

1977

## An Analysis of the Congressional Budget Act of 1974

Lawrence J. Korb

Follow this and additional works at: <https://digital-commons.usnwc.edu/nwc-review>

---

### Recommended Citation

Korb, Lawrence J. (1977) "An Analysis of the Congressional Budget Act of 1974," *Naval War College Review*: Vol. 30 : No. 2 , Article 5.  
Available at: <https://digital-commons.usnwc.edu/nwc-review/vol30/iss2/5>

This Article is brought to you for free and open access by the Journals at U.S. Naval War College Digital Commons. It has been accepted for inclusion in Naval War College Review by an authorized editor of U.S. Naval War College Digital Commons. For more information, please contact [repository.inquiries@usnwc.edu](mailto:repository.inquiries@usnwc.edu).

## 40 NAVAL WAR COLLEGE REVIEW

*The Congressional Budget Act of 1974 is, in the words of former Speaker of the House Carl Albert, the most significant congressional initiative in the last 75 years. Under it the Congress is now required by law to consider the Federal budget as a whole and to act upon it before the commencement of the fiscal year. Professor Korb describes the background which gave rise to this Act and he explains how it is intended to work.*

### AN ANALYSIS OF THE CONGRESSIONAL BUDGET ACT OF 1974

by

Lawrence J. Korb

The Constitution of the United States gives the Congress the "power of the purse." When the Federal budget was small and simple, it was comparatively easy for Congress to exercise this power. However, with the tremendous growth in the magnitude and complexity of the Federal budget in the post-World War II period, congressional power in monetary matters became more and more illusory. Since in the American political system, "dollars are policy," the legislative branch found itself increasingly divorced from any real impact in the policy process.

In 1974, Congress enacted what former House Speaker Carl Albert called the most significant congressional initiative in the past 75 years, when it passed the Congressional Budget and Impoundment Control Act.<sup>1</sup> This Act, which completely reforms the executive and legislative phases of the Federal budgetary cycle, took effect in fiscal

year 1977. This paper will discuss the background, the key elements, and the impact on DOD of this landmark legislation.

**Why Reform Was Needed.<sup>2</sup>** There were several reasons why Congress felt that it was necessary to change its procedures for considering the budget. These reasons may be grouped into four categories.

First, neither the House nor the Senate had any legislative committees charged with considering the President's budget as a whole. Consequently, Congress voted only on individual pieces of the budget, e.g., defense, agriculture, etc. There was no process within the legislative arena for considering what the sum of these individual actions would do to the economy: provide a stimulus or retard growth. Moreover, no systematic procedure existed for resolving conflicts among the different

# CONGRESSIONAL BUDGET ACT OF 1974 41

authorizing, appropriations, and tax committees on the basis of conscious congressional decisions related to national goals and priorities. Any rational relationship between the actions of these committees was usually the result of happenstance. As a result, the gap between authorization and appropriations widened into a huge cavern and limitations on spending suggested by the President were exceeded annually.

Second, there was no timetable or deadline for enacting individual authorization and appropriations bills. Congress passed these money bills willy-nilly throughout the year and often enacted the larger appropriations bills only after much of the fiscal year to which they applied had already transpired. On occasion Congress would even adjourn for the year while individual appropriation bills were still pending. Congressional tardiness was especially flagrant with respect to the Department of Defense. As indicated in Table I, in the fiscal years 1970-76, Congress never completed action on the defense budget before at least 138 days or 38 percent of the fiscal year had elapsed. Moreover, in 3 of those 7 years, Congress actually waited until more than half of the fiscal year had gone by before it enacted the defense budget. On the average, in the fiscal years

1970-76, the Legislature delayed action on the defense budget until the fiscal year was just about half over. This tardiness left agencies like DOD in the difficult position of operating on the basis of continuing resolutions and made it almost impossible for state and local governments to fit Federal grants into their plans in a timely fashion.

Third, the scope for effective use of the budget to influence either the level of economic activity or the allocation of fiscal resources was limited by the inability of the Congress to keep Federal spending under reasonable control. Congressional budget decisions were generally made within the inefficient framework of a narrow, 1-year time horizon. These decisions often laid the groundwork for programs whose "out-year" costs far exceeded the expectations of their original supporters.<sup>1</sup> The food stamp and medicaid programs were examples of such decisions. In addition, over the years there developed numerous forms of "back door" spending, outlays which were not subject to the regular appropriations process: for example, legislation permitting agencies to enter into contracts or to borrow money not yet appropriated.

In order to counter these congressional weaknesses, the President often impounded funds already appropriated

**TABLE I—DATES ON WHICH DOD BUDGET WAS PASSED BY CONGRESS**

Fiscal Years	1970	1971	1972	1973	1974	1975	1976	Average
Date of Basic Appropriation	29 Dec	11 Jan	18 Dec	26 Oct	20 Dec	8 Oct	6 Feb	1970-76
Days of Fiscal Year Elapsed	183	194	172	157	174	138	220	177
Percentage of Fiscal Year Elapsed	50	53	47	45	48	38	60	49

## 42 NAVAL WAR COLLEGE REVIEW

by Congress on the basis of his priorities. Although this Presidential practice was of "dubious constitutionality," congressional irresponsibility often left the Chief Executive no other realistic alternative. Moreover, Presidential impoundment was often done with *sub-rosa* congressional support. In this way, Congressmen could vote for spending and let the President take the blame for cutting. Presidents Truman, Eisenhower and Kennedy frequently impounded congressionally appropriated funds for bombers and missiles, while President Nixon often refused to spend funds on certain social and environmental programs approved by the Congress.<sup>4</sup>

Fourth, Congress had neither the staff nor the analytic capabilities to perform a proper analysis of the President's budget requests or to make a really careful examination of any meaningful alternatives. Most of its changes to the President's budget were dictated by the line item imperative, i.e., the legislative made "meat axe" or across-the-board cuts which saved money in a particular line item but often unbalanced a carefully constructed program. When the Chief Executive objected to the congressional changes, he had the resources to make a case that he was acting in the long-term interest of the country. The legislative branch did not have the wherewithal to demonstrate that it was doing the same thing.

**Key Elements of the New Budget Process.** In order to bring about a coordinated and effective approach to congressional budget actions, the Budget Control and Impoundment Act calls for wide ranging reforms of the previous system. The key elements of the new process may be grouped into four categories which correspond roughly to the four areas of weakness discussed above.

#### (1) New Institutional Structures.

The act provides for the establishment of a new Budget Committee in each

House of Congress. These committees are charged with developing annual targets for fiscal policy as well as priorities among major budget programs. They are also responsible for ensuring that actual congressional actions on authorizations, appropriations, and revenues conform to the agreed upon targets.

The new legislation also creates the Congressional Budget Office (CBO), a nonpartisan group of about 200 analysts, to provide the Congress with information, analysis and alternatives on budgetary matters. The CBO is expected to perform roughly the same function for the Congress that the Office of Management and Budget performs for the President. Table II contains an example of this type of analysis performed for the Congress by CBO. This particular analysis deals with the long-term impact of an expansionary as opposed to a contractive policy on the dual problems of unemployment and inflation. It is important to note that CBO does not advocate either alternative. The office confines itself to advising Congress of the impact and tradeoffs of each one.

#### (2) Coordinated Decisionmaking.

To assure a coordinated approach to budget making, the Act requires that, on or before two prescribed dates each year (15 May and 15 September), Congress must vote explicitly on the budget as a whole and on budget priorities. All other facets of the budget process are governed by these votes on what is referred to as the first and second "Concurrent Resolutions on the Budget." To allow adequate time for this process and to prevent tardy appropriations, the Act has shifted the start of the fiscal year by 3 months. Starting with fiscal year 1977, the fiscal year now begins on 1 October rather than 1 July.

The first resolution, which must be enacted by 15 May, sets tentative targets for annual budget authority and

TABLE II—POLICY ALTERNATIVES: FISCAL AND MONETARY POLICIES

Expansionary Strategy				
	Spending Component	Tax Component	Monetary Component	Three Components
<b>Effect of Policy On:</b>				
Unemployment Rate (percentage points):				
1976: 4th Qtr.	-.4	-.3	-.1	-.7
1977: 4th Qtr.	-.4	-.4	-.3	-1.1
Annual Rate of Inflation (percent change, General Price Index):				
1976	0	-.1	0	0
1977	.2	.1	.1	.4
1980	.2	.2	.2	.5 to .7
Contractionary Strategy				
	Spending Component	Tax Component	Monetary Component	Three Components
<b>Effect of Policy On:</b>				
Unemployment Rate (percentage points):				
1976: 4th Qtr.	+.3	+.2	+.1	+.6
1977: 4th Qtr.	+.4	+.3	+.2	+.9
Annual Rate of Inflation (percent change, General Price Index):				
1976	0	0	0	0
1977	-.1	-.1	0	-.2
1980	-.2	-.1	-.1	-.3 to -.4

## 44 NAVAL WAR COLLEGE REVIEW

outlays, revenues, and the resulting deficit or surplus for the upcoming fiscal year. In addition, the resolution must also specify targets for each of the 16 functional categories within the Federal budget. Passage of the first resolution is based on joint recommendations of the House and Senate Budget Committees and takes place at the end of an intensive deliberative and bargaining process that involves consideration of the current services budget<sup>5</sup> (submitted by 10 November of the previous year); the President's annual budget proposals (submitted within 15 days after the Congress meets); the recommendations made by the various legislative committees (i.e., Armed Services) and by the Joint Economic Committee; and continuing and special analyses performed by the CBO.

The first resolution serves as a guide or target to the various congressional committees taking subsequent actions on specific authorization, appropriations and tax measures. If these actions add up to larger totals than the resolution provides for, the Budget Committees and the Congress must make conscious decisions on how the discrepancies are to be resolved. The Congress must either cut back the proposed outlays, increase taxes, or make changes in the initial targets. This reconciliation is done in connection with the adoption of a second concurrent resolution in late September, setting final, binding ceilings for annual spending and a floor on revenues.<sup>6</sup>

Once Congress has completed action on the second resolution and has passed whatever additional legislation may be needed to reconcile already enacted appropriations and revenue measures with that resolution, neither House is permitted to enact any legislative program that could change the final spending or receipt totals.<sup>7</sup> In order to make any changes in these totals, another concurrent budget resolution must be adopted by the entire Congress.

Although the new procedures did not become effective until fiscal year 1977, Congress conducted a dry run during consideration of the fiscal year 1976 budget. Table III contains a comparison between the original requests of the President for authority and outlays and the first and second concurrent budget resolutions of the Congress. Overall, the Congress raised the level of authority by \$13 billion or 3.4 percent in its first resolution and by \$22.2 billion or 5.8 percent in its second resolution. In the outlay area, the first concurrent resolution provided for a \$17.6 billion or 5 percent increase while the second resolution effected a \$25.5 billion or 7.3 percent increase over the President's original budget request. Congressional actions in the outlay area increased the Federal deficit by 34.4 percent. In arriving at its totals, Congress increased seven of the functional areas, left four unchanged, and reduced three.<sup>8</sup> The three areas cut by the Congress were defense, international affairs, and agriculture.

In its two resolutions on the fiscal year 1977 budget, Congress acted in much the same fashion. As indicated in Table IV, the first resolution raised the budget authority target by \$20.8 billion or 4.8 percent and the outlay target by \$19.5 billion or 4.8 percent. The targets adopted by the second resolution were almost identical to the first. The Budget Committees achieved their totals by cutting defense slightly in both authority and outlays and by increasing social expenditures. In the outlay area defense was the only major function reduced.

(3) **Timetable.** The new act presents a detailed and fixed timetable for the different phases of the congressional budget cycle. In accordance with this timetable, many parts of the budget process cannot move ahead unless other actions are completed. For example, appropriations bills cannot be con-

# CONGRESSIONAL BUDGET ACT OF 1974 45

TABLE III—1976 CONGRESSIONAL BUDGET RESOLUTIONS  
AND PRESIDENTIAL BUDGET

[In billions]

Function	1st concurrent budget resolution	President's original budget request February 1975	2nd concurrent budget resolution	difference columns 2-3 N %	
BUDGET AUTHORITY					
National Defense	\$100.7	\$107.7	\$101.0	-6.7	-6.2
International Affairs	4.9	12.6	6.0	-6.6	-52.3
General Science, Space, and Technology	4.7	4.7	4.7	-	-
Natural Resources, Environment, and Energy	13.8	12.2	18.7	6.5	53.3
Agriculture	4.3	4.3	4.1	-0.2	-4.7
Commerce and Transportation	11.3	6.6	19.0	12.4	187.8
Community and Regional Development	11.0	5.2	9.5	4.3	82.7
Education, Manpower, and Social Services	19.0	13.7	21.3	6.7	49.4
Health	33.1	31.0	33.6	2.6	8.4
Income Security	140.9	135.3	137.5	2.2	1.6
Veterans Benefits and Services	18.0	16.2	19.9	3.7	22.8
Law Enforcement and Justice	3.3	3.2	3.3	0.1	3.1
General Government	3.3	3.3	3.3	-	-
Revenue Sharing and General Purpose Fiscal Assistance	7.3	7.3	7.3	-	-
Interest	35.0	34.4	35.4	1.0	2.9
Allowances	1.4	8.3	0.5	-7.8	94.0
Undistributed Offsetting Receipts	-16.2	-20.2	-17.1	3.1	15.3
Total, Budget Authority	395.8	385.8	408.0	22.2	5.8
OUTLAYS					
National Defense	90.7	94.0	91.9	-2.1	-2.2
International Affairs	4.9	6.3	4.9	-1.4	-22.2
General Science, Space, and Technology	4.6	4.6	4.6	-	-
Natural Resources, Environment, and Energy	11.6	10.0	11.4	1.4	14.0
Agriculture	1.8	1.8	2.6	0.8	44.0
Commerce and Transportation	17.5	13.7	18.3	4.6	33.5
Community and Regional Development	8.65	5.9	7.0	1.1	18.6
Education, Manpower, and Social Services	19.85	14.6	20.9	6.3	
Health	30.7	28.1	32.9	4.8	43.2
Income Security	125.3	118.7	128.2	9.5	8.0
Veterans Benefits and Services	17.5	15.6	19.1	3.5	22.4
Law Enforcement and Justice	3.4	3.3	3.4	0.1	3.0
General Government	3.3	3.2	3.3	0.1	3.0
Revenue Sharing and General Purpose Fiscal Assistance	7.2	7.2	7.3	0.1	1.3
Interest	35.0	34.4	35.4	1.0	2.9
Allowances	1.2	8.1	0.8	-7.3	-90.1
Undistributed Offsetting Receipts	-16.2	-20.2	-17.1	3.1	15.3
Total Outlays	367.0	349.4	374.9	25.5	7.2
Total Deficit	66.2	48.6	74.1	25.5	34.4

## 46 NAVAL WAR COLLEGE REVIEW

TABLE IV—1977 CONGRESSIONAL BUDGET RESOLUTIONS  
AND PRESIDENTIAL BUDGET

[In billions]

Function	1st concurrent resolution	2nd concurrent resolution	President's budget	difference columns 3-2	
				N	%
BUDGET AUTHORITY					
National Defense	112.5	112.1	114.9	-2.8	-2.4
International Affairs	9.1	8.9	9.7	-0.8	-8.2
General Science, Space, and Technology	4.6	4.6	4.6	-	-
Natural Resources, Environment, and Energy	17.0	18.2	9.7	8.5	87.6
Agriculture	2.3	2.1	2.3	-0.2	8.6
Commerce and Transportation	18.2	17.2	17.9	-0.7	-3.9
Community and Regional Development	7.4	9.6	5.8	3.8	65.5
Education, Training, Employment and Social Services	24.6	24.0	15.9	8.1	50.9
Health	39.3	40.5	38.0	2.5	6.6
Income Security	158.9	155.9	157.7	-1.8	1.1
Veterans Benefits and Services	20.1	20.3	17.7	2.6	14.7
Law Enforcement and Justice	3.4	3.5	3.3	0.2	4.5
General Government	3.6	3.6	3.5	0.1	2.9
Revenue Sharing and General Purpose Fiscal Assistance	7.4	7.6	7.3	0.3	4.1
Interest	40.4	39.6	41.3	NA	NA
Allowances	2.9	.7	2.6	NA	NA
Undistributed Offsetting Receipts	-17.4	-16.8	-18.7	2.1	11.1
Total	454.3	451.6	433.4	18.2	4.2
OUTLAYS					
National Defense	100.8	100.7	101.1	-0.5	-1.0
International Affairs	6.6	6.9	6.8	0.1	1.5
General Science, Space, and Technology	4.5	4.5	4.5	-	-
Natural Resources, Environment, and Energy	15.7	16.2	13.8	2.4	17.4
Agriculture	2.0	2.2	1.7	0.5	29.4
Commerce and Transportation	17.7	17.4	16.5	0.9	5.5
Community and Regional Development	7.8	9.0	5.5	3.6	65.5
Education, Training, Employment and Social Services	23.0	22.2	16.6	5.6	33.7
Health	37.9	38.9	34.4	4.5	13.1
Income Security	139.3	137.2	137.1	0.1	-
Veterans Benefits and Services	19.5	19.5	17.2	1.3	7.6
Law Enforcement and Justice	3.5	3.6	3.4	0.2	5.9
General Government	3.5	3.5	3.4	0.1	2.9
Revenue Sharing and General Purpose Fiscal Assistance	7.4	7.7	7.4	0.3	4.1
Interest	40.4	39.6	41.3	NA	NA
Allowances	1.2	.8	2.3	-1.5	65.2
Undistributed Offsetting Receipts	-17.4	-16.8	-18.8	2.0	10.6
Total	413.4	413.1	394.2	18.9	4.8



## CONGRESSIONAL BUDGET ACT OF 1974 47

sidered on the floor of either House until the necessary authorizations have been enacted and the first concurrent resolution adopted. Moreover, Congress must complete action on all spending bills within 1 week after Labor Day and may not adjourn until final passage of the second resolution, i.e., until it has fully reconciled all of the differences and budgetary matters. Imposition of such discipline on the legislative branch is a major innovation in the American political system, and could go a long way to restoring Congress to its constitutional role as a coequal branch of Government.

### (4) Improving Budgetary Control.

The Budget Control and Improvement Act contains three provisions designed to produce more complete congressional control over Federal spending. First, to help contain back door spending, the act requires annual appropriation of funds for all loan authority and entitlement programs, as well as explicit consideration of tax expenditures (tax exemptions and deductions).<sup>9</sup> Second, it severely limits the President's ability to impound funds appropriated by Congress. If the Chief Executive wishes to impound appropriated funds, he must ask the Congress for approval. Only if the Congress passes a recession bill within 45 days of the request may the President impound. If the President wishes to defer spending for a period not to extend beyond the end of the current fiscal year, he must announce his intention to the Congress. Even then, either chamber may force the Chief Executive to use his spending authority immediately by adopting a resolution to that effect within 45 days of the President's announcement. Third, to permit improved forward budget planning, CBO is specifically required to make 5-year projections of the budget. For example, the CBO projection of the fiscal year 1977 budget stated that if President Ford's budget were accepted,

outlays would rise to between \$560 and \$563 billion by fiscal year 1981.<sup>10</sup> And to enable the Congress to keep track of how it stands in relation to its targets, CBO provides "scorekeeping tables" during the fiscal year. An example of this is provided in Table V.

**Impact on DOD.** From the perspective of the Pentagon, the Congressional Budget Control and Improvement Act of 1974 will probably prove to be a mixed blessing in that it should have both positive and negative impacts on defense appropriations. The potentially beneficial aspects may be placed into three categories.

First, by delaying the start of the fiscal year for 3 months and providing that the Congress cannot adjourn until it completes action on budgetary matters, the new act has improved the prospects of DOD receiving its appropriations on time. Since fiscal year 1970, the failure of Congress to enact the defense budget until midway through the fiscal year to which it is applicable has forced DOD to operate under a continuing resolution, i.e., spend at the same rate as the previous year. In the past this had led to a great many inefficiencies in the management of DOD. In those areas where the final budget differed from the previous year, the Pentagon had only one half of the year to adjust spending levels. Moreover, since the defense hierarchy must complete action on the upcoming budget during the fall, the Pentagon leadership was generally placed in the awkward position of having to make decisions on next year's budget without knowing what last year's budget would be. It is all but impossible to put an exact dollar figure on the inefficiencies caused by these late appropriations. But, most analysts feel that these inefficiencies added at least 5 percent to the annual operating costs of DOD.<sup>11</sup>

Second, analyses performed by the nonpartisan CBO should enable the

## 48 NAVAL WAR COLLEGE REVIEW

TABLE V—SUMMARY BY FUNCTION OF CONGRESSIONAL ACTION ON THE 1977 BUDGET, AS OF JANUARY 10, 1977

[In millions of dollars]

Function	2nd concurrent resolution	Current status, through enacted House	Senate
<b>BUDGET AUTHORITY</b>			
National Defense	112,100	111,873	111,873
International Affairs	8,900	7,854	7,854
General Science, Space, and Technology	4,600	4,595	4,595
Natural Resources, Environment, and Energy	18,200	12,118	12,118
Agriculture	2,100	1,612	1,612
Commerce and Transportation	17,200	14,331	14,331
Community and Regional Development	9,550	9,560	9,560
Education, Training, Employment and Social Services	24,000	16,207	16,207
Health	40,500	38,983	38,983
Income Security	155,900	152,169	152,169
Veterans Benefits and Services	20,300	18,876	18,876
Law Enforcement and Justice	3,500	3,440	3,440
General Government	3,600	3,234	3,234
Revenue Sharing and General Purpose Fiscal Assistance	7,600	7,476	7,476
Interest	39,600	37,572	37,572
Allowances	700		
Undistributed Offsetting Receipts	<u>-16,800</u>	<u>-15,850</u>	<u>-15,850</u>
Total	451,550	424,049	424,049
<b>OUTLAYS</b>			
National Defense	100,650	99,191	99,191
International Affairs	6,900	6,903	6,903
General Science, Space, and Technology	4,500	4,505	4,505
Natural Resources, Environment, and Energy	16,200	15,834	15,834
Agriculture	2,200	2,667	2,667
Commerce and Transportation	17,400	15,992	15,992
Community and Regional Development	9,050	9,084	9,084
Education, Training, Employment and Social Services	22,200	18,316	18,316
Health	38,900	37,958	37,958
Income Security	137,200	136,650	136,650
Veterans Benefits and Services	19,500	17,851	17,851
Law Enforcement and Justice	3,600	3,521	3,521
General Government	3,500	3,219	3,219
Revenue Sharing and General Purpose Fiscal Assistance	7,700	7,516	7,516
Interest	39,600	37,572	37,572
Allowances	800		
Undistributed Offsetting Receipts	<u>-16,800</u>	<u>-15,850</u>	<u>-15,850</u>
Total	413,100	400,931	400,931

Congress to make more intelligent changes in the defense budget. In recent years, the Congress has made many changes in the Pentagon's budget which have paid short-run fiscal dividends but proved to be long-run fiscal disasters. For example, congressional restrictions on travel by DOD personnel saved funds in that account, but led to inefficiencies in the training area because many available school quotas could not be filled. Likewise, the congressionally imposed ceilings on civilian workers in naval shipyards limited the number of civilians employed by the Department of the Navy, but increased the accident rate and decreased the quality of the output because the fixed number of employees was required to work overtime to meet the authorized workload.

During consideration of the fiscal year 1977 defense budget, CBO produced four such analyses. These studies laid out alternatives for the Congress on such vital issues in the area of national security as naval forces and strategic force developments.<sup>12</sup> The naval force study presented in a clear and concise form the shipbuilding requirements, the budgetary implications, and the strategic assumptions underlying the creation of a 400, 500, and 600-ship fleet by 1985. This study also addressed the financial and strategic implications of fully implementing Title VIII of the Defense Appropriations Act of 1975, which requires that all future major surface combatants be nuclear powered. The study on strategic forces began by analyzing the developments of the U.S. and Soviet forces since the signing of SALT I in 1972. It then assessed the budgetary impact of the SALT and Vladivostok agreements and concluded by evaluating the potential fiscal effects of either a new SALT agreement or a breakdown of the negotiations on strategic arms.

During consideration of the fiscal year 1978 budget, the CBO issued a series of six budget issue papers on

general purpose forces. These papers presented the assumptions underlying current planning of the general purpose forces, discussed the relationship between those assumptions and the current or projected forces, and analyzed the potential changes in programs for general purpose forces if different planning assumptions were adopted. Issues addressed included naval forces, Army procurement, tactical air forces, theater nuclear forces, and forces related to Asia. The force alternative analyses and issue paper studies will make it possible for Congress not only to realize the complete effects of their actions but can also direct congressional attention away from a fixation on line items and focus it on the critical issues of national security.<sup>13</sup>

Third, the new procedures should hold down the growth in the cost of many social programs, thus leaving more funds potentially available for defense. Congressmen now have the capability to assess the out-year costs of new social programs. Moreover, they now review annually all of the back door spending in the budget. Senator Muskie (D-Maine), the chairman of the new Senate Budget Committee, estimated that the new procedures resulted in a savings of \$10-\$15 billion in social programs in the fiscal year 1976 budget.<sup>14</sup> During fiscal year 1977 the various legislative committees submitted spending proposals that added up to \$442 billion. As noted above, the Budget Committees pared these to \$413 billion, primarily by cutting back social programs.<sup>15</sup>

However, the new budgetary procedures will not be without their adverse impacts on DOD. The new Budget Committees in each House now set a ceiling on defense expenditures before the Armed Services and Defense Appropriations Committees take up the DOD budget. Since a clear majority of the present members of these congressional budget committees have historically voted more favorably for social

## 50 NAVAL WAR COLLEGE REVIEW

than military programs, they are likely to treat the defense budget more harshly than the defense partisans on the Armed Services Committees. This new fact of life was vividly demonstrated during consideration of the fiscal year 1976 and fiscal year 1977 defense budget. The Budget Committees set a target that reduced defense spending by \$7 billion or 6.5 percent while raising the nondefense portion of the budget 21.1 percent above the level of the administration's initial request. Moreover, when the Senate and House Armed Services Committees reported out a defense authorization bill some \$1 billion above the target figure, members of the Budget Committees led a successful fight to defeat the bill on the floor of Congress. The 6.5 percent cut, which was eventually enacted, is the largest percentage reduction of the defense budget in history!

The Budget Committees were not particularly hard on defense during fiscal year 1977. The target for defense authority was approximately \$3 billion below President Ford's request of \$113 billion. However, before reaching any conclusion, three considerations must be kept in mind. First, in an attempt to keep his own Federal budget under \$400 billion, President Ford had already reduced the defense budget \$4 billion below Secretary Schlesinger's bottom line figure and \$10 billion below the requests of the armed services. Second, defense still received the largest absolute and percentage reduction of any of the functional areas of the budget. Third, 1976 was an election year and the Democratic majority was unwilling to give the Republican administration a campaign issue by making a large reduction in defense spending.

Similarly, the creation of two new committees and the Congressional Budget Office will increase the information demands upon the Pentagon. The Senate and House Budget Committees have demanded that top-level defense

officials appear before them. The 130 staff members on these two committees, as well as the 200 members of the CBO, have and will continue to request information and studies on which to base their analyses. For an organization whose members already spend over 1500 hours before 75 congressional committees and whose employees already answer nearly one million congressional inquiries annually, this additional information burden will not be easy to bear.<sup>16</sup>

**Conclusion.** The Congressional Budget Act of 1974 established the mechanism for improving the rationality of the decision process within the legislative branch of government. It also provides an opportunity for the Congress to strengthen its power over the purse and thereby reacquire its status as a coequal branch of government. Whether it, in fact, can accomplish these ends will depend upon the members of Congress.

The Budget Act will not take the politics out of the budgetary process. Nothing can do that. The legislative committees will still be concerned about their clients. The Appropriations and Budget Committees are likely to clash over such matters as the size of the deficit, inflation, and unemployment. Many legislators will attempt to co-opt

---

### BIOGRAPHIC SUMMARY



Following graduation from The Athenaeum of Ohio, Professor Korb served for four years as a Naval Flight Officer before earning his Ph.D. from the State University of New York. He has served on the faculties of the University of Dayton and the U.S. Coast Guard Academy. He is now Professor of Management at the Naval War College. He has published widely and his most recent publication is *The Joint Chiefs of Staff: The First Twenty-Five Years*.

---

## CONGRESSIONAL BUDGET ACT OF 1974 51

the nonpartisan CBO to support their partisan positions under the threat of reducing the CBO's own budget.<sup>17</sup> However, if these actions are kept within bounds, an extinct species may be preserved: an independent and intelligent Legislature capable of contributing to representative government through sound budgetary choices.

Thus far, the Congress is off to a good start. During the legislative phase of the fiscal year 1976 and fiscal year 1977 budgetary process, the new procedures of the Congressional Budget Act worked quite well. Priorities were established, targets met and the budgets enacted on time. However, the new act is likely to meet its most severe test

during the next few years. During the first 2 years in which the act was in force, the executive and legislative leaders were controlled by different political parties. It was comparatively easy for a Democratically controlled Congress to reorder the priorities and present alternatives to the budget of a Republican administration. But, will the Congress maintain such independence with a Democratic President in the White House? Will President Carter allow the Congressional Budget Office and Congressional Budget Committees to offer alternatives to *his* budget? It is upon the answers to questions such as this that the success of a noble experiment will depend.

---

### NOTES

1. Quoted in Nancy Ross, "Budget Adding Jobs Asked by Top House Democrats," *Washington Post*, 9 September 1976, p. B1:1. For a similar view see Walter Mondale, *The Accountability of Power* (New York: David McKay, 1975).

2. There are several excellent summaries on this subject. See for example, Committee for Economic Development, *The New Congressional Budget Process and the Economy*, December 1975; and Aaron Wildavsky, "The Federal Budget: Reform's First Round, an Introduction," *National Journal Reprints*, 1975, pp. 1-2.

3. Defense expenditures rarely fall into this category. The Five-Year Defense Plan (FYDP), which is the foundation of PPBS in DOD, projects the costs of all current programs through the next 5 years.

4. The Congress took Nixon to court to force him to spend the appropriated funds. The court was not asked to intervene under Nixon's predecessors. Their impoundments were permitted to stand.

5. The current services budget is a document that shows Congress what would happen to the Federal budget if all the spending and revenue programs were carried forward for another year without policy changes. The fiscal year 1977 version estimated that, if all fiscal year 1976 programs were carried forward, fiscal year 1977 outlays would be \$423 billion. This became the base against which the actual fiscal year 1977 budget was measured.

6. Neither of these resolutions is subject to a Presidential veto.

7. This provision of the new Budget Act was apparently forgotten by Secretary of Defense Donald Rumsfeld in October 1976 when he asked the Congress to appropriate additional funds for shipbuilding. Since the second concurrent resolution had already been enacted, the Congress refused even to consider Secretary Rumsfeld's proposal.

8. The functions of income security, interest and allowances, and offsetting receipts are not counted. Expenditures in these areas vary with inflation and cannot be affected either by legislative or executive decisions.

9. These items are not insignificant. In fiscal year 1977, tax expenditures will exceed outlays for defense.

10. Congressional Budget Office, *Five Year Budget Projections Fiscal Years 1977-81*, 26 January 1976, p. 9. Significantly, the President's budget projected that outlays would rise to only \$509.9 billion by fiscal year 1981.

11. This figure was based upon data collected by the author from the subunits of DOD in preparation for a report to Secretary of Defense Schlesinger on "Congressional-DOD Interface," 20 May 1975.

## 52 NAVAL WAR COLLEGE REVIEW

12. Congressional Budget Office, *U.S. Naval Force Alternatives*, 26 March 1976 and *SALT and the U.S. Strategic Forces Budget*, 23 June 1976. The other two analyses focused on tactical air wings and Army ground forces.

13. Although the CBO defense studies are well done, there is considerable doubt about their real impact. Interviews with staff members of the Armed Services Committees indicate that during the legislative phase of the fiscal year 1977 budget cycle, the CBO analyses were almost completely ignored by Congress.

14. Muskie's statement was made on the floor of the Senate and was reported in the *Washington Post*, 22 December 1975, p. A19:3.

15. Citibank, *Monthly Economic Letter*, May 1976, p. 5.

16. This data comes from the author's report to Secretary Schlesinger.

17. One such instance has already occurred. In October 1975, Senator Alan Cranston (D-Calif.), put out a press release that made it appear CBO was recommending a cut in the fiscal year 1976 Defense Appropriations Bill. Actually the CBO did a study for Cranston based on his assumptions.

— ψ —