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PROGRAM MANAGEMENT COURSE INDIVIDUAL STUDY PROGRAM

6 The Congressional Budget and Impoundment Control Act of 1974: Implications to DOD

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THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974:
IMPLICATIONS TO DOD PLANNING, PROGRAMMING AND BUDGETING;
AND THE PROGRAM MANAGER

Study Project Report
Individual Study Program

Defense Systems Management School
Program Management Course
Class 75-2

by

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November 1975

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Mr. William H. Cullin

This study project report represents the views, conclusions and recommendations of the author and does not necessarily reflect the official opinion of the Defense Systems Management School or the Department of Defense.

EXECUTIVE SUMMARY

The need for Congressional Budget reform was evident in recent years by the dramatic increase in Federal spending. The traditional methods of establishing national fiscal policy and priorities by Congress were ineffective and resulted in large budget deficits, a growing Federal debt and increased inflation. The Congressional Budget and Impoundment Control Act of 1974 promises to correct many of the past deficiencies. The Act will provide Congress with a broader view and longer time horizons from which to make informed budget decisions.

The Act creates a Committee on the Budget in both the House and Senate, and a Congressional Budget Office serving both. A new budget timetable is established and the fiscal year begins 1 October and ends 30 September (beginning 1 October 1976). In addition, the Act provides several other provisions designed to provide Congress with better control of Federal spending.

Full implementation of the Act (beginning with the Fiscal Year 1977 budget process) will require change by the Executive Branch of Government. For DOD, some of the more significant provisions include: the submission of year ahead authorization requests; the submission of a current services budget; 5 year projections of budget estimates to be included in the President's budget; and the change in the fiscal year which impacts PPBS. This study identifies and discusses ten potential problem areas facing DOD which may result with full implementation of the Act. These include:

1. Advanced Authorizations and the PPBS
2. The current services budget and the PPBS

3. The current services budget and the detail of reporting
4. The House and Senate Budget Committees and requests for information
5. The Congressional Budget Office and requests for data
6. The president's budget and 5 year projections
7. The Office of Program Review and Evaluation (within GAO) and requests for analysis
8. Standardized data processing and the use of computers
9. The budget timetable and Apportionment
10. Impoundment control and Apportionment

Many of the problem areas listed above remain speculative at this time and await full implementation for further evaluation.

This study concludes that the DOD and its Program Managers will benefit from the new reform legislation since Congress should complete action on the budget before the fiscal year begins, and because the new timetable provides a useful framework for tracking and monitoring the status of programs as they move through Congress. However, these benefits carry with them a new burden. For the program manager, greater emphasis will be placed on more accurate planning and cost estimating over longer periods of time. For DOD during the Budgeting phase of PPBS, a significant increase in workload must be expected.

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CHAPTER 1

INTRODUCTION

The Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344) represents major budget reform on the part of Congress which will have a significant effect on departments and agencies of the Executive Branch. The timetable for implementation contained within the Act requires compliance with nearly all provisions of the Act during the Fiscal Year 1977 budget process. The purpose of this report is twofold: first, it is to provide an understanding of some of the major procedures and provisions of the Act; and second, it is to identify some of the implications of the Act on Department of Defense planning, programming and budgeting, and to focus attention to some potential problems which may affect acquisition management.

The approach followed by this study logically fell into three sequential steps. The first was a review of background information pertinent to the Act and its impending implementation. Based on an analysis of this information, those provisions of the Act which were expected to have the greatest impact on current Defense Department policies and procedures were listed. The second step in the study was to discuss with key defense and congressional staff personnel those provisions of the Act which were identified during step one. During these interviews, attention was focused on "experience gained" from the recent trial run implementation by Congress of certain provisions of the Act during the Fiscal Year 1976 budget process. The final step in the study was a refinement of this information into potential problems which could affect Defense planning, programming, and

budgeting and which will require the continued attention of defense officials in future years when the new provisions of the Act become routine.

The last point is an important one. This report is based on information generated primarily before implementation of the Act. As with any new legislation, time is required to establish the policies and precedents which will mark its full impact. Even the trial run noted above, was limited by new congressional committees and organizations only partially staffed and not fully operational. Thus, some of the issues discussed later in this report are necessarily speculative. However, a full discussion at this time should prove valuable in focusing attention for future study.

The next chapter deals primarily with recent trends in Federal spending, and the need for budget reform. This is followed by a chapter devoted to an explanation of many of the key provisions of the new Act. In discussing these provisions an attempt is made to develop a relationship with the Executive Branch and in particular, Defense. When possible, examples are drawn and a discussion of ten potential problem areas affecting present policies and procedures.

This report assumes the reader is familiar with budget terminology (e.g., budget authority, outlays, deferrals, rescission, etc.), congressional legislative procedures, and the Department of Defense Planning, Programming and Budgetary System.

CHAPTER 2

THE NEED FOR REFORM

The Congress shall have power to levy and collect taxes, duties, imports and excises, to pay the debts and provide for the common defense and general warfare of the United States; . . . [1]*

The Congressional Budget and Impoundment Control Act of 1974

was signed into law by President Richard M. Nixon on 12 July 1974. At the Bill Signing Ceremony, the President noted:

What this Bill is is the most significant reform of budget procedures since the Congress and this country began. What this bill does is to provide a means whereby the Congress and the executive, not only now but in administrations to come, will work together to keep the budget from getting out of control. [2]

To this end, the Act provides a framework by which Congress can:

(1) control obligational authority, outlays, estimated revenues, public debt levels, and the budget surplus or deficit for the budget year; and (2) set priorities for spending among the federal programs based upon the economy as a whole.

The need for budget reform is clearly evident when looking at the growth of Federal spending (outlays) and its impact on the nation's economy. In the past 25 years, since 1951, the spending has increased \$304.8 billion** and the gross federal debt has increased \$350.7 billion. The Budget

*This notation will be used throughout this report for sources of quotation and major references. The first number is the source listed in the bibliography. A second number when present, is the page in the reference.

**FY 1951 figures were obtained from the United States Budget for Fiscal Year 1953 [3:A-5]. FY 1976 figures were taken from the President's budget [4].

deficit for FY 76 alone was estimated by the President to be \$51.9 billion [4:29]. Budget authority for Interest on the National Debt is estimated at \$34.4 billion [4:50], or nearly one third of the budget authority for National Defense.

A second key factor of the growing Federal budget is the increase in Contract, Borrowing and Entitlement Spending Authorities, collectively referred to as backdoor spending. This spending, created by prior statutory provisions, is outside the annual appropriations process. In recent years backdoor spending has grown to account for 56 percent of all Federal spending [5:2]. Of the FY 76 budget submitted by the President, nearly 75 percent of the budget is considered "relatively uncontrollable under existing law", and the uncontrollables represent the fastest growing part of the total budget [6:193]. Looking at the President's FY 76 Federal spending request for \$349.4 billion, only approximately \$92.5 billion is considered controllable, of which \$63.4 billion was requested for Defense [4:355]. Therefore, although Defense spending represents only 26.9 percent of the total Federal spending, it also represents 68.5 percent of the spending which is controllable by Congress. It is not surprising then that the defense budget becomes a primary instrument for adjusting federal spending priorities.

The Congressional Budget and Impoundment Control Act of 1974 is the culmination of nearly 30 years of on-again-off-again attempts by Congress to improve a dated budget process. The Act is intended to provide Congress with control over the federal budget in order that it may discharge its Constitutional duties. The next section of this report will deal with the new Act and some of its major provisions. A reader already familiar with the

Act may skip this section without loss of continuity. Following that,
10 potential problem areas affecting the Department of Defense budget process
and Acquisition Management which result from the Act are discussed.

CHAPTER 3

AN EXPLANATION OF THE NEW ACT

In an explanation prepared for members of the House of Representatives, the Act is outlined as follows:

The Act contains ten titles which, for purposes of explanation, can be grouped into four major categories, as follows:

TITLES I and II, which establish new Committees on the Budget in both the House and the Senate and a Congressional Budget Office intended to improve the Congress's informational and analytical resources with respect to the budgetary process;

TITLES III and IV, which establish a timetable and new procedures for various phases of the congressional budget process;

TITLES V through IX, which provide for a new fiscal year, improvements in budget terminology and information to be included in the President's budget submissions, improved program review and evaluation procedures, and effective dates for various provision of the Act; and

TITLE X, which establishes procedures for congressional review of Presidential impoundment actions. [5:4]

The discussion which follows will parallel the overall format used in the explanation to the House members, and will borrow heavily on some of the general descriptive narrative given to some of the key provisions of the Act. However, in order to achieve a better perspective of the Act and its implementation, information is provided where actual experience was gained during the FY 76 budget process. It should be noted that not all of the provisions of the Act were implemented during the FY 76 Congressional Budget process. However, given the short time of only 6 1/2 months (from bill signing until submission of the President's FY 76 budget) to organize and staff itself to tackle the new budget procedures, the Congress has made a remarkable effort to make the FY 76 budget process more than just

a trial run. This can be construed as an indication that the Congress is taking seriously the task of coming to grips with the problems of federal spending and the economy, and should facilitate the transition to full implementation required by the Act for the FY 77 budget process. When fully implemented, the Act creates three new congressional organizations, a new budget timetable, and contains several other provisions designed to strengthen Congress' control of the budget which will now be discussed.

COMMITTEES ON THE BUDGET

Title II of the Act creates two Committees on the Budget, one in the House and one in the Senate. The duties of the Budget Committees can be described as follows:

1. Report to their respective Houses "concurrent resolutions on the budget" which provide the overall framework of the Congressional Budget, and report reconciliation bills that adjust appropriations to stay within the Congressional Budget;
2. Study and report the effects on budget outlays of existing and proposed legislation;
3. Request and evaluate studies of tax expenditures and methods of coordinating tax expenditures with direct budget outlays; and
4. Review the operations of the Congressional Budget Office.

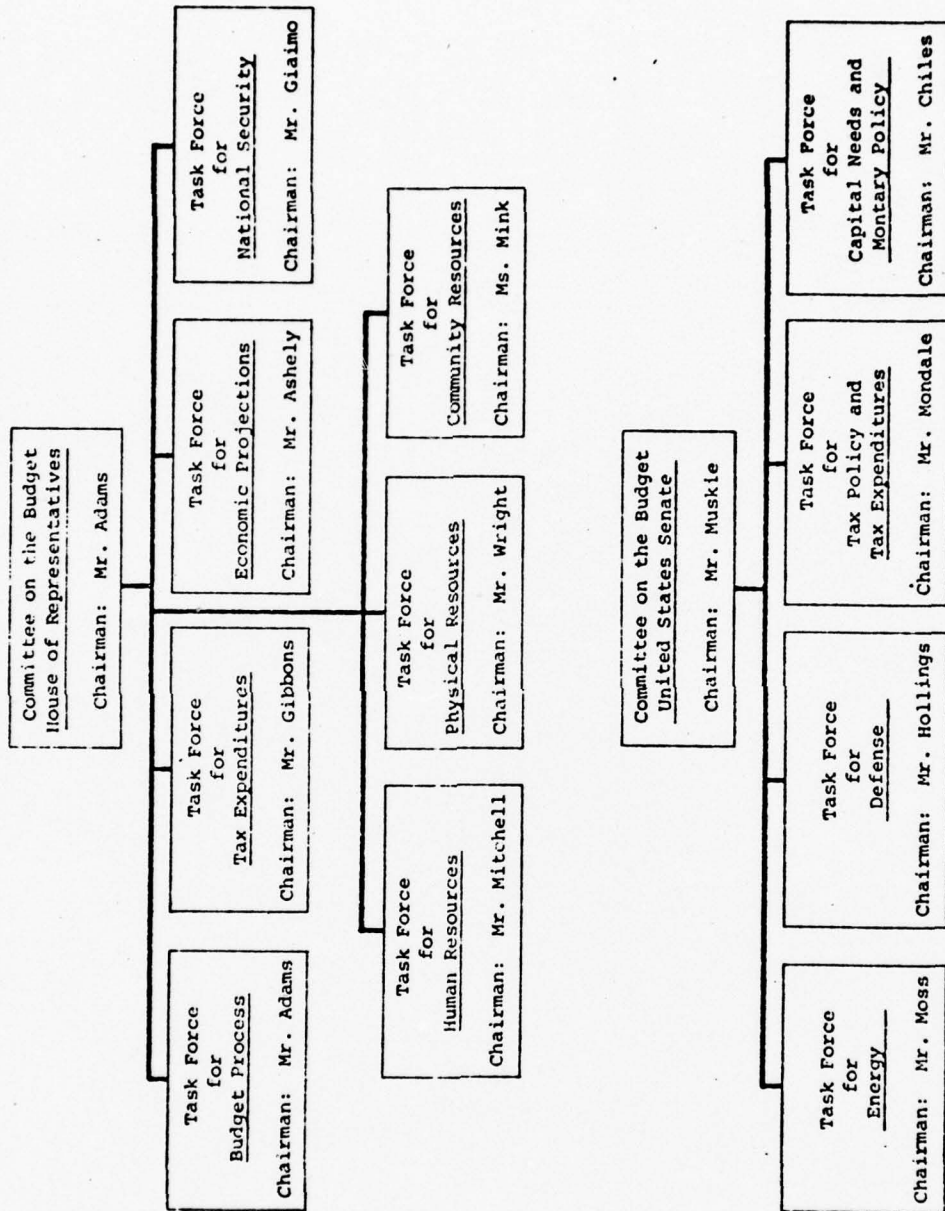
The Budget Committees were created to perform the new tasks of recommending national fiscal policy and recommending priorities for federal spending programs. In performing their duties they will recommend to their individual Houses proper levels of obligational authority, outlays, revenues, and surplus or debt based on existing or projected economic conditions. The

recommendations of the Budget Committees when adopted by the Congress in the form of a concurrent resolution on the budget, will provide a framework of budget targets (at a macro level) to focus the attention of the other Congressional committees to achieve a unified federal budget which is responsive to the nation's needs.

The House Committee; chaired by Congressman Adams (Washington), has 25 members. The Senate Committee, chaired by Senator Muskie (Maine), has 16 members. Both committees are organized into Task Forces as shown in Figure 1. Organizing by Task Force instead of by the traditional sub-committee method has several advantages which, according to one informed source*, reduces formality and improves committee flexibility. For example: sub-committees have their own staff whereas the Task Forces will draw from the staff of the full committee; the sub-committee chairmen are approved by the party caucus, however this is not required for a Task Force chairman; to desolve a sub-committee requires the approval of Congress, whereas a Task Force can be desolved by committee vote; and, sub-committees operate to established rules which need not be followed by a Task Force. From this, one can infer that Task Forces will be created and desolved based on the changing economic conditions of the country. A key point to note from Figure 1 is that both committees have a Task Force for Defense (National Security/Defense). This is an indication of the interest that each has in the Defense budget.

* Interviews were conducted with nonattribution and therefore are not referenced in this report. The thoughts expressed are the author's interpretation of what was said.

Figure 1. Task Force Organizations for House and Senate Committees on the Budget



THE CONGRESSIONAL BUDGET OFFICE

The third organization established by the Act is the Congressional Budget Office. This office is under the joint oversight of the two Budget Committees. Its principal duties and responsibilities are:

1. Provide direct non-partisan support to both the House and Senate Committees on the Budget regarding taxing and spending legislation, and upon request, provide assistance to the Committees on Appropriation, Ways and Means, Finance, and other committees and members of Congress, information which will assist them in the discharge of matters within their jurisdiction;

2. Assume the duties and functions of the Joint Committee on Reduction of Federal Expenditures, which was abolished by the Act. Perhaps the most important function inherited from the Joint Committee is score-keeping, the tracking of the spending decisions of the numerous congressional committees and relating them to the budget authority and outlay targets established in the concurrent resolutions of the budget; and

3. Submit on or before 1 April of each year to the two Budget Committees a report on budget policy and national priorities for the next fiscal year. The report will present alternative budget levels, at the aggregate, as well as by major functional category.

In the conduct of its duties, the Budget Office is authorized to secure information, data, estimates and statistics directly from the various departments, agencies and establishments of the Executive Branch. In addition, the Budget Office is authorized to obtain similar information, and use the facilities, services and personnel, from the General Accounting Office, Library of Congress and Office of Technology Assessment.

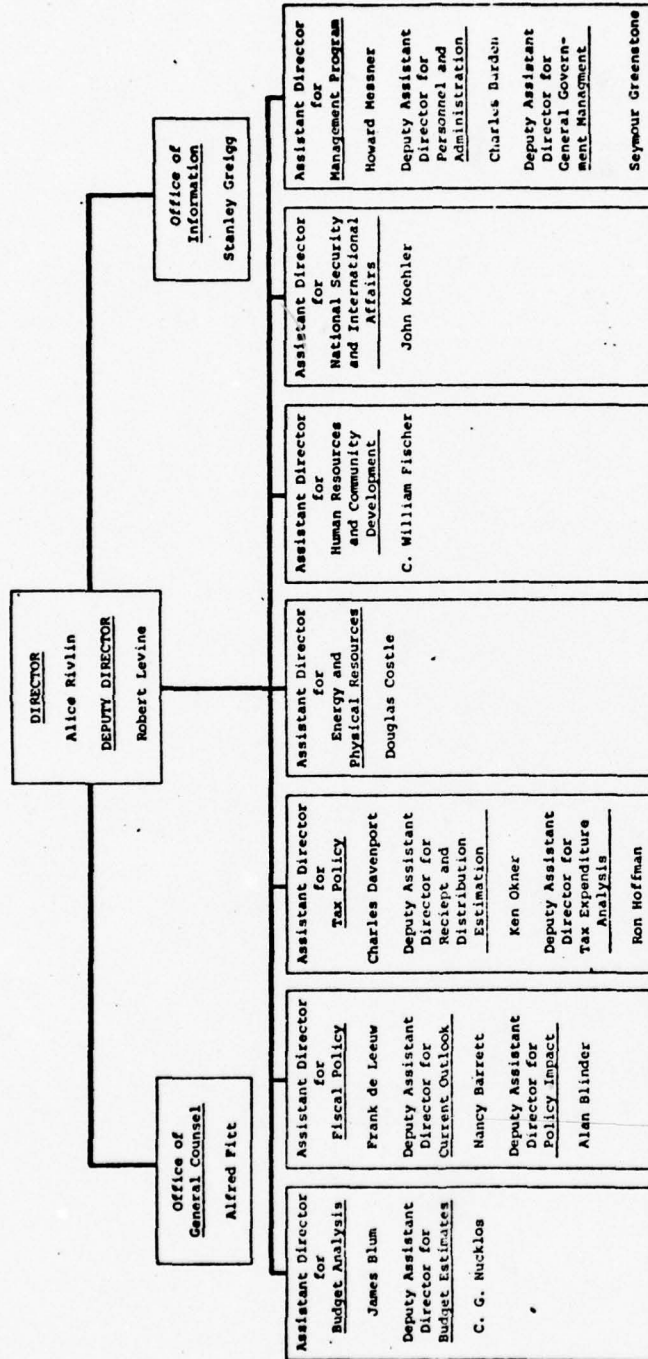
The delay in appointing Mrs. Alice Rivlin (formerly of the Brookings Institution) as the first Director of the Congressional Budget Office, and the task of pooling together personnel to form a staff, has limited to some extent the participation of this Office in the FY 76 budget process. Most notably, the 1 April report to the Budget Committees was prepared under the direction of a consultant Mr. Samuel Cohn (this report will be further discussed later under the new timetable). However, the Office is performing one of its key functions, that of scorekeeping, and has been assigned and is conducting economic analyses for the Budget Committees.

The Congressional Budget Office is presently organized into the seven divisions shown in Figure 2. This tentative organization and some of the key individuals on the staff are described by Mrs. Rivlin in a status report of 15 July 1975 [7]. The staff at that time totaled 106 persons with plans to grow to 259 by January 1976. Of the expected 259 total, the National Security and International Affairs Division, which deals with Defense, is scheduled to have a total of 30 persons, including 24 professionals.

THE CONGRESSIONAL BUDGET TIMETABLE

Section 300 of the Act sets forth the Congressional budget timetable shown in Table 1. However, under Section 607 of the Act and beginning with the FY 77 budget, the timetable really begins on 15 May of the year preceding the year in which the fiscal year begins (i.e., 16 1/2 months prior to the beginning of the FY for which the request is made) when requests for enactment of legislation authorizing the enactment of the new budget authority to continue a program, or to start in new program, must be submitted by the Executive Branch. Overall, the Congressional schedule is

Figure 2. Congressional Budget Office¹



Interim organization chart of 16 July 1975 - Source [7:8]

Table 1. The Timetable of the Congressional Budget Process for Any Fiscal Year¹

On or before:	Action to be completed:
November 10-----	President submits current services budget.
15th day after Congress meets--	President submits his budget.
March 15-----	Committees and joint committees submit reports to Budget Committee.
April 1-----	Congressional Budget Office submits report to Budget Committees.
April 15-----	Budget Committees report first concurrent resolution on the budget to their Houses.
May 15-----	Committees report bills and resolutions authorizing new budget authority.
May 15-----	Congress completes action on first concurrent resolution on the budget.
7th day after Labor Day-----	Congress completes action on bills and resolutions providing new budget authority and new spending authority.
September 15-----	Congress completes action on second required concurrent resolution on the budget.
September 25-----	Congress completes action on reconciliation bill or resolution, or both, implementing second required concurrent resolution.
October 1-----	Fiscal year begins.

¹Source: Public Law 93-344, Section 300

very impressive, and possibly optimistic. Some of the key actions required will now be discussed in terms of recent experience gained during the FY 76 budget process.

on or before 10 November -----President submits current services budget.

Section 605(a) of the Act requires the current services budget to provide the estimated outlays and proposed budget authority to continue existing programs and activities at the same level of effort under the same policies as the fiscal year in progress. The economic and programmatic assumptions (e.g., inflation, economic growth, unemployment, pay increases, etc.) used to develop the budget estimates are to accompany the estimates.

The purpose of the current services budget is to provide Congress with detailed information with which to begin analysis of the budget for the upcoming fiscal year. It should be noted that the current fiscal year will have been in progress for only a little more than one month before the submission of the current services budget for the next fiscal year is required.

The Joint Economic Committee is required by Section 605(b) of the Act to submit an economic evaluation based on the current services budget estimates to the two Budget Committees on or before 31 December.

Talks with an informed source indicates the Budget Committees will view the current services budget as the cost of continuing Government operations. The differences between the current services budget and the President's budget in January will represent the cost of new initiatives. Although admittedly an oversimplification, the Committees will be looking closely at the increases and decreases in spending proposed by the President to the current services budget. Stated another way by Cohn, "The current services budget provides the baseline or benchmark against which alternative

budget totals, including those proposed by the President, can be measured and compared." [8:8]

A current services budget for FY 76 was not submitted to Congress. Problems associated with the short time (only four months) for federal departments and agencies to prepare such a budget, and the organizing and staffing of the Budget Committees and Budget Office, made it impractical to submit or use such a budget. However, under overall guidance from the Office of Management and Budget, [9] the FY 77 current services budget has been prepared. The current policy is to show figures aggregated by Appropriations Title. The Department of Defense submitted its estimate to the Office of Management and Budget in mid-October 1975.

on or before the 15th day ----- President submits his budget
after Congress meets

This milestone in the budget process remains essentially unchanged from previous years. The President's budget is his statement of national economic objectives and reflects his policies and spending priorities to achieve these objectives. The Congress views this budget as one of several budget alternatives to be considered during the ensuing months of hearings and debate prior to adopting a first concurrent resolution on the budget (to be discussed later).

One important departure from the traditional process is the requirement of Section 603 of the Act that the budget provide projections for the four fiscal years immediately following the budget year. Previously, budget discussions were often made without regard to future spending which sometimes lead to conflicting priorities in future budgets. Mr. Schultze of the Brookings Institution in testimony before the House Committee on Rules emphasized the need to look at future costs of programs.

Let me give you one more example which is out of date, but it is my favorite one. Between 1967 and 1971 - I think my numbers are approximately correct - the budget of HEW went up by \$26 billion, which is about 90-some percent.

Ninety-five percent of that huge increase went for four programs, public assistance, medicaid, medicare, and social security. If you had set 100 people down in a room in 1967, representing different points of view and said, "I am going to give you \$26 billion to spend for the benefit of the American people, where would you put it," I bet you not one of them would have come out suggesting that particular concentration in just four areas.

[10:323]

Thus, in recognizing the short sightedness of the past, the Act contains several provisions which enable Congress to determine the affordability of programs over the anticipated life of the program.

The FY 76 Presidential budget submitted on 3 February 1975 was the first to contain the four-year projections. The projections, by functional category, and the economic assumptions on which they were based presents a clear statement of priorities and will enable economic trade-offs to be performed during the budget formulation in Congress. For example, the FY 76 budget request proposes a two-percent real growth for defense for each of the next five fiscal years. In showing the projected budget figures in current dollars the programmatic and economic assumptions, including inflation must be discussed. The Congress must now determine: (1) Is the two-percent real growth of defense a good budget objective; and, if so, (2) do they concur with the programmatic and economic assumptions made or should they propose an alternative.

on or before 15 March ----- Committees and joint committees
submit reports to the Budget
Committees.

Section 301(c) of the Act requires each standing committee of the House and each standing committee of the Senate to submit to their respective Budget Committees their views and estimates on all budget matters, including

new budget authority and outlays, relating to subjects under their jurisdiction. The Joint Economic Committee and the Joint Committee on Internal Revenue and Taxation will likewise submit a report to the two Budget Committees.

The purpose of these reports is to obtain recommendations from the joint and standing committees regarding the budget one month in advance of the reporting date of the first concurrent resolution on the budget. One informed source pointed out that from the standpoint of the executive branch, this is potentially a key point in the budget process. It provides the first look at what the Congress is thinking for the upcoming fiscal year. It represents the first opportunity to begin forming alliances with program advocates and preparing strategies for the balance of the budget process.

Furthermore, it was pointed out that when this budget process is fully implemented, the Authorization Committees could begin hearings shortly after completion of the current year budget. This would be in the early fall, based on the authorization requests submitted the previous May (as amended*). Thus, reports submitted by the Authorization Committees are likely to include their estimates based on their fall hearings, and an analysis of the current services and President's budgets. On the other hand, the Appropriation Committee's estimates are likely to be based largely on historical data. The FY 77 budget process may be a forecast of things to come since some sources feel the House Armed Services Committee may begin hearings during November 1975.

* Amended Authorization requests for the budget year will be necessary to account for the final budget adjustments during the second concurrent resolutions and reconciliation process.

on or before 1 April ----- Congressional Budget Office submits
report to Budget Committees.

This report is expected to play a key role in the budget process.

As provided by Section 202(f) it will include: alternative levels of total revenue, total new budget authority, total outlays, and related surpluses and deficits; the estimated levels of tax expenditures under existing laws; and a discussion of national budget priorities, including alternate ways of allocating budget authority and budget outlays, by functional category to meet national needs.

The 1 April report for the FY 76 budget [8] was prepared by a special staff working group under the direction of Mr. Samuel H. Cohn, formerly from the Office of Management and Budget. Although the depth and detail of the analysis were severely hampered by the time available and the lack of a current services budget from the Executive Branch, a broad analysis was performed. The report focused on economic recovery from the present recession. Using unemployment as a target, alternative tax and energy programs were considered and compared to the President's program to reduce unemployment over the next five years. The report also includes two appendices; Analyses of Selected Programs (which for Defense included SALT II and Long-Term Strategic Force Structures and The Role of the U.S. Navy in the NATO Strategy); and Analysis of Alternative Energy Proposals. The latter compares five energy programs currently under consideration, including the President's in terms of:

Energy Conservation

Impact on economic growth and employment

Impact on inflation

Impact on Federal budget

Impact on energy-related section of the economy

Environmental assessment, and

International implications

Although the Act requires that the Budget Office submit its report by 1 April each year, Mrs. Rivlin has suggested that mid February is more realistic for the report to be useful to Congress [11:23]. The purpose of the report, according to an informed source, is not to recommend but only to provide information regarding the economic relationships and consequences associated with adopting one course of action over another.

on or before 15 April -----Budget Committees report first concurrent resolution on the budget to their Houses.

Based upon the Joint Economic Committee's economic evaluation of the current services budget, the recommendations of the standing and joint committees, the Congressional Budget Office's report and the Budget Committee hearings, the Budget Committees report the first concurrent resolution on the budget.

Section 301(a) of the Act requires the concurrent resolution to set forth the following:

1. The appropriate level of budget outlays and new budget authority, both in the aggregate, and by each functional category;
2. The amount, if any, of surplus or deficit in the budget;
3. The recommended level of Federal revenues and the amount, if any, by which revenues should be increased or decreased and resolutions to be reported by the appropriate committees;

4. The appropriate level of public debt and the amount, if any, by which the statutory limit should be increased or decreased and resolutions to be reported by the appropriate committees; and

5. Other matters relating to the Congressional budget process.

The report which accompanies the concurrent resolution on the budget on 15 April is required by Section 301(d) to include the following:

1. A comparison of the revenue estimates of the committees and that of the President;

2. A comparison of the committee estimates of appropriate levels of total budget outlays and total new budget authority to those of the President;

3. An allocation of total budget outlays and total new budget authority by function, each function divided between proposed and existing programs, with the latter further subdivided between, first, permanent and regular appropriations, and second, between controllable and uncontrollable amounts;

4. An allocation of the level of federal revenues among major sources;

5. The economic assumptions and objectives upon which the resolution is based;

6. Projections for a period of five fiscal years by function beginning with the budget year;

7. A statement of any significant changes in the proposed level of federal assistance to State and Local governments; and

8. Information, data and comparisons on which the committee based the resolution.

The first concurrent resolution on the budget for Fiscal Year 1976 was reported by the House and Senate Committees on the Budget on 14 April 1975 and 15 April 1975, respectively. Table 2 compares the two resolutions in terms of total budget authority and total outlays. A key point of this table is the column denoted "total potential", or, "budget adjusted for the views and estimates of other committees", which represent the varied attitudes of the separate committees of each house regarding new program initiatives or expanding existing programs. In arriving at the Committees' recommended totals it was determined that not all programs were affordable. The House Committee report stated:

The Committee's general procedure in developing the budget was as follows: first, tentative agreement on a probable revenue level, taking into account the House-passed tax reduction bill and likely final action on this bill; second, tentative agreement on budget authority and outlay levels for each of the sixteen functional categories of the budget; third, revisions of the revenue level to take into account employment-generating proposals agreed to by the Committee during consideration of the functional categories and the final action of the conferees on the tax reduction bill (subsequently enacted into law as the Tax Reduction Act of 1975); fourth, final adjustments to the functional category totals; and fifth, final decision on the budget aggregates in the resolution and functional category estimates contained in this report. [12:4]

Thus, the stage was set for the hearings and debates to determine which programs would be included, and which would be dropped, from the budget.

It should be pointed out that the concurrent resolution in the budget for Fiscal Year 1976 sets forth the Congressional Budget of the United States on a aggregated basis only. However, the Committee reports did include estimates of budget authority and outlays by functional category. As the Senate report points out, it hopes "that its function by function discussion of programs will provide a guide to what the Nation can afford this year and what it cannot." [13:3] An interesting side point is the

Table 2. Comparison of House and Senate Versions of FY 76 Budget Totals for the First Concurrent Resolution in the Budget.

House ¹			
	President's Budget as Submitted	Budget Adjusted for Views and Estimates of House Committees	House Budget Committee Recommendations
Budget Authority	385.8	438.0	395.6
Outlays	349.4	398.4	368.2

Senate ²			
	President's Budget as Submitted	Total Potential	Senate Budget Committee Recommendations
Budget Authority	385.8	465.6	388.6
Outlays	349.4	419.3	365.0

¹ Source of Data [11:14]

² Source of Data [12:38]

reference to the aggregate levels as "ceilings" by the Senate, and "targets" by the House. The question of whether the amounts approved in the first resolution would operate as ceilings or targets was one of the most debated issues of the reform legislation. The intent of the Law is for these amounts to operate as targets to provide Congress with flexibility in responding to changing economic needs as the budget process moves forward, and also, so that they do not downgrade the usefulness of the authorization and appropriation process as a traditional source of expertise on individual program spending requirements.

on or before 15 May ----- Committees report bills and resolutions authorizing new budget authority.

The Act requires [Section 402(a)] that any legislation authorizing new budget authority for the budget year be reported in each House on or before 15 May. This is a deadline. After that date, consideration of authorization measures in the House is permitted only if an emergency waiver reported by the Rules Committee is adopted (exempted from this reporting requirement are entitlement bills and omnibus social security legislation).

The reporting of authorization legislation by 15 May is considered critical to the new budget timetable. As noted earlier, authorization requests were first submitted one full year in advance of this reporting date. This should encourage hearings to begin in early fall, but probably not before the new fiscal year begins. It will be interesting to see what effect elections have on the timing of the authorization hearing and the reporting out of the bills and resolutions. The 1976 elections - FY 78 budget considerations will be the first test.

This particular provision of the Act was not implemented in the FY 76 budget process.

on or before 15 May -----Congress completes action
on first concurrent resolution
on the budget.

In a loose analogy, the first concurrent resolution in the budget can be likened to the Planning and Programming Guidance Memorandum (PPGM) used by the Department of Defense, in that it establishes the fiscal constraints, or fences, for the rest of the Congressional Budget process (although Section 304 of the Act permits revision of the resolution). That is, it is the Congress's statement of what the nation can afford in the approaching Fiscal Year.

The adoption of the first concurrent resolution is a focal point, or node, in the new budget process. The Act does not permit (Section 303) either the House or the Senate to consider any bill or resolution which provides: new budget authority; an increase or decrease in revenue; an increase or decrease in public debt; or payment under contract or borrowing authority which have not been provided for in advance by an appropriation act; until the first concurrent resolution on the budget has been agreed to. Thus, meeting this deadline is crucial to the process which follows.

The first concurrent resolution on the budget, as noted earlier, is reported out of the Budget Committees of each House on or before 15 April. This allows 30 days for the House and Senate to act, the conferees to agree on a final resolution and submit their conference report, and the Congress to adopt the final resolution. Floor consideration in the House requires a ten-day layover so that members can study the resolution and the accompanying report.

The Act also provides in Section 302 that a joint explanatory statement of managers accompany the conference report. The statement will include an estimated allocation of the total new budget authority and total budget outlays among the committees of the House and Senate having jurisdiction for providing such authority. Each committee to which an allocation is made will then further subdivide its allocation among its subcommittees. These allocations are to be still further subdivided between controllables and other amounts. The provision is also made that each committee will then promptly report to its House the above subdivision of allocations.

The conference report on the FY 76 budget was submitted on 9 May 1975 and the first concurrent resolution on the budget was adopted on 14 May 1975. The resolution did not contain budget authority or outlay estimates by functional category. The allocation of budget authority and outlays among committees was also excluded from this year's process. In future years, the adoption of the first concurrent resolution on the budget, and the allocation of budget authority which accompanies the conference report to the committees, should provide planners in the Executive Branch with an early indication of which areas to focus their attention to identify key programs to be defended or in anticipating the restructuring of programs. This will be particularly true if Congress is serious in its implementation of the Act and resists later changes to the budget during the second required concurrent resolution on the budget.

on or before the 7th day after Labor Day -----Congress completes action on bills and resolutions providing new budget authority and new spending authority.

The 7th day after Labor Day can be as early as 8 September or as late as 14 September. Still to be completed is action on the second required

concurrent resolution on the budget, and, if necessary, action on the reconciliation bills or resolutions (each to be discussed below). This will make September a very busy month for Congress, and emphasizes the importance of meeting this milestone if the Fiscal Year is to begin 1 October.

During the 3 1/2 to 4 months from adoption of the first concurrent resolution on the budget and completion of action on new budget authority and spending authority bills, the various committees will be holding hearings and the Congressional Budget Office will be performing its key role of scorekeeping (comparing congressional actions with the first budget resolution). In addition, Section 403 of the Act directs the Congressional Budget Office to prepare, to the extent possible, cost analyses and 5-year projections of all public bills (except appropriation bills). These cost estimates are to be compared with any available from the committee, or federal agency, and are to be included in the report which accompanies the bill.

Before reporting the first appropriations bill, Section 307 of the Act requires that the House Committee on Appropriations must, to the extent possible, complete subcommittee markups and full committee action on all regular appropriation bills for that fiscal year. The committee is to submit to the House a summary report comparing the committee's recommendations to that of the most recently agreed to concurrent resolution on the budget.

It should be noted that, during the months leading up to the reporting of bills which provide new budget authority and new outlay authority, Congress will be attempting to get a handle on the long term costs. Thus, in justifying and tracking its requests, the Executive Branch will have to

pay closer attention to the out-year costs and economic assumptions used in the analyses.

on or before 15 September ----- Congress completes action of second required concurrent resolution on the budget.

The second required concurrent resolution on the budget reaffirms or revises the first based on the spending actions of Congress and any unforeseen changes in the nations's economy. Furthermore, the second resolution can set in motion the reconciliation process. Reconciliation takes place only if it is necessary to revise existing law, or pending legislation, to achieve the levels set forth in the second resolution. Thus, the second resolution may direct committees with jurisdiction over such changes to determine and recommend rescinding or amending legislations and other legislation, raising and lowering revenue, adjusting the debt, or any combination of the above.

Unlike the first concurrent resolution on the budget, the second resolution, when adopted, establishes ceilings not targets, for all subsequent revenue and spending legislation. However, Section 311 of the Act further provides that the ceilings established by the second resolution apply to total budget authority and total outlay authority, and not to the estimates by functional category.

The Act provides no specific deadline for reporting the second concurrent resolution (as it did for the first resolution--1 April), however, the Budget Committees will probably begin preparations in August. At the time of this writing, final marks had just been completed on the House resolution of the FY 76 budget. In accordance with the timetable set forth for the FY 76 budget, the committees propose to report and file the resolutions by 31 October 1975 [14] [15].

on or before 25 September ----- Congress completes action
on reconciliation bill or
resolution, or both, imple-
menting second required
concurrent resolution.

Section 310(c) of the Act provides that reconciliation of legis-
lation solely within the jurisdiction of one committee will be reported
to the House or Senate by that committee. However, if reconciliation is
directed at more than one committee of the House or the Senate, each
committee will promptly make recommendations to the Budget Committee
which will compile the recommendations, without substantive change, into
a single reconciliation bill or resolution. Finally, Section 310(f)
of the Act directs that Congress may not adjourn sine die until it has
completed action on the second resolution and reconciliation process.

The adoption date of the second concurrent resolution on the budget
for FY 76 was established as 20 November 1975. Completion of any recon-
ciliation, if necessary, is required by the end of the session. Further-
more, Congress has implemented Section 310(f), which prohibits adjourn-
ment before the FY 76 budget is adopted.

1 October ----- Fiscal Year begins.

The Congressional budget timetable ends with the beginning of the
new fiscal year. However, it is only a little more than one month before
the President will submit his current services budget and the clock starts
ticking for the next budget. The importance of timing in the new budget
process has been stated as follows:

... Certain parts of the budget process cannot move ahead unless other actions are completed. Appropriations cannot be considered until the first budget resolution is adopted and necessary authorizations have been enacted. Reconciliation actions cannot be undertaken until action is completed on appropriation bills and the second budget resolution. Thus, failure to complete a particular action on schedule affects later actions as well. In short, the four main phases of the budget process (authorizations, budget resolutions, spending measures, and reconciliations) must be completed by the dates assigned to them in the Act [5:15].

In recognizing the importance of timing, one source commented that House leaders are currently reviewing the schedule of events for the next session, and that most of the activity will be scheduled around the budget.

Before leaving the Congressional Budget Timetable and discussing other provisions of the Act, it should be emphasized that September promises to be a very fast month, both for the Congress, and for the Executive Branch. With the completion of spending bills, the adoption of the second concurrent resolution and the reconciliation process, last minute changes and maneuvering are almost a certainty. From the point of view of the Executive Branch, the current services budget is but a little more than a month from submission and hearings on authorizations will be starting. Thus the effects of these changes must be analyzed and reflected in the current services budget and committee hearings. The implementation of the Act for FY 77 should prove interesting with the 1976 elections providing a possible incentive for early completion of the budget. Figure 3 summarizes the Congressional Budget timetable.

MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH
							Authorization Committees hold hearings			
5/15 △ President submits requests for authorizing legislation						11/10 △ President submits current services budget	12/31 △ Joint Economic Committee reports analysis of current services budget to Budget Committees		Budget Committees hold on 1st concurrent resolu on the budget	
								15 days after Congress convenes △ President submits his budget		Standi Committ their estima Committ

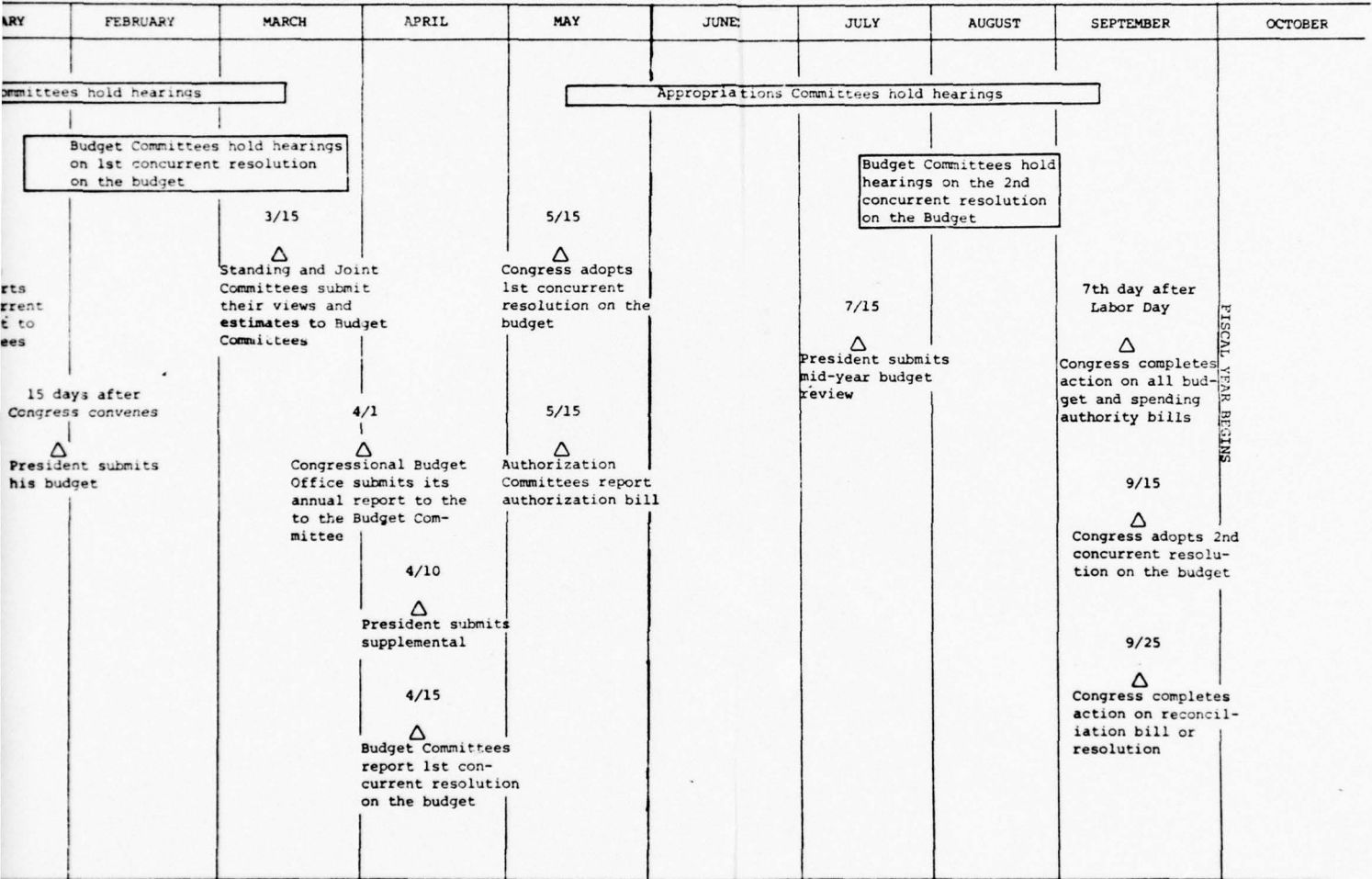


Figure 3. The Congressional Budget Process

2

OTHER PROVISIONS OF THE ACT

In addition to the three new organizations, and the new budget timetable, the Act contains several other provisions worthy of note which depart from tradition. In general, these provisions are designed to strengthen congressional control of the budget process.

A NEW FISCAL YEAR. As was inferred by the preceding discussion on the timetable, beginning in calendar year 1976 the fiscal year will begin 1 October and end 30 September. The shift from the traditional 1 July - 30 June fiscal year will be accomplished by a transition budget to cover the three months from 1 July - 30 September 1976. The transition budget was submitted by the President to Congress on 3 February 1975 along with the FY 1976 budget.

This change allows Congress three additional months to complete its work on the budget before beginning a new fiscal year. This, coupled with the possibility that authorizing legislation will begin earlier and that the current services budget will be submitted by 10 November, is expected to significantly reduce the need for continuing appropriations resolutions. In testimony before the Joint Study Committee on Budget Control, Congressman Marvin L. Esch (Michigan) discussed the continuing resolution and a need for reform. He pointed out:

The continuing appropriation process does little to assure careful Federal planning. It helps to create an uneven funding pattern for Federal programs. Many may be funded late in the fiscal year so that Federal officials are forced to 'use or lose' funds in a short period of time because funds not used by the end of the fiscal year revert back to the Treasury. Since 1964 the average delay between the beginning of the fiscal year and the passage of all appropriation acts has been over three months. In the last nine years we have passed a total of only seven

appropriation acts before the beginning of the fiscal year. This record rests on the base of 116 appropriation measures presented during that period. During our consideration of the fiscal year 1972 budget, four of the 14 measures considered were passed later than four months into the new fiscal year. One of the bills was finally passed 252 days into the new fiscal year.....[16:361]

Table 3 illustrates the use of continuing resolutions for the Defense and the Military Construction Appropriation Acts. It is hoped that the new fiscal year will enable Congress to enact appropriations before a fiscal year begins and thus improve the ability of federal departments and agencies to plan and control their programs.

MID-YEAR REVIEW AND SUPPLEMENTALS. Title VI of the Act requires that the President's budget to be updated twice annually, on 10 April and 15 July, the latter being the mid-year review which previously occurred on 1 June. The budget updates are to state all amendments or revisions to the budget authority requested, the estimated outlays, and the estimated receipts for the ensuing fiscal year as set forth in the President's budget submitted in January.

Congressman Esch's data show that in the past five years Congress has passed 29 supplemental appropriation bills, and in the past nine years, nearly \$10 billion per year has been appropriated through supplementals [16:366]. The new congressional budget timetable no longer has the flexibility of previous years thus supplemental requests will be more difficult -- we are moving to a point of one time budget submissions.

PROGRAM REVIEW AND EVALUATION. Title VII of the Act authorizes House and Senate committees to carry out analysis, appraisal and evaluation of Government programs and activities. These may be conducted by the committee, under contract, or by a Government agency by direction of the committee.

Table 3. Approval Dates and Number of Elapsed Days After Beginning of Fiscal Year for Defense and Military Construction Appropriation Acts, Fiscal Years 1964-72¹

Department of Defense Appropriation Act ²	Fiscal years							Total Average days per year	
	1964 (1963 ³)	1965 (1964 ³)	1966 (1965 ³)	1967 (1966 ³)	1968 (1967 ³)	1969 (1968 ³)	1970 (1969 ³)		1971 (1971 ³)
Date of approval-----	17 Oct.	19 Aug.	29 Sept.	15 Oct.	29 Sept.	17 Oct.	29 Dec.	1 Jan.	18 Dec.
Number of days elapsed beyond beginning of fiscal year-----	109	50	91	107	91	109	182	185	171
Military Construction									1,095
Date of approval-----	21 Dec.	2 Sept.	25 Sept.	2 Nov.	8 Dec.	26 Sept.	29 Dec.	11 Dec.	11 Nov.
Number of days elapsed beyond beginning of fiscal year-----	174	64	87	125	161	88	182	164	141
									1,186
									132

¹Data Source: [15:362]

²The titles of the appropriation acts are listed on the basis of fiscal year 1972 breakdown. Through the years there have been changes in some of the agencies and activities included in specific appropriation acts.

³The years listed at the head of the columns represent the calendar years applicable to the approval date of specific acts.

Furthermore, it creates within the General Accounting Office an Office of Program Review and Evaluation (not to exceed ten experts on a permanent, temporary or intermittent basis) to assist the committees of each House in developing a set of legislative objectives and goals, and the methods for assessing and reporting actual program performance in relationships to these objectives and goals. In addition, this new office will assist the committees in analyzing the reports and studies prepared by and for any federal agency.

This provision of the Act indicates Congress will be reviewing Government programs and analyzing costs in comparison with benefits, to determine if legislative goals and objects are being met. It is not known at the time of this writing to what depth and detail these studies will be conducted.

STANDARDIZED DATA PROCESSING AND INFORMATION SYSTEMS, AND TERMINOLOGY

Title VIII of this Act amends the Legislative Reorganization Act of 1970 to direct the Secretary of the Treasury and the Director of the Office Management and Budget, in cooperation with the Comptroller General, to develop, establish and maintain standardized data processing and information systems for fiscal, budgetary and program related data and information. These systems are to be used by federal agencies, and should, to the extent practical, meet the needs of State and Local governments.

Furthermore, the title directs the Comptroller General, in cooperation with the Secretary of the Treasury, the Office of Management and Budget and the Congressional Budget Office, to develop, establish, maintain and publish standard terminology, definitions, classifications, and codes for federal fiscal, budgetary and program related data and information.

The purpose of these provisions of the Act is to standardize fiscal and budgetary reporting to enable meaningful comparison and analyses of data across Government Departments and Agencies. As one source pointed out, one problem faced by Congress today is the large volume of data it receives, with much of it never being used. As a result, Congress must determine not only how much data it needs, but also what kind of data it needs. Hopefully, the standardization of data processing, and terminology will assist in getting a handle on these problems.

IMPOUNDMENT CONTROL. Title X of the Act deals with impoundment control. The title recognizes two types of impoundment actions by the Executive Branch: rescissions and deferrals.

A rescission of budget authority must be proposed whenever the President determines that all or part of the budget authority will not be required to carry out the full objectives or scope of a program due to fiscal policy or other reasons (e.g., termination of authorized programs), or whenever all or part of budget authority provided for only one fiscal year is to be reserved from obligation for such fiscal year. The Act requires the President to submit to Congress a special message requesting rescission of the budget authority, and explaining fully the circumstances and reasons including, to the maximum extent possible, the estimated fiscal, economic and budgetary impact of the proposed rescission. Unless both Houses of Congress complete action on a rescission bill within 45 days, the budget authority must be made available for obligation.

Likewise, a deferral of budget authority by the President, Office of Management and Budget, or head of any department or agency requires the President to submit to Congress a special message setting forth: the

amount of budget authority to be deferred; the time during which the budget authority is to be deferred; to the maximum extent possible, the estimated fiscal, economic and budgetary effects; and other circumstances and considerations which have a bearing on the deferral. The President is required to make such budget authority available for obligation if either House passes an impoundment resolution disapproving the deferral at any time after receipt of the special message.

Recision and deferral messages are to be delivered the same day to the House, Senate and Comptroller General. In addition, these messages are to be published in the Federal Register, in the first edition following transmittal to Congress. The Comptroller General serves as the watchdog for Congress in matters pertaining to recisions and deferral with authority to use civil action to insure compliance.

The use of executive Impoundment of Congressionally appropriated funds became an emotional issue during the Nixon administration. The Congress viewed impoundment as an infringement on its constitutional duties and responsibilities, and a weakening of its power to set national priorities by control of the purse strings. The Congressional Budget and Impoundment Control Act of 1974 brings Congressional budget reform and impoundment control together in such a way that will hopefully provide a meaningful, systematic and timely approach to establishing priorities and controlling economic growth through the cooperation of both the Congress and the Executive Branch of Government.

The next section of this report deals specifically with the Department of Defense and some of the implications the Act will have on the planning, programming, and budgeting of Defense programs.

CHAPTER 4

IMPLICATIONS FOR DEFENSE

The Congressional Budget and Impoundment Control Act of 1974 provides a major re-shaping of the Congressional budget process as well as providing new procedures and provisions which strengthen Congress' control over the budget. Some of the new procedures and provisions will require changes to the way the Executive Branch conducts business in order to comply with the law. In addition, the work load to prepare and justify the budget will increase.

Even before the Act was signed, the Office of Secretary of Defense (OSD) was preparing for implementation. A preview of things to come was prepared by Moyer [17] prior to enactment of the new legislation, and was later updated and published in the Federal Accountant [18]. Following the bill signing, briefings were conducted to inform key people within the Department of Defense (DOD) of the Act and some of its implications [19]. The discussion which follows identifies ten potential problem areas taken from this background material and attempts to summarize each. No discussion is given to the transition budget required by the Act (1 July - 30 September 1976) since this is a one-shot requirement.

Figure 4 shows the DOD Planning Programming and Budgeting System (PPBS) married to the new Congressional budget timetable. Although this appears simple at first glance, it must be remembered that the budget process is a yearly event. To show the complications of these cyclical events, the budget process is re-formatted in Figure 5 to match the 12 month calendar. Here it is quite evident that each year defense management must: (1) execute the current year budget; (2) follow and provide support to Congress during their consideration of the next fiscal year budget; (3) complete the

MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	
			CONGRESSIONAL BUDGET PROCESS									CONGRESSIONAL BUDGET PROCESS					
				PPBS													
							President submits year ahead authorization requests (based on previous May PDM's)										
△ Joint strategic Objectives Plan (JSOP) Vol. I				△ Defense Policy and Planning Guidance Memorandum (DPPG)			△ Joint Strategic Objectives Plan (JOSP) Vol. II		△ Planning and Programming Guidance Memorandum (PPGM)			△ Joint Forces Memorandum (JFM)					△ Program Decision Memorandum (PDM's)
												△ Program Objective Memorandums (POM's)					

Budg
Esti

	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL
BUDGET YEAR +1				<p>△ Congress receives requests for year ahead authorizations</p>			
BUDGET YEAR		<p>△ Congress receives current services budget</p>		<p>△ Congress receives President's budget</p> <p>△ Joint Economic Committee report</p>		<p>△ Joint and Standing Committees report</p>	<p>△ Budget Committees report 1st concurrent resolution on the budget</p> <p>△ Congress receives President's supplemental</p>
	<p>Authorization Committee Hearings</p>			<p>Budget Committee Hearings</p>			<p>△ Congressional Budget Office Report</p>
	<p>Budget Hearings</p>						
BUDGET YEAR	<p>△ President submits current services budget</p>	<p>△ Program Budget Decisions</p>		<p>△ President submits his budget</p>			<p>△ President submits budget supplemental</p>
BUDGET YEAR +1			<p>△ Joint Strategic Objectives Plan Vol. II</p>		<p>△ Planning and Programming Guidance Memorandum</p>		
BUDGET YEAR +2							

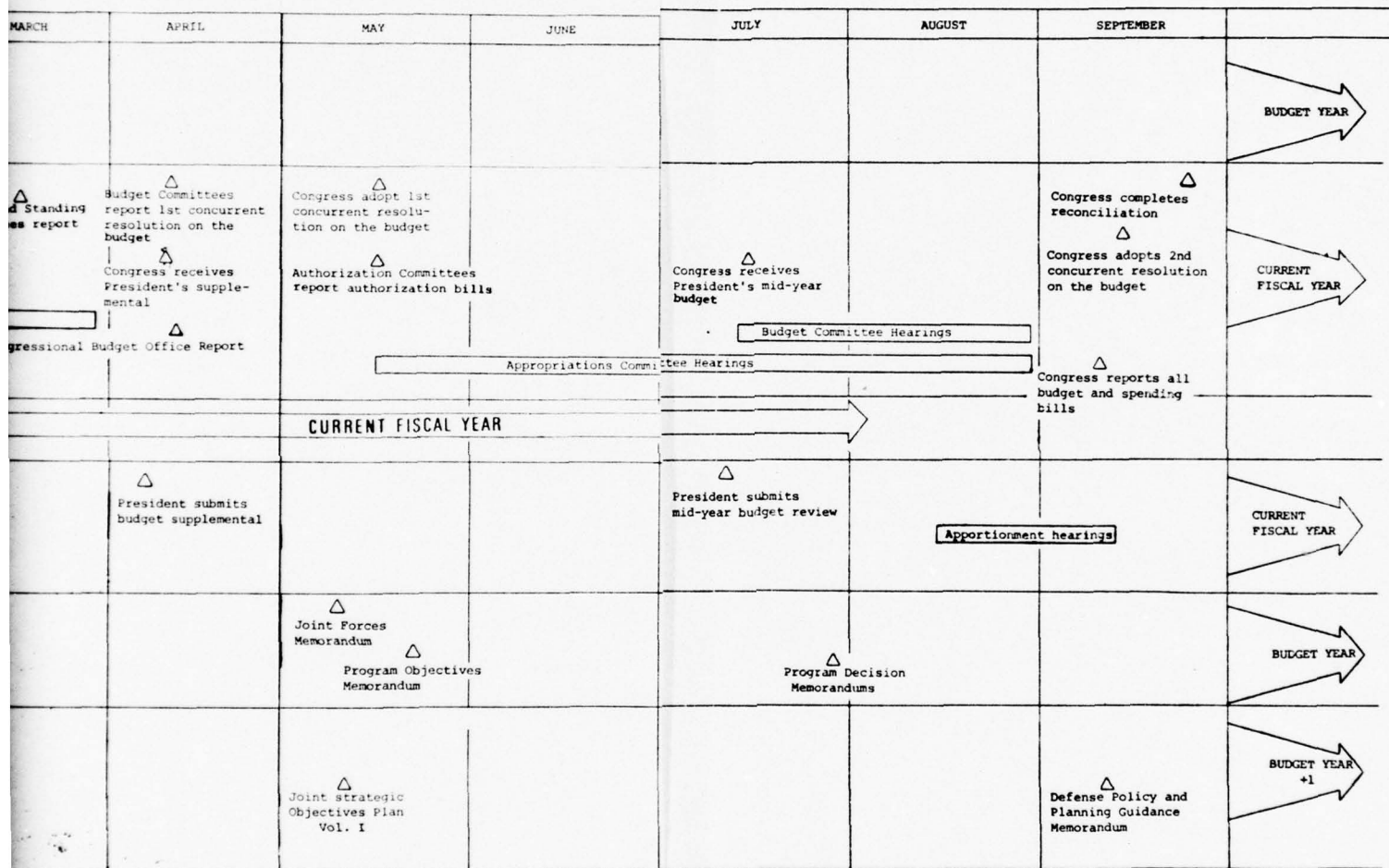


Figure 5. Calendar of Events for Three Fiscal Budgets

2

Programming phase of the budget year + 1 budget; and (4) initiate the Planning phase of the budget year + 2 budget. This is not all new, but it will be necessary to refer back to the schedule of events shown in Figure 5 to assess the full impact of the new Act on Defense and Acquisition Management.

Problem #1 Advanced Authorizations and the PPBS

Requests for authorizing legislation are to be submitted to Congress by 15 May of the year preceding the fiscal year for which this request is made -- 16 1/2 months in advance. Figure 4 shows that in terms of the PPBS, DOD will still be in the programming phase with the preparation of the Program Objective Memorandums (POM's). The POM's will not have been reviewed by OSD, and Program Decision Memorandums (PDM's) from the Secretary of Defense defining the approved programs are not normally issued until July or August. Furthermore, as pointed out by one source, the figures contained in the POM are not budget quality, i.e., they are rough and unworked numbers. Thus, from the standpoint of authorizing legislation, the approved program will reflect the force levels, program decisions and total obligational authority levels approved the preceding year, nearly 27 months before the fiscal year is to begin.

To comply with this provision of the Act, the current policy is for the President to submit in January, his budget for the approaching Fiscal Year, and his authorizing requests for the year which follows. Thus, budget quality figures must be prepared for two fiscal years for those programs requiring authorizations. The effect is an increased workload during the Budgeting phase of PPBS. In addition, as one official pointed out, Congress is operating on a tighter schedule and insisting on no slippage. This means that the budget reviews must be completed, approved and the budget printed

on schedule. Although it is not planned to begin the Budgeting phase any earlier than the present 1 October date, it will be necessary to end earlier. That is, the system will need tightening up -- the schedule is tougher.

Looking at the Congressional side, it is not likely that the Authorization Committees will take any significant action on the authorization requests until the following fall when hearings are expected to begin. Thus, in addition to preparing for the President's budgets the DOD will almost certainly want to submit amendments to the authorization Committees at this time. These amendments may be necessary for several reasons:

1. The requests held by the Committees at this time will reflect force levels and program decisions established nearly 15 months earlier. Force levels and program decisions approved in the most recent PDM's (3 months earlier) may require adjustment of those before the committees.

2. The budget policies and decisions used to estimate the total obligation authority will be nearly 12 months out of date.

3. Congress will have just completed action on the current budget, thus, the ricochet effects of the completed Congressional action on this budget will have to be determined and allowances made to report program changes which effect authorizations for the coming year.

From the standpoint of the program manager, the requirement for advanced authorizations will place increased emphasis on high quality cost estimating over a longer time frame. In addition, it is likely to increase the workload within the Program Management Office since authorizations will now be reviewed by OSD twice. The estimates will have to be tracked during the intervening year, and up-dated with an explanation of the differences at the second budget review. The differences may be significant since cost

estimating is as much an art as it is a science, and since program decisions by the Secretary of Defense, and/or, by Congress may require a major restructuring of the program.

Finally, the year ahead authorizations are intended to give Congress a head start on the budget. Figure 5 shows that the indications are now that Authorization Committee Hearings will begin in early fall, or concurrently with the PPBS budget review. For defense officials (including program managers) who are requested to testify, the preparation of testimony may cause competing requirements for their time and attention when budget decisions are being made and reclaims are being prepared. A mistake at this time, either during testimony to one of the committees, or during the budget review, can have a serious impact on a programs' orderly progression over the next several years.

The net affect of advanced authorizations is to increase considerably the workload during the Budgeting phase of PPBS and to reduce to some extent DOD flexibility. The latter point is based on the fact Congress will be looking at authorization requests based on force level and program decisions made 27 months before the fiscal year is to begin. The new program decisions, just 3 months prior to the beginning of the Committee hearings, may have to be tempered somewhat when considering the information already reported to Congress.

Problem #2 The Current Services Budget and PPBS

The Act requires the Current Services budget to be submitted to Congress by 10 November. The FY 77 current services budget will be based on continuing the FY 76 program without change in program levels or policies. To meet this deadline for the FY 77 current services budget, the Office

of Management and Budget (OMB) requested department and agencies of the Executive Branch to submit their material by 15 September 1975 [9:5].

Referring to Figure 4, three points regarding this procedure should be made.

First, this date occurs before final Congressional action on the fiscal year. Therefore changes are likely to occur from the time the estimates leave the departments and agencies, until the time the budget is submitted in November.

Second, the submission of the current services estimates occurs before the Budgeting phase of the PPBS. Therefore, as one informed source put it, "it will be based on summarized budget numbers available before submittal, but will basically be the Five Year Defense Plan (FYDP) numbers appropriately racked".

The third point is that apportionment of the new budget, which affects spending policies and therefore the current services estimates, should be completed before the estimates are submitted. Thus, it is likely that apportionment hearings will have to occur during August, as shown in Figure 4. For the DOD, this will probably be immediately after the latest PDM's are issued by the Secretary of Defense.

Problem #3 The Current Services Budget and the Detail of Reporting

The level of detail to be reported in the current services budget could become a key issue in the future. As the new Budget Committees, and Congressional Budget Office staffs grow, and the other joint and standing committees become familiar with this new report from the President, requests for additional detail and supporting data are likely. If restraint is not exercised, the time and effort required for preparation may overload the system at a critical point in the DOD budget process. The more detail required, the greater the involvement of the Services and, possibly, some of the key

program managers.

To comply with this provision of the Act, OMB intends to submit the current services budget aggregated to the Appropriations Title level. Departments and agencies were requested to report levels of aggregation by individual accounts, or aggregates of accounts, at the highest level of aggregation that will provide budget authority and outlays for each of the following: Agency total; major function/subfunction; federal fund/trust fund, controllable/uncontrollable; permanent authority/current authority; and appropriation bills [9:5]. For DOD, the mid October submittal was aggregated by Title (eg. Research and Development, Procurement, etc.). Under this policy, involvement of the Services is expected to be minimal.

Problem #4 House and Senate Budget Committees and Requests for Information

Since the Act creates two new Congressional committees which deal with the budget, it can be expected that the DOD will have to respond to additional requests for testimony and information. Both the House and Senate Committees have task forces which deal with the defense budget. Hearings are likely to be held prior to reporting the first and the second concurrent resolutions on the budget, as shown in Figure 4. Those held in February or March should not pose any special problem, however those held in August fall at a time when the PDM's are issued and apportionment hearings are likely to begin.

A big question at this time is to what depth will the new committees be going in reviewing the budget alternatives prior to making recommendations for each concurrent resolution. One informed source pointed out that there is not sufficient time for the committees to review in detail the total federal budget. The hearings will probably deal with economic issues and

very broad responsibilities. He felt that testimony from the Executive Branch would probably be limited to very high level officials (eg, the Director of the Federal Reserve System, the Director of OMB, the Secretary of Defense, etc.).

Table 4 lists defense officials who appeared before the House and Senate committees during 1975, and the subject of their testimony. Two key points should be noted: first, the subject matter in each case does deal with very broad issues, and second, the witnesses in some cases were Service peculiar and the subjects were Services peculiar. This last point is important because, if the trend continues to more detail as the new committees become more firmly established, the requirements for the individual Services to appear may increase. If the depth and detail becomes too great, the new committees may begin to overlap into areas traditionally handled by the Authorization and Appropriations Committees. This will then create a heavy burden on the Services and, possibly, some of the key programs managers.

As a point of interest, one of the key issues during the reform legislation was the relationship of the new Committees on the Budget to the Committees on Authorization and Appropriations. In reading some of the testimony and background material on the Act, it appears that the intent is that the Budget Committees restrict themselves to broad economic policies and not become involved with details. The distinction will be difficult to judge and may become a source of jurisdictional disputes within Congress.

Problem #5 The Congressional Budget Office and Requests for Data

The Congressional Budget Office (CBO) is authorized under the Act to secure data, estimates and statistics from the various Departments and

Table 4. DOD Witnesses Appearing Before Committees on the Budget¹

House Budget Committee

J. Schlesinger, SECDEF

Subj: FY 1976 Budget and the Economy
5 March 1975

L. Sullivan, Jr., ASD(PA&E)

F. Wacker DASD(PB)
Subj: Trends in Defense: Defense Planning
10 July 1975

Army Witnesses from OSD(PA&E) & OSD(C)

Subj: Size and Deployment of Forces: Overall Rational and New Army
Strategy
17 July 1975

Navy Witness from Program Planning Office and OSD(C)

Subj: Size and Deployment of Forces: Overall Rational and Changing Role
of the Navy
30 July 1975

B. G. Bronars, Director, Plans and Programs

Subj: Size and Deployment of Forces: Overall Rational and Changing Role
of the Marine Corps
9 September 1975

MG. A. C. Greenleaf, AF/PRR

MG. R. L. Lawson, AF/XOX

MG. C. C. Blanton, AF/ACB

Subj: Size and Deployment of Forces: Overall Rational and Changing
Composition of the Air Force
10 September 1975

W. K. Brehm, ASD(M&RA)

Subj: Manpower Management Initiatives
23 September 1975

T. R. McClary, ASD(C)

F. P. Wacker, DASD(PB)

C. J. Miller, DASD(C)

Subj: Financial Analysis of the DOD Budget
25 September 1975

¹Source: OSD Legislative Liaisons Office, The Pentagon, Washington, D.C.,
15 October 1975

Table 4. (Continued)

J. Bennett, ASD(I&L)
G. Hall, DASD(M&RA)
P. Fliakas, DASD(I&L)
Subj: DOD Logistics and Support Programs
26 September 1975

Senate Budget Committee

M. Currie, DDR&E
Adm. LaRocque Center for Defense Information
Subj: Defense and the Budget
13 March 1975

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Agencies of the Government. Thus, requests for additional data from this new office can be anticipated. It can be speculated that a large number of requests will be received after the current services budget is submitted, and before the CBO publishes its yearly report to the Budget Committees.

However, requests for data may be received at any time to support special studies the CBO may be conducting for one or more of the Congressional Committees, or during July and August when the CBO develops five-year projections for spending bills being reported out of committee.

The depth and detail of these requests is not known at this time. If the requests become too detailed, additional reporting requirements will probably be placed on the Services and, possibly, program managers. In discussing recent trends (before the establishment of this new office) one informed source noted that 4,180 pages of justification material had been submitted by OSD for the FY 76 Research and Development Account alone. This compares to 1,787 pages submitted for the FY 70 Account. It was pointed out that these figures do not include testimony or posture statements. Thus, the trend has been toward more detailed reporting and justification, and now with the CBO, it is likely that the trend will be accelerated.

Problem #6 The President's Budget and 5-year Projections

The Congress will be taking a broader look, over a longer time frame, during the budget process as a result of the Act. The President's budget is now required to contain not only the budget estimates for the ensuing fiscal year, but also projections for the four years which follow. In addition, CBO will be performing analyses and preparing budget year estimates as well as 4 year projections of spending bills being considered by

the various congressional committees. The need to make current budget decisions with an eye toward future budgets is apparent if Congress wants to maintain control while steering a course for Federal spending. However, achieving agreement on future economic conditions, and therefore being able to agree on the impact of various programs on future budgets (eg. the president's energy program submitted with the FY 76 budget), is likely to become another area of political debate between the Executive and Legislative Branches of Government.

DOD compliance with this new requirement was not a problem and was facilitated by the Five-Year Defense Plan (FYDP) which has been in use for the past 13 years. In fact, one source pointed out that congressional committees were getting information related to the FYDP, aggregated at the Package (eg. B-1 Bomber Program) and Program (eg. Strategic Forces) levels anyway. The potential problem for Defense comes in how Congress will use the data. Where before Congress had little inclination to look in-depth into future budgets, there are now two new committees, and the CBO, and each is expected to be looking at future budgets to determine which programs the nation can afford.

For the Services, and program managers, this more intense scrutiny by Congress of future year projections will require more attention to be placed on the out year requirements contained in the FYDP. In particular, quality planning and cost estimating of programs will be necessary, not only for the budget year, but for the four years beyond. When testifying before committees, Service witnesses may find more questions being asked with regard to future funding requirements, including the technical and economic assumptions used in developing these forecasts. The Services and program managers will have to have a better handle on future budget requirements if

they are to maintain a credible image.

Problem #7 The Office of Program Review and Evaluation and Requests for Analyses

The Act authorizes Congressional Committees to conduct analyses of Government programs. Furthermore, it creates within the Government Accounting Office (GAO) an Office of Program Review and Evaluation. The purpose of the analyses is to determine if the legislative objectives and goals of various spending programs are being met, or to measure a program's cost and benefit. The kinds of programs to be subjected to this type of analysis, or the depth and detail of the analysis, are not known. The potential implications could be great. For example, suppose a request was made for a cost-benefit analysis for the Strategic Forces Program of the B-1 Bomber versus the Trident Submarine. The analysis, if not already available, would have to be done. The technical and economic assumptions used would have to be explained and justified, and the results reported. An analysis of the type could tie up many people from several Services for a great deal of time, and often only lead to a need to do more analysis.

The Act provides that the committees may conduct the analysis, contract it out, or request the Department or Agency to submit an analysis. Regardless of the approach taken, demands for data and assistance from the department or agency whose program is being reviewed will be made. If requests become too numerous, the reporting requirements could become burdensome. In the case of defense, if requests get too detailed and begin to single out individual projects (eg. B-1 Bomber, XM1 Tank, etc.) the demands placed on the program manager, and the Program Management Office may become excessive. However, as reported by one source, the DOD has been submitting to Congress data in sufficient detail to enable cost benefit analysis to be

performed. To date, it does not appear that they have the inclination to do this.

Problem #8 Standardized Data Processing and the Use of Computers

The OMB, Department of Treasury, and the Comptroller General are developing standardized data processing and information systems for fiscal, budgetary and program related data and information. The primary objective is to standardize Government data and information systems. This will simplify data interpretation (i.e., provide for common bases) and permit meaningful comparisons of policies across departments and agencies of the Government. The question in some minds is: Will standardized procedures of data processing eventually result in computer links between Congress and the Executive Departments and Agencies, and if so, how does one protect internal planning data from being extracted prematurely?

As with many provisions of the Act, full implementation and the long-range implications of this provision can only be speculated. Discussions with several sources indicate the immediate concern is not how much data are needed, but what kind of data are needed, by Congress during the annual budget process.

Problem #9 The Budget Timetable and Apportionment

Apportionment normally preceded the beginning of the fiscal year by approximately one month. In the past this was usually in late May, or early June. However, with the new budget timetable set forth by the Act, only the first concurrent resolution on the budget and the authorization bills will have been acted upon during May. Spending legislation will be in its infancy. It is likely that Apportionment can now occur in August since by late August most spending bills should be approaching completion. If apportionment is

deferred until September, for example after all bills are reported out of committee, or after the second concurrent resolution on the budget is adopted, the effect may be to delay preparation of the current services budget.

Accurate reporting of the current services budget requires the fiscal policies and program levels for that year be known. In particular any planned deferrals or recisions of budget authority should be reflected in the current services budget.

If apportionment hearings are held in August, its relationship to PPBS and the Congressional budget timetable can be seen from Figure 5. As noted earlier, this will be a busy time of the year for DOD budget personnel and program managers. The Congress will be completing action of its spending bills, and reclaims to last minute changes may be required. Services will be preparing their budget estimates to be forwarded to OSD on 1 October, and Authorization requests submitted the previous May will be requiring up-date in preparation for committee hearings expected to begin in October.

Problem #10 Impoundment Control and Apportionment

The Act recognized that apportionment of appropriations is necessary and desirable when providing for contingencies, or effecting savings. However, the Act goes on to establish a method of reporting all proposed recisions or deferrals which might be imposed by the President or other federal officials.

The effect is to require the President to notify Congress of proposed recisions and deferrals of budget authority and to submit detailed special reports to both Houses of Congress and the Comptroller General. Congress may then consider the proposed recisions or deferral and concur or take appropriate action requiring the budget authority be made available

for obligation. This new procedure is expected to greatly reduce the number of recisions or deferrals proposed during a fiscal year, and will require a great deal more work in preparing the justification and back-up material to be forwarded to Congress in support of these proposals. It essentially removes some of the flexibility, once enjoyed by previous administrations, for controlling federal spending.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

This study takes a fairly broad view of the new Congressional budget reform and its implications toward Defense. This approach was necessary primarily because full implementation of many of its provisions is still in the future. Its full impact can only be measured when the practices which mark its implementation are established. However, several conclusions may be drawn from this study.

First, the new timetable does establish fixed milestones which should continually focus attention on the need for timely completion of the budget process. The year ahead authorization submissions and the current services budget should provide Congress with the head start needed to reduce the need for Continuing Appropriations Resolutions. The timely enactment of the budget should assist defense officials and the program manager in planning and executing programs for the fiscal year.

Second, the new timetable provides a structure, or framework, with many key points where defense officials and program managers can monitor the status of their programs as they move through the budget process. For example, the 15 March report of the views on the budget of the standing and joint committees to the Budget Committees may offer some insight into things to come for the new budget. The 15 May reporting of authorization bills, and the adoption of the first concurrent resolution on the budget is a second key date. As the procedures become better established, and as new alliances are formed, the new timetable should permit earlier identification of those programs which are heading for trouble.

Third, Congress is taking a broader view of the budget and looking at longer time horizons. This requires better planning and cost estimating on the part of defense officials and program managers. Two new Budget Committees, and the Congressional Budget Office will be looking at budgets submitted by defense. Thus, it will become important to minimize changes and submit good supporting data so as not to damage credibility. These new organizations are expected to add heavily to requests for information and data.

Fourth, the new Congressional timetable will add significantly to the demands on the time of defense officials and program managers from August through November each year. Some new procedures, or organizational changes, may be required to ease the workload during this period of time.

In recognition of some of the shortcomings of this study and some of its findings, several recommendations for future study can be made.

First, in a general sense, many of the potential problem areas identified in the previous chapter of this report should be re-evaluated. Many were speculative and will require full implementation and several years of practice to fully evaluate. However, trends should be established as early as possible.

Second, an in-depth analysis of the current PPBS and its relationship to the new congressional budget timetable should be conducted. Methods to ease the workload during the August to November time frame should be developed. Modifications to the PPBS, or recommended changes to the congressional timetable, should be considered to gain flexibility. The latter point may prove more feasible if a standard PPBS can be adopted within the Executive Branch and effectively married to a modified

congressional timetable. As a case in point, if the Authorization Committees do not begin hearings until fall, after completion of action on the new fiscal year budget, it may be possible to change the submission date of authorization requests from 15 May, to 15 October.

Third, a more detailed analysis of the implications of this new legislation on the Services and Acquisition Management is recommended. Information used in this study was obtained primarily from OSD. In fact, it is highly unlikely that the Services, and program managers, have been exposed to many of the changes which might result from full implementation of this Act. The Fiscal Year 1977 budget process will be a test case for many of the traditional methods of doing business. Hopefully, these changes will come about as a result of gradual adaptation, and not forced reaction.

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Harshman, R.A. OSD(c). Interview at the Pentagon, Washington, D.C. on 15 October 1975

Mr. Harshman is Director for Procurement, Assistant Secretary for Defense (Comp.). Mr. Harshman is responsible for the Defense Procurement Account.

Moyer, B.B. Jr., OSD. Interview at the Pentagon, Washington, D.C. on 19 October 1975

Mr. Moyer is a Senior Specialist, Education, Assistant Secretary of Defense (Comp). Mr. Moyer has been closely following the new Congressional Budget Reform, and has published several articles dealing with its impending implementation.

Hessler, D.J. OSD(c). Interview at the Pentagon, Washington, D.C. on 23 October 1975

Mr. Hessler is Director for Research and Development, Assistant Secretary of Defense (Comp.). Mr. Hessler is responsible for the Defense R&D Account.

Cove, J. and Cleary W. Interview at House Committee in the Budget Office Bldg., Washington, D.C., on 23 October 1975

Mr. Cove is the Senior Staff member for the House Committee on the Budget's Task Force on National Security. Mr. Clearly is also a staff member of this Task Force.

Evans, R. and Clark P. Interview at Congressional Budget Office Bldg., Washington, D.C., on 29 October 1975

Mr. Evans is assigned to the CBO information office.
Mr. Clark is an Economics Analyst under the Deputy Assistant Director for Current Outlook.

PUBLIC HEARINGS ATTENDED

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