

UNDERSTANDING THE TRUE COST OF GOVERNMENT

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. DIOGUARDI) is recognized for 60 minutes.

Mr. DIOGUARDI. Mr. Speaker, we have called this special order today to highlight an often overlooked, but serious and important component of Federal budgetmaking. Today the U.S. Government controls and directs cash resources in excess of \$1 trillion and that is pretty much our annual budget; yet at a time when Congress must make important decisions on future budget priorities and commitments, the information necessary to make such important policy decisions simply does not exist. Weak government-wide accounting and financial management systems have resulted in a situation where there is little reliable information on how the Government currently spends its money, and that is \$1 trillion a year, and how decisions that are made by today's leaders will affect tomorrow's generations.

Simply put, the systems we currently depend upon are fragmented, incompatible, unreliable and antiquated. The compilation of financial data takes an inordinate amount of time and often the information is provided too late or is too incomplete to be of any use for informed decisionmaking. Investment expenditures and current operating expenses are both treated equally, even though they have very different immediate and long-term implications.

The result is that Federal financial management systems are a pervasive source of Government waste. Certainly Government waste that is structural and systemic.

At the same time, it is important to recognize that fiscal irresponsibility and the lack of public accountability have no party allegiance, political agenda or any parochial support. Instead, they are the inevitable outgrowth in inherently weak budget accounting and financial management systems.

Any attempt to correct our Nation's current fiscal ills cannot be successful unless these fundamental systemic and structural deficiencies are fully addressed. Because of this crisis that many of us in the House on both sides of the aisle feel exists in Congress at this time, a group of us got together 3 months ago under the aegis of the House Republican Research Committee and formed a task force. That task force is composed right now of 18 Republican Members. Recently we met with Democrats who share our same concern about the problems affecting the Government today, the fiscal problems, the budgetary problems.

The issue here really is a bipartisan issue. If I would summarize the concern, I think it could be said briefly as "truth in Government" or "truth in Government spending."

Many of us here in the House do not understand or do not really know the true cost of Government, because we continue today in Washington to use a Mickey Mouse cash basis of accounting, rather than what Government imposes on business, and that is called generally accepted accounting principles.

In fact, the Government took New York City off the cash basis in 1976 as a price for the Federal bailout, but yet we persist in using that same system today.

The Securities and Exchange Commission imposes the appropriate system, generally accepted accounting principles, on publicly traded companies. As a matter of fact, officials of those corporations would literally be indicted and arrested and I think convicted for securities fraud if they used the systems that we continue to use here in Washington in Congress to attempt to record economic reality. My

judgment is that economic reality is nowhere to be found on the books of the U.S. Government, because we continue to persist in a system that just looks at the cash flow each year.

We tend to be caught up in the budget process, the annual budget process. We are totally budget driven here in the House. We do not consider the encumbrances to the future.

Many Members approach me to support certain systems. One was the atom smasher, which I believe had a cost of \$6 billion, but they were selling it right here on the floor of the House as only costing us \$20 million this year, because they know how to play the game, they know that we do not have a balance sheet. We do not reflect liabilities in the outyears. There is no way to record the encumbrances against future generations.

As a matter of fact, if we took the time to compute our real expenses and real commitments on the basis that we impose on the private sector, you would be shocked. Mr. Speaker, to find that our liabilities are not \$2.4 trillion, which is what we borrowed from the public, those are the bonds we have issued. They are really somewhere around \$8 trillion, because you would have to add the contingencies, the guarantees, accrued pensions for military, accrued pensions for civil service, and yes, even the accruals for the Social Security system. Try to tell the older people in our country that Social Security is not an obligation, and yet today the moneys that we call a surplus in the Social Security account are not really in the account. We take the cash out of the Social Security account and put it in the budget system and use that money for other reasons, even though we raise the money by calling it a Social Security tax. I think this is wrong and I certainly do not think this is the way to describe truth in Government or truth in Government spending.

So I think we do have a crisis of credibility and the crisis really affects what I call public accountability or accountability to the public. It is basic. We are not giving the public a good count, because we are not using the systems, the procedures, the controls, the accounting principles, in order to reflect properly economic reality as it should be.

We have got the highway trust funds. We have got the Social Security trust funds. It was back in 1967 that a very smart politician, Lyndon Baines Johnson, as opposed to raising taxes for the war in Vietnam, decided to use the cash that he saw sitting in those trust funds, and by a magic wand, called a pencil, we then came up with something called "the unified budget" and that then brought those trust funds on budget so that we could use the cash in those funds and then in effect what we are saying to the public is that we are going to have to replace that cash later on when we need it.

We know right now that there are more people putting into Social Security than taking out, but with the greying of America, with more people retiring relative to those people working, there is going to come a point in time, and it is not too far in the future, where we are going to be taking more out of the Social Security account than we are putting in. At that point we are going to have to impose tremendous tax burdens on the youth of today, because that money has to be found in the future to pay for those Social Security taxes.

In effect, we are going to have to replace that money and in effect future generations are going to have to still raise the money they need to pay for the interest on the national debt and fund the operations of this great country and provide the capital that we need to provide the opportunities for the future.

So a group of us sat down and formed this task force. We came up with a white paper, a white paper which I today shared with a group of Democrats here in the House, a group headed by the gentleman from Georgia, Mr. DOUG BARNARD, who feels as strongly as I do about this. We had a very good give and take. It is obvious to me after the meeting this morning that this is an issue that we should and must pursue as a partisan issue, because accountability really does not have any political preference.

So in effect, what we have come up with is what I call a seven leg stool. We want to be sure that we are using the right kinds of accounting principles here in Government, and certainly they should be generally accepted accounting principles and not the cash basis.

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We also want to be sure that we use compatible accounting systems here in Government. The Comptroller General, head of the GAO, said in a recent blue cover report that we have over 200 different accounting systems here in Government today and we use over 50 payroll systems. Even if we had the right kinds of accounting principles and even if we used compatible computers, which we do not, feeding in that diversity of information would not give us a meaningful compilation of data that we need to make the multibillion-dollar decisions that we make every day here in the Congress. We also need a capital budget. It is incredible to me that we spend \$1 trillion a year on a cash basis, \$200 billion of which, 20 percent, is spent on capital items. These are items that have a useful benefit to the public for more than several years, certainly more than the current year. We spend \$100 billion on military procurement, military capital items, and \$100 billion on other domestic programs.

It seems to me we are now ready to take on a capital budget mentality in this country because we need to create

some discipline here to think long term. It is not enough just to think about ending the year and meeting just the cash budget requirement which we do very poorly at that. So I think it is time we look at the budget process and at the least come up with a capital budget.

We need also a centralized financial management organization. I have had a bill sponsored by over 70 Members to bring a chief financial officer to the United States of America. We need a place where we can concentrate on the financial management problems of the country.

The Secretary of the Treasury is doing a good job but he is consumed mainly with cash-flow. He worries about mainly how we raise cash, which is through the Treasury, through the Internal Revenue Service, and he provides that cash to the Congress when bills are appropriated and when there is not enough cash it is the Secretary of the Treasury that must sell the Treasury bonds, or at least issue bonds and Treasury notes to raise the cash to send the money over here in order that we may fulfill our legislative priorities. He is not concerned with financial management as a priority.

I do not think it should be in the Department of the Treasury that we put this important function.

The Office of Management and Budget is an agency that is budget driven. As far as it is concerned it is all "B," I do not see any "M." I see a few people with management titles. Financial management would be a weak second to the important responsibilities of that agency.

The Comptroller General, Charles Bowsler, has said on many occasions that it is not his place to promulgate accounting principles and to be the chief financial officer. He is the quintessential auditor of the Government, the true referee for the public because he is not a partisan creature. He is appointed for 15 years. He transcends administrations. So it is not for him to promulgate; it is for him to be a watchdog on the chief financial officer.

So it is time we came up with a centralized approach with a chief financial officer, with assistant secretaries for financial management in each of the 18 large agencies, so that we can get financial information percolating up from these large agencies to the chief financial officer, who can then provide us the information we need to appropriately manage the \$1 trillion a year that we spend in the budget process each year.

We also need better education, certainly better education among congressional staff. I spent 22 years in the private sector, and this is my fourth year in the Congress, but it amazes me that in my experience in the private sector we spent 10 or 20 percent of our resources professionally developing the management and staff so they

could become better at doing their job. Yet here in Congress when Congressmen depend so much on their administrative aides and their staff, we do not see that kind of professional development, and the backgrounds of these good people are mainly political science, history, and law, not financial. Yet more than 50 percent, I dare say 75 percent, of the time we spend here on the floor is spent on financial problems, on the budget issue, and on appropriations.

Mr. Speaker, we need to provide the resources in Government to educate that group. There are many things we have to do and I have other Members here on the floor who will join me on this subject. We have seen recent examples of what happens when the right system is not utilized. Is it not shocking when we have to announce to the public that the FSLIC bailout may be as much as \$50 billion? Why were we not able to forecast that? We have known all along that there was a problem with the savings and loan organizations. If we had the right kind of accounting system, we would have to provide on an annual basis some kind of contingency or reserve so that we in Congress would have had an early warning that this was happening. But, no, now they are going to give us the bad news I understand that we may have to find another \$50 billion in order to bail out the savings and loan institutions in this country so we can keep faith with the American public.

Where is that going to come from? It is going to come from Lord knows where, it is probably going to displace other needed programs because there are many of us who are sick and tired of hearing about tax increases. We would like to see more time spent on dealing with the waste in Government before we start talking about tax increases.

Mr. Speaker, the bottom line is that we need to get Members on both sides of the aisle to understand how important it is to keep faith with the American public, how important it is to keep faith with them because they are pouring in at least \$550 billion a year here in tax revenues. It is not \$1 trillion because we have a deficit of \$150 billion. We make up the difference by selling Treasury bonds. There is a lot of money filtering through Washington and I do not think we are giving the public a good accounting of it.

Mr. Speaker, I will conclude this segment of my remarks and entertain remarks from my colleagues who are here simply by saying that recently I came up with a bill that is now sponsored by many people on both sides of the aisle called the truth-in-spending legislation, whereby I took the budget of the United States of America and put it on one piece of paper so that each person could understand it just like they can understand their household budget and really it was a takeoff of something I did 2 years ago.

As I would go around the country giving speeches on this, I would refer to my voting card as the most expensive credit card in the world. Many people do not realize that we use a plastic card to vote here in the Congress. We have computer terminals at the ends of the rows of seats. Every time we use this card to spend money, we know that there is not enough money available because we have to sell each year \$150 billion in Treasury bonds, so this in fact is a credit card. This has become the most expensive credit card in the world.

To make my point, what I then did was to put the \$1 trillion budget in a format that looked like the credit card statement that one would receive from American Express, Visa, Master Card, or from whatever credit card company one is patronizing at home. I started off with each individual taxpayer's share of the national debt. Do my colleagues know what that was at the beginning of the fiscal year? It was about \$17,100.

Then I had another section called purchases, and I would list per individual what we spent for the public using this card per taxpayer, each individual's share of national defense, share of Social Security, and right down the line.

Then there was a section on taxes, or at least called payments, and we thanked them for their prompt paying of income taxes.

Then there was section of finance charge, which is each individual taxpayer's share of the interest on the national debt, and we concluded with the balance at the end of the year of the amount still owed, because when we all sent in our taxes with our tax return we did not make a full payment. We still owe, by our reckoning at the end of the fiscal year, each individual still owes \$18,500. So that by looking at the statement one would see that the national debt, each individual's share of the national debt went up another \$1,500 during the last fiscal year.

When are we going to stop this nonsense, or at least when are we going to give the public a good accounting so we can tell them the real cost of Government?

Mr. Speaker, at this time I yield to my colleague the gentleman from North Carolina (Mr. McMILLAN), who has some good words to add to this subject.

Mr. McMILLAN of North Carolina. Mr. Speaker, I thank the gentleman from New York (Mr. DiOGUARDI) for yielding. I want to congratulate the gentleman from New York for his leadership in attempting to refocus the attention of this Congress and the executive branch on this very important issue. Congress has addressed this issue in many respects over many years without a great deal of success. We think the time has come to bring it back on the front burner, and we believe that there is a strong basis for bi-

partisan support not only among the Members of the Congress but perhaps even between the two Presidential candidates that we can reach a high level of consensus on what needs to be done in this area and kick off the next term of Congress hopefully with some action that would address this issue.

We may not reach 100 percent agreement on exactly what needs to be done, but I believe we can reach agreement on 95 percent of what needs to be done, and if we can do that we will be 95 percent better off than we are right now.

Mr. Speaker, I want to join others today to speak to the issue of the compelling necessity of establishing integrity, clarity, and consistency in Federal accounting. There is none in the current system. Congress and the executive are forced to rely on numbers in the budget and appropriations process that confuse the public, Congress and the Federal managers responsible for program execution and control.

Government figures are based, in the vernacular of the accounting profession, "on generally unacceptable accounting principles inconsistently applied." Being a lawyer used to be one of the best requirements for serving in Congress. That was before we had \$1 trillion budgets, billions of dollars in off-budget programs and trust funds and Federal budget deficits that boggle the imagination. Now, one of the most important skills any person should have before serving in Congress is the ability to manage money or a program or people.

But even then, we must have a comprehensible accounting system. Let's face it: we 435 Members of the House and 100 Members of the Senate represent the largest board of directors of the largest financial enterprise the world has ever known. We spend, loan, guarantee and borrow, and tax more money than any other entity in the world. Yet the numbers we rely do not describe reality. The time is past due to insist on honest numbers.

With that said, it stands to reason that we should have the most exact, reliable and, most importantly, consistent financial information possible so that we can make the best legislative decisions—and so that Government managers can carry out with integrity. I come from the business world where we are forced by law—generally accepted accounting principles—and common good business practices to use and report accurate and realistic numbers. I expected the same when I came to Congress over 3 years ago. It doesn't exist.

I have been shocked by the lack of a coherent financial accounting versus financial management system. Last year, during work on a bipartisan effort to reduce the rate of growth in federal spending, my colleagues and I were faced at every turn with gaping discrepancies in the so-called scoring by OMB and CBO of legislative alter-

natives. Information that is available to OMB or CBO or any individual agency is not readily accessible to all Members of Congress, or the public for that matter, due to incompatible accounting and computer systems. As an unfortunate result, we were regularly faced with the choice of making decisions, on faulty or unreliable data. If I had encountered such a mess in business, I would have concluded someone was seeking to conceal the facts or at least confuse the issue.

As one specific example of the problems we are facing today, let me relate an episode that occurred just this past week. We are all tremendously concerned about the savings and loan industry in this country and the efforts of FSLIC and the Federal Home Loan Bank Board to help expedite a solution to the problem. Congress adopted measures last year. I, for one, happen to believe that a solution can be found but the solution can be successfully achieve only when we can all—Congress, the regulators, and the thrift industry, use numbers that are reliable and can be agreed upon by all parties concerned. There should be no confusion on the numbers. Accurate numbers are an absolutely essential prerequisite to finding solutions. When that point has been reached, rational people can sit down and make intelligent judgments about how best to get out of the mess we now see in some

parts of the Nation's savings and loan industry.

The chairman of the Federal Home Loan Bank Board, Mr. Danny Wall, appeared before the Senate Banking Committee on May 26, 1988 with a pro-forma statement of budget authorizations, outlay assumptions and cash flows relating to the FSLIC fund. This, in itself, was an unusual and invaluable step since such pro forma statements are usually kept within the agency in question. And a clear understanding of them was essential to the committee, to the industry and ultimately to Congress. Any kind of full disclosure is certainly a welcome step in the right direction.

I am in the uncommon position up here on Capitol Hill of having over 25 years of financial background with a major investment banking firm in the Southeast, as chief financial officer of a \$1 billion company, plus extensive responsibility as the chief executive officer of a major food chain. I also have the benefit of having two staff members with MBA training. Upon review of this pro forma statement, we quickly came to the conclusion that it was totally unlike anything we have ever encountered.

There was no true income statement as such, nor a true cash flow statement. In short, this pro forma statement still causes a great deal of confusion when it really did not have to.

What was presented was a mix of budget authority, outlays, contingent payments, and notes presumably tied to an authorized issuance of bonds that was totally confusing. The integrity of the numbers depended on a net cash flow figure supplied by the bank board. Industry people who saw them made extraordinary interpretations of the numbers which, if factual, would have appropriately curled their hair.

We asked the accountant from FHLBB why the new notes payable were entered as a negative item with parentheses and he replied, "Because that is the way OMB said to do it." Now, I have nothing personally against OMB, but this instance proved to me once and for all that our Federal Government is in desperate need for a solution such as the one we are promoting here tonight. If we fail to implement accrual accounting, capital accounting and other cash flow statements consistent with GAAP as well as sound financial management procedures, then we will do a great disservice to our Nation and perpetuate government by confusion with disastrous results.

I urge my colleagues, the public and the members of the accounting profession to examine this issue seriously and support congressional and Presidential efforts to find a solution.

Figures referred to follow:

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION—PRO FORMA: ESTIMATED BUDGET OUTLAYS AND CASH FLOWS, FISCAL YEARS 1988-97

(In thousands of dollars, assumptions: Full social assessment continued until FSLIC notes payable paid off in 1995, deposit growth at 1.75 percent per quarter, potential return on Southwest plus assistance is not shown)

| | Projected fiscal years— | | | | | Subtotal (1988-92) | Projected fiscal years— | | | | | Total (1983-97) |
|---|-------------------------|-------------|-------------|-------------|-------------|--------------------|-------------------------|-----------|-----------|-----------|-----------|-----------------|
| | 1988 | 1989 | 1990 | 1991 | 1992 | | 1993 | 1994 | 1995 | 1996 | 1997 | |
| 1 Capitalization proceeds | 1,658,000 | 2,000,000 | 1,500,000 | 1,800,000 | 1,000,000 | 8,558,000 | 1,808,000 | 1,808,000 | 275,000 | 0 | 0 | 10,825,000 |
| 2 Regular insurance premiums | 585,000 | 428,706 | 322,081 | 270,942 | 241,345 | 1,847,294 | 217,721 | 199,536 | 221,934 | 315,125 | 415,012 | 3,216,622 |
| 3 Special insurance premiums | 1,832,853 | 1,151,062 | 1,269,541 | 1,393,432 | 1,512,706 | 6,354,234 | 1,423,296 | 1,814,870 | 1,945,295 | 0 | 0 | 11,537,675 |
| 4 Interest on securities | 134,210 | 222,874 | 182,328 | 168,376 | 79,239 | 727,127 | 78,275 | 77,041 | 68,615 | 72,634 | 108,758 | 1,332,849 |
| 5 Return on claims against members | 1,745,833 | 1,840,659 | 1,826,872 | 1,832,379 | 1,828,215 | 5,863,758 | 951,870 | 860,000 | 608,000 | 50,000 | 50,000 | 8,195,628 |
| 6 Capital certificate income | 44,000 | 44,000 | 44,000 | 44,000 | 44,000 | 220,000 | 44,000 | 44,000 | 44,000 | 44,000 | 44,000 | 440,000 |
| 7 Liquidation of acquired assets | 37,152 | 38,311 | 41,182 | 42,830 | 44,257 | 204,743 | 45,580 | 46,582 | 47,525 | 48,345 | 49,067 | 441,758 |
| 8 Miscellaneous income | 183,069 | 198,966 | 202,161 | 194,782 | 154,382 | 934,081 | 161,438 | 168,728 | 176,254 | 184,068 | 194,025 | 1,818,586 |
| 9 Administrative and maintenance operating expenses | (168,484) | (178,619) | (188,284) | (198,789) | (214,314) | (958,490) | (214,314) | (214,314) | (214,314) | (214,314) | (214,314) | (2,022,060) |
| 10 Assets acquired from insured institutions | (53,891) | (53,891) | (53,891) | (53,891) | (53,891) | (269,455) | 0 | 0 | 0 | 0 | 0 | (269,455) |
| 11 Interest on notes payable | (478,824) | (743,556) | (763,842) | (753,267) | (758,801) | (3,496,580) | (630,467) | (371,672) | (118,941) | 0 | 0 | (4,817,671) |
| 12 Principal payments on notes issued before 1987* | (341,777) | (239,912) | (178,934) | (134,951) | (116,213) | (1,012,786) | (725,129) | (694,756) | (694,756) | 0 | 0 | (3,127,017) |
| 13 New notes payable* | (6,267,000) | (3,478,000) | (1,749,000) | (1,749,000) | (1,749,000) | (14,431,000) | 0 | 0 | 0 | 0 | 0 | (14,431,000) |
| 14 Assisted solutions | (1,979,000) | (1,399,000) | (1,917,000) | (1,988,000) | (1,171,000) | (7,554,000) | (100,000) | (100,000) | (100,000) | (100,000) | (100,000) | (8,954,000) |
| 15 Insurance settlements | (2,000,000) | (500,000) | (500,000) | (500,000) | (500,000) | (4,000,000) | 0 | 0 | 0 | 0 | 0 | (4,000,000) |
| 16 Net budgetary outlay (outlay) | (3,567,649) | (1,468,859) | (753,765) | (1,311,236) | 108,425 | (6,993,065) | 2,252,190 | 2,628,406 | 2,052,602 | 399,858 | 546,545 | 1,086,516 |
| 17 Principal payments on notes issued after 1986* | 400,000 | 2,150,000 | 2,150,000 | 1,300,000 | 1,300,000 | 7,300,000 | 2,700,000 | 2,800,000 | 2,228,770 | 0 | 0 | 14,528,770 |
| 18 Outstanding notes payable | 8,750,410 | 9,838,498 | 9,257,564 | 9,576,814 | 9,343,401 | 6,418,281 | 2,823,528 | 0 | 0 | 0 | 0 | 14,528,770 |
| 19 Cash inflow (outflow)** | 2,299,351 | (140,858) | (1,154,765) | (857,236) | (8,575) | 137,915 | 52,190 | 28,406 | (176,168) | 399,858 | 546,545 | 988,746 |
| 20 End-of-year investments | 3,199,197 | 3,054,337 | 1,903,572 | 1,946,336 | 1,837,761 | 1,089,951 | 1,118,357 | 942,189 | 1,342,047 | 1,388,582 | 1,388,582 | 10,825,000 |

* Current budget guidelines require FSLIC to count the full principal value of all pro-forma notes issued after fiscal year 1986 as budgetary outlays. Accordingly, principal payments on these notes are excluded as budgetary outlays. Also, only principal payments on notes issued before 1987 are counted as outlays.
 ** Cash inflow (outflow) equals net budgetary outlays (outlays) minus new notes payable minus principal payments on notes issued after 1986.

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Mr. DiGUARDI. Mr. Speaker, I yield to the gentleman from Oklahoma (Mr. INHOFE), our colleague who is a member of the task force that I described earlier.

Mr. INHOFE. Mr. Speaker, I thank the gentleman from New York for yielding.

Mr. Speaker, I was not really planning to be here to talk about this but

another subject. However, upon arrival and hearing this, I would appreciate the opportunity to make just a few brief remarks.

First of all, I cannot think of a time in our history that is more appropriate than right now to be addressing this subject. It was not until the USA Today poll came out just a few months ago that for the first time in contemporary history of America the No. 1

problem that the people perceive as being a Federal problem is the deficit of this country. This has not happened before, and I think we all have to admit the frailties of Congress such that we do not address something until it becomes such a problem at home that we are inundated with requests from home.

Consequently, there was an effort in this Congress to introduce H.R. 321

which is a budget-balancing amendment to the Constitution which is certainly appropriate at this time to introduce. It is interesting that they have 240 coauthors of that bill, and yet we cannot even get it out of committee to consider it. What does that tell you? It tells you that the vast majority of the people want to make the people at home think they are concerned about a deficit but do not want to do anything about it.

This subject at hand, it is bad enough that we have a deficit that even the liberals realize we cannot service and have enough money left over for the social programs, but to make it worse, to compound that, the fact that we in Congress, in the U.S. Government and in the President's office do not even know what the deficit is, that is an incredible thing.

I sent out a mailer back to my district, and I started making civic club talks about the fact that Government does not know what the deficit is. You might ask, you know, why is this, how can it happen. Other governmental agencies know.

I served three terms as mayor of a major city, Tulsa, OK, and I had a computer on my desk. I could tell you exactly the capital budget, operating budget, where we were on a daily basis, and we had an accrual accounting method where we segregated our capital accounts and operating accounts. If we were not on schedule so that at the end of the year we did not have a balanced budget, we would make adjustments by cutting expenses or raising taxes or doing what is necessary, but in Government we do not have that opportunity.

I think what the gentleman from New York and his committee has come up with is something that is really ingenious, because what this does is give a vehicle to whomever is going to be in Congress and in the White House to do something accurately about addressing this budget problem, this accounting problem, and the deficit problem, and until that happens, until we know what the deficit is, we really cannot address it.

What happened a year ago? A year ago when we had to make one of the target dates of the Gramm-Rudman guidelines, right before, we postponed the payment of a major military personnel account, so it fell into another fiscal year and, therefore, we made the people of Oklahoma, or the people of the United States, think that we were meeting that target, but we really were not.

I believe that whomever the nominee is of the Republican Party or the Democrat Party, whomever shall become President of the United States, if that person could know accurately with the accounting brilliance that we have in the House of Representatives as to where we are today, it would be the greatest single service to our people of any that has been addressed since I have been in Congress

these past 18 months. They would say, "Well, wait a minute, we do not want people to know, because this deficit is really a lot higher than we think it is, than we have been telling people that it is." Why would not the President, whether a Democrat or a Republican, rather start out his administration with honesty and know where it is, and later on let him be measured in an honest way at the end of 4 years?

I want to wind up by saying that the sheet the gentleman referred to, and I am speaking to the gentleman from New York, where each person in this country is able to know what his or her portion of this deficit is is a brilliant document, and if we could get that out to the American people as I have in my district in Oklahoma, I can assure you there would be enough outrage to see to it that the program that we are working on becomes a reality.

Mr. DiOGUARDI. Mr. Speaker, just taking off on those comments, it is a fact that today there are many cities and States in our country that have adopted the right system. I know New York City and New York State now have adopted it. They were forced to back in the mid-1970's. The gentleman says Tulsa, OK, recently has, and I read that members of Parliament in Australia each have a computer terminal and a monitor at their desk. If they want to at any time know the cost of a Government program, they can punch it up and see it right in front of them.

We are in the Dark Ages here with the way we are spending our kind of money. I am happy that the gentleman from Oklahoma mentioned the good system that they have in Tulsa, OK.

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Mr. INHOPE. Even better than a new system, it is an honest system. When we are not doing our job and we see something is going to happen by the end of the year, and of course we are operating under a city charter, the same as Oklahoma operates under a constitutional amendment, that forces us to balance our budget. And I assure the gentleman that there is not a time when the city council meets or when the State Legislature meets that they do not try to figure out some way to get around that. But it is there, and we would not be able to keep the integrity of that constitutional requirement if we did not have an honest accounting system. And we do not have one in the Federal Government, which the gentleman and his committee is bringing to us.

I thank the gentleman.

Mr. DiOGUARDI. I thank the gentleman from Oklahoma.

Mr. Speaker, I yield to the gentleman from Pennsylvania (Mr. CLINGER) who has provided great leadership here in the House for many years calling for the imposition of a capital budget, or at least the amendment of the budget process to include a capital

budget, because he understands full well as many of us do, the need to start looking long-term at the way we are setting our priorities. And when we spend \$200 billion a year on capital type items, it is clear to me and to Bill CLINGER that it is an idea whose time has long passed, and certainly we are ready for it.

Mr. CLINGER. Mr. Speaker, I thank the gentleman from New York very much for yielding to me and want to join with others in commending him for the really magnificent leadership he has taken in this whole area of the financial management of the Federal Government. The gentleman from New York is like the little boy who has stood up and said the emperor has no clothes. We look at the way we manage the budget, how we manage our fiscal affairs in this government, and it is chaos, it is a totally chaotic situation where even the smallest mom and pop grocery store manages their affairs on more systematic and more rational principles than we do at the Federal Government level. I just think the gentleman from New York is doing a marvelous job in calling attention to this.

Mr. Speaker, I would like to talk briefly about one aspect, and that is the capital budgeting. My colleague from Oklahoma (Mr. IRSON) indicated that in the city of Tulsa they have a capital budgeting process, and that that has been an extraordinarily useful tool to that city in determining not only what they are investing in capital improvements, but also as a planning device, looking down the road at what are they going to need 5 years, 10 years down the road. We do not have that in the Federal Government, and we have a very limited provision which was put in place 3 or 4 years ago which we need to expand on.

So if I may, I will just talk about what I think a capital budget would do for us if we are to implement it.

Mr. Speaker, a uniform system of financial management guiding our Nation's accounting of its resources, its income and expenditure, can be and should be a relatively simple system to impose on our agencies and departments. In an ideal world, the same bookkeeping principles that guide the management at a small agency such as the National Transportation Safety Board should be compatible with the principles used by the Defense Department. The same guidance that drives their spending and investment decisions should in fact transcend the entire Federal Government, without regard to the agency's mission and size.

In fact, we don't need to characterize this goal as an unachievable ideal. Today, everyone of our businesses, large and small, generally abides by a strict, uniform method of accounting. Think about it. The same accounting principles employed by a major multinational corporation are similarly fol-

**REFORMING THE FEDERAL
FINANCIAL MANAGEMENT**

(Mr. HOUGHTON asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HOUGHTON. Mr. Speaker, I rise in support of the House Republican Research Committee report on reforming the Federal financial management.

Seeking to reform a process is not the most exciting thing in the world. But there is hardly anyone out there in this country who does not feel that our financial management is out of control. Some say it is not the process. Some say it is the will of the individual.

But when we look at an institution in which the national debt has increased 3 times in 10 years and we are running a deficit of approximately \$150 billion, I repeat billion a year, and foreign investors may be in a position soon to force interest rates up again, something is clearly wrong. I personally do not think it is too bright to have a system which has over 300 separate, incompatible accounting systems and permits surprises such as the \$11 billion bailout of the Federal Savings and Loan Insurance Corporation.

Keeping sloppy books is not a good way to run this country.
