ABNORMAL BUDGET REVENUES

The revenues forecast for 1967 are abnormally enlarged in the budget by the inclusion of nonrecurring items of considerable size. However proper, such one-time revenues overstate the level of government fiscal capacity and distort economic analyses.

The principal such items in 1967 are:

1. A nonrecurring increase of $3.6 billion in tax collections from corporations and individuals by requiring them to accelerate payments and thus pay more than one year's taxes within the year

2. Abnormal "income" of almost $1.6 billion from seignorage, the profit recorded by making quarter-dollars for 3 cents and putting them into circulation at 25 cents

3. Abnormal rents and royalties of $400 million on Outer Continental Shelf lands released from escrow after years of litigation

Altogether, it can be estimated that revenues in the aggregate are about $5 billion above normal as a result of such noncontinuing or unusual items.

The budget of the Department of Agriculture shows how a variety of budgetary practices are used. A first view of the totals shows that expenditures are reduced a net amount of $1,090.3 million from the 1966 budget to 1967, thus indicating a commendable degree of frugality to justify (as is done in the budget) significant increases in Great Society programs. But when the accounts are broken down, these turn out to be the minuses:

	Millions
Proposal to charge fees for meat and chicken inspection, which Congress has regularly refused to do	$66.2
Reduction in school milk and school lunch programs, which the Congress would not accept	70.0
Reduction in cost of removing surplus agricultural commodities, a permanent appropriation, which is used instead to finance the Food Stamp Program by a bookkeeping transfer	135.2
Reduction in cost of Commodity Credit Corporation farm price supports and foreign aid food programs "due to lower wheat and cotton prices," etc	371.6
Sales of participations in farmers' home loans	549.1
Increased collections on rural housing loans	5.9
Increased sales of loans from Agricultural Credit Insurance Fund	104.7
Total	1,248.7
Less increases in—	
Cropland Adjustment Program, net	131.5
Food Stamp Program	43.9
Subtotal	175.4
Total	1,073.3
Leaving actual net savings in small items	17.0

Thus, the actual net amount of controlled economies which are included in the budget "saving" of $1.1 billion turns out to be only $17 million. The difference is achieved mostly by bookkeeping and borrowing.

RECOMMENDATION

To bring order into this accounting chaos, I believe the President should appoint a high quality nonpartisan Commission for Budget Reform, consisting of professional accountants, bankers and business finance officers, to conduct a detailed study of budget policies and applications, and to make recommendations for improvement. Such a Commission could make an inestimable contribution to public understanding of government finances by laying down guidelines to govern the classification and presentation of items within the budget, and for the inclusion of additional important data. An independent Commission is necessary for this task because the Bureau of the Budget has neither the freedom of action nor the resources to accomplish the desired results.

Here are some of the questions which the Commission should resolve, and the answers which I would presume to propose to these questions: