

of sales. Since that authority was granted a number of years ago the cost of DOD sales has gone up and up and now use 77.2% of sales receipts. What control does BOB exert over the use of these receipts?

We asked the GAO to give us some idea of the various kinds and the scope of program financing arrangements other than through direct appropriations that are in use. A draft report gives a list that is impressive though not all-inclusive.

Does the BOB have standards or criteria as to when special methods of program financing should or should not be used—use of sales receipts, revolving funds, use of custom receipts, proceeds from fees, etc. etc.?

(The Bureau of the Budget responded as follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., May 31, 1967.

HON. WILLIAM PROXMIRE,
Chairman, Subcommittee on Economy in Government, Joint Economic Committee,
Congress of the United States, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your letters dated May 22 and May 24, 1967, to the Director requesting answers to additional questions from members of the Subcommittee on Economy in Government of the Joint Economic Committee following the hearings on May 16, 1967.

Answers to each of the questions included in your two letters are covered in the attachment.

Sincerely,

PHILLIP S. HUGHES, Deputy Director.

ANSWERS OF THE BUREAU OF THE BUDGET TO QUESTIONS OF THE SUBCOMMITTEE
ON ECONOMY IN GOVERNMENT, JOINT ECONOMIC COMMITTEE

Question. We asked the GAO to give us some idea of the various kinds and the scope of program financing arrangements other than through direct appropriations that are in use. A draft report gives a list that is impressive though not all-inclusive.

Does the BOB have standards or criteria as to when special methods of program financing should or should not be used . . . use of sales receipts, revolving funds, use of custom receipts, proceeds from fees, etc., etc.?

Answer. The Bureau of the Budget has criteria to be followed in determining the advisability of special methods of program financing such as revolving funds, use of sales receipts, and proceeds from sales of property. In general, the presumption is that receipts should go to the general fund, unearmarked, and that programs should be financed through regular appropriations. Proposals for special financing are approved in budget examination and legislative clearance only when there is a clear and convincing demonstration that such earmarking is decidedly in the public interest. (It should be noted that special funding arrangements may, but need not, remove a program from budget review and control.)

Earmarking of receipts generally

The following general criteria are used in determining that earmarking of receipts would be in the public interest, and weighed against the considerations of budgetary control and policy evaluation:

1. The need for expenditures fluctuates directly with variations in a highly unpredictable volume of receipts. It is difficult for general fund appropriations to provide adequately for unpredictable requirements.

2. Lump sum expenditures are to be made in a fixed proportion to receipts. Where a percentage of receipts from a given source is to be paid to the States in lump sum payments, there is no particular need for annual appropriation action by Congress, since the payments of shared revenue are relatively uncontrollable.

3. The work involved, somewhat beyond the normal functions of the Government, is an appropriate undertaking on a user charges basis. It may be appropriate for the Government to carry on an activity as a convenience to a special group, to be paid for by those benefiting.

4. Earmarking is necessary to preserve equity among certain groups of citizens. This may be a factor in earmarking receipts from the sale of personal property which is being replaced.