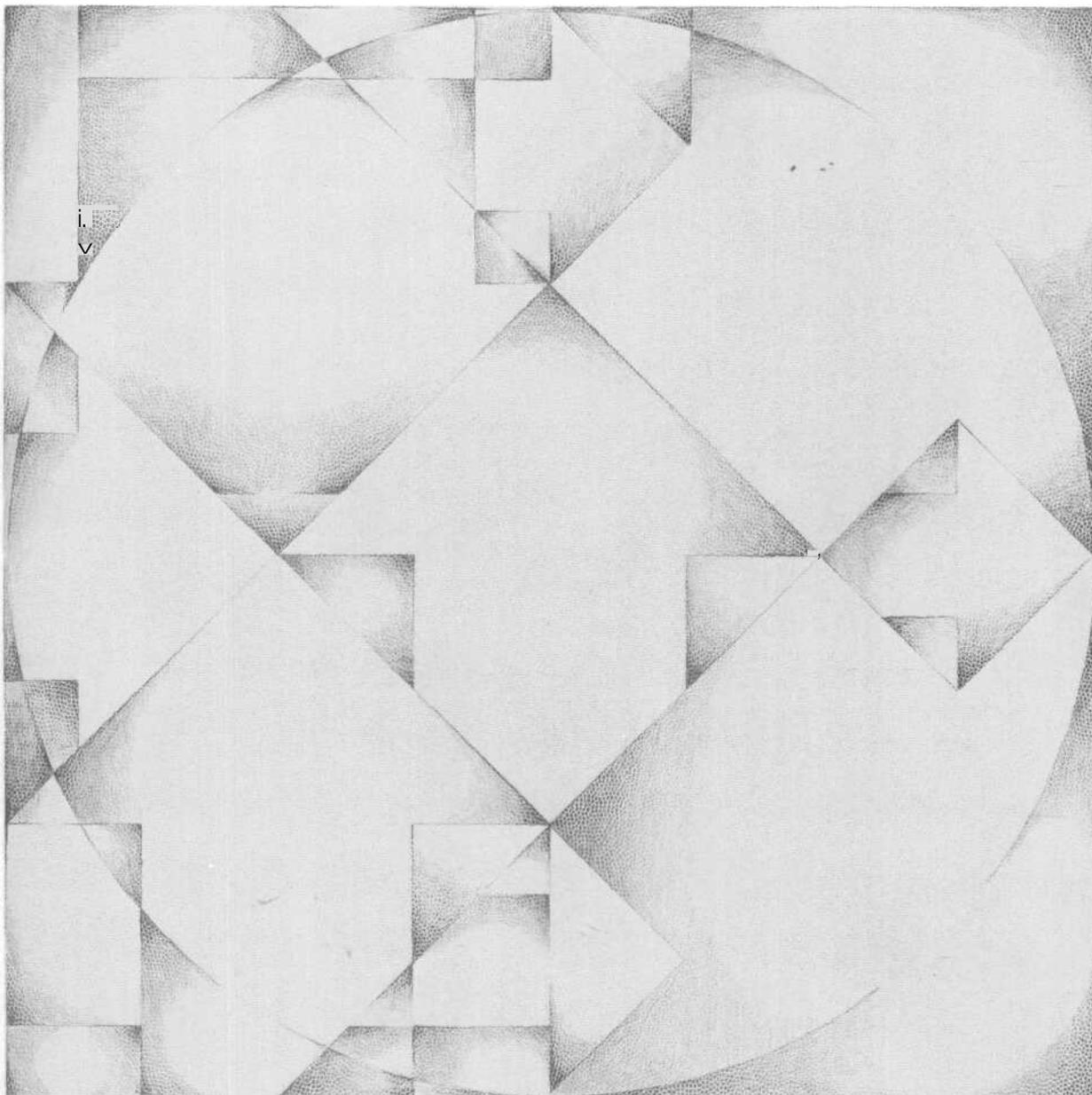


**ADVANCE
BUDGETING:
A REPORT
TO
THE CONGRESS**

February 24, 1977
(Reprinted Fall 1977)

As required by Public Law 93-344



CONGRESS OF THE UNITED STATES



CONGRESSIONAL BUDGET OFFICE



Congressional Budget Office
Congress of the United States
Washington, D.C.

Alice M. Rivlin
Director

February 24, 1977

The President of the Senate
The Speaker of the House of Representatives

Dear Mr. President and Mr. Speaker:

Section 502(c) of the Congressional Budget Act of 1974 requires the Director of the Congressional Budget Office to study, reach conclusions, and make recommendations on the feasibility and advisability of advancing all budget decisions, or some of them, so that instead of making them just before the start of a fiscal year, they would be made at least 12 months earlier. The attached report fulfills this statutory requirement.

The report is in three parts. Part I covers the subject of advance targeting, the process of establishing budget targets for one or more years beyond the budget year. The Congressional Budget Act already provides the framework for such a process.

The Part I conclusion is that advance targeting is both feasible and advisable. While not committing the Congress to any specific taxing or spending decisions, it would provide a context for making those decisions with their implications for outyear goals clearly in mind — in contrast to the present approach, which puts heaviest emphasis on first year impact, and which is not illuminated by any **congressionally** established overall goals for the years to follow.

The Part I recommendation is that the two Budget Committees formulate and the Congress adopt a plan for stating and voting on advance budget targets, with the eventual goal of annually adopting targets for the budget year and the four following years.

Part II of the report covers advance spending decision making, the process of appropriating federal funds a year or more before they are actually to be disbursed. In this part there are two main conclusions:

- 1) While there are both advantages and disadvantages in making spending decisions at least 12 months in advance, the planning needs of state and local legislative bodies and program administrators argue for early Congressional decision on funding levels for federal grants to state and local governments.



- 2) Advance spending decisions by the Congress cannot alone remove the uncertainties that adversely affect state and local performance of federally funded programs; there must also be timely action by Congress on expiring authorization laws and by federal agencies in promulgating regulations, allocating funds, and acting on required state and local applications.

The Part II recommendations are:

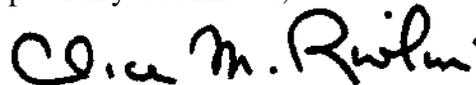
- 1) That the Appropriations Committees evaluate present federal programs for funding state and local activities, using criteria stated in the report, to determine whether any not now funded a year or more in advance should be so funded.
- 2) That the Congress consider (a) fashioning a rule for completing reauthorization action on federal-state-local programs a year before expiration of the authorization, and (b) extending the practice of fixing firm statutory deadlines for federal agency action on submitted state and local applications.

Part III of the report deals with the feasibility and advisability of two-year appropriations. It contains the conclusion that many federally managed programs, all of them now funded by Congress one year at a time, could as well or better be funded by two-year appropriations, thereby substantially reducing the annual budget preparation workload in the executive branch and the very heavy, but routine, paperwork burden on the Appropriations Committees.

Therefore, the final recommendation of the report is that the Appropriations Committees establish standards acceptable to themselves for the identification of programs amenable to a two-year appropriations cycle, and assign to a legislative agency, in conjunction with the Office of Management and Budget, the task of preparing a list of programs so amenable, and a plan for shifting them to two-year appropriations, to be submitted to the Congress for its consideration.

A number of technical background papers were prepared in the course of developing the attached report. They will be published shortly.

Respectfully submitted,



Alice M. Rivlin
Director

ADVANCE BUDGETING: A REPORT TO THE CONGRESS

As required by Public Law 93-344

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The Congress of the United States
Congressional Budget Office
Washington, D.C.

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F I L E T

Section 502(c) of Public Law 93-344, the Congressional Budget Act of 1974, provides:

The Director of the Office of Management and Budget and the Director of the Congressional Budget Office jointly shall conduct a study of the feasibility and advisability of submitting the Budget or portions thereof, and enacting new budget authority or portions thereof, for a fiscal year during the regular session of the Congress which begins in the year preceding the year in which such fiscal year begins. The Director of the Office of Management and Budget and the Director of the Congressional Budget Office each shall submit a report of the results of the study conducted by them, together with his own conclusions and recommendations, to the Congress not later than 2 years after the effective date of this subsection.

This report will be supplemented by a forthcoming volume of technical background papers. The volume will include:

- o A History of the Use of Advance Appropriations;
 - o Budget Control and Fiscal Policy;
 - o The Impact of Advance Budgeting Procedures on the Scheduling of the Budget Process; and
 - o The Effects of Advanced Federal Budgeting upon State and Local Program Delivery.
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From the beginnings of our government late in the 18th century through three quarters of the 20th, the Congress more often than not engaged in particle budgeting. Annually it made spending decisions about federal programs, virtually one program at a time, without regard to what it had decided about other programs, or the effect on next year of what it was doing this year.

While one set of committees worked on spending recommendations, another set shaped the revenue laws. Each performed its assignment without explicit reference to what the other was doing.

The Congress not only had no mechanism for examining next year's consequences of this year's decisions, it did not even describe to itself the likely total current impact of its actions on the Nation.

The Congressional Budget Act of 1974 was the Congress' response to the diagnosis of its own institutional failings in coping with late 20th-century federal budgeting responsibilities. After using the new procedures for two years, the Congress has proved that it can meet the taut deadlines ordered by the 1974 legislation, can fix detailed and overall targets for next year's revenues and spending, can stay within those targets or adjust them as the nation's needs require, can establish an explicit fiscal policy goal, and can shape its particular decisions in the light of the fiscal policy it has decided upon.

THE NEED FOR PLANNING AHEAD

These past two years have also hammered home a major truth: the federal government is so huge, and its momentum so immense, with the lives of most Americans shaped by an assumption of stability in the programs and commitments of their government, that there is very little the Congress can do to make the budget of the federal government next year look much different from that of this year.

That major truth leads to a second: if the Congress wants to make a large change, it will probably take a while, and the definition of the goal cannot be left to speculation; it has to be voted now. It follows that **today's** taxing and spending **decisions** must be shaped not only in the light of their impact on fiscal policy during the next twelve months, but also in terms of

whether they take us toward or away from the goal the Congress has established.

If the goal is a balanced budget or a 4 percent unemployment rate or both or something else in 1982, it is almost a certainty we will not get there if we wait until 1981 to state the 1982 goal and do something about it. We have to begin now.

The Congress already makes a great many budget decisions on the basis of future plans, predictions, and estimates. But it does not do so consistently, and it completes its decisions every year without ever having adopted a description of their likely overall impact beyond the year in question. Since it has not described that **outyear** impact, it has made no articulated judgment about whether it likes the direction in which the federal government is headed.

What the Congress has begun to do, using its new budgeting procedures, is to describe in the spring of the year and again in the fall the aggregate levels of federal taxing and spending it thinks appropriate for the next fiscal year. To arrive at the totals, it sums subtotals in 17 budget categories. In short, it sets targets for one year ahead. The first part of this report discusses the feasibility and advisability of setting budget targets farther out in the future, a process here called advance targeting.

THE BASIS FOR ADVANCE TARGETING

The Congressional Budget Act of 1974 already provides the procedural framework for advance targeting. All that is required is a decision to use it for that purpose.

A part of that framework is the **five-year** current policy projections report that the act requires the Congressional Budget Office (CBO) to produce as soon as practicable after the start of every fiscal year. In that report, CBO endeavors to project what will happen — in federal spending and revenue terms — for the rest of the current year, and the next five years, if existing programs and their rules remain unchanged and no new programs are started. The projections, which depend on judgments about rates of inflation, productivity, unemployment, and the like describe how the federal budget will look for the next five years if the federal government keeps on going as it is, and people behave in the near future more or less as they have in the recent past.

It may be useful to think of CBO's projections as targets by default, as what the government will hit if nobody does anything important to the

budget, and if the economy performs as assumed. It is the role of the Congress to look at those targets every year and decide whether and to what extent they should be changed.

In his final budget submission, President Ford furnished not only his detailed recommendations for fiscal year 1978 but their fiscal year 1979 dollar implications as well. The 1979 figures are not default targets; they reflect Presidential policy determinations, and they show where President Ford thought we ought to be the year after next. The actions he recommended for 1978 were presumably consistent with attaining the 1979 outcomes he thought desirable.

There is no technical or conceptual barrier to a similar effort on the part of the Congress. Advance targeting is feasible. It is the view of CBO that such targeting is also advisable.

Five-year projections of federal spending and receipts often show a deficit in the first year or two, a balance in the third or fourth year, and a surplus by the fifth. This is because, when the economy is growing, revenues from a progressive income tax automatically rise faster than expenditures so long as the laws remain unchanged. Yet the projected surplus never materializes in fact. This happens not because the projections were naive fantasies. It has happened because Presidents and Congresses have made each **year's** budget decisions mainly in the light of that **year's** consequences. The fiscal dividend, so-called, is committed before it ever arrives — by cutting taxes, or improving benefits paid currently, or raising federal civilian and military pay to comparability, or enacting general revenue sharing, and so on and on. Separately, and at the time they are made, every such budgeting decision is a reasoned response to some current imperative, always with the support of a majority in each House, and practically always with the concurrence of the President.

While not a certainty, it seems a probability that, had the Congress ten years ago begun each year to state advance targets for **itself**, for a five- or even a two-year period, the order in which things occurred, and the way in which federal resources were raised and allocated, might very well have been different from the actual events. It is common to assert that this country cannot now afford national health insurance even if there were agreement on the form it should take. The sting of this truth, assuming it to be a truth, would be less if we could tell ourselves that our present dilemma is at least the result of explicit choice making in the past, instead of the accidental product of ten thousand past decisions, each made without much reference to their impact on this year or this decade.

Advance targeting is a method to help organize budget choices and their implications for the future. The method itself is neutral. It will

neither ensure nor prevent the arrival of the elusive fiscal dividend. But it will give the Congress the opportunity to decide that question, which it cannot do now because it adopts no outyear goal against which today's actions can be measured. The targets to be stated, the array of choices to be considered, and the making of choices are what the political process is all about. CBO believes that the Congress should adopt advance targeting as one method with a high potential for more informed choice and more satisfactory outcomes.

A POSSIBLE IMPLEMENTATION SCHEDULE

There is, of course, no single best set of ingredients for trying advance targeting. A possible method and timetable for easing onto a new system would be:

- o Calendar Year 1977 — Include functional fiscal year 1979 targets in the Budget Committee reports accompanying any recommended concurrent budget resolution for fiscal year 1978, with the 1978 resolution targets (on which the Congress will actually vote) to be consistent with the 1979 targets in the committee reports.
- o Calendar Year 1978 — With fiscal year 1979 now the budget year, include 1980 and 1981 functional targets in the fiscal year 1979 budget resolutions, so that all the stated targets would be explicitly voted by the Congress.
- o Calendar Year 1979 and future years — Add fourth and fifth year functional targets to the budget year resolutions, so that the Congress eventually focuses mainly on fifth year target issues, and shapes its current year taxing and spending decisions to fit the fifth year target decisions it has made.

If such a method were adopted, the Congressional budget process would proceed much as it did in the 94th Congress. But the specific taxing and spending recommendations emanating from the committees would be measured not only against the established targets for the current budget year, but also against such outyear targets as the Congress had fixed for itself. The Congress would always retain the power to amend those targets. Indeed, it would be surprising if Congress did not change the targets every year. The economic outlook is never static for long, and our economic forecasts often prove to be wide of the mark, so fiscal policy reasons will themselves require periodic review and adjustment of budget targets. But

the target changes would come not because the Congress had no choice, but because the Congress will have given itself the opportunity to make an explicit choice. Consequently,

It is recommended that the two Budget Committees formulate and the Congress adopt a plan for stating and voting on advance budget targets, with the eventual goal of annually adopting targets for the budget year and the four following years.

Current spending decisions are those the Congress makes during the summer when it passes appropriation acts for spending in the fiscal year starting October 1. The amounts to be spent during that fiscal year are decided a few days, or at most, a few months, before the start of the year.

About 30 percent of all federal spending is decided by current decisions, as defined above. The remainder is the result of advance spending decisions. That term is used in this report to mean a process which leads to spending on account of decisions made, not just before the start of the fiscal year, but at least a year earlier, and in some cases, many years earlier.

MANY SPENDING DECISIONS ARE NOW MADE IN ADVANCE

Advance spending decisions take several forms, and they are made for several reasons. For example, interest on the national debt is not appropriated annually; rather, it is paid as a result of a permanent appropriation enacted in 1847. The reason is obvious. The interest must be paid. The Congress could appropriate the money annually if it wished, but it dealt with the problem 130 years ago, and there is no need to do so again.

Nor are social security pension decisions and appropriations made annually. The amounts to be paid individuals, and the revenues to cover those payments, stem basically from the Social Security Act of 1935. The Congress has, of course, often changed the social security law, but it does not decide every year whether to have and to finance a social security system. Again, the reason is obvious. A retirement system involves continuously looking about 75 years into the future. Decisions about it, including spending decisions, must be made in advance.

Other kinds of payments to individuals are decided in advance, even though the money to pay them is appropriated annually. The retired pay of servicemen and the pensions and educational benefits of veterans are examples of this form of advance spending. The statutory commitment is made well in advance, for reasons similar to those bearing on social security, and the subsequent appropriation is in effect non-discretionary. The payments could as well be funded by a permanent appropriation, like interest on the debt or social security.



Some programs, typically involving federal grants, do not work very well unless the money is assured many months — instead of a few days — before the start of the period in which it is to be spent. So the Congress provides forward funding or advance appropriations (which are technically but inconsequentially different). Thus, federal aid to elementary and secondary schools is mostly appropriated a year ahead of the time it is to be spent. If it were appropriated currently rather than in advance, the school districts would, for the most part, not know how much federal aid they would receive for a school year until the year had already started, long after teachers must be hired and books ordered.

Another form, different only in that several years rather than one year advance notice is supplied, is exemplified by general revenue sharing. In 1971, the Congress committed funding for five consecutive years, and in 1976, through fiscal year 1980. The reason is clear: states and local governments need planning time and certainty of funding if their federal aid is to be used coherently along with their other resources.

Contract authority may involve either short- or long-term commitments. If it is the latter, it is a form of advance spending. For example, in one of its housing programs, the federal government may contract for as long as forty years to make up the difference between what the tenant can pay and a fair market rental. The long-term amount to be committed in any given year is decided annually in the appropriations process, but in effect the Congress is budgeting for up to forty years ahead of time.

Some federal projects have a clear beginning and ending, like the construction of a dam or an aircraft carrier, and once started, they must be carried to completion if the investment is to have any return at all. In some instances, the Congress provides all the needed funding authority in one year, to be spent over four or five years. Typically, this is how an aircraft carrier is financed. But dams are financed one year at a time. The carrier is covered by an advance spending decision in law, the dam is not, though the real effects are the same: the Congress eventually leaves neither the carrier nor the dam unfinished.

Occasionally the Congress finances a program by current spending, but with legislative approval it is administered on an advance spending basis. Examples are the National Science Foundation and the Endowments for the Arts and the Humanities. The Congress annually appropriates overall sums for a fiscal year, but they may be disbursed over several years, so the foundation and the endowments are able to commit firm support to a project for periods in some instances as long as five years.

All of the foregoing devices represent Congressional responses, either as a matter of convenience or as a matter of common sense, to the fact that the central government in a complicated industrial society cannot lurch along deciding one year at a time everything it is going to do and spend during the next twelve months.

Advance spending decisions are not immune to reversal, but for the most part they are not reversed because our **society**, speaking through the Congress, continues to endorse them. The social security system, for example, can be and has been altered from time to time. It could be repealed entirely, but that does not happen, because a substantial majority in our society evidently believes that the 1977 consequences of the series of decisions begun in 1935 are desirable.

That an advance spending decision can in fact be reversed is demonstrated by the recent legislation which ended the GI bill educational entitlement for those joining the armed forces after December 31, 1976. That program cost \$5.2 billion in fiscal year 1976 — 1.4 percent of all federal spending — but it is being replaced by a much less costly program because changed circumstances led to legislative reconsideration of an earlier legislative decision.

An advance spending decision, in any of its forms, is simply the use of an available method for allocating resources over some period longer than, or starting after, the next federal fiscal year. Among the whole array of federal programs, the Congress can, does, and should pick and choose as to which are better suited for advance and which for current decision. Either method has its advantages and drawbacks.

ARE ADDITIONAL ADVANCE SPENDING DECISIONS NEEDED?

In practice, as noted earlier, 70 percent of federal spending is already determined by advance spending decisions of one kind or another. As to those parts of the budget, the operative Congressional decision to spend the money this year may have been made anywhere from 12 months in advance of the start of the fiscal year to 130 years beforehand.

The question then is, are there programs now being funded by current decisions that are natural candidates for advance funding?

Inasmuch as a common argument in favor of advance spending decisions is that they lead to better or more logical program execution, the burden of making the case should in the first instance rest with the federal executive branch or, where the funds are channeled to state and local

governments, with those governments. It is program managers who best know their own uncertainties and difficulties attributable to current appropriations. If they themselves do not or cannot organize a prima facie case for advance funding of their own programs, the Congress can scarcely do it for them.

There has been no recent enthusiasm in the executive branch for developing such proposals. There were no nominees identified in the Office of Management and Budget's report, which is a counterpart to this report. Indeed, a general conclusion of that report was that, assuming Congress will continue to complete the appropriations process before the start of the budget year, "there appears to be no program area, other than aid to state and local governments, in which advance appropriations would offer clear-cut benefits." 1/

There is a case, as discussed in Part III of this report, for funding many federal programs with two-year appropriations. But so far as advance spending decisions are warranted on the grounds of improved program planning and execution, it seems a fair conclusion that all the obvious candidates at the federal level are already accorded such treatment. As the years pass, and needs and programs change, other candidates will present themselves. In the meantime, there is no evident reason for the Congress to make a special search for them.

Federal programs for aid to state and local governments may be another matter. CBO commissioned a special study of the impact of the timing of federal funding decisions on program execution at the state and local level. An advisory panel of state and local officials participated in designing the study and reviewing its findings. 2/

1/ Office of Management and Budget, A Study of the Advisability of Submitting the President's Budget and Enacting Budget Authority In Advance of the Current Timetable, January 19, 1977, p. 4.

2/ See the forthcoming technical background paper, The Effects of Advanced Federal Budgeting upon State and Local Program Delivery. Members of the advisory panel were: Wayne Anderson, Executive Director, ACIR; James McIntyre, Director of Planning and Budget, Georgia; Guy Millard, Somerset County Administrator, New Jersey; John Poelker, Mayor of St. Louis; Alan Post, Legislative Analyst, California; and George Schrader, City Manager, Dallas, Texas. Participating alternate members were: Gerald Henigsmann, Assistant City Manager, Dallas, Texas; Clark Stevens, Budget Director, Georgia; John Vickerman, Chief Deputy Legislative Analyst, California; and Jack Webber, Budget Director, St. Louis.

The study pointed out that the hallmark of most federal programs for funding state and local activity is the uncertainty they impose on state and local legislative bodies and program managers, with a consequent sacrifice of program effectiveness. The uncertainty stems in part from the fact that at every level the actors are on different cycles. The actors also participate sequentially, and so even when the cycle variances are overcome, delays along the line bear most heavily on the participants at the end —the program operators and the people they serve.

The dilemma is that the longer the Congress waits for the most complete information on which to base its decisions, and the longer the federal administrators take to draft regulations and instructions to applicants, the less time the state or local administrator has to design his program, obtain community views, prepare applications, secure all necessary approvals, hire his employees, locate the people he is supposed to serve, and actually begin to serve them — before the cycle is over and the uncertainty starts again.

While in particular instances a delay may seem inexcusable, for the most part the participants at every level are acting in accordance with the imperatives bearing on them. But in a sequential process with a clear calendar deadline for the last actor, and with no or only blurred deadlines for those whose actions must precede his, a squeeze at the end is inevitable.

There is no guaranteed cure for delay, but the Congress may wish to do at least two things that will help make possible more effective program execution of federally funded state and local programs:

- o Make certain that the procedural requirements imposed on state and local officials by federal legislation are consistent with the schedule by which the federal funds are appropriated and allocated.
- o Impose more explicit target deadlines on itself for completing action on expiring authorization statutes, and on federal administrators for the issuance of regulations and for acting on received applications or plans filed by states and localities.

As to the first, an **apparent** case in point is Title I of the Comprehensive Employment and Training Act (CETA) of 1973. This is a block grant program, funded at \$1.9 billion for fiscal year 1977, to promote the delivery of a wide variety of manpower services. The programs are administered in accordance with a local comprehensive manpower plan, the adoption of which, by federal law, must be preceded by an elaborate consultative and review process. The program is not advance funded. The

funds to be spent by September 30, 1977, were in an appropriation that became law by veto-override on September 30, 1976. They were fully allocated November 8, 1976, to the participating localities on the basis of 1975 unemployment and low-income statistics issued in July 1976.

The time-consuming procedural requirements for CETA Title I programs are consistent with an effort to ameliorate long-term and structural unemployment problems. But the program is funded on a schedule, and the funds allocated on a formula, as if the purpose is to combat short-term unemployment. Until the procedural requirements are relaxed, or the funding levels decided a year earlier (as the authorizing law permits), actual program execution is likely to fall short of the possible.

Both the funding level and the details of how a program shall be executed flow from the authorization process. The only current explicit deadline affecting that process is that most bills authorizing the enactment of budget authority must be out of committee by the May 15th preceding the first fiscal year to which they apply. In the case of entirely new programs, a committee reporting deadline may be all that is needed, for state and local officials presumably do not shape their actions on the basis of mere proposals still under debate in the Congress.

But the situation is different when the issue is whether and to what extent to renew an expiring authorization. Ongoing programs in fifty states and their localities may fall into a demoralizing limbo if the Congress does not take timely action on reauthorizations.

The Congressional Budget Act contains procedural deadlines for completing action on vital parts of the budget process. The Congress has shown it can meet those deadlines. It should explore the feasibility — there is no doubt about the advisability — of fashioning a rule that prescribes not only a deadline for reporting a reauthorization bill, but for passing (or rejecting) it as well. The states, counties, and cities will normally wish to have reauthorization uncertainties resolved a year ahead of time, so that they can know the federal situation before entering their own new budget cycles. It seems reasonable to try to make their preferred timetable the standard, with departures from it the exception rather than what they are now — the rule.

Even if the Congress completes its authorizing and appropriating work on time, there remains the federal executive branch administrative task of preparing regulations and instructions and passing on applications and submitted plans. The states and localities must get their papers in by given deadlines; it follows that the federal agencies should deal with those papers within given deadlines as well. The calendar for decision making in federal-

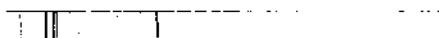
state-local grant programs contemplates that all parties in the sequential process will have enough, but usually no more than enough, time to perform their parts responsibly. If the federal agencies, the middlemen between the Congress and the states and localities, take too long in their work, the administrators, the programs they run, and the people they serve will suffer.

The Congress has begun to impose strong deadlines for federal agency action on state and local applications. For example, the Housing and Community Development Act of 1974 provided for automatic approval if the administering federal agency has an application for 75 days without acting on it. The various authorizing committees of the Congress might well consider whether to recommend imposing a similar rule on other grant programs.

There remains the question of deciding which of the ~~federal-state-~~local partnership programs now funded currently should be funded a year (or more) earlier.

The state and local officials interviewed in the course of the study commissioned by CBO, and those who served on CBO's advisory panel, generally agreed on four criteria helpful in determining when advance funding should be the chosen method:

- o There are no alternatives to the program (i.e., the program provides a service or a capital investment that cannot be easily **foregone** or readily substituted).
- o The program is large.
- o Significant complications exist in program implementation, including:
 - the need to closely coordinate the program with other ongoing programs;
 - the necessity of a substantial startup effort such as client outreach and screening and securing facilities and **staff**;
 - the accompanying requirement for a complex delivery and decision-making structure with multiple levels of government and/or outside agency and private sector involvement; and
 - the large number of public employees that are involved in the program.



- 
- o Direct financial requirements are placed on state and local governments in the form of hard cash matching requirements, maintenance of effort requirements, or federal funding phaseouts.

According to the state and local officials, the more of these characteristics existing in a program, the higher its priority for advance funding. In addition, characteristics from the top of the list carry relatively greater weight than do those at the bottom.

CBO agrees on the utility of the four criteria. Consequently,

It is recommended that on a case-by-case basis, the Appropriations Committees apply the four criteria, plus others a committee may find useful, in deciding whether to apply advance spending decision-making methods to federal programs for funding state and local activities.

Every year the two Appropriations Committees recommend appropriations actions for about 1,500 line items. Those recommendations follow an immense amount of toil by the committees themselves, and by scores of thousands of men and women (mainly in the executive branch) charged with developing, typing, reviewing, coordinating, compiling, justifying, correcting, approving, and reproducing budget documents of stupefying variety and in unbelievable quantity. (The House Appropriations Committee alone produced 64,762 pages of printed hearings in the first five months of 1976.)

Unquestionably the process is subject to improvement in terms of reducing the numbers of pieces of paper prepared per program from beginning to end. The extent to which this is so, and what should be done about it, are questions with which this report does not deal. But it is a thesis of this report that the amount of toil for everyone concerned could be significantly cut, and the quality of budget decisions maintained or improved, if appropriations for many federally operated programs were sought and made every other year for two years rather than every year for one year.

Some federal programs deserve and receive intense budgeting scrutiny every year. But it is probable that for a host of federal activities an annual scrutiny is justified only by habit; they could as well receive their funds and their scrutiny two years at a time. To pick a few examples, the United States Tax Court, the International Boundary Commission, the **Soldiers' and Airmen's Home**, the National Cemetery System, and the Bureau of the Mint do about the same thing, at more or less the same program level, from one year to the next. It seems reasonable to suppose that they, and the managers of hundreds of other programs, could prepare and justify a budget request for two years of funding, and live with the resulting appropriation, with no harm whatever to the public good, but with a gratifying reduction in their own paperwork and in the burden on the Appropriations Committees and their staffs.

Two year appropriations are, after all, a form of advance budgeting. The concept is neither radical nor untested. It is practiced, and it works, in 21 state governments where the whole budget is enacted for two years at a time. No one is robbed of flexibility, and that is likely to be particularly true where, as here suggested, only selected federal programs would be funded every other year.

The arguments against two-year appropriations revolve mainly around possible diminution of Appropriations Committee oversight and the difficulty of forecasting a **program's** warranted level of resources for 24 compared to only 12 months ahead. But if the committees did not have to spend so much time each year on routine "**budgetry**," they would in fact have more time for their oversight work, leading to more rather than less oversight. Unexpected demands can always be accommodated by supplemental appropriations. Consequently,

It is recommended that the Appropriations Committees establish standards acceptable to themselves for the identification of programs amenable to a two-year appropriations cycle, and assign to a legislative agency, in conjunction with OMB, the task of preparing a list of programs so amenable, and a plan for shifting them to two-year appropriations, to be submitted to the Congress for its consideration.