

The apportionment process does not cover the operations of trust funds or privately owned government-sponsored enterprises.¹²

The apportionment power has been used to keep the amount of government spending for a particular item below the full limit of funds granted for it by the Congress. This use has been defended on a number of grounds, including the need to make Federal spending patterns conform to changes in circumstances and needs arising after the congressional enactment of funds.¹³ The General Appropriation Act of 1951 affirmed the legal authority of the President and the Bureau of the Budget to take such actions. The Act provided that:

In apportioning any appropriation, reserves may be established to provide for contingencies, or to effect savings whenever savings are made possible by or through changes in requirements, greater efficiency of operations, or other developments subsequent to the date on which such appropriation was made available.¹⁴

Following the making of apportionments, which is a centrally administered control, allotments are made by agency heads to administrative units within the agencies. Allotments may be made on a monthly or quarterly basis and may limit the use of obligational authority in terms of objects to be purchased, activities, or organizational units.

Gerhard Colm believes that the system of allotments and reserves could be developed into "an important instrument of fiscal policy."¹⁵ It has been used for that purpose only in rare instances. Examples of such action would be "impounding" funds during inflationary periods and freeing them for expenditure during recessionary periods.

INCURRING OBLIGATIONS

Within the limits of the apportionment of funds made available to them, the Federal agencies place orders, award contracts, buy goods and services, and take other similar actions which obligate their apportioned funds.¹⁶ This is the stage of the Federal spending process which is measured by "obligations incurred." To the extent that the goods and services needed by the Government are ordered from and produced in the private sector, this is the first stage of the process where government procurement activity directly involves private industry. It is also the last clearly discretionary step in the process which will ultimately involve government payment of funds.

Some instruments of contract are not considered as part of the total of obligations incurred. Letters of intent, interim devices by which the contractor is authorized to proceed with production before detailed contract terms are agreed upon, are no longer treated as budget obligations.

"Obligations" may be incurred for a wide variety of objects, in addition to the purchase of bonds and services from the private sector. Purchases of goods and services from the public sector itself, transfer, interest, and subsidy payments, grants to State and local governments, and purely financial transactions are also included.

¹² U.S. Bureau of the Budget, *Circular No. A-34*, Washington, 1952.

¹³ J. D. Williams, *The Impounding of Funds by the Bureau of the Budget*, Inter-University Case Program, No. 28, University, Ala., University of Alabama Press, 1955.

¹⁴ General Appropriation Act, 161 (64 Stat. 595).

¹⁵ Gerhard Colm, *Essays in Public Finance and Fiscal Policy*, New York, Oxford University Press, 1955, p. 190.

¹⁶ The law provides that "no contract for purchase is to be made except under an adequate appropriation" (41 U.S.C. 11). There are a number of specific instances where a Federal agency may place an order in advance of an appropriation (25 U.S.C. 99).