

SUMMARY OF THE LAW

The Revenue and Expenditure Control Act of 1968 (Public Law 90-364, enacted June 28, 1968) provided, among other things, for a limitation on new appointments of civilian officers and employees in the executive branch. This limitation can be summarized as follows:

In the case of *full-time employment in permanent positions*, the number of appointments—whether to new positions or to fill vacancies—must not exceed 75% of the vacancies occurring after July 1, 1968, by reason of resignations, retirement, removal, or death. (Vacancies resulting from transfers to other Government agencies may be filled without restriction by the losing agency, but the agency to which an employee transfers must consider this appointment as subject to the 75% limitation.)

In the case of *temporary and part-time employment*, the number of appointments must be restricted so that such employment is no greater than during the corresponding month of 1967.

The first of these restrictions—on full-time permanent employment—is to remain in effect until the June 30, 1966 employment level is reached for the entire Federal Government, although at that point hirings will still have to be limited in such a way as to keep employment from rising above that level. The second restriction—on temporary and part-time employment—would continue indefinitely under the terms of the law.

The law as enacted exempts only certain Presidential employees, casual employees or employees serving without compensation, and certain disadvantaged youth employed during the summer.

ADMINISTRATION POSITION

The limitation on new appointments involves a reduction of more than 250,000 full-time permanent employees starting in July 1968, despite a 25% increase in workload since 1966.

The Administration from the beginning has considered the employment limitation to be an unwise provision. The number of employees required to perform Government operations and services should relate directly to the budgetary levels determined in the appropriation process after detailed program review—not by an arbitrary formula determined apart from appropriations.¹ It considers the provision had public policy because it will lead to curtailment of essential Government services, the inefficient use of overtime, and the substitution of one type of personnel for another.

A good illustration of these undesirable effects is in the Department of Defense which had adopted a program to replace military personnel with civilian personnel in order to achieve greater economy and efficiency. Any rollback in Defense civilian personnel to June 30, 1966 levels, will inevitably result in a reversal of this trend. *The proper way to reduce Government expenditures*, which was the intent of Congress in enacting the tax bill, is by eliminating or curtailing programs *through the regular appropriations process* over which Congress has full control and authority.

Although the employment provision was adopted as part of an economizing measure, its impact is, in some cases, contradictory to efforts to economize. For example, a reduction in the employment of the Internal Revenue Service will cost the Government, in taxes foregone, several times the annual salary of the affected employees. Reimbursable work done for non-Federal customers does not cost the U.S. taxpayer any money, and in some instances, can result in payments by other governments which would help our overall balance of payments; however, such work is subject to curtailment because of the employment limitation. Reductions in employment financed by assessments on the credit institutions—as in the case of the Federal Home Loan Bank Board, the Farm Credit Administration, the Comptroller of the Currency, and the Bureau of Federal Credit Unions—have no effect upon net budget outlays and provide no savings for taxpayers, but could have an adverse effect on legally required Government surveillance over the supervised institutions.

¹ See Budget Bureau comments on section 3 of S. 2902 contained in Secretary Fowler's letter to Senator John Williams of March 4, 1968, and printed on pages 43-45 of the hearings before the Senate Committee on Finance on H.R. 15414, March 12-14, 1968.