

A study of experience of the Air Force casts some light on the total lag in the Federal spending process. The Air Force is crucial in this connection because it accounts for so much of the "hard goods" purchased by the Government, the heavy equipment with long production time. Of the total new obligational authority granted to the Air Force for the fiscal year 1951, only 25 percent was spent in that year. Forty percent was spent during the following year and 28 percent was spent during the third year. The remaining seven percent was allocated between the fourth and fifth years. (See table 3.)

TABLE 3.—*Relationship of expenditures to new, obligational authority, United States Air Force, fiscal years 1951-53*

[Percent expended]

New obligational authority	1st year	2d year	3d year	4th year	5th year
1951	25	40	28	6	1
1952	23	36	30	9	2
1953	29	35	25	8	3
Average	26	37	27	8	2

Source: U.S. Senate, Committee on Appropriations, Hearings on Department of Defense Appropriations for 1953, Washington, GPO, 1952, p. 607. (Chart inserted by Secretary of the Air Force Thomas K. Finletter.)

As would be expected, purchases of "soft goods" and services do not evidence such a time-consuming lag. The Bureau of Labor Statistics examined reports on almost all Federal contracts for commodities for the calendar year 1947 distributed by both delivery date and date of award. In addition, several agencies made available to the Bureau their listings of expenses in terms of both obligations and expenditures.

As a result of analyzing this data, it was concluded that the lag between obligations and expenditures was negligible for soft goods, although often substantial for hard goods.²⁴ The Bureau of the Budget has reported a similar general finding:

In the case of salaries and wages, travel, and like items, the lag between obligations and expenditures is usually no more than a few weeks or a few months.²⁵

There are certain legal limits to the lags in the Federal spending process. Most forms of new obligational authority are available for obligation for either 1 or 2 years and are available for expenditures for no more than 2 years beyond that. Within these legal limits, the lag between the Government's embarking on a program and its execution is largely determined by private decision making. Military procurement, however, is financed largely from "no-year" appropriations, which are available until spent; most lending programs are likewise financed primarily from authorizations without specified expiration dates.

It was estimated that 68 percent of the new obligational authority requested for fiscal year 1962 would be spent in that year with the remainder (except for minor amounts of lapsing appropriations) being spent in future years. Also coincidentally, only 68 percent of the expenditures in that year would be made out of the authority granted

²⁴ Irving H. Licht, "Government," Conference on Research in Income and Wealth, *Input-Output Analysis*, Technical Supplement, New York, National Bureau of Economic Research, 1954, pp. 2-13.

²⁵ *1962 Budget*, *op. cit.*, p. 10. In 1957, the Bureau estimated the lag for personal services, printing, travel, and transportation expenses at from 15 to 140 days. Michael S. March, "A Comment on Budgetary Improvement in the National Government," *National Tax Journal*, June 1952, p. 173.