

## IMPROVING BUDGET PROCEDURES IN CONGRESS

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The question whether Congress lacks control over spending has been subject to much misunderstanding and even controversy. Events in the past session of Congress help us to understand the problem.

When the President presented his record peacetime budget last January, there was an unprecedented outcry by the people. They were protesting the further delay in the long-promised tax reduction. As the taxpayer protest continued, both the President and Congress tried to accede to demands to cut the budget by sharply reducing appropriations. Congress alone lopped about \$5 billion off total appropriations originally requested.

This was a major accomplishment by Members of Congress seriously concerned about meeting the demands of their constituents. But what has been the effect? First, despite the huge appropriations cuts, Congress was unable to reduce taxes in the session recently concluded. Second, now, in October, it appears that the budget total of \$72 billion, which originally brought about the taxpayer protest, will, in fact, be spent in fiscal 1958 after all. In short, substantial tax reduction next year, virtually promised by all concerned, is in serious jeopardy.

Individual Members of Congress must feel frustrated after their stalwart attempts to cut spending. Moreover, this year provides a pretty good indication that Congress, with the best of intentions, has not found the solution to the control problem.

How is this possible? Does not Congress have control of the purse under the Constitution itself? Right there, it seems to me, is the starting place for any inquiry into the problem. Uncontestably, Congress has the constitutional power to control spending. But even the power and the will to cut spending stumble, as we have seen just this year, over faulty processes, including, particularly, the piecemeal character of congressional action on the budget.

The objectives of our budget procedures are (1) to provide adequate review and control of authorizations for future spending and (2) to obtain the most efficient and productive results from current expenditures after authorization.

The budget processes involve (1) the formulation of the budget, (2) its review and authorization, (3) its execution, and (4) the audit of results. It is orthodox to say that responsibilities 1 and 3 are executive, and that 2 and 4 are legislative. But, in practice, there is much joint responsibility throughout the discharge of all four functions.

My discussion is directed mainly to the first objective of good budget process; namely, controlling the authorization of expenditures. In my judgment, the congressional processes to discharge this responsibility well and carefully are inadequate.

This is not a new complaint. As long ago as October 1951, it was my privilege to appear before Senator Byrd's Joint Committee on Reduction of Nonessential Expenditures and to report on an analysis of the Federal budget by the Committee on Federal Tax Policy. Since it has pertinence in the present discussion, may I quote our main comment:

To our surprise and amazement, we found that, out of the President's budget of \$71.6 billion, only about \$24 billion is clearly and definitely under annual congressional review and control.

Coincidentally, the budget for fiscal 1958 is very close to that 1951 figure, and we at Tax Foundation, Inc., estimate that, of the present budget, only \$30 billion "is clearly and definitely under annual congressional review and control."

The fortuitously similar figures do not reveal that Congress itself in recent years has devoted more and more attention to the problem of controlling expenditures—this committee's investigation itself is a measure of that concern—and literally hundreds of bills have been introduced to help deal with the problem.

Before discussing several of the attempts to improve congressional spending control, I would like to explain—somewhat technically, I fear—just what we at Tax Foundation mean when we say that congressional processes are now inadequate to control the authorization of expenditures.

#### LIMITATIONS OF THE APPROPRIATIONS PROCESS AS A MEANS OF CONTROL

The appropriation process is intended to be the major instrument of Congress' control of the "purse strings" of Government. It is, in fact, an important safeguard of economy to find congressional committees whose direct concern is with expenditures rather than with the substance of programs. Nevertheless, a substantial part of Federal expenditures is not effectively reviewed and controlled annually through the appropriation process. Among the reasons for this limited annual control of expenditures through the appropriation process are the following:

1. Appropriations and other authorizations passed by Congress for a given year, in part, govern expenditures for later fiscal years. Similarly, the expenditures for a given fiscal year are, in part, made from appropriations of a prior year. Thus, the appropriation process differs in timing and extent from the spending process. In the budget for the fiscal year 1958, it is estimated that \$24 billion, or about one-third of total budget expenditures, would be made from balances of prior authorizations.

2. In addition, there are annual indefinite appropriations, which, as the name suggests, authorize indefinite amounts of obligation and expenditures. These appropriations, however, are relatively small.

3. More important are the permanent appropriations, both definite and indefinite. They authorize substantial amounts of expenditures which are governed by contractual arrangements or definite legislative commitments outside control of the appropriations committees. The largest item in this category of expenditures is interest on the debt, currently over \$7 billion. The only way in which Congress makes a

direct decision about the Federal debt is through the overall debt limit it imposes; Congress does not necessarily act on the debt limit annually. The provision of appropriations to a sinking fund, as required under various acts of Congress, has become a mere bookkeeping routine.

4. Two other forms of authorizations which may serve to separate spending from the review process by the Appropriations Committees are contract authorizations, which confer authority to incur obligations in advance of appropriations, and authorizations to expend from public-debt receipts, which permit obligations and expenditures to be made from borrowed funds. For example, under the Corporation Control Act of 1945, Government-owned corporations were made subject to the annual appropriations-review process, but authorizations to expend from debt receipts can be made outside of appropriation acts.

5. The form in which many programs are authorized in basic legislation restricts the possibility of control. In programs such as aids to State and local governments, aids to veterans, and agricultural aids, the amounts spent each year depend upon formulas set out in basic legislation and upon economic conditions. There is little the Appropriations Committees can do, for example, to limit the number of veterans applying for and receiving the benefits specified in law. Control of expenditures here must be through appraisal and review of basic law, annually perhaps.

6. It is also a weakness of present procedures that once a program has been authorized in basic legislation there is a tendency for the appropriations committees to regard that authorization as a moral obligation to provide the funds required. As Senator Byrd once remarked:

\* \* \* when appropriation bills are before us, it is argued that a moral obligation is involved; but, when the basic legislation authorizing the program is before us, it is argued only authorization is involved, and appropriations are not mandatory. Actually, once a program is authorized, the pressure on Congress and the Appropriations Committees for money in increasing amounts is tremendous \* \* \*. (Hearings on annual control of the Federal budget, before the Joint Committee on Reduction of Nonessential Federal Expenditures, September 14, 1951.)

7. While it is not exactly a weakness of budgetary procedures, it is worth adding that budget terminology is complicated and confusing. The very word "appropriation" is misleading, since there actually are no "funds" to be appropriated—Congress provides taxes, to meet expenditures as they are made; tax revenue is not collected, put into a fund, and then later appropriated. An appropriation is more exactly defined as an authorization of expenditures. But the word "authorization" as currently used, has a double meaning—it refers to the authorization of appropriations in basic legislation and to the appropriations themselves. It would certainly be desirable if existing terminology could be simplified.

## LIMITATIONS ARISING OUT OF PIECEMEAL BUDGET ACTION

In addition to the procedural limitations of the appropriations process, there are limitations on the policy-forming functions of Congress that arise out of the piecemeal character of its actions on the budget.

It is a fundamental economic fact that human wants and needs will, in the aggregate, exceed the resources prudently available to satisfy them. Therefore, there should be in the budget process a place where the sum of all proposed needs and wants are related to the revenues and where their effect on available resources can be weighed. Most of the work of Congress is necessarily done by committees and their subcommittees. The work of these committees, as a rule, can receive only cursory review by the House or Senate as a whole. The work of subcommittees often cannot be reviewed in great detail by the full committee concerned.

The legislative committees of Congress dealing with particular programs and activities naturally tend to develop biases in favor of the matters with which they are concerned. This is also true to some extent of the subcommittees of the appropriations committees—they become the guardians as well as the critics of their particular appropriation accounts. In a statement before the House Rules Committee, on March 12, 1957, Representative Pillion (New York) said:

For example, the Interior Committee of which I am a member, has a total membership of 31. The number of Members of Congress from the 17 reclamation States is 98. They would be entitled to 22.5 percent of the committee membership of 7 members.

Instead of having 7 members, the reclamation States have 21 members, or 67.7 percent of the membership.

The piecemeal character of congressional action also results in inadequate attention being given to broad fiscal policy considerations. The legislative committees examine the substantive matters within their jurisdiction. The appropriations committees examine the needs for funds, program by program, and account by account. The Ways and Means Committee and the Senate Finance Committee examine independently the needs for revenues to meet current and estimated expenditures.

In the appropriation process there is no means by which Congress can weigh one expenditure against another, one program against another, and changes in expenditures against changes in taxes. There is no means by which Congress can assign priorities to various expenditures and use these priorities in determining the choice among competing expenditures and the scale on which various programs are to be carried out.

A very weak link in present procedure is the separation of action on expenditures from action on revenues. New programs can be authorized without any obligation to provide tax revenues to meet the expenditures involved. In this respect the Federal budget differs from other governmental and private budgets. In the past the President has even presented his detailed tax proposals in a separate message to Congress. It was only in 1954 that the practice was introduced of showing revenues for the coming year, including the estimated revenue effects of proposed tax changes.

Improvement of the budget process involves executive as well as congressional responsibility. One example will illustrate. The executive responsibility for formulating the budget should cover proposals to modify, reduce or eliminate existing programs of expenditures, as well as to propose new ones. The executive should not assume that existing programs are all sacrosanct.

#### EFFORTS TO IMPROVE THE BUDGET PROCESS

Since World War II there have been numerous proposals for reform and many actual improvements. Congressional control of expenditures through the appropriation process has been improved, for example, by the Corporation Control Act of 1945, which brought Government corporations within the annual appropriations review process (although there is further room to improve this review).

Other important steps toward better congressional control have been the inclusion in the budget document of detail of trust fund receipts and expenditures, and the inclusion of detail of gross expenditures and revenues of business-type operations, which appear in budget expenditures on a net basis.

The introduction of performance budgeting as a result of the first Hoover Commission was another step forward. Instead of presenting a multitude of detail on objects of expenditure—personal services, rents, travel expenses, supplies and material, etc.—appropriation requests are now required to be supported in addition by detail on expenditures by program and activity.

Efforts to insure greater congressional attention to broad fiscal policy and action on total expenditures have been numerous. There have been repeated attempts to impose overall limits on expenditures for 1 fiscal year (Senator Byrd's proposals), to insure that expenditures shall not exceed revenues (the various "balanced-budget" resolutions), to control expenditures through changes in the debt limit (Senator Saltonstall's proposal), and others of various kinds.

One of the most ambitious of attempted reforms was the Legislative Reorganization Act of 1946. This act created a Joint Committee on the Legislative Budget, which was to set a ceiling annually on appropriations. In 1947 the joint committee could not agree on the ceiling. In 1948 an agreement was reached on the ceiling but not enforced, and final appropriations exceeded the ceiling. The experience with this act seemed to show that Congress, in particular the Appropriations Committees, is not willing to accept a specific overall limit on appropriations and expenditures. Later bills, such as the Ray and Coudert proposals designed to provide such overall limits, also failed of passage.

Another approach to the problem was the Omnibus Appropriation Act of 1950. As its name implied, this bill would have consolidated all general appropriations into one bill for action by the House and Senate and the President. When tried out in 1950, there were complaints about the delay imposed on action by the House and Senate. The bill did not pass the Senate until August 4 and was signed by the President on September 6, 2 months after the beginning of the fiscal year. The next year the procedure was abandoned, although many people insist to this day that the procedure did not have a fair trial for a long enough period.

In 1951 the Committee on Federal Tax Policy recommended a "clean-slate" approach to appropriations. The proposal was that Congress should suspend all spending authorizations, except for the military and interest on the debt, after which the Bureau of the Budget should be directed to submit an alternate expenditures budget which would not exceed estimated revenues for the year. This was admittedly an emergency measure. But no long-run reform for recapturing annual congressional control of expenditures through the appropriations process has yet been developed. As I said in 1951 when testifying before the Joint Committee on Reduction of Nonessential Federal Expenditures—

\* \* \* all the enthusiasm in the world to cut expenditures—and Congress has evidenced much of this lately—avails little when it is discovered that Congress has annual control over only a little more than a third of expenditures.

It is no doubt much easier to identify the deficiencies in our budget process than to prescribe detailed remedies. I have no panacea. But I do suggest it is high time to try something—to take what seem to be the best of the recent proposals and give them a fair trial. Certainly the control situation couldn't be much worse than it is now. Moreover, actual experience with a proposal that doesn't quite fill the bill might itself uncover a better solution.

If I were to couch my conclusions in the form of recommendations, they would be as follows:

1. Take one or more of the important, thoughtful proposals to remedy the lack of control, perhaps Senator Byrd's or Senator Saltonstall's, and give it a year's trial. The eventual solution might then become clearer.

2. Continue this year's pruning of swollen appropriations requests. Even though there is no great immediate effect on expenditures, the appropriations process is fundamental and continued reductions in appropriations will have considerable cumulative effect on later budgets.

3. For a long-range solution, institute a comprehensive congressional study of the problem to find the best long-term solution to the present lack of control.

I believe Congress must and will act soon. Certainly, the spectacle this year of billions reduced from appropriations with no consequent cuts in expenditures or taxes should prompt immediate action. It is eminently clear that the path to substantial tax reduction must first pass the milestone of congressional spending control.

The American people are not likely to accept explanations about lack of control in lieu of spending, debt, and tax cuts. They want lower taxes. Since in this country the people usually get what they want, it is incumbent on Congress to find a solution.