereof on matters within the jurisdiction of such standing committee relating to deviations from basic legislative authorization, or in relation to appropriations approved by Congress which are not consistent with such basic legislative authorization, as may be deemed necessary or advisable by the joint committee, or as may be requested by any standing committee of either House of Congress or by any subcommittee thereof.

"(f) The joint committee, or any subcommittee thereof, shall have power to hold hearings and to sit and act anywhere within or without the District of Columbia whether the Congress is in session or has adjourned or is in recess; to require by subpena or otherwise the attendance of witnesses and the production of books, papers, and documents; to administer oaths; to take testimony; to have printing and binding done; and to make such expenditures as it deems advisable within the amount appropriated therefor. Subpenas shall be issued under the signature of the chairman or vice chairman of the committee and shall be served by any person designated by them. The provisions of sections 102 to 104, inclusive, of the Revised Statutes (U. S. C., title 2, secs. 192–194) shall apply in the case of any failure of any witness to comply with any subpena or to testify when summoned under authority of this section.

"(g) The joint committee shall, without regard to the civil-service laws or the Classification Act of 1949, as amended, employ and fix the compensation of a staff director and such other professional, technical, clerical, and other employees, temporary or permanent, as may be necessary to carry out the duties of the joint committee, and all such employees shall be appointed without regard to political affiliation and solely on the ground of fitness to perform the duties to which they may be assigned: *Provided, however,* That the services of any such employee may be terminated by the concurrence of a majority of the members of the joint committee. No person shall be employed by the joint committee until a thorough investigation as to loyalty and security shall have been made by the Federal Bureau of Investigation and a favorable report on said investigation submitted to the chairman or vice chairman.

(h) The joint committee shall assign members of its staff (1) to assist the staff of the Committee on Appropriations of the House of Representatives and the several subcommittees thereof during the periods when appropriation bills are pending in the House of Representatives, and (2) to assist the staff of the Committee on Appropriations of the Senate and the several subcommittees thereof during the periods when appropriation bills are pending in the Senate. At other times the staff of the joint committee shall serve the joint committee directly.

"(i) Employees of the joint committee, upon the written authority of the chairman or vice chairman, shall have the right to examine the books, documents, papers, reports, preliminary and other estimates of budget requirements, or other records of any agency of the United States Government within or without the District of Columbia: *Provided, however,* That such employees shall not be permitted access to books, documents, papers, reports, estimates, records, or any other thing containing information classified for security purposes unless specifically authorized by the joint committee to receive such types of classified information.

"(j) It shall be the duty of each agency of the Government to supply to the joint committee any copies of any budgetary request submitted to the Bureau of the Budget, which the joint committee or any subcommittee thereof may request, either for regular or supplemental appropriations required for each fiscal year, with the detailed justifications in support thereof. Members of the staff of the joint committee are authorized to attend hearings of the Bureau of the Budget at which representatives of agencies justify their budgetary requests.

"(k) Qualified members of the staff of the Bureau of the Budget shall, at the request of the Committee on Appropriations of the House of Representatives or the Senate, or any subcommittee thereof, be assigned to attend executive sessions of the subcommittees of the Appropriations Committees and to explain the content and basis of proposed appropriations.

"(l) When used in this section, the term 'agency' means any executive department, commission, council, independent establishment, Government corporation, board, bureau, division, service, office, officer, authority, administration, or other establishment, in the executive branch of the Government. Such term includes the Comptroller General of the United States and the General Accounting Office, and includes any and all parts of the municipal government of the District of Columbia except the courts thereof.

"(m) There are hereby authorized to be appropriated such sums as may be necessary to carry out the purposes of this section. Appropriations for the expenses of the joint committee shall be disbursed by the Secretary of the Senate upon vouchers signed by the chairman or vice chairman."

82D CONGRESS
1ST SESSION

S. 913

A BILL

To amend the Legislative Reorganization Act of 1946 to provide for more effective evaluation of the fiscal requirements of the executive agencies of the Government of the United States.

By Mr. McCLELLAN

FEBRUARY 19 (legislative day, JANUARY 29), 1951

Read twice and referred to the Committee on Expenditures in the Executive Departments

United States Senate

COMMITTEE ON
EXPENDITURES IN THE EXECUTIVE
DEPARTMENTS

April 23, 1951

Honorable M. S. Eccles
~~Chairman~~, Board of Governors
Federal Reserve System
Washington, D. C.

Dear Mr. Eccles:

I acknowledge with gratitude your extended letter and enclosures of March 8, 1951 commenting so cogently on the budget bill, S. 913, which I have again introduced this year to bring about "more effective evaluation of the fiscal requirements of the executive agencies of the government".

I hope that you will wish to present those views orally and also submit to questioning by this Committee at daily morning hearings on S. 913 which are slated to start at 10:00 A.M. in Room 357 of the Senate Office Building, on May 8. If you will indicate when you can appear, we shall fit you appropriately into the agenda of witnesses.

With thanks for your cooperation, believe me

Sincerely yours,

John L McClellan
Chairman

5/1/51 4:15 p.m.
Talked to chief clerk
on phone May 1st
& arranged to
be relieved from
appearing at
hearing.
MSE