

DEFICITS IN THE CONGRESSIONAL BUDGET  
PROCESS AND THE GRAMM/RUDMAN/  
HOLLINGS ACT: CONGRESS'  
STATUTORY FAILURES AT  
BUDGET CONTROL

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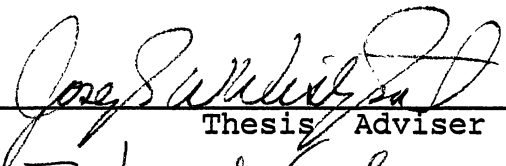

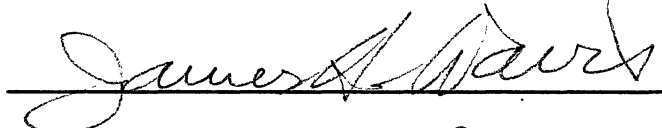

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## PREFACE

This study proposed an examination of the Budget and Impoundment Control Act of 1974 to ascertain whether or not the intent of the 1974 act had been implemented with special regard to spending controls, and what effect the Balanced Budget and Emergency Deficit Control Act of 1985 (the Gramm/Rudman Act) had on the efforts of Congress to control spending, namely, the deficit. The basis for this work included a review of the budget process, a description of the two budget acts, their legislative histories, and any relevant literature on the subject. The Gramm/Rudman act was then tested for its future likelihood of bringing spending controls within the designs of Congress; this was impaired by the fact that the act is so new as to have few scholarly appraisals.

Based on available data, the act was assessed as probably achieving the secondary intent of the act--deficit reduction--but was not seen as likely to achieve its ultimate purpose of a balanced budget. Further study of the 1985 act is warranted.

I wish to express my heartfelt gratitude to all the people who assisted me in this work and during my stay here at Oklahoma State University. In particular, I am especially indebted to my major advisor, Dr. Joseph

Westphal, for his intelligence, his patience, and his oversight of this project.

I also wish to express my thanks to the other members of my committee, Professor Harold Sare and Dr. Jim Davis, for their advisement in the course of this work.

My parents, Dr. Franklin D. and Betty K. Baker, deserve my deepest appreciation for their continued support of my prolonged academic endeavors, as does my husband, Carl C. Glencross, for putting up with me the whole time.

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## CHAPTER I

### INTRODUCTION

#### A. Statement of Problem

The specific problem focused upon in this thesis is whether or not the Budget and Impoundment Control Act of 1974 successfully accomplished one of its specific purposes: spending control.

##### 1. Purpose and Objectives

The purpose of this thesis is to examine the relationship between the intent of Congress in creating the Budget and Impoundment Control Act of 1974 and the actual outcome of budget resolutions since the 1974 act was passed. Specifically, this particular study will focus on the congressional intent in the 1974 act to control spending, and Congress' ability in subsequent budgets to achieve this objective. For this purpose, the term "spending control" refers to the intent, as expressed by Congress in passing the act, to "bring revenue and spending decisions together," to control backdoor spending, to directly control budgetary outlays, to determine how much would actually be spent in a year, short of the debated "fixed ceilings" approach to budgeting, and finally, to discontinue the process of

"continuing resolutions."<sup>1</sup> Finally, this study will analyze the impact of the Balanced Budget and Emergency Deficit Control Act of 1985 (hereafter referred to as the Gramm-Rudman Act) upon the budget process, and will speculate about its future potential for achieving the intended purpose of the 1974 Act.

## 2. Methodology (Research Design)

The specific research design needed to support such objectives is one that first, previews and analyzes the existing budget process. Redeeming features of the act should be measured for the success that they bring to the total budget process. Failures of the process--especially spending failures--must be exposed as well for the insights that they can offer toward improvement of the 1974 act and the process itself. Close analysis of the 1974 act, its legislative history, and books and articles discussing the results of the 1974 act upon the budget process are particularly essential to this study if the desired purposes are to be achieved; this is the subject of Chapter Two.

Once a thorough analysis of the 1974 act is completed, testing of the process with the new Gramm-Rudman Act is best accomplished through not only a consultation of the legislative history of the act (especially when that history is limited due to its hurried consideration), but must be supported by as many experienced and knowledgeable expert

opinions as are available. This is the subject of Chapters Three and Four. Chapter Five contains a discussion of the implications of the 1985 act and summarizes the content of the thesis. This brings us to a consideration of the assumptions and limitations necessitated by such an approach.

### 3. Assumptions and Limitations

Fortunately for this study, assumptions about the 1974 act, its specific intent of controlling spending, and its failure to achieve that goal were not needed. Assumptions required to complete this study concern the 1985 act's procedural and political implications for addressing spending and the budget process. Limitations which could not have been avoided primarily occurred due to a heavy reliance upon sources which could quickly assemble, analyze, and report "first" observations about the new 1985 process. Most importantly, these sources tended to be newspapers such as the Washington Post which have a proven ability to observe changes in government and assess these for subsequent impacts upon the budget process in general. While the limitations on the study are very closely associated with the assumptions made herein, one particular limitation arises above the rest. Very often it would cripple a scholarly study to have very little scholarship on which to base future spending assumptions and theories. This study acknowledges the fact that this alleged

deficiency exists, but argues against it convincingly through the use of congressional testimonies and hearings, as well as studies conducted from within Congress by members themselves.

#### B. Brief History of Budget Process

The Budget and Impoundment Control Act of 1974 was a first step in budget history for Congress. The act's purpose was designed to enable Congress to regain control over the budget process and also enable it to walk away from its previous pattern of rubber stamping the President's budget. While the act was a notable step in the right direction, Congress still has many difficulties with control over budget matters; many attempts to amend the process have been proposed. The first attempt to amend the process came about even as early as post-Civil War times. Prior to this time, one House Committee, the Ways and Means Committee, was the sole committee responsible for the entire budget process. This changed as the overall United States government increased in size and complexity. Eventually, the revenue and spending tasks were divided, with the Ways and Means Committee still controlling the revenue and Federal borrowing aspects of the budget (along with the Finance Committee in the Senate) while the newly formed Appropriations Committees oversaw the handling of expenditures. Only about twenty years passed before the process was even further fragmented due to legislative

committees assuming responsibility for handling eight of thirteen appropriations bills.

The first Congressional attempt to reform or unify the budget process began in 1921. The Budget and Accounting Act of 1921 created a Bureau of the Budget and required that the executive submit a budget plan to Congress (thus taking out of the Treasury's hands the submission of individual agency's budgets). Realizing the power that this provided the Presidential branch of government, Congress sought to balance this power by arming the Appropriations Committees with the task of monitoring budget proposals of all committees. Finally, the act established the General Accounting Office (GAO) to check on Congressional spending.

The Congress continued to act under this highly unorganized budget process until passage of the 1974 Budget and Impoundment Control Act. Many agencies had little or no idea what other agencies were doing, let alone what the entire government was trying to achieve as a whole; "backdoor spending," spending money beyond that appropriated for the year through the use of credit, was a very common practice. The first impetus which spearheaded Congress into specific action about changing this exceptionally loose system was provided by President Richard M. Nixon. Taking advantage of Congress' disorganized budget process, he created the Office of Management and Budget (OMB) in 1970 as a part of the executive office of the President. A control and screening device for the executive branch, this office

was largely responsible for pushing the budget responsibility off the unorganized and fragmented Congress into the waiting hands of just one man. As the fathers of the Constitution realized, however, this centralization of so much power in one branch of government was not in the people's best interest. In addition to having the authority over each agency's budget needs, the President also assumed responsibility for withholding funds which were already authorized an agency as well (impoundment). This most often occurred with agencies or programs which were not favorable with the President. Congress quickly put a stop to this action with Title X of the 1974 Act. Congress also used this Act as a method to greatly enhance its position and regain the precious budget powers it had surrendered.<sup>2</sup>

### C. Review of Relevant Literature

#### 1. Current Budget Process

Many longstanding works exist which review the current overall budget process. The more meaningful works in this section are written not only by budget scholars, but budget scholars who have practical knowledge of how Congress arrives at its fiscal year budgets. Such works include a collection of essays entitled Public Budgeting: Programs, Planning, and Evaluation by Fremont J. Lyden and Ernest G. Mills, 3rd Ed.; a book by Lance T. LeLoup entitled Budgetary Politics: Dollars, Deficits, Decisions; and a work very similar in nature to LeLoup's, the fundamental budget book

book by Aaron Wildavsky, The Politics of the Budgetary Process.<sup>3</sup> These works are included in this study because of their keen ability to analyze the political inner-workings of the budget process. For example, Wildavsky states in the preface to the third edition, "The evident volatility of these fiscal and budgetary processes, the visible pulling and hauling that goes on, suggests to some an irrational political process in which popular priorities became perverted."<sup>4</sup> He proves his point with such notable examples as the strategies used to "capitalize on the fragmentation of power in national politics," where he exposes the financial gains made by agencies in their budgets when they "use an authorization as a club over the head of the appropriations committees by pointing to a substantive committee as a source of commitment to ask for funds."<sup>5</sup> Two additional works which are of similar nature include The Power of the Purse: Appropriations Politics in Congress by Richard F. Fenno, Jr.; and Congress and the Budget by Joel Havemann.<sup>6</sup>

Certain works used to explain the overall budget process are noted here for their thoroughness and conciseness. Allen Schick's Congress and Money: Budgeting, Spending and Taxation is one such work because of its illustrations about the process, "It can be said that the budget process serves two rather different functions: It is at once the process by which some decisions are made and the process by which some decisions are accounted for



financially and recorded."<sup>7</sup> The other work of mention in this light is Lance T. LeLoup's The Fiscal Congress: Legislative Control of the Budget primarily because of its discussions of the House and Senate Budget Committees, the impact of budget reform, and its final chapter regarding Congress, the President, and the power of the purse.<sup>8</sup> A final book by Allen Schick, Reconciliation and the Congressional Budget Process, was used to explain the reconciliation process, specifically, its attempt to limit spending in 1981, through the Omnibus Reconciliation Act of 1980 (P.L. 96-499). Two final works were relied on as a basis for understanding attempts to achieve a balanced budget and the consequence of deficits: Balanced Budgets, Fiscal Responsibility, and the Constitution, coauthored by Richard E. Wagner and Robert D. Tollison, and The Deficit Dilemma: Budget Policy in the Reagan Era, by Gregory B. Mills and John C. Palmer.<sup>10</sup>

## 2. Budget and Impoundment Control Act of 1974

Materials of special interest which discuss the 1974 Budget and Impoundment Control Act include several articles with good, specific criticisms of the act. The first of these is an article by Allen Schick, written when the act was first introduced, which makes in-depth statements such as, "The budget control legislation forges a compromise that allows Congress to express its sense as to the totals, but to proceed in a contrary manner when it acts on individual

spending bills. The pieces would be reconciled at the termination of the budget process and it is at this point that the procedure specified in H.R. 7130 and S. 1541 may result in prolonged strife or deadlock."<sup>11</sup> Other materials criticize the process for its faults, but overall, judge the act as a success. Such articles include "The 1974 Congressional Initiative in Budget Making" by James J. Finley, Michael E. Levy, and Delos R. Smith's "The Congressional Budget Process Again Reformed," and "Perspectives on Proposals for Budget Process Reform" by Donald W. Moran. Moran states that any questions about whether the budget process "works" should be directed towards looking at whether the consequences of its workings result in needs for procedural reform. Moran says that the 1974 Act is one such successful reform attempt which was needed, in spite of its shortcomings.<sup>12</sup> James Thurber explains the act's shortcomings in his article "The Future of the Congressional Budget Process" as uncontrolled spending, missed deadlines, and an overly complex process which dominates too much of Congress' time, to the detriment of equally deserving legislation. In spite of these problems with the act, however, Thurber and the other budget scholars that he cites in the article, such as Allen Schick and John Ellwood, deny that the act is a total failure which must be abandoned. The lone scholar which feels that the act needs to be completely abandoned is Louis Fisher who argues that attempting to reform the act only leads to a

false sense of having fixed what is really wrong with the process and adopting reforms that do not provide relief.<sup>13</sup> One final scholar who argues that the process is a complete failure which must be abandoned is Jerome A. Miles in "The Congressional Budget and Impoundment Control Act: A Departmental Budget Officer's View." Miles contends that the act was never designed to hold down spending despite the fact that he lists among the act's stated purposes the fact that Congress is to make a yearly determination of the appropriate levels of federal revenues and expenditures. Miles' criticism is especially weak when the Congressional Record is consulted on this point, because it reveals that Congress was especially concerned with finding a means to control runaway spending.<sup>14</sup>

### 3. Gramm/Rudman/Hollings Act of 1985

Due to the newness of this act, most materials of any worth regarding the act are from two principle sources, newspapers (most often, the Washington Post) and the Congressional Record. For the legislative history of the act and its intent, the days in the Congressional Record representing floor debate of the act are especially helpful. Documents useful for researching the act's provisions include the Congressional Record, October 9, 1985, "(Special Report of the Democratic Study Group of the House of Representatives, October 6, 1985): The Gramm-Rudman Proposal;" Thomas S. Foley's "Whip Issue Summary: The Gramm-

Rudman Amendment;" and the U.S. House of Representatives Democratic Study Group "Fact Sheet: The Gramm-Rudman Compromise: The Deficit Control Act," since other scholarly evaluations of what the act contains are yet unavailable. Besides these articles which provide little substantive evaluation of the act, there are some specific articles which analyze the procedural aspects of the act. These include an article by Warren B. Rudman entitled "The Amendment Works: A Reply to Bill Bradley" which states that the new act does not alter Congress's "fiscal priorities" or the congressional/presidential balance of powers.<sup>16</sup> A good article for analyzing the act's constitutionality is the U.S. Senate Republican Policy Committee's Memorandum (Revised) to Senator William L. Armstrong from Lincoln Oliphant, Policy Committee Legislative Counsel, re: Is the Gramm-Rudman-Hollings Amendment Constitutional?<sup>17</sup> The director of the Congressional Budget Office (CBO) warns, in an article by Edward Walsh, that the new process gives unelected officials such as himself too much power because the CBO is responsible for issuing the report helping to determine whether across-the-board cuts will be needed.<sup>18</sup> Finally, there is an article by Stuart E. Eizenstat stating that the act is procedurally flawed because it gives the President too much of the power of the purse through its sequestration provisions.<sup>19</sup>

Other articles denote political problems with the act. Allen Schick in "The Balanced-Budget Boomerang: Expect

Deferred or Larger Deficits Under Gramm-Rudman" argues that the act will not balance the budget, will lead to major defense cutbacks, will make spending less controllable, and would require hefty tax increases.<sup>20</sup> A similar article by Robert Lekachman suggests that the act causes recessions to become depressions.<sup>21</sup> Most of the available articles about Gramm-Rudman make essentially these same arguments.

NOTES

<sup>1</sup>Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344): Legislative History (H.R. 1130-S.1541), Committee on the Budget, U.S. House of Representatives, 96th Cong., 2d Sess. (January, 1979), pp. 24-25.

<sup>2</sup>Michael E. Levy and Delos R. Smith, "The Congressional Budget Process Again Reformed," Conference Board Record, 12.3 (1975), p. 13.

<sup>3</sup>(Chicago: Rand McNally College Publishing Co., Inc., 1978). (Brunswick, Ohio: King's Court Communications, 1977). (Boston and Toronto: Little Brown, and Co., 1966).

<sup>4</sup>Wildavsky, p. xvi.

<sup>5</sup>Wildavsky, p.100.

<sup>6</sup>(Boston and Toronto: Little, Brown, and Co., 1966) (Bloomington and London: Indiana Univ. Press, 1978).

<sup>7</sup>(Wash., D. C.: The Urban Institute, 1980), pp. 576.

<sup>8</sup>(Westport, Conn.: Greenwood, 1980). Of further note the government publication, a U.S. House of Representative's Committee Print entitled The Congressional Budget Process: A General Explanation, 97th Congress, 1st Sess. 3A (April, 1981), is also helpful in discussing and analyzing the process, as is the publication Budget Process Review, 97th Congress, 2nd Sess. 5 (September 14, 1982).

<sup>9</sup>(Wash., D.C. and London: American Enterprise Institute for Public Policy Research, 1981), p. 5.

<sup>10</sup>(San Francisco: Cato Institute, 1980). (Wash., D.C.: Urban Institute, 1983).

<sup>11</sup>"Budget Reform Legislation -- Reorganizing Congressional Centers of Fiscal Power," Harvard Journal on Legislation 11.2 (1974), p. 350. A government publication that describes the process in depth is the House of Representative's Budget Committee Print entitled Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344): Legislative History (H.R. 7130 - S. 1541).

<sup>12</sup>Public Administration Review 35.3 (May-June, 1975), pp. 270-278. Conference Board Record 12.3 (1975), pp. 12-17. National Tax Journal 37 (Sept., 1974), p. 377.

<sup>13</sup>P.S. 18.4 (Fall, 1985), pp. 816-17.

<sup>14</sup>Bureacrat 5 (Jan., 1977). pp. 395-396.

<sup>15</sup>99th Cong., 1st Sess., Sec. 2, 133 Cong. Rec. 12975-81 (Oct. 9, 1985). 99th Cong., 1st Sess. (Dec. 18, 1985), no. 1. 99th Cong., 1st Sess. (Dec. 10, 1985), no. 99-18.

<sup>16</sup>Washington Post, Oct. 10, 1985, at 27, col. 2.

<sup>17</sup>99th Cong., 1st Sess., Sec. 2, 131 Cong. Rec. 14921-24 (Nov. 9, 1985).

<sup>18</sup>Washington Post, Oct. 22, 1985, at 4, col. 1.

<sup>19</sup>Washington Post, Nov. 12, 1985, at 25, col. 1.

<sup>20</sup>L.A. Times, Oct. 25, 1985, at 9, sec. II, col. 3.

<sup>21</sup>L.A. Times, Nov. 12, 1985, at 3, sec. IV, col. 4.

## CHAPTER II

### CURRENT BUDGET PROCESS AS ESTABLISHED

#### BUDGET AND IMPOUNDMENT CONTROL

##### ACT OF 1974

In 1973, the Joint Study Committee of the U.S. Congress issued a report based on its findings that the existing budget system of Congress was in dire need of reform.

Titles I and II of the act further establish the Congressional Budget Office (CBO); its primary function is to assist the budget committees, and specifically, functions as a scorekeeper on spending and tax legislation. On April 1st of each year, it reports on the condition of current fiscal policy and suggests priorities for the next year. Its director is appointed by the Speaker of the House and President Pro Tem of the Senate after reviewing the recommendations made by both budget committees.

Title III of the Act establishes what has become a very rigorous timetable for completion of all aspects of the budget process; this was felt to be a very important part of the Act because Congress had become notoriously slow in getting the budget phases completed in time for the new fiscal year. The timetable for the provisions of the act appears in Table I, page 16 following. The Act moved the



TABLE I  
BUDGET TIMETABLES

	1974 Act	1985 Act (1987)
President Submits Authorities and Outlays	Nov. 4	
President Submits Budget to Congress	15th day after Congress Convenes - Late January	First Monday After Jan. 3
Committees and Joint Committees Submit Budget to Congress	March 15th	
CBO's Report to Budget Committees	April 1st	
Budget Committees Submit First Resolution to Congress	April 15th	
Committees Report All Authorizations	May 15th	
Action completed on First Budget Resolution	May 15th	April 15th
Congress Completes Action on all New Appropriations	7th day after Labor Day Recess	June 10
2nd Concurrent Budget Resolution	None- 1st Sept. 15	Resolution is binding
Reconciliation Ends	Sept. 25	June 15
CBO & OMB Evaluate Economy		Aug. 15
CBO & OMB Budget Report to GAO		Aug. 20
GAO Report to President and Congress		Aug. 25
President's Sequestration Order		Sept. 1
Congress's Deadline to Meet Targets President Established		Oct. 1
Fiscal Year Begins	Oct. 1	Oct. 1
Review of Congress's Report		Oct. 5
GAO Recalculates Congress's New Budget		Oct. 10
President Issues Final Budget Order - Becomes Binding on Issue		Oct. 15
GAO Report to Congress on Success of President's Budget		Nov. 15

fiscal year to October 1st, and provided for the President to submit a current services budget (budget authority and outlays) on or before November 10th. The current services budget estimates the levels of budget authority and outlays needed to continue current programs and services as they are according to existing law. Additionally, increases in outlays due to an increased number of qualifying beneficiaries, an increase allowable for cost-of-living-adjustments, and increases due to rising costs are added to the total budget. This budget provides Congress with an early indication of what budget needs are. This also gives Congress an indication of the budget picture for the coming years. The President is to have his budget submitted to Congress by the 15th day after Congress convenes; this is typically done in the annual State of the Union Address. Committees and Joint Committees are to submit their budget recommendations to Congress on or before March 15th. This is two weeks prior to the date (on or before April 1st) when CBO must have its report in to the Budget Committees, and is one month in advance of the deadline for the Budget Committees to report the first concurrent resolution on the budget to their respective chambers (April 15th). This concurrent resolution contains budget authority and outlays for the next fiscal year in total and for each major functioning part of the budget as Table II illustrates, page 18 following. Also continued in the report are an estimation of surplus or deficit, increases or decreases in

TABLE II  
TOTAL BUDGET OUTLAY BY FUNCTION  
1976-1991\*  
(in millions of dollars)

Function: Outlays	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	(est.) 1986	(est.) 1987	(est.) 1988	(est.) 1989	(est.) 1990	(est.) 1991
050 National Defense	89,619	97,241	104,495	116,342	133,995	157,513	185,309	209,903	227,412	252,748	265,827	282,238	299,129	322,282	344,826	366,284
150 International Affairs	6,433	6,353	7,482	7,459	12,714	13,104	12,300	11,848	15,876	16,176	17,141	18,619	18,259	18,037	17,452	17,715
250 General Science, Space & Tech.	4,373	4,736	4,926	5,235	5,832	6,469	7,200	7,935	8,317	8,627	8,899	9,188	9,283	10,162	11,048	11,668
270 Energy	4,204	5,770	7,992	9,180	10,156	15,166	13,527	9,353	7,086	5,685	4,433	4,017	4,520	3,947	3,697	3,889
300 Natural Resources and Environment	8,184	10,032	10,983	12,135	13,858	13,568	12,998	12,672	12,593	13,357	12,905	11,958	11,794	11,658	11,206	10,652
350 Agriculture	3,170	6,787	11,357	11,236	8,839	11,323	15,944	22,901	13,613	25,565	25,871	19,541	19,668	18,892	15,445	11,431
370 Commerce and Housing Credit	7,619	3,093	6,254	4,686	9,390	8,206	6,256	6,681	6,917	4,229	3,802	1,359	3,831	- 480	- 958	- 1,769
400 Transportation	13,739	14,829	15,521	17,532	21,329	23,379	20,625	21,334	23,669	25,838	27,106	25,533	24,115	23,375	23,726	23,075
450 Community and Regional Devel.	5,442	7,021	11,841	10,480	11,252	10,568	8,347	7,560	7,673	7,680	7,922	6,525	5,452	4,968	5,184	5,182
500 Educ., Training, Employ. & Soc. Services	18,910	21,104	26,710	30,223	31,843	33,709	27,029	26,606	27,579	29,342	30,671	27,447	26,312	26,430	26,039	25,964
550 Health	15,734	17,302	18,524	20,494	23,169	26,866	27,445	28,641	30,417	33,542	35,669	34,997	36,659	37,947	39,353	40,682
570 Medicare	15,834	19,345	22,768	26,495	32,090	39,149	46,567	52,588	57,540	65,822	68,661	70,234	76,041	83,022	90,508	98,368
600 Income Security	60,784	61,044	61,488	66,359	86,540	99,723	107,717	122,598	112,668	128,200	118,093	118,374	123,124	125,746	128,327	132,458
650 Social Security	73,899	85,061	93,861	104,073	118,547	139,584	155,964	170,724	178,223	188,623	200,053	212,213	226,070	239,947	254,746	263,483
700 Veteran's Benefits & Ser.	18,433	18,038	18,978	19,931	21,185	22,991	23,958	24,846	25,614	26,352	26,619	26,420	26,921	26,877	27,190	27,144
750 Administration & Justice	3,324	3,602	3,810	4,169	4,582	4,762	4,703	5,099	5,660	6,277	6,788	6,948	7,011	7,061	7,131	7,223

\*Source: Historical Tables: Budget of the U.S. Government, pp. 3.3(3)-5.1(18).

federal revenues as needed, and the level of public debt. The totals are non-binding targets which provide a guideline until passage of the second concurrent resolution on or about September 15. Two events happen on May 15th. Committees are to report bills authorizing new budget authority, and by this time, Congress is to have finished action of the first concurrent resolution. Prior to meeting this deadline, Congress is forbidden from considering any revenue, spending, entitlement, or debt legislation. If the House and Senate are unable to agree on this resolution after seven days of consideration, they report all matters in agreement and also in disagreement to their houses; debate on the conference report on this resolution is limited to five hours and the resolution may not be recommitted to committee nor reconsidered.

One last thing is to be remembered about this resolution which will become important as a discussion of Gramm/Rudman commences. The various House and Senate Committees receive their allocation of total budget authority and outlays on this date; managers divide these sums among the committees with jurisdictions relevant to the purpose of the funds. The committees then in turn allocate (or, sub-allocate) these monies among the proper subcommittees and programs. This is to be reported to the Houses as soon as possible. These allocations are often referred to as "302(a) and 302(b)" allocations.

On or before the seventh day following the Labor Day Recess, Congress supposedly completes action on bills and resolutions dealing with new budget and spending authority. One exception to this deadline may be made for those appropriations bills which have not had the proper authorization legislation passed. What normally results as a consequence is that the second budget resolution (making all figures binding), the reconciliation process, and the fiscal year all lag behind schedule, causing continuing resolutions to be enacted. These resolutions were a primary source of concern when the Act was created.

If adhering to schedule, Congress must complete action on the second concurrent resolution on the budget by September 15th, and completes the reconciliation process by September 25th, so that the new budget is ready at the start of the fiscal year on October 1st. Once this process has been completed, it is improper for either House to enact or consider legislation which would alter the authority, outlays, or revenues in the budget according to Title III of the Act, although Congress may, at any time, submit a revised resolution.<sup>2</sup> All legislation after this time must be "neutral."

#### A. Contents of the Budget Resolution

Part one of the budget resolution consists of a "mark," or, formal recommendations as presented to committees to begin the budget deliberation process. Specifically, these

marks contain a review of economic situations, an analysis of larger budget needs, and a consideration of each budget function. The second part, the "markup," consists of a process whereby committee members revise and amend the recommendations until they are ready to go to the House floor. Allen Schick notes that these procedures are vastly different between the House and Senate, with the House markups characterized by stringent efforts to keep party loyalties intact while very heated debates take place. The Senate, on the opposite hand, rarely is in danger of ever defeating a resolution, although discussions in committees do invoke differences of opinion.<sup>3</sup>

#### B. Reconciliation

Section 310 of the Act provides for a process of reconciliation. In this process, committees of Congress are directed to originate legislation dealing with adjusting revenues to fit the current government budget needs, to fix spending patterns, or to affix a limit on the amount of public debt. The purpose of reconciliation is to force committees to abide by their budgets. The Budget Committees assemble this information which is later passed on to the houses. Rather than attempting to deal in very specific expenditures, reconciliation is directed at overall totals, not at specific reductions in programs, nor at tax increases.

The reconciliation process, to be completed by September 25, requires one or more Congressional committees to submit legislation increasing or decreasing revenues, spending, or the public debt limit. The specific purpose, as stated briefly above is to require committees to adhere to spending and tax provisions established in the first budget resolution. All committees asked to begin reconciliation submit their reconciliation proposals to the Budget Committees which, in turn, place all these proposals into one so that the houses may act on them.<sup>4</sup>

Allen Schick notes that this process was not altogether a successful one. He states that as designed, reconciliation came too late in the process to have any meaningful effects upon legislation. He further states that as a consequence of this, reconciliation failed to resolve inconsistencies between legislation and overall Congressional budget policies.<sup>5</sup> Congress then began its reconciliation process earlier. The Omnibus Reconciliation Act of 1980 (P.L. 96-499) placed into law the established committee practice of examining laws under their jurisdiction and reporting instances where savings could be achieved. This practice was proven successful even prior to passage of the Omnibus Reconciliation Act by netting a result of \$3.1 billion in budget authority, \$4.7 billion in budget outlays, and some \$3.6 billion in other revenues.<sup>6</sup>

In 1981, the 96th Congress, Second session, used the reconciliation process in a new way, directed at specific

savings targets. Congress reasserted itself in the budget process with this action, to the detriment of previously established executive budget control. Specifically, the 1981 process moved up the reconciliation process so that it followed the first budget resolution and made the spending and revenue levels therein targets to be achieved in reconciliation. Reconciliation was thus applied to authorizations and entitlements as well as to appropriations.

This use of the reconciliation process had two primary effects, according to Harold Wolman and Fred Teitelbaum in "Interest Groups and the Reagan Presidency:" 1) The fact that the process came about earlier meant that Congress was forced to reorient its spending habits from a process separating spending from revenue-raising measures (a distributive one) to one that, in one complete package, was voted on and considered as one total budget (redistributive), and 2) the process forced Congress to include entitlements in its consideration, which to that time, constituted over one-half of federal spending. The process forced interest groups in particular to seek an increasing amount of resources from state and local governments, rather than the federal government. This seemingly benefited conservative interest groups in particular.<sup>7</sup> The process was not used in this way the following year, however, because it was especially feared that the Budget Committees with their new enforcement



mechanism, reconciliation, would not abide by the normal budget process and would dominate Congress.<sup>8</sup> The 1981 process represents an exception in the use of reconciliation, and in the budget process as well. While it was successful in reducing spending, the fact that the process was abandoned leaves its possible affect uncertain.

Along with the spirit of that Reconciliation Act, special procedures were established long before the Act was passed to try to eliminate wasteful spending. Section 401 of the 1974 Act provides that three forms of "backdoor spending" be controlled. These three types are entitlements (all people who meet certain qualifications are eligible to receive benefits), contract authority, and borrowing authority. A "point of order" negating these types of legislation is proper unless that legislation stipulates that it relates to a prior appropriation. Hence, the Act stopped all new contract or borrowing authority outside the appropriations process. Two items of note about entitlements are that a point of order may be raised against an entire bill (not simply the entitlement provision) if the entitlement commences on or after the first day of the fiscal year of the same year that entitlement was reported. Secondly, any new entitlement which exceeds committee amounts for new entitlements may be sent to the Appropriations Committee for 15 days. The largest exemption of a program from these restrictions is Social Security.

Titles V through IX of the 1974 Act concern changes in the fiscal year timetable. Also, these titles pertain to matters such as improving budget terminology, the specifics of the contents of the President's budget (same as those for a concurrent resolution, variations not expected in last year's revenues and outlays, costs of any appropriations needed ahead of time, and presentation of the nation's needs and basic programs, also including a five-year budget projection), and provides for studies to improve program review and evaluation via the Budget Committees. This budget is updated twice yearly (April 10 and July 15). Authorizing legislation for the year following the current year is due on May 15th.

Title VI pertains to the current service budget while Title VII concerns GAO's attempt to analyze and report agency activities and programs. It is Title X dealing with Impoundment Control which will also be used later in discussing the "sequestering" approach of Gramm/Rudman. The Impoundment Title of this Act marks one of the most significant examples of Congressional reassertion in the budget process. Impoundment first began when Jefferson impounded the funds allocated for gunboats on the Mississippi River. The gunboats were unnecessary after a dispute with the French was resolved. In another case in 1967, Congress withheld funds itself, expecting that the President would agree. Recent chief executives including Eisenhower, Kennedy, Truman, and Johnson refused to spend

money appropriated for weapons and military forces which they felt were not necessary for defense. Richard Nixon's constant use of impoundment, however, brought the need for impoundment use reform. Unable to abide by Nixon's frequent impounding of appropriated funds, this portion of the Act provided that a "recission" as used by the President means that all or part of a body's budget authority is not necessary for carrying out its full objectives, or, that budget authority should be withheld for fiscal reasons, or that part of one year's authority should be reserved for a following year. When the President takes such an action, a special message is to be sent to Congress requesting that such a recission be approved, noting the circumstances and reasons for the action. For the Congress to approve of such an act, they must act upon the matter within forty-five days, or the President's attempt fails, and the money is to be made available for spending. "Deferrals" are proposed by the President whenever any executive action alters the status of appropriated funds. Again, a special message is sent to Congress describing the situation, but unlike a recission, Congress must pass an "impoundment resolution" voicing specific disapproval of the President's action. Motions to discharge may be issued by any member supporting the recission or deferral regarding the committee having jurisdiction. This action is upheld if the committee does not report an appropriate recission bill or impoundment resolution twenty-five days after introduction. As soon as

the committee is discharged, motions to proceed with the legislation are proper. In the event that the President refuses to abide by Congressional action, the Comptroller General, after a twenty-five day waiting period upon filing an explanatory statement with the chambers, is authorized to initiate a civil suit requesting ordered compliance. All Presidents must submit monthly recession, deferral, and reservation reports which detail reasons for the action being sought.<sup>9</sup>

### C. Intent of 1974 Act

In passing the 1974 Act, Congress had four major goals:

- 1) "To provide for the reform of congressional procedure with respect to the enactment of fiscal measures,"
- 2) "To provide ceilings on Federal expenditures and the national debt,"
- 3) "To create a budget committee in each House," and
- 4) "To create a congressional office of the budget."<sup>10</sup>

It is readily apparent from congressional testimony regarding the 1974 act that its intent to control spending was real. Senate speeches for instance, established this set of goals in relation to spending as had been suggested by the Joint Study Committee:

- 1) Relates national spending to national income,
- 2) Provides a focus for major debate on spending priorities,
- 3) Provides for setting a limit on annual outlays,
- 4) Brings the bulk of new "backdoor spending" under Appropriations Committee control,
- 5) Provides a mechanism whereby Congress, not the Executive, establishes national fiscal policy,
- 6) Provides a mechanism for enacting all spending bills before the beginning of the fiscal year, and
- 7) Establishes new congressional

institutions to give Congress the expert backup we need.<sup>11</sup>

This spending control priority was then incorporated by Congress into the statement of purposes for the act, sections two and four of the act, which provided for the "congressional determination each year of the appropriate level of Federal revenues and expenditures" and for the establishment of "national budget priorities."<sup>12</sup> Spending prior to this act consisted of a fragmented series of spending and revenue decisions made by each committee without consulting the other committees. This led to many duplicate spending provisions for essentially the same project, and, when totaled, incrementally amounted to rising outlays and deficits. This act specifically represents Congress' attempts to curb the latter.

Along with these new and hopeful objectives came the arguments for passing the act, the act "provides detailed scorekeeping functions for the CBO (Congressional Budget Office), so that the public will have complete and up-to-date accounts of how much is being spent, and for what. For the first time, Congress will have the opportunity for public debate and votes on overall fiscal and budget policy and on appropriate national priorities."<sup>13</sup>

Two key objectives in controlling runaway spending were sought; one was that the first concurrent resolution would establish appropriate spending and revenue levels so that surpluses or deficits could be foreseen.<sup>14</sup> The second sought to give scorekeeper (or, gatekeeper) authority to CBO

so that Congress would be aware of its proposed actions during the spending process.<sup>15</sup> An example of the significant increases in spending is shown by Table III, page 30 following. Also, backdoor spending (via contract authority and mandatory entitlements) was forced through the appropriations process.<sup>16</sup>

This attempt to limit spending also gave Congress a clearer perspective on spending totals. At last, Congress was realizing the budgetary effects of its actions if more appropriations were authorized outside the budget resolutions.<sup>17</sup> Interestingly enough, with serious consequences to this study, one proponent of the 1974 act even went so far as to suggest that Congress could use "spending ceilings," but these were not adopted for the reason that Congress needed a "flexible budget process."<sup>18</sup> Obviously, the act's primary concern was to find and establish a new budget procedure by which increased spending and deficits could be controlled if not eliminated.

#### D. Accomplishments of the Budget and Impoundment Control Act of 1974

In addition to passing legislation which tried to return the control for the power of the purse back to Congress, the Act did many other things which were considered beneficial to Congress and the budget process as a whole. Congress had a specific framework from which to draw information and coordinate information about budgets of

TABLE III  
TOTAL SPENDING AND REVENUES  
1976-1991\*  
(in millions of Dollars)

Year	Total Spending	Total Revenues
1976	371,779	298,060
1977	409,203	355,559
1978	458,729	399,561
1979	503,464	463,302
1980	590,920	517,112
1981	678,209	599,272
1982	745,706	617,766
1983	808,327	600,562
1984	851,781	666,457
1985	946,323	734,057
1986 estimate	979,928	777,139
1987 estimate	994,002	850,372
1988 estimate	1,026,765	933,179
1989 estimate	1,063,619	996,115
1990 estimate	1,093,848	1,058,096
1991 estimate	1,122,716	1,124,039

\*Source: Historical Tables: Budget of the U.S. Government,  
p. 1.1(2).

various agencies, departments, and committees (functions). For the first time, it had Budget Committee "clearing houses" which could provide the oversight Congress had lacked before. John Ellwood and James Thurber point out that Congress even had the capabilities after passage of the Act to "'balance the budget'" (an item which will be discussed in much more detail later), "to set its own budgetary prerogatives, and to highlight the relationship between receipts and expenditures."<sup>19</sup> The evidence for the Act's success is provided by Allen Schick.

During the first five years of congressional budgeting, there was little real or discretionary growth in entitlement programs, the largest and fastest-growing category of uncontrollables during the five years before the budget process was implemented. The continuing growth in uncontrollables has been due almost entirely to growth in the populations covered by entitlement programs and the indexing of major entitlements to cost-of-living increases."<sup>20</sup>

Schick goes on to say that there are three basic accomplishments that the budget process has achieved, such as the successful adoption of budget resolutions (though not always "on time"), the successful balancing of legislative interests with budget priorities, and the management of budgetary conflict in a proper manner when such conflict arises.<sup>21</sup>

By far, the most openly successful provision of the Act has been Title X's success in controlling the incidences of Presidential impounding. As pointed out in the review of the Act itself, Congress plays a very big part in deciding



when, or if, the President will ever exercise this once extremely powerful budget weapon.

As mentioned earlier in this study, almost all authors--with the notable exception of Louis Fisher who believes that the entire process is a marked failure and that any meaningful budget reform measures ought to recognize this and completely abandon support for the Act--will acknowledge that the Act did bring Congress a tremendously long way in the direction of needed budgetary control and oversight; these same authors also unanimously malign the process for its many demonstrated failures over time.<sup>22</sup> Scholars are generally not willing to totally abandon the Act; however, most, if given the opportunity, would greatly amend the current process (as is demonstrated on the floors of Congress).

#### E. Difficulties With the Budget and Impoundment Control Act of 1974

One final redeeming aspect regarding the Act was its flexibility, defined by various members of Congress as the ability to find a process limiting spending without imposing "ceilings;" for without it, the Act could have imposed too rigid a budget process for anyone to have even considered abiding by. Part of the difficulties in assessing scholarly comments regarding the pitfalls of the process can be linked directly to the confusion about the method to use in assessing the Act. This may be cleared up by considering

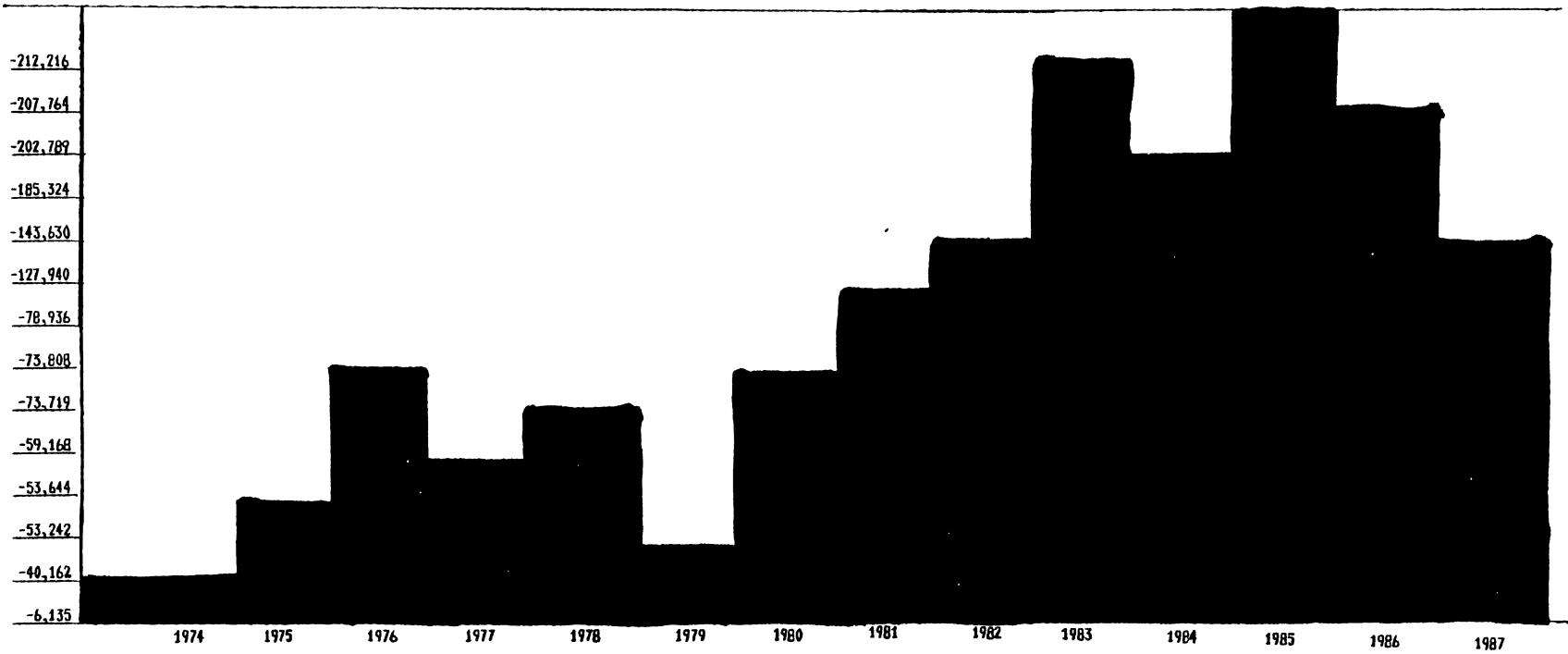
the comments of a couple of scholars, James A. Thurber and Lance T. LeLoup. Thurber points out that the criteria to be used should consider whether the legislation allows Congress to "control, manage, and plan public spending and taxation, should it want to do so."<sup>23</sup> Thurber then adjudges the Act as a success based on these criteria. In an earlier article written about these same types of criteria, however, Thurber seems to think that the process will not achieve the desired effects: "These five steps of policy analysis are based on three very large assumptions: first, that there is enough time to do analysis; second, that the necessary data are available to do analysis; and third, that someone will read the analysis and act upon it."<sup>24</sup> LeLoup states that the criteria should consider whether "congressional independence in budgeting (will) mean greater accountability or greater fragmentation and divisiveness."<sup>25</sup> Finally, Allen Schick states that "A budget process is a way of organizing work. It does not lead to any particular decisions."<sup>26</sup> Louis Fisher (probably the most outspoken critic of the Act) concludes this about the process, "as we continue to play make-believe about the virtues of the Budget Act, it will be more and more tempting to adopt 'reforms' that I think most of us would regard as offering little relief: biennial budgeting, balanced-budget requirements, and the line item veto."<sup>27</sup> This becomes a particularly interesting statement when it is considered what the Gramm/Rudman Act proposes for changing the system of budgeting. (Before we begin this

discussion of the difficulties with this act, however, one article is of special interest to this study. "The Congressional Budget and Impoundment Control Act: A Departmental Officer's View" by Jerome A. Miles seems to directly contradict this study.) Miles states, "But was the act ever really intended to hold down spending?"<sup>28</sup> Two key arguments can be made which prove this accusation false. First, Miles defines only the first purpose of the act which states that the act strives to assure Congress' control over the budget process. I am not in the dispute with Miles that this first purpose pertains to congressional control over the process, not spending; certainly, this is one of the purposes of the act. Miles, however, continues to talk about this first purpose in his article, pointing out that Congress has been successful at controlling the process (yes, even Congress' power "over" the appropriations process). Miles fails, however, to refute the second purpose of the act which provides for Congress to determine annual fiscal revenues and expenditures. Clearly, here is where Congress has "fudged" in the act more than a few times. Secondly, simply because Congress has regained power "over" appropriations does not necessarily mean that appropriations have not been the source for budget abuse as many, many scholars verify. This article, for these reasons (and, in light of what scholars argue below), is of no consequence to this study.

Yet still, many violations of the Act are apparent, even in the day-to-day workings of Congress. Many are concerned that the overall budget process is too decentralized among committees.<sup>29</sup> Others note that drastic spending cuts which were thought to be an essential part of the Act have not materialized as such, plus, national priorities have not been restructured as some had anticipated that they would be. Since this study focuses particularly on the failure of the 1974 act to control spending some spending problems should be isolated. Several scholars acknowledge that few of the act's original criteria have been met. Three criticisms seem predominant: 1) Deadlines for appropriations and resolutions are often missed, creating widespread use of "continuing resolutions" and "supplemental appropriations;" 2) "Backdoor spending" has greatly increased, and 3) Deficit control has been nonexistent.<sup>30</sup> Figure 1 (page 36 following), using the 1986 Presidential budget, shows this last criticism regarding runaway deficits all too well. There are statistics to be cited as well on the lateness of resolutions.

Under the reform act, newly created budget committees were given authority late the next year and 86 days late the following year. In 1982, the preliminary resolution was enacted 39 days late and was given binding status because it was questionable whether Congress would ever get around to a second resolution.<sup>31</sup>

Summary of Surpluses or Deficits (-): 1974 - 1978  
(in Millions of Dollars)\*



= Total Surpluses or Deficits (-)

\* Source: Historical Tables: Budget of the U.S. Government, pp. 1.1(1), 1.1(2).

Figure 1. Summary of Surpluses or Deficits (-): 1974-1987

In one year, there were four resolutions. In addition to increased spending through continuing resolutions, there is the problem occurring within the appropriations process.

Noting that the gap between what Congress authorizes for programs and what is actually appropriated is getting wider and wider, Allen Schick attributes one consequence of this gap to "transforming" the authorizations process from an evaluative type into a mechanism for increased spending.<sup>32</sup> Evidence of what widens the split is found in the increased use of backdoor spending.<sup>33</sup> Donald W. Moran, in "Perspectives on Proposals for Budget Process Reform," concludes the remarks about spending control failure when he says,

As budget decision-making was oriented more and more toward structural fiscal balance rather than literal fiscal balance, incremental policy decisions produced outcomes that, due to cyclical factors, moved the realm of 'politically' feasible revenue and spending policy further and further apart. Hence, each cyclical swing moved the budgetary posture relentlessly toward chronic deficit finance.<sup>34</sup>

Lastly, one scholar says this about the budget process,

The policy impact of budget reform has been relatively slight. Some savings have been realized, but the relative allocation within the budget has been more stable than in the decade that preceded. It would be difficult to make a case that the budget would have looked significantly different without the procedural changes in Congress. Yet this is not a critical indictment of the reforms. It simply means that although budget priorities are more clearly expressed by Congress, the preferences of members have not changed radically since before 1975.<sup>35</sup>

This congressional will to change is an integral part of any attempt at budget reform, and will be analyzed also in relation to the Gramm/Rudman Act. LeLoup further expands upon the comments above by noting that although the Act made it easier for Congress to tackle tough and complex decisions, as well as allowing savings in expenditures, several problems remain apparent in the process such as waivers and a failure to coordinate or control revenue decisions. LeLoup says that most scholars fail to recognize the true reason for these inadequacies: the fact that congressional will still longs for the pork barrels and where to cut the other guy's programs.<sup>36</sup>

Other particular problems of note include congressional failure to even abide by its own statutory legislation regarding the aggressive time limits sought to ensure expedition of the process. Time and again, Congress simply extends or prolongs various phases of the budget process because of failure to complete needed first steps.<sup>37</sup> Most scholars point out that this one failure produces two more-- namely, the problems of continuing resolutions and the increasing incidents of "backdoor spending."

The Balanced Budget and Emergency Deficit Control Act of 1985 (herein referred to by its more popular name, the "Gramm/Rudman Act") promises to be the most far-reaching budget amendment act ever attempted since the 1974 act was passed. Additionally, the Gramm/Rudman Act was hastily considered in Congress and so, its full impact upon the

overall budget process as it now exists is very unsure. In order to gain a better understanding of the potential implications of this act, therefore, a survey of how the current pre-Gramm/Rudman process works is helpful.



## NOTES

<sup>1</sup>Committee on the Budget, 97th Cong., 1st Sess., The Congressional Budget Process: A General Explanation (Comm. Print 1981).

<sup>2</sup>John Ellwood and James A. Thurber, "The Politics of the Congressional Budget Process Re-Examined," Congress Reconsidered, 2nd ed., Lawrence C. Dodd and Bruce I. Oppenheimer (USA: Congressional Quarterly, 1981), pp. 255, 261-264.

<sup>3</sup>Committee on the Budget, pp. 6-17.

<sup>4</sup>Committee on the Budget, p. 13.

<sup>5</sup>Allen Schick, Reconciliation and the Congressional Budget Process (Washington and London: American Enterprise Institute for Public Policy Research, 1981), p. 5.

<sup>6</sup>Committee on the Budget, p. 13.

<sup>7</sup>The Reagan Presidency and the Governing of America, eds., Lester M. Salamon and Michael S. Lund (Wash., D.C.: Urban Institute Press, 1984), pp. 306-307.

<sup>8</sup>Allen Schick, "The Budget as an Instrument of Presidential Policy," The Reagan Presidency and the Governing of America, p. 108.

<sup>9</sup>Committee on the Budget, pp. 16-17.

<sup>10</sup>S.1541, 93rd Cong., 2d Sess. Section 2, 120 Cong. Rec. 7138 (March 19, 1974).

<sup>11</sup>S.1541, 93rd Cong., 2d Sess. Section 2, 120 Cong. Rec. 7147 (March 19, 1974).

<sup>12</sup>P.L. 93-344.

<sup>13</sup>S.1541, 93rd Cong., 2d Sess. Section 2, 120 Cong. Rec. 7146 (March 19, 1974).

<sup>14</sup>H.R. 7130, 93rd Cong., 1st Sess. Section 1, 119 Cong. Rec. 39347 (Dec. 4, 1973).

<sup>15</sup>S.1541, 93rd Cong., 2d Sess. Section 2, 120 Cong. Rec. 7481-81 (March 20, 1974).

<sup>16</sup>H.R. 7130, 93rd Cong., 1st Sess. Section 1, 119 Cong. Rec. 39340, 39345 (Dec. 4, 1973).

<sup>17</sup>S.1541, 93rd Cong., 2d Sess. Section 2, 120 Cong. Rec. 7141 (March 19, 1974).

<sup>18</sup>S.1541, 93rd Cong., 2d Sess. Section 2, 120 Cong. Rec. 7140 (March 19, 1974).

<sup>19</sup>Ellwood and Thurber, p. 246.

<sup>20</sup>Schick, Congress and Money, p. 571.

<sup>21</sup>Schick, Congress and Money, pp. 573-579.

<sup>22</sup>James A. Thurber, "The Future of the Congressional Budget Process," P.S., 18.4 (Fall, 1980), p. 816. See also, "The Budget Act May Get an Overhaul," Nation's Business, 71 (Je., 1983), p. 21. "Senate Debate Highlights Budget Process Breakdown," Public Utilities Fortnightly, 114 (Ag., 30, 1984), pp. 38-39. Allen Schick, "Budget Reform Legislation--Reorganizing Congressional Centers of Fiscal Power," Harvard Journal on Legislation, 11.2 (1974), pp. 303-350.

<sup>23</sup>Thurber, p. 816.

<sup>24</sup>James A. Thurber, "Congressional Budget Process Reform and New Demands for Policy Analysis," Policy Analysis, 2.2 (Spring, 1976), pp. 208-210.

<sup>25</sup>Lance T. LeLoup, Budgetary Politics: Dollars, Deficits, Decisions (Brunswick, Ohio: King's Court Communications, 1977), p. 235.

<sup>26</sup>Allen Schick as quoted in Thurber, p. 817.

<sup>27</sup>Louis Fischer as quoted in Thurber, p. 817.

<sup>28</sup>Bureaucrat, 5 (Jan., 1977), p. 395.

<sup>29</sup>H. R. Res. No. 658, 93d Cong., 1st Sess. (1979), reprinted in Legislative History of the Congressional Budget and Impoundment Control Act, 1974, P.L. 93-344, p. 29.

<sup>30</sup>Thurber, p. 816.

<sup>31</sup>"The Budget Act May Get An Overhaul," Nation's Business 71 (June, 1983), p. 21.

<sup>32</sup>Allen Schick, "Budget Reform Legislation--Reorganizing Congressional Centers of Fiscal Power," Harvard Journal on Legislation, 11.2 (1974), pp. 312-13.

<sup>33</sup>Schick, "Budget Reform Legislation--Reorganizing Congressional Centers for Fiscal Power," p. 313.

<sup>34</sup>National Tax Journal, 37 (Sept., 1984), p. 379.

<sup>35</sup>Bureaucrat, 5 (Jan., 1977), pp. 391-404.

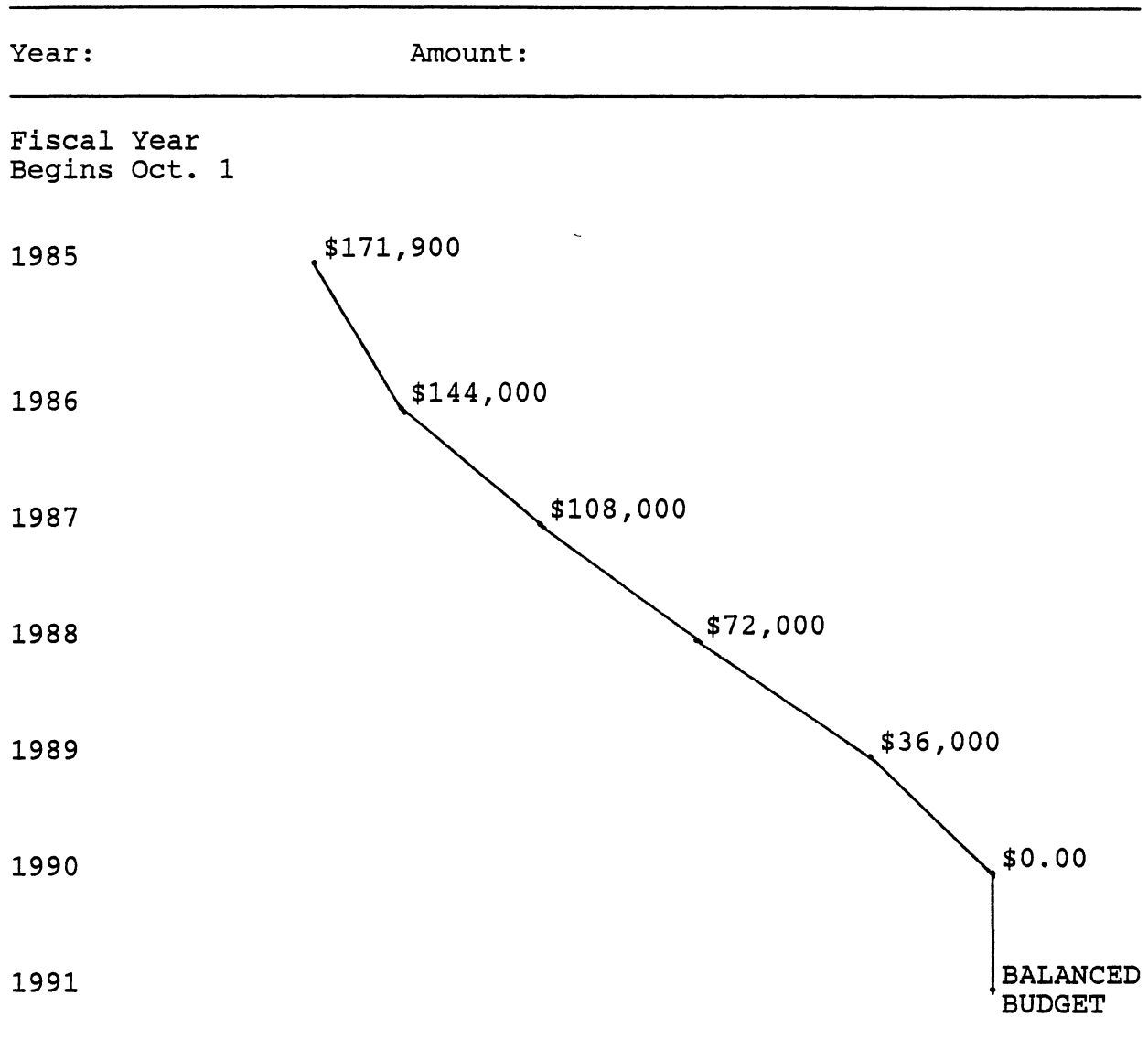
<sup>36</sup>Lance T. LeLoup, The Fiscal Congress (Westport, Conn.: Greenwood Press, 1980), p. 157.

<sup>37</sup>Legislative History of the Congressional Budget and Impoundment Control Act, p. 412. Thurber, p. 816. Levy and Smith, p. 12.

### CHAPTER III

#### THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985 (THE GRAMM/ RUDMAN/HOLLINGS ACT)

Combined with an action raising the national debt to nearly two trillion dollars, the Gramm/Rudman Act was seen by congressmen who voted for it as the only way to effectively limit the fast-rising national debt, control spending, and reduce deficits. The bill as passed in conference committee established deficit targets of \$171.9 billion for fiscal 1986, \$144 billion for fiscal 1987, \$108 billion for fiscal 1988, \$72 billion for fiscal 1989, \$36 billion in fiscal 1990, and a completely balanced budget by 1991; Figure 2, following, illustrates this. The original House proposal would have achieved this process by 1990. The Senate version held off implementation, for all practical purposes, until the mid-term 1986 elections had passed so that budget cuts would be less severe until after the elections. House conferees were especially insistent that the cuts be made immediately, and ultimately, they prevailed. Thus, this proposal is destined to give credit for budget deficit reductions to Republicans, but the Democrats also may benefit if the belief proves true that



\*Source: P.L. 99-177, Section 201(a)(7)

Figure 2. Deficit Reduction According to Gramm-Rudman

the cuts will be so extensive as to create political furor. In fiscal 1987-1990, a \$10 billion dollar projection of potential deficit would be all that is required to trigger the Act's automatic cuts (to be discussed later) in the event that Congress is unable to meet deficit reduction targets. The overall budget process is as follows, and should be compared with that of the 1974 Act in Table I (page 17).

The process is initiated as far as the executive branch is concerned the first Monday after January 3rd, when the President submits his budget to Congress; currently, the President does not have to present his budget until approximately the last week in January. This is only the first indication of the aggressive speed in the new budget process. (For fiscal year 1986 only, the President has until February 5th). April 15th is the date on which Congress adopts its conference report on the first (and under Gramm/Rudman, the only) budget resolution. The current deadline is May 15th, which often is not met (giving one serious doubts about this even more aggressive deadline). On June 10th, the Appropriations Committees report the final appropriations legislation so that by June 15th, Congress may complete action on all reconciliation legislation. In some six to seven months then, all action on all regular appropriations bills is completed. Under the conference agreement, the House could not adjourn for the July 4th recess unless all reconciliation and appropriations

bills were completed. There is, therefore, some attempt made to insure that these aggressive time limits are met.

For fiscal years 1987-1991, the Congressional budget process begins with an August 15th evaluation of the economy and projected deficits for the fiscal year beginning October 1st (as is currently the case). Both the executive branch's OMB and the legislative branch's CBO would be involved in an independent evaluation of the projected outlook for the next fiscal year; the item of significance, however, is that these are unelected political entities. Their estimation of the projected economic outlook is averaged in the event that they are in disagreement. Their reports are then forwarded to the GAO which forwards "sequestration" (withholding of appropriated funds) formulas for the entire government including percentages of across-the-board cuts if deemed necessary. The President would issue a preliminary sequestration order in accordance with GAO's report on September 1st. Congress would then have until October 1st to issue a revised budget resolution within the projected deficit guidelines. CBO and OMB would review this legislation by October 5th. GAO would make its calculations by October 10th and the President's final order would be issued October 15th. (During 1986, the economic forecast is taken January 10th, with GAO formulating its cuts by January 20th. The President's order would be issued February 1st and would take effect March 1st).<sup>1</sup>

It is by and large the "sequestration" process which makes Gramm/Rudman a very political, very intriguing balanced-budget law. As stated, the process to determine if sequestration is necessary begins with the OMB and CBO's reports August 15th, which is then submitted to the GAO for final action. If, in the case of fiscal 1987-1990, the projected deficit level is above the allowable \$10 billion dollar limit (or, by any amount in fiscal years 1986 and 1991), the President is required to issue an order making across-the-board automatic cuts for the amount in excess. The President's order does not become effective immediately; Congress has one month from its issuance to come up with an alternative plan of its own which meets the required limits. This date includes any possible Presidential approval as needed, or the override of a Presidential veto. If, for the above reasons, Congress is unable to meet either the deadline or the requirements, the President's order takes effect immediately after this one-month waiting period.

There is contained within this legislation an alternative provision in the event that this provision of the Act is adjudged to be unconstitutional. This "fallback" provides that should the President claim the constitutional right to violate the legislation's sequestration requirements, any such order issued would be invalid upon a finding that such a claim was valid. In the opposite event, where it is possible that the court would find that such sequestration orders issued by the President in compliance



with the GAO report were unconstitutional, a special congressional joint committee, composed of both chamber's Budget Committees, would be formed and the GAO report would instead go to this body. Upon passage by Congress and Presidential signature, this resolution would serve to guide the President in making his mandated reductions.<sup>2</sup> It should be remembered that this alternative process may be tested as well for its constitutionality.

Briefly, an explanation of how these automatic cuts are to be made by the President is needed. Very early in the Senate debates, it was criticized that the Act was unconstitutional because it provided the President with too much legislative discretionary power in specifying which programs under the general budget functions would be reduced and by how much. At first, the President's only restrictions were that these cuts had to be applied evenly to all functional budget accounts (which contained many programs under each for the President to target at will), and that the President was forbidden to do away with an entire program in using the discretion (but, cuts down to one dollar were quite possible). These loopholes were eliminated in the House version which attempted to ensure that these cuts were made across the board in equivalent proportions: fifty-percent to be cut from domestic programs which were not exempted, and fifty-percent from unexempted defense programs. Basically, these cuts are made in new budget authority and unobligated but previously appropriated

authority (termed "total budgetary resources"). The latter term applies to defense, where there are many prior contracts and the like which cannot legally be terminated automatically without severe penalties (often, the total funds would have to be surrendered as penalty anyway for breach of contract). One final note to this process must be added. For fiscal year 1986, the Defense Department is allowed to shift cuts between accounts in some instances. This allows the department to make double cuts in some programs to lessen the blows suffered by others. There is a final stipulation to this exception, however, that prevents the department from totally closing bases or from actually increasing the amount of one particular program.

There are some special provisions and exceptions to the Act. One such special exception to this Act concerns the event of recession. In the event that, at any time during the fiscal year, the CBO notifies Congress that either it or the OMB have projected a drop in "real economic growth" enduring for more than two consecutive calendar quarters (commencing with the period just prior to notification and ending with the fourth quarter after), an automatic vote would be taken in Congress to suspend the applicable deficit limits and the entire provisions of the Gramm/Rudman Act. This automatic vote would be considered as a joint resolution and would require Presidential signature (or a veto override) before becoming law. Such a process could also be triggered if the growth-rate statistics as published

by the Commerce Department show that real growth has declined in excess of one percent for two consecutive quarters. All provisions of the new Act would then become invalid with the lone exception that if the Presidential order mandating cuts had already gone into effect, the spending limits would still apply. It is of interest to note that the original House version of the Act would have attached the automation part of this process to economic growth to try to avoid potentially debilitating effects of spending reductions being engaged during an established recession. Special provisions are also in place for consideration of this legislation to be expedited in as little as five legislative days by the Budget Committees. Floor votes must be taken during the five day period. No amendments would be in order; neither would other similar tactics. If the two chambers fail to agree on this legislation, the automatic process remains in effect. Very similar "suspension" actions are also taken in the event that war is declared by Congress.

Exemptions under the Act were limited to Social Security (retirement, survivors', and disability benefits), interest on the national debt, and cash payments under the earned income tax credits in the original Senate version of the bill. The House, however, always mindful that these reductions hit the hardest pressed and the least fortunate the worst, demanded many more exemptions to the Act and were largely successful due to the Republican 1986 campaign

hopefuls not wanting to risk hearing more Tip O'Neill rhetoric about the Republicans not caring for the elderly and less fortunate. As a consequence, the Act's automatic spending reductions are not uniformly applied to programs such as Social Security, interest on the national debt, and cash payments under the earned income tax credits. Such is also true with the programs exempted under the House version such as "Medicaid, Aid to Families with Dependent Children (AFDC), Child Nutrition, Food Stamps (including aid to Puerto Rico), Supplemental Security Income, Veterans' Pensions, Veterans' Compensation, and the special supplemental food program for women, infants, and children (WIC)."<sup>3</sup> Additional exemptions exist elsewhere in the Act for community and migrant health centers and for Medicaid.

Some exemptions were made as a matter of necessity. These include such items as the funds available for legal claims against the government, the salary of the President and federal judges, appropriations for the District of Columbia (amounts from D.C. tax collections only), and prior payments obligated by various legal agreements.<sup>4</sup>

Cost-of-Living Adjustments (COLA's) would suffer somewhat under the Act, but are not subject to as severe a cut as other programs might face. Basically, COLA's in programs such as federal retirement plans (Civil Service, military retirements) would be cut only to the extent of the COLA and no further. Should this be more than what is required to produce the fifty percent domestic program

spending cuts, these COLA's would only suffer proportionately with other programs. Because these programs come from defense as well as domestic budget sources, the savings from the COLA's are applied to both sides equally in figuring the percentage of reductions made. Certain other programs having the similar appearance to COLA's (the special milk program, for instance) are treated as COLA's for purposes of the Act.

Certain enforcement provisions conclude the discussion of the Act. Providing mechanisms to ensure that deficit reductions are actually made (not just appearances on paper) the Act specifies the following: 1) A "point of order" may be raised against and will stop appropriations from going to programs which are listed as part of either an amendment to a budget resolution or a conference report on a budget resolution, 2) Points of order are also allowed when legislation is being considered which would either violate a committee's budget targets or which is inappropriately considered because a committee has not duly authorized and made clear its specific allocations to subcommittees (known as 302(b) allocations), 3) Amendments to reconciliation bills must be "deficit neutral" (not violating established spending and revenue targets), and can be eliminated by a motion to strike those provisions calling for new budget or entitlement authority, 4) The House is allowed to make amendments to reconciliation bills in the event that a committee report fails to make its established targets, and

5) The use of reconciliation measures to alter Social Security payments are not permitted. One of the better provisions of the Act, finally, brings "on-budget" all previously "off-budget" spending with the lone exception of Social Security.

That concludes a discussion of the entire Gramm/Rudman Act. Strict analysis of its provisions will be undertaken in the main analysis of this study, but will appear to be more clearly presented once a brief statement regarding its constitutionality is considered.

#### A. Constitutionality

Whether or not Congress has delegated any of its legislative-making capacities to the President is a question which will be answered by the U.S. Supreme Court. Since any conjecture about the high court's ruling would be premature, it is best for this study to simply note that any court decision involving Gramm/Rudman will have certain consequences which will affect the working of the act. It is of interest to note that a Democratic Study Group report, and the act itself contain a constitutional backup process in the event that the original legislation is voided. It provides for a Special Joint Committee to be formed from all members of the House and Senate Budget Committees to assume responsibility for the sequestering report issued by GAO and given to the President so that the President is able to make the necessary reductions.<sup>5</sup>

## NOTES

<sup>1</sup>Thomas S. Foley, Majority Whip, Whip Issue Summary, No. 1, "The Gramm/Rudman Amendment," 99th Cong., 2d Sess., December 18, 1985. Democratic Study Group, James L. Oberstar, Chairman, "Fact Sheet: The Gramm/Rudman Compromise -- The Deficit Control Act," No. 99-18, 99th Cong., 2d Sess., 133 Cong. Rec. S.12975-80 (1985).

<sup>2</sup>Democratic Study Group, "Fact Sheet," pp. 9, 15.

<sup>3</sup>Democratic Study Group, "Fact Sheet," pp. 10-11.

<sup>4</sup>Democratic Study Group, "Fact Sheet," p. 11.

<sup>5</sup>Democratic Study Group, "Fact Sheet," p. 16. P.L. 99-177.

## CHAPTER IV

### IMPACT OF THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985 (THE GRAMM/RUDMAN/HOLLINGS ACT OF 1985)

#### A. Specific Analysis of the Act's Provisions

Undeniably, the key to final passage of Gramm-Rudman was its zero deficit provision. Many congressmen realize that they may have not voted for the best balanced budget package, but few of them could withstand the election pressure which would certainly have resulted from not voting in favor of such an act. Since spending levels are proven to be of ultimate priority, it is more than likely that Congress will strongly attempt to follow this budget reduction formula in spite of other political problems stemming from its operation. The purpose of this thesis has been to examine the impact of Gramm/Rudman on the budget process as established by the Budget Act of 1974. As stated in the introduction of this thesis, Gramm/Rudman will be analyzed for its future potential for achieving the original, intended purpose of the 1974 Act, namely, to control spending.



1. Procedural Constraints of the Act

There are three main reasons why it would be very difficult and probably impossible for Gramm/Rudman to achieve its deficit targets. The first reason considers the possibility of recession. After two quarterly periods of no-growth, a recession could be declared which suspends the operation of Gramm/Rudman. Some economists estimate that this could occur as early as late 1986 or early 1987 since it has been some time since our last recession. It is not so much the suspension of the 1985 act for one year that would harm the act. What the act must be criticized most severely for is its inconsideration of the year of slow recovery after the recession (due to probable deficit spending the year prior trying to stimulate economic growth). Imposing cuts in the first year of recovery (or, a tax increase) would halt whatever growth potential existed. Even more importantly, however, consider this example provided by Hobart Rowen of the Washington Post. If a recession forced suspension of the act for fiscal 1987 but is followed by a slow recovery in 1988, the deficit target established for 1988 is \$108 billion. This is not of any seeming importance until CBO's deficit projection for such a 1988 year is realized--\$170 billion. The bottom line for 1988 would mean an across-the-board reduction of \$162 billion.<sup>1</sup> Without breaking this down in terms of the percentage of across-the-board cuts which would be required

by law, two things are certain: 1) These cuts are impossible to make all at one time, and 2) Congress could be forced to relax its deficit chokehold and disobey Gramm/Rudman in order to avoid a post-recession depression.

Because the 1985 act focuses on spending cuts rather than raising revenues, it is very likely that the act would encourage agencies, committees, and the like to inflate the totals that they propose to Congress. This could recognizably soften across-the-board cuts. The tactic would not be a new one--it is one recognized as operating under the 1974 act as well.<sup>2</sup>

The final reason offered for the ultimate failure of Gramm/Rudman deficit targets is attributable to the method of calculation by which they were devised. In their scheme of deficit targets for each fiscal year, CBO estimated these figures based on an assumed growth rate of 3.5 percent. This is recognized to be a much too generous figure since the total growth rate for this year is around 2 percent. This makes it all the more difficult to meet the targets. It could also mean another very serious problem would occur. Should Congress feel inclined to soften the figures, the current act states that the President must reject this and begin the sequestration process. In a case where deeper-than-expected cuts are a reality, this has serious repercussions for domestic spending.

The point-of-order enforcement mechanism of Gramm/Rudman effectively precludes any amendments or

conference resolutions from being introduced which do not meet the deficit targets. A three-fifths majority vote is required to suspend this rule. All amendments to reconciliation bills must be "deficit neutral." Since the act has exempted "contract authority," this "point-of-order" is unlikely to stop this kind of spending; however, the enforcement provision also states that all off-budget spending except for Social Security is considered "on-budget" for this purpose.<sup>3</sup>

As previously mentioned, one of the major violations of the 1974 act has been its demanding time schedule. As Table I points out, the timetable for Gramm/Rudman is even more progressive than the 1974 act. A crucial question about the 1985 act remains to be answered however; the answer to it would provide a very handy enforcement provision to the 1985 act which will force Congress to abide by its timetable. At the very latest, August 25 is the day Congress could be forced to have its budget house in order. On this day, GAO sends its economic report to the President regarding whether or not sequestration is necessary--this GAO report is based on what Congress plans to do in its budget. Without a budget to go by, GAO could issue its report to the President based on its best guess. The cuts projected could be even more severe than they should be if GAO must rely on its guessing method. The President's sequestration order would ultimately, in this example, prove to be the only budget proposal. Congress could change it if it garners the

necessary votes, but it would be largely confined to criteria supplied by the executive branch.

It is very unclear what happens in the 1985 act if Congress fails in its responsibility to meet its deadlines. The process, then, does appear to have an "auto pilot" appearance to it which would very much pass Congress by if it cannot agree on a budget. Regard for this prospect by Congress may mean that it will, for the first time in a long time, meet deadlines.

## 2. Political Constraints

Should sequestration become a reality, it is first proper to consider what is exempt from such a blow. Tax Expenditures, Social Security benefits, prior contracts (eliminating an estimated 38 percent of all defense programs), and interest payments on the national debt are all exempt. Medicare COLA's are also limited to a 2 percent reduction only (1 percent for fiscal 1986).<sup>4</sup> Such a situation means that the fifty-percent cut suffered by domestic spending would heavily rely on new budget authority since COLA's and exemptions keep the percentage of possible cuts to a minimum; compare this to defense where at least 38 percent of current programs continue unaffected. Defense is not as likely to be in a sub-zero relationship as are domestic programs.<sup>5</sup> A further insult to this is the fact that the act fails to bring in extra accountability for programs that are truly wasteful. It has also been

suggested that the President could use his authority as commander-in-chief to exempt certain defense programs or all defense programs for deficit-cutting effects.<sup>6</sup>

In the event that sequestration, or, the threat of it should become too great, there is always the possibility that Congress will resort to revenue raising measures to pay for the government they want. Most scholars unanimously agree that a tax increase is inevitable given Gramm/Rudman.<sup>7</sup> Whereas Congress has used it as a last means of resort in the past, under Gramm/Rudman, tax increases (not necessarily of the income variety) may become at least as politically acceptable as gutting program after program, year after year.

A feat that it has been able to avoid twice recently, Congress could not engage the U.S. in any conflict without first declaring war to suspend the deficit reductions. It would be completely unavoidable to try to miss all the ensuing implications of such an action. This situation also serves as the second example of where devastating amounts of reductions could be made the year after the suspension of the act.<sup>8</sup>

Sequestration was placed in Gramm/Rudman as a last resort. When invoked, it removes all discretion over budgeting from both budget branches. It was for this reason that the sponsors of the 1974 act avoided mandatory ceilings--they were not seen as being flexible enough to allow Congress any budget leeway. Rather than rely on this

as a tool to force balanced budgets, however, sequestration will undoubtedly be used as a political tool of sophistication between the two branches to get the most concessions possible. In the fact of the political consequences of actually enforcing these non-discretionary cuts, Congress and the President may have found the tool for budget reconciliation between the two branches.

Responsibility for assessing the economy, congressional and presidential budgets and enforcing deficit reductions are shared by CBO and OMB, and ultimately resides in the GAO. This act undeniably gives these bodies considerable power--depending on their budget prognosis--sequestration may be ordered (and, in the case of either CBO or OMB, could be ordered by such a large percentage that even when averaged against each other could still mean sequestration). Additional responsibilities and power also befall the Budget Committees as there is only one budget resolution under Gramm/Rudman and a very hasty reconciliation process. There is also the remote possibility of having to attempt to arrive at a formula that would save the budget process from sequestration.

Many scholars (including the Director of CBO) are skeptical of the power given to CBO, OMB, and GAO since their officials are unelected. These agencies will be under direct pressure to conform to their branch's desires, which could very well lead to abuse of the Gramm/Rudman formulas for sequestration.<sup>9</sup>

As the various problems or potential problems with the 1985 act are discussed, one central question comes forward. Many scholars asked in 1974 when the Budget and Impoundment Control Act was passed, "Will Congress really do all that?" By and large, the 1974 act has been implemented as intended; there are several of its more flexible provisions which have not been implemented (timetable, and backdoor spending). Scholars argue that a new act is not needed--it only serves to confuse the process more. As one article written by Bill Bradley states, "It [Gramm/Rudman] is a procedural answer to a substantive problem. But the Senate now has all the procedures it needs to reduce the deficit. What it lacks is the will."<sup>10</sup> This argument seems to be one of two crucial turning points in budget process history. If Congress is serious about budget deficit reduction, this act when enforced to the letter will certainly do it. As skepticism creeps in about which provisions are strongest and which are weakest, the overall enforcement capabilities for the entire act suffer.

#### B. How the 1985 Act Alters the 1974 Act Regarding Spending Controls

The condemning evidence for failure of the 1974 act to control spending is provided by the mere presence of Gramm/Rudman. Public pressure on Congressmen to take action on the national debt caused a very uncertain, weak act to become law. Very definitely, the purpose and intent of the

1974 act could be realized if the 1985 act is fulfilled. By getting budgets in on time, backdoor spending is less likely to occur as are continuing appropriations--the two biggest abusers of the current system. The new "point-of-order" provision ensures that all legislation passed after-the-fact is spending neutral. The sequestration process, or the mere threat of one, will bring budget totals down most assuredly, even if a balanced-budget does not materialize from the reductions. As John Ellwood and James Thurber stated about the 1974 act, "It allows Congress to 'balance the budget,' if it wants; ...."<sup>11</sup> Perhaps the Gramm/Rudman act is finally proof of congressional "want to."



## NOTES

<sup>1</sup>"Gramm/Rudman Is Pure Mischief," as cited in 99th Cong., 1st Sess. Section 1, 131 Cong. Rec. 8969 (Oct. 22, 1985). See also Allen Schick, "The Balanced Budget Boomerang: Expect Deferred or larger Deficits Under Gramm-Rudman," L.A. Times, Oct. 25, 1985, at 9, sec. II, col. 3.

<sup>2</sup>Aaron Wildavsky, "The Annual Expenditure Increment--or How Congress can Regain Control of the Budget," Public Interest, 33 (Fall, 1973), p. 99.

<sup>3</sup>Democratic Study Group, James L. Oberstar, Chairman, "Fact Sheet: The Gramm/Rudman Compromise--Deficit Control Act," No. 99-18, 99th Cong., 2d Sess., Dec. 10, 1985, p. 6.

<sup>4</sup>Philip M. Stern, "The Loophole in Gramm/Rudman," Washington Post, Oct. 21, 1985, at 15, col. 1. Hobart Rowen, "'Know-Nothing Legislation,'" Washington Post, Oct. 31, 1985, at 28, col. 2.

<sup>5</sup>Schick, "The Balanced Budget Boomerang," p. 9.

<sup>6</sup>Susan E. Eizenstat, "Power (Back) to the President: Gramm/Rudman Ends 10 Years of Congressional Ascendance," Washington Post, Nov. 12, 1985, at 25, col. 1. See also, Bill Bradley, "The Gramm/Rudman Plan: Congress at Its Worst," as cited in 99th Cong., 1st Session, Section 2, 133 Cong. Rec. 12986 (Oct. 9, 1985).

<sup>7</sup>Schick, "The Balanced Budget Boomerang," p. 9. John H. Makin, "Gramm-Rudman is a Red Herring: And Its Target Is Too Harsh," Washington Post, Nov. 13, 1985, at 25, col. 3.

<sup>8</sup>H. J. Res. 372, 99th Cong., 1st Session. Section 2, 133 Cong. Rec. 12985 (Oct. 9, 1985).

<sup>9</sup>Robert LeKachman, "Why Gramm/Rudman Is a Bad Bill," L.A. Times, Nov. 12, 1985, at 3, sec. IV, col. 4. Edward Walsh, "CBO Director Cautions On Budget-Cutting Power: Senate Plan Is Flawed, Penner Says," Washington Post, Oct. 22, 1985, at 4, col. 1. "Budget Balancing Act," Baltimore Sun, Oct. 8, 1985, as cited in 99th Cong., 1st Sess. Section 2, 131 Cong. Rec. 13602 (Oct. 8, 1985).

<sup>10</sup>Bill Bradley, "The Gramm/Rudman Plan: Congress At Its Worst," as cited in 99th Cong., 1st Sess Section 2, 133 Cong. Rec. 12986-87 (Oct. 9, 1985).

<sup>11</sup>John Ellwood and James A. Thurber, "The Politics of the Congressional Budget Process Re-examined," Congress Reconsidered, 2nd ed., Lawrence C. Dodd and Bruce I. Oppenheimer (USA: Congressional Quarterly, 1981), p. 246.

## CHAPTER V

### SUMMARY, CONCLUSIONS, AND IMPLICATIONS

An examination of the 1974 act shows it to have an overall purpose which has only half been achieved. The administrative sections of the 1974 act--establishing CBO and the Budget Committees--are undoubtedly successes in the forward progress of the budget process. This can also be said about limiting the President's right to impound funds. These changes have given Congress a complete picture of expenses and revenues and who needs these most. What these agencies and committees have inadvertently proven, however, is the failure of the second half of the purpose of the act: spending control. Congressional failures regarding deadlines and exemptions under the 1974 act have now been brought on-budget by Gramm/Rudman.

While even its author, Senator Warren Rudman (R-Vt.) says that " I doubt that the things that are set out here will ever happen," he hopes that changes in procedures in the spending control aspect of the budget are significantly enough enhanced by Gramm/Rudman as to allow the 1985 act to accomplish the remainder of what the Budget and Impoundment Control Act attempted to do.<sup>1</sup> The act does contain problems which ultimately will be addressed in time with the act:

Will the budget be balanced, will defense be cut as much as Congress wants and domestics spared somewhat from any further disabling reductions, and will there be more tax increases or declared wars? While the answers to these questions are not for the best so far as Congress is concerned, the remainder of the 1985 act is good news for Congress and spending control. Backdoor spending is largely on-budget now and hopefully can be made to stay that way with sequestration and points-of-order. It is not unanimous that giving more power to OMB and the budget committee is wise; but, it is preferable to the status quo and further Presidential assumptions of the budget process power. The committees and GAO are closely supervised and could be compromised to perform well under the act if Congress will fully enforce the act (as can committees who inflate their budget totals to withstand sequestration-like reductions). Subcommittees are guaranteed that spending for their needs will be awarded to them by the fact that "302(b)" allocations are binding and must be made as quickly as possible. This process can only strengthen the spending controls by adding to a completed total rather than waiting for completed appropriations and the like to push the total upward while no one is looking.

The two looming questions of congressional will and action in a timely manner appear to be answered in the affirmative. Targeted as a failure for years, the 1974 act can easily be redeemed as a good first step by Gramm/Rudman.

Although not all of Gramm/Rudman is guaranteed to work precisely for even the first thousand miles, the 1985 act changes the budget process in many ways for the better--deficit reduction and spending control. The implications of what this means for the budget process itself are even better.

Given the fact that no law works precisely as it was intended, the implications of the 1985 act are not as far reaching as most scholars charge. Congress will now reach toward lower budget totals and get them. While, for many reasons, a balanced budget by 1991 seems unlikely, Gramm/Rudman assures that no further significant budget outlay growths will occur until the economic times for it are better. Even in recession and war times, the act assures the fact that only "controlled" growth happens.

This act ultimately has the effect of strengthening Congress in, what the 1974 act demonstrated, were weak areas: backdoor spending, continuing resolutions, hidden off-budget expenses, CBO and Budget Committee powers of enforcement, congressional "want to," the length of time taken to complete the budget process, and congressional unification for Presidential veto overrides. The primary concern about whether procedural budget changes can effectively bring spending control via statutory legislation seems to be about 70-80 percent solved with Gramm/Rudman. It can only be supposed that this same percentage of

success, or similar, may be transferred to deficit reductions.

NOTE

<sup>1</sup>"The Politics of Panic: Pay Now or Pay Later,"  
Washington Post, Oct. 27, 1985, at 1, sec. II, col. 1.

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