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WAR DEPARTMENT PARTICIPATION IN THE  
PRESIDENT'S BUDGET

by

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The expenditure program in conformity with which current disbursements for the support of the Army are being made, was evolved from a military program initiated in the War Department on November 15, 1930. In the course of its development, this control, or as it is sometimes loosely termed, the budget, passed through succeeding phases under different names and suffered important changes in form and import but without impairment in major purposes. The impossibility of portraying understandingly, in the short time available this morning, the complicated procedure involved in this development is apparent. Nor would such a course serve any useful purpose here particularly since no small part of the complexity is consequent to the governmental system and organization on which the budget has been imposed.

Because of the multiplicity of detail and the natural tendency to become involved in them, I have committed my thoughts to paper, although I would have enjoyed talking with you off the record. By so doing I am hopeful of leaving with you an impression of ends sought, of means employed, of difficulties encountered, and of ways followed. It is with this broad picture only that the majority of you are concerned. However, later this morning, I will be more than glad to discuss at greater length any of the details that may be of interest to you.

After the military program for any fiscal year has been enunciated by the Chief of Staff, it is translated into fiscal terms and combined with the non-military departments requirements in a document called the War Department estimates. This is the first phase of development. The non-military departments estimates are not included in this discussion since the Secretary of War deals directly with the Budget Officer for the War Department in such matters without reference to the General Staff. National cemeteries, Rivers and Harbors, Flood Control, the Alaskan Cable, the Panama Canal - matters which do not pertain directly to the Army - are included among these non-military items.

On the date set by the Director of the Bureau of the Budget, the War Department estimates are transmitted to that Bureau where they are examined in detail, altered, if necessary, to conform to the requirements of the President's financial program and finally incorporated as Chapter XII of the President's Budget, which the Budget and Accounting Act of 1921 prescribes shall be transmitted to Congress on the first day of each regular session. This is the second phase during which the so-called War Department Budget is formulated. The Budget and Accounting Act contains the basic law for our governmental budget system, but due to the peculiar political conditions to which its provisions were necessarily accommodated, it does not carry out entirely the requirements of governmental or commercial budgets as they are generally accepted.

The third phase includes the procedure in Congress which takes place from the receipt of the President's recommendations for the Budget until the final enactment into law of the Appropriation Bill. Considerations outside of the immediate necessities of National Defense are more characteristic of this phase than of any of the others.

Because of the time that elapses between the formulation of the military program and the receipt by the spending agencies of the funds necessary to make this program effective, and particularly, at this time, because of important changes in the original estimates made in the Bureau of the Budget and in Congress, it becomes necessary to adjust the initial military program to the limitations of available funds before disbursements are authorized. This is done in the Expenditure Program the formulation of which marks the advent of the fourth phase. This phase ends only when all expenditures made pursuant to the Appropriation Act are finally cleared.

For the purpose of this discussion and with the understanding that military items only are considered, the four phases will be referred to in the following terms:

In the War Department - the War Department Estimates.

In the Bureau of the Budget - the War Department Budget.

In Congress - the War Department Appropriation Bill.

In the War Department - the War Department Expenditure Program.

The General Staff plans, coordinates and supervises fiscal control in all its phases. The Deputy Chief of Staff has direct responsibility in the first three phases and the Assistant Chief of Staff, G-4, in the last. The Budget and Legislative Planning Branch, which I represent, is the agency in the office of the Deputy Chief of Staff charged with budget planning and policy. The technique of budget building is a function of the Budget Officer for the War Department. He is assisted by the Budget Advisory Committee consisting of five members, three of whom are from the General Staff and the other two from the Office of The Assistant Secretary of War and the Office of the Budget Officer, for the War Department, respectively. Through its interlocking membership, coordination and conformity to established policy are assured. The Budget Office is the channel of communication and the office of record for budget matters. Each spending agency, as a rule, is identical with an estimating agency since, in principle, the War Department follows the project system in arranging the budget. However, there are many exceptions in which the functional arrangement obtains.

By the project system, I mean that funds which pertain to a single project are included in the same appropriation. For example, when we estimate for a three inch gun, all the funds required for personnel, materiel, transportation, etc., are carried in an Ordnance appropriation. On the other hand, mileage to pay for travel of officers in general, is carried under a separate title and is parcelled out to the using agencies under the supervision of the Supply Division of the General Staff. This is one of the controlled activities which will be referred to again.

The reasons for the above apparent illogicality are easily discoverable. Many of the appropriations existed, in more or less their present form, long before the Budget and Accounting Act initiated coordinated consideration of departmental expenditures. Such appropriations have not been rewritten but an effort has been made to alter them gradually to conform as far as practicable to the project system, which has been the rule with the Ordnance and Engineers for many years. On the green sheets, the details of which are included in the War Department estimates and in the President's Budget, proposed expenditures are broken down in accordance with the purpose numbers of the General Accounting Office. These follow functional lines and are essential to permit the Bureau of the Budget and Congress to reduce to a common denominator the estimates of different departments. Because of this, the natural trend is toward the functional rather than the project breakdown.

The President's Budget through presenting in a single document the proposed expenditures of the Government for a single fiscal year and the anticipated revenues to finance them, has made it increasingly difficult for any particular establishment to secure entirely satisfactory financial support. This is equally true of the several activities within a department. To provide for its peculiar needs impartially, the War Department has adopted a budget building plan in keeping with its organization. These measures seek not only to secure sufficient funds for the upkeep of the military establishment but also to distribute such funds in the manner best calculated to provide, in conjunction with the Navy, a balanced and, if possible, an adequate National Defense.

There are many unfavorable factors which impede the War Department in carrying out this mission even under normal circumstances. Among these are the traditional indifference of the American people to National Defense in times of peace, the difficulty of accommodating the plant inherited from the World War to the limitations of peace time income, the ever present influence of self interest, the antagonism due to honest differences of opinion and the lack of continuity of policy resulting from frequent changes in War Department personnel. These difficulties are inordinately increased in times like these when there is a pressing and legitimate demand for a reduction in public expenditure.

In building the estimates in the War Department, every effort is made to formulate a reasonable army program which satisfies the innumerable divergent military requirements involved and which will be acceptable to the Bureau of the Budget and Congress. In evolving this program, the recommendations of the bureaus, branches and separate agencies concerned are first considered. After examination, coordination, and adjustment by the appropriate general staff divisions, these recommendations are transmitted to the Deputy Chief of Staff for consideration in formulating the tentative directive. Up to this point military needs have been the controlling factor in determining the program. The question of cost assumes major proportions at a later stage.

The tentative program, after approval by the Chief of Staff, is sent to the estimating agencies, which prepare abstracts of cost for their respective requirements and return them at the time specified to the Budget Officer for the War Department. These abstracts of cost are very simple cost estimates from which the aggregate cost of the military program proposed, or any of its parts, can be roughly and quickly computed.

The abstracts of cost and the tentative directive are next referred to the Budget Advisory Committee, which after hearings to establish the pertinent facts, recommend the changes necessary in the directive to meet anticipated fiscal limitations, and a total cost figure for each estimating agency. There is no invariable practice for determining the aggregate limiting figure for the War Department estimates. Just prior to the depression it had been established by the Secretary of War and successfully maintained before the Bureau of the Budget and Congress at a third of a billion dollars. Declines in commodity prices, pay cuts and other reactions of the depression upset this established figure, and for the past two years it has been determined in the War Department on the basis of buying approximately the same amount of National Defense as the fixed figure laid in the fiscal year 1931. In the figure set by the War Department, neither the Bureau of the Budget nor Congress has seen fit to concur. As a result, the processing of the estimates through the Bureau of the Budget and Congress has assumed a degree of importance out of all proportion to that which formerly obtained.

The recommendations of the Budget Advisory Committee are transmitted to the Deputy Chief of Staff, together with any non-concurrences of the estimating agencies and are adjusted in his office as circumstances require. When approved, the final directive and the limiting figure for each estimating agency is promulgated. Up to this point the essential problem has been to formulate a satisfactory military program within a reasonable cost range, and distribute the amounts required to finance it, in lump sums, to the interested services, branches and separate agencies in such a manner as to best support the necessary military establishment. This part of building the estimates is particularly a responsibility of the General Staff, although at all stages the greatest care is exercised to assure to the estimating agencies every opportunity for presenting their peculiar needs.

Thereafter, the General Staff is principally concerned in supervising and coordinating the estimates, while the estimating agencies have the trying responsibility of justifying the need for every dollar for which they are asking. In conformity with the final directive and their respective limiting figures, the estimating agencies prepare the following documents:

The white sheets which contain the wording of the previous Appropriation Act modified as desired in the War Department. These proposed changes in language are authorized by the Chief of Staff, acting for the Secretary of War, based on the recommendations of the General Staff or the estimating agencies.

The green sheets, previously mentioned, which break down the estimates according to the purpose numbers of the General Accounting Office.

The justifications which set forth in the prescribed form and detail, the necessity for each of the projects contained in the estimates and for the funds included to support it.

The first two of these documents are printed in the President's Budget. The latter is submitted to the Bureau of the Budget and the Appropriations Committee of the House, but in different forms.

It affords to each of them a ready reference which is of assistance in examining the estimates and determining the necessity for appropriations.

The completed estimates are transmitted to the Budget Officer for the War Department and are reviewed by the Budget Advisory Committee for adequacy and compliance with the directive and limiting figures. They are then combined with the non-military and departmental estimates and submitted to the Secretary of War for final approval.

On the prescribed date, they are sent to the Bureau of the Budget where hearings are again held and the changes necessary to bring them in conformity with the financial program of the President are made. The usual procedure in the Bureau of the Budget when it is necessary to reduce the funds that can be allotted to the War Department is to determine the amount of reduction and leave the details as to how the adjustment is to be made to the War Department. However, in the past two years because of the drastic reductions imposed, it has been necessary for the War Department to ascertain how the Bureau of the Budget arrived at the limiting figure. This information has been furnished with the results that some of the proposed reductions have been accepted and others rejected in their entirety. At times it has been necessary to appeal to the President who, in the last analysis, is responsible for both the military and the fiscal program, before a satisfactory adjustment could be arranged.

The phase which includes the consideration of the Budget before the Committees of the House and Senate and on the floor of Congress is the most interesting, particularly at this time, since the situation never seems to stabilize and each succeeding day brings its surprises and perplexities. However, as the conditions encountered are peculiarly political in character, the discussion of the details at this time are limited to a few remarks.

Formerly, a general staff representative was invariably present during the House hearings to coordinate conflicting testimony and to furnish any information that members of the Committee desired concerning matters of War Department policy, with which the estimating agencies who defend the estimates could not be expected to be familiar. The present military sub-committee of the House Appropriations Committee does not permit anyone but the actual witnesses to attend hearings, with the result that many adjustments which formerly were made in Committee now have to be attempted on the floor of the House. Before the Senate Appropriations Committee, the Secretary of War or the Chief of Staff, in person, requests the changes that appear necessary in the Bill as passed by the House.

Although the formulation of the Expenditure Program is peculiarly a responsibility of the Assistant Chief of Staff, G-4, it should be considered at the same time as the Estimates and Budget because of their interrelation. The Expenditure Program reverses the process incident to building the estimates in that it translates the funds actually appropriated in the Annual Act back into a workable military program. The original thought was that the estimates with a few minor changes would serve as the expenditure program. This is no longer true as the Bureau of the Budget and Congress in the past two years have so mutilated the original estimates that they are almost unrecognizable in the Appropriation Act.

Accordingly, the Chief of the Supply Division of the General Staff, assisted by the Budget Advisory Committee, determines just how the apportionment of funds shall be made. In view of the drastic curtailment in appropriations which has and is taking place, and the authority to transfer funds between appropriations enacted last year, the importance of the Expenditure Program is greatly increased, and the actual manner in which funds are expended bears less resemblance to the plan proposed in the estimates. In other words, we sometimes get our funds under one assumption and expend them under another. The Expenditure Program should not be confused with the procurement program, which is enunciated by The Assistant Secretary of War as a schedule for current procurements based on a General Staff statement of requirements setting forth the military priorities

However, despite the vicissitudes through which the estimates pass from their origin until the funds they provide are finally expended, there remain throughout the development threads of continuity which are plainly discernible. The theoretical ideal would be for the expenditures to be identical with estimates. This is practically impossible both because of the time element involved and the constant attrition to which estimates are subjected.

To conserve this continuity, particularly when funds for two or more spending agencies are contained in a single appropriation or where funds for a single activity are carried under more than one appropriation title, the controlled activity has been devised. By a controlled activity I mean one under the direct control of a designated General Staff Division or The Assistant Secretary of War, for the purpose of assuring coordinated consideration and expenditure.

To illustrate such an activity, let us take procurement planning, with which you are all familiar. Funds to provide for this are carried in several supply appropriations. Unless specifically authorized, the estimating services cannot disturb the funds allotted to this purpose. They remain intact, as far as the War Department is concerned, until expended or otherwise disposed of by direction of The Assistant Secretary of War.

And now for the appropriations themselves. The National Defense Act makes trained manpower the basis for preparedness. It is not surprising then that nearly two-thirds of the funds carried in the Appropriation Act is for the pay of personnel. Following the World War, appropriations for the support of the Army were reduced until they reached the lows of the fiscal years 1924 and 1925. During this period the Regular Army was skeletonized and surplus supplies were freely made available to reduce cash appropriations.

For the next six years, appropriations increased until they reached the high of a third of a billion dollars in the fiscal year 1931. A considerable portion of this \$80,000,000 increase was due to the Air Corps Act and other statutory provisions, as well as to the disappearance of stocks available for issue without replacement. Since 1931, appropriations have decreased nearly \$70,000,000 or 20%. The funds now carried in the Bill before the Senate exceed only slightly those of the post war lows. This decrease has been affected through the decline in commodity prices and the deferment of practically every augmentation, replacement or maintenance item that can be neglected for a year or two.

The contributions from personnel have been limited to those required by the Economy Act, the Pay Act of 1922 and the suspension of allowances in the Appropriation Acts.

In the foregoing discussion, I have purposely avoided as many details of procedure and technique as I could for the reason that there is nothing sacred about the existing setup and any other arrangement which would accomplish the same purpose would be equally satisfactory. There are, however, a few pertinent thoughts that I would leave with you. The War Department Budget in its present form is a peace time measure which has never received the acid test of war. Whether or not the present arrangement could be adjusted to meet the pressing military necessities of war remains to be seen. The natural fear of the front line soldier is that such complicated fiscal arrangements might interfere with the operations of the Army in the field. Others contend that wars of unlimited cost are of the past and that the great leader of the future will be one who can bring victory to the colors within a cost that the nation can bear without the destructive aftermaths consequent to wars in which expenditures are uncoordinated and unrestricted. Such matters are well worth your most thoughtful consideration.