

276

THE ARMY INDUSTRIAL COLLEGE
Washington, D. C.

Course 1939-1940

BUDGETARY PROCEDURL IN THE ARMY

by

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January 3, 1940

(Reproduced from A.W.C. lecture
on subject The War Department Budget)

AIC 129 (1/12/40)

279

THE WAR DEPARTMENT BUDGET.

I have been requested to talk, this morning, upon the budgetary procedure of the War Department in time of peace and upon such ideas as I may have upon budgetary procedure in time of war.

Deputy Chief of Staff. Since peacetime procedure is controlled by the Deputy Chief of Staff, we can best begin the discussion by defining his duties which, as set forth in Army Regulations, are in part as follows:

"His office is charged with the preparation of plans and policies in connection with legislation and with military estimates for funds, with processing budgetary matters in the General Staff; with reports concerning legislation and requests for legislation that come within the purview of The General Council or that are referred to the General Staff."

As these regulations indicate, the War Department budget is initiated and finally determined in the office of the Deputy Chief of Staff, subject, of course, to review by the Chief of Staff and the Secretary of War.

The agencies which are employed in the preparation of the annual estimates for the support of the Military Establishment are

Budget and Legislative Planning Branch. The Budget and Legislative Planning Branch of the General Staff, which is part of the Office of the Deputy Chief of Staff, is charged with two functions under these regulations

First. The formulation of policy relative to the War Department's estimates, their processing through the Department from their inception until they are transmitted to Congress, as a part of the President's budget, and their subsequent presentation and defense in Congress,

Second. The processing of general legislation, other than budgetary, until it is enacted into law.

General Staff. The General Staff, as you will see as we go along, participates continuously in its proper functions of planning, supervision and coordination in connection with the preparation of the Budget. The Chiefs of the Divisions as members of the General Council are employed as an advisory body by the Deputy Chief of Staff during his consideration of the Tentative and Final Directives.

Budget Officer for the War Department. The Budget and Accounting Act requires that each Department of the Government shall have a budget officer. The Budget Officer for the War Department is the Chief of Finance. He is responsible for the preparation of the estimates in proper form.

The content of the War Department budget, however, is controlled by the General Staff. The Office of the Budget Officer, in fiscal matters, is analagous to that of The Adjutant General in administrative matters. It is the office of record and the operating agency. It is the channel of communication between the General Staff and the estimating agencies and,

in routine matters, between the War Department and the Bureau of the Budget.

Budget Advisory Committee The Budget Advisory Committee is nominally an agency of the Budget Officer for the War Department in the consideration of preliminary estimates. In fact it is an agency of the Chief of Staff, appointed by the Secretary of War. Its membership is not definitely fixed by Army Regulations. It consists at present of the Chief of the Budget and Legislative Planning Branch, who is Chairman, his assistant, a member, each, from the offices of G-3, G-4, the Assistant Secretary of War, and the Budget Officer for the War Department. These officers while so serving are not special representatives of their Chiefs. The Committee is a fact-finding agency of the War Department as a whole. It is empowered to hold hearings and summon any witnesses in the War Department. The Committee, in short, is the agency which prepares the budget in accordance with the Tentative Directive subject to review by the Deputy Chief of Staff and the Chief of Staff.

Control of Budget by the Chief of Staff Placing the formulation of the budget, and its later defense before the Bureau of the Budget and Congress, directly under the Chief of Staff and the Deputy Chief of Staff rather than in any one General Staff Division insures:

First, a balanced consideration of all matters from the point of view of the Army as a whole - neither Personnel, nor Operations, nor Supply having a predominant position.

Second, every important project of the War Department requires funds. Through his direct control of the formulation of the budget, the Chief of Staff exercises his most powerful means in shaping the course of the Army directly in accordance with his own policies.

Third, important decisions, which in the later stages of the budgetary procedure have to be made quickly, are facilitated.

Budget cycle. The Budget cycle is a long one. Nearly a year and a half elapses from the time work starts on a new budget until funds become available for expenditure.

The first operations in the preparation of the budget and the schedule for the fiscal year 1940 follows

First Step - Call on General Staff Divisions. The first step, as shown, is a memorandum from the Deputy Chief of Staff to the Assistant Chiefs of Staff requesting that they formulate and transmit to the Budget and Legislative Planning Branch those recommendations, pertaining to their functional responsibilities, which they desire to be incorporated in the Tentative Directive. Detailed statements and estimates of costs are not required except in the case of new activities when general statements are submitted. The General Staff Divisions are directed to obtain the views of the estimating agencies, which are coordinated and included

560

in their recommendations. At the same time a copy of the memorandum is furnished the estimating agencies for their information and guidance.

Second Step - Recommendations for Estimating Agencies. Two weeks later the recommendations of the Estimating Agencies are forwarded to the appropriate General Staff Divisions for consideration in connection with the proposed programs of those Divisions. In the meantime, of course, there has been direct and informal contact between the Staff, the Arms and the Branches. G-1 is concerned primarily with matters of personnel, frequently with the concurrence of G-3. G-3 has primary interest in training. G-4 with programs for the augmentation of armament, equipment, and materiel. The WPD with Seacoast Defense. There is necessarily some overlapping in functions and differing ideas but, as a rule, the recommendations of one General Staff Division, when submitted to the Deputy, have the concurrence of the others concerned.

Third Step - Consideration of General Staff Recommendations by the Deputy Chief of Staff. The recommendations of the General Staff Divisions are then forwarded to the Budget and Legislative Planning Branch where they are consolidated, analyzed and submitted to the Deputy by memorandum, and in conference, stating the opinion of that office upon the proposals received.

The Deputy subsequently calls a meeting of the heads of the General Staff Divisions, who, as stated, are members of the General Council. There the consolidated program is considered item by item, with free discussion by all members present.

The program, as amended by the Deputy, is then submitted for the consideration of the Chief of Staff. When approved by the Secretary of War, it is prepared in final form by the Budget and Legislative Planning Branch and promulgated in a document known as the Tentative Directive. It constitutes the guide for the Estimating Agencies in building their money estimates.

Submission of "Abstracts of Costs" by Estimating Agencies The preliminary estimates are prepared by the estimating agencies in accordance with the Tentative Directive, and are designated as "Abstracts of Costs". They are submitted to the Budget Officer for the War Department the latter part of May, the agencies having had approximately a month for their preparation. They are then referred by him to the Budget Advisory Committee for examination and report.

Hearings by Budget Advisory Committee I have previously described the membership and the functions of the Budget Advisory Committee. During its hearings, which begin on the first of June and continue throughout the summer, the Committee carefully goes into the detail of each item in the Abstract of Costs. It is guided, of course, by the Tentative Directive but that document is by no means all inclusive. It does include instructions, as you have seen, for personnel, for training, for augmentation of equipment, for research and development, for Seacoast Defense, and so on. But it contains no definite provisions with reference to the great number of projects pertaining to the maintenance of plant and equipment,

It is the business of the Committee to examine every item in the Abstract of Costs. Those that are authorized by the Directive must be examined as to both sufficiency and cost. Others must be examined not only as to cost but as to whether they should even be included in the estimates. Decisions in these matters are made by the Chairman and as a rule are accepted as final by the other members of the Committee. Otherwise its sessions would be interminable. The extent of this pruning is seen by the action of the Committee in reducing the preliminary total of the 1940 estimates from \$548,000,000 to \$518,000,000, a reduction of \$30,000,000. The hearings constitute a long and exhausting labor. Last year the sessions of the Committee were not completed until the end of August, and its report is a sizable volume.

Report of Budget Advisory Committee. This report is a complete document, showing, for each project and each item, the amounts requested by the Estimating agencies, and those recommended by the Committee. All facts are included in such form that the Deputy Chief of Staff, or the Chief, can readily make such changes as will build a budget in any desired amount and containing all the programs for which it is desirable to make provision.

Reclamas. I should add that Estimating Agencies are informed of the recommendations of the Committee, and, if they do not agree, are given an opportunity to submit reclamas for the consideration of the Chief of Staff.

Consideration of Report by Deputy Chief of Staff. The Deputy Chief of Staff goes over this report in great detail, assisted by the Chief of the Budget and Legislative Planning Branch. The Deputy must not only be satisfied with the details of the estimates but he must view the Budget as a whole. Altered conditions may indicate the desirability of changing some of the programs contained in the Tentative Directive or of adding others. Until the report of the Budget Advisory Committee has been completed, the total cost of the Budget recommended cannot be foretold. Decision must now be made as to the total of the estimates which shall be forwarded to the Bureau of the Budget. This may involve consideration of the World situation, the fiscal condition of the Government, and, in some years, Executive instructions. Nothing is to be gained by presenting an extravagant figure to the Bureau of the Budget. We ask for those things for which we have a sound defense and which we may reasonably expect to get. The transmitting of estimates out of proportion to these considerations would result in drastic reductions by the Bureau of the Budget from a purely fiscal standpoint and in disregard of military priorities. Programs would be determined by the Bureau of the Budget rather than by the Secretary of War.

Before arriving at his final recommendation, the Deputy Chief of Staff has again had the benefit of conference with the heads of General Staff Divisions and sometimes the heads of principal estimating agencies in which items of the military program are all thoroughly discussed. Through his final action on the report of the Budget Advisory Committee the Chief of Staff establishes his final military program. This in turn establishes the limiting amount for each appropriation which the War Department is to forward to the Bureau of the Budget. No Chief of Staff Branch is then permitted to advocate more.

Final Directive. Based upon these decisions the Directive, in its final form, is promulgated in the latter part of August to all concerned. In their estimates for submission to the Bureau of the Budget, which are now prepared, the agencies are guided by the Directive, by the limiting totals of appropriations which have been fixed and by the recommendations of the Budget Advisory Committee, copies of which have previously been furnished them.

After the estimates are received by the Budget Officer for the War Department they are checked by the Budget Advisory Committee to see that they are in accord with the military program as set forth in the Final Directive, that no items appear, for which it does not provide, and that there is legal authorization for all items which are included.

Hearings by the Bureau of the Budget Under the law the estimates must reach the Bureau of the Budget by the 15th of September and the hearings usually take place in November. At their opening the Chief of Staff and the Director of the Bureau of the Budget are present in person. The Chief of Staff makes an oral statement, prepared by the Budget and Legislative Planning Branch, covering the program in general and emphasizing those projects which he deems of particular importance. Thereafter the hearings are conducted by a fact-finding and an advisory committee of the Bureau of the Budget. The estimates are defended in detail by the heads of the estimating agencies accompanied by such assistants as they may consider necessary. The Chief of the Budget and Legislative Planning Branch remains in charge of the War Department hearings as the representative of the Chief of Staff and the Secretary of War. His role now is the reverse of the one which obtained during the hearings conducted by the Budget Advisory Committee on the preliminary estimates. Then he was the examiner and demanded justification of every item. Before the Bureau of the Budget he is the earnest advocate and defender of the estimates to the last dollar.

The estimates are subjected to a searching scrutiny by men whose knowledge of War Department fiscal requirements is considerable, and whose objective is to keep Government expenditure to the minimum. Every dollar in the estimates is carefully weighed and the defense of the War Department for its expenditures must be detailed and completely accurate.

At the conclusion of the hearings, this committee defers the findings and recommendations before a Board of review, of which the Director is Chairman. His decisions, of course, are controlling as to the amounts recommended by the Bureau of the Budget. For the information of the President, master sheets are then prepared showing, under each appropriation title, the amount appropriated for the current year, the amount requested by the War Department for the next year, and that recommended by the Bureau of the Budget, with full explanatory remarks. The Director takes these sheets to the White House and goes over them personally with the President who indicates such changes as he desires to be made.

In December, the Bureau of the Budget transmits to the Secretary of War the limiting figures of the War Department estimates by appropriation title. So much for "Pay of the Army", so much for "Travel"

so much for "Clothing and Equipage", so much for "National Guard", etc., together with such changes of language as have been approved.

Habitually the revision of the Bureau of the Budget is downward, and the War Department must again readjust its estimates within the amount allowed for each appropriation. The Budget and Legislative Planning Branch analyzes the effects of the cuts upon the War Department program, consults General Staff Divisions when necessary and prepares the necessary instructions for estimating agencies which are sent from the office of the Deputy to the Budget Officer for the War Department for distribution. Generally speaking, within any appropriation, the War Department may redistribute funds in its best judgment. There are certain exceptions to this general rule. The Bureau of the Budget fixes definitely the amount for each project under the appropriation "Pay of the Army". By this means it definitely controls its personnel strength. It also provides money for construction items by project, so there can be no departure from the program presented.

The basis of other reductions made by the Bureau of the Budget, by projects, is obtained informally and transmitted to Estimating agencies for their information. These are not mandatory but are followed to a considerable extent in the revision of the estimates. The revised estimates are then forwarded to the Bureau of the Budget to be printed as a section of the President's Budget which is transmitted to Congress with his message on the second day of the session. Until that day, everything in connection with the formulation of the budget estimates is confidential.

At an appropriate time during the session, the Military Subcommittee of the House Appropriations Committee, commences its hearings with a view to formulating the Bill for the support of the Military Establishment. These hearings usually last about three weeks.

Again the Chief of Staff makes a general statement covering War Department policies and the principal provisions of the estimates. The Chief of the Budget and Legislative Planning Branch remains as his representative throughout the hearings; and, again, the chiefs of the estimating agencies appear and defend their estimates in detail.

Under the terms of the Budget and Accounting Act, representatives of the War Department are estopped from advocating any increase over the President's figures. This is well understood in Congress. Therefore, on their own responsibility, committees frequently ask questions which must be answered and which lead to the discussion of items not included in the budget.

In due course of time, the bill is reported by the Appropriations Committee of the House, and it is the duty of this Branch to analyze for the Chief of Staff the effect of the action of the Committee upon the War Department program. The Bill is carried to the floor and is defended by the subcommittee, and, during the course of its progress through the House, War Department representatives watch it most carefully, offering such further last-minute advice, recommendation, or information in the

2. 2

name of the Secretary of War, as is calculated to ensure the best possible action.

Although the Military Subcommittee of the Appropriations Committee conducts extensive hearings, the charges from the President's budget, contained in the Bill which it introduces in the House, are minor. Within a total of \$485,000,000 contained in the Budget for the current fiscal year the net change was less than one million. However, the Committee, in conducting lengthy hearings, is properly carrying out its legislative responsibilities. The members must be informed upon the provisions of the estimates in order to defend them on the floor of the House. Debate is limited and few proposed amendments to the bill, as reported by the Committee, are adopted.

After passage by the House, the Bill is immediately introduced in the Senate and referred to the Senate Appropriations Committee. Unlike the House, the Senate Committee, which considers the War Department Bill, is assisted by the Chairman and two members of the Senate Committee on Military Affairs. The House for some reason does not do this, and from the military point of view, it is unfortunate.

The Senate Committee hearings usually follow very quickly after the receipt of the bill. The Chief of Staff, assisted by the Chief of the Budget and Legislative Planning Branch, is usually the only War Department witness, although it may develop during the course of the hearings that the Senate Committee desires to hear more detailed testimony on certain technical points, in which case appropriate officers represent for. The House Bill constitutes the framework and the Senate Committee usually confines itself to making such changes as it desires in particular items. It sometimes adds items which the House has omitted. The War Department frankly states its opinion of the House Bill and indicates such changes as will in its opinion, within the limitations of the Budget, improve the Bill. A staff representatives of the Budget and Legislative Planning Branch are available to the Chairman of the Senate Subcommittee to furnish such data, information, and advice as will best aid in the debate of the bill on the floor of the Senate.

When the bill is passed, it goes to conference where the points of difference between the House and Senate are ironed out. It then goes to both Houses for confirmation of the Conference Report and when this has been had, it is signed by the Vice President and by the Speaker and goes to the President for approval. The President refers the bill through the Bureau of the Budget to the War Department for report, and, of course, the War Department habitually recommends that the President approve the bill.

The bill for the current fiscal year was signed on April 26, 1938, the one for the fiscal year 1939 was not approved until July 1st.

Deficiency Bills. Besides the annual Appropriation Act, the War Department frequently has important items in deficiency bills which provide for unforeseen requirements which are immediately necessary. Such bills usually are routine.

Expenditure Program When funds have been appropriated, their expenditure becomes a matter of current finance. This is a function of G-4, which Division, immediately after the Appropriation Act has been passed, prepares an Expenditure Program for the fiscal year

Budgetary Summary The foregoing recital of budgetary procedure in the War Department will convince you, I think, that its control requires not merely acquaintance with fiscal matters but the broadest military knowledge that can possibly be brought to bear. Every member of the War Department General Staff must necessarily be concerned, directly or indirectly, with the preparation of the annual budget, as every activity requires money. So when you become members of the Staff, bear that fact in mind. In the formulation of plans you must consider not only what the immediate fiscal effect will be but the cumulative effect in future years. You should remember also that, in the final analysis your plans will be subject to examination from both a fiscal and political standpoint by men who are not soldiers and whose viewpoint may be entirely different from your own.

Legislation. The second function of the Budget and Legislative Planning Branch is the processing of legislation proposed by the War Department and of reports on legislation affecting the Department but not sponsored by it.

Appropriations for the support of the Military Establishment are made in accordance with law, and Congressional rules prohibit the enactment of legislation in an appropriation bill. Therefore, it is necessary that the War Department frequently seek the enactment of authorizing legislation prior to requesting funds to put into effect its plans for national defense. A recent example is the Act of last April which provides more effectively for the national defense in accordance with the recommendations of the President in his Message of January 12th. Among other authorizations it fixed the commissioned strength of the Army at 16,719 to be obtained in approximately ten equal increments, fixed the enlisted strength of the Air Corps at 45,000 and authorized an airplane strength of 6,000. Future appropriations must be in accord with these authorizations.

The obtaining of general legislation is another methodical process. It starts in the early fall through call on the General Staff Divisions and other agencies of the War Department for matters which should be included in the Legislative Program to be submitted to the Congress. These items come up through the General Staff Divisions to the Deputy Chief of Staff and are analyzed for him in the Budget and Legislative Planning Branch. After approval by the Chief of Staff the proposed legislation is forwarded to the Bureau of the Budget by letter of transmittal asking if the proposed legislation would be in accord with the program of the President.

If the President, acting through the Bureau of the Budget, states that the legislation will not be in accord with his program, the War Department is, of course, prohibited from forwarding it to Congress. If he states that the legislation will be in accord with his program that fact is added to the Congressional letters. They are then signed by the Secretary of War and sent to Congress.

The Chairman of the appropriate committee, as a rule, introduces the bill, and it is referred back to his committee which generally conducts the hearings. Personal and political considerations frequently come into play and the processing of these bills through Congress must be most carefully watched. General legislation passed at the last regular session of Congress included, among other measures, the following

- a. Provision for the rank of Lieutenant General for the four Army Commanders.
- b. Probationary appointments in the Regular Army
- c. Provision for a Deputy Chief of Staff and an increase in the strength of the War Department General Staff.
- d. Advanced rank on retirement of the Commanding General, GHQ Air Force.

War-time Budgetary Procedure. We now come to a discussion of budgetary procedure in time of war. The subject, in the main, involves two major questions

- First. What were the requirements of Congress during the World War? Will they probably be the same in future?
- Second. What action is it practicable to take in the preparation of estimates in time of peace for prompt submission to Congress in the event of a future emergency?

World War Procedure. At the beginning of the World War, Secretary Baker went to Congress and asked that the War Department estimate, which he was submitting as a deficiency for that fiscal year -- nearly three billion dollars -- be appropriated in one sum. The Committee took issue with him immediately, and stated that while they would not require the amount of detailed justification that they would in peacetime, they intended to appropriate money under the general headings of the War Department Appropriation Act, and they so examined the estimates which were submitted by the Secretary of War. They appropriated for pay, they appropriated for subsistence, for ordnance, and so forth, in the amount of \$2,280,000,000. The War Department estimated for its requirements in round figures, based upon per capita or military unit prices. The appropriation was enacted so as to allow considerable flexibility within each appropriation title.

It may then be reasonably assumed that Congress, in future, will follow essentially the same practice as in the past.

Preparation of Estimates in Time of Peace The preparation of estimates for wartime requirements is actually in progress. They are based on the Protective Mobilization Plan with which you are familiar.

War Reserves. First, we should not only estimate for but procure in time of peace the war reserves that must be on hand on M-Day. These requirements have already been determined. They consist, first, of critical items which would be needed immediately at the outbreak of an emergency to equip the units in the Protective Mobilization Plan Force

with modern arms and munitions. Due to the long period of time required to procure such items, it is vitally important that they be on hand before the emergency begins. Estimates covering the shortages have actually been prepared.

Second, the initial equipment of essential items required for the mobilization at peace strength of existing units of the Regular Army and the National Guard and for their maintenance during a period of six months. Essential items are commercial products, such as, motors, clothing, and tentage. Even though they can be obtained commercially, it is highly important that they be available to active units so that they can take the field without delay. Estimates for the deficiencies in these items have also been prepared

Third, arsenal facilities and aids to manufacture -- that is technical machinery that should be immediately available to industry in an emergency.

All of the items included in the foregoing programs should be procured or established in time of peace but should there be any deficits in war reserves remaining on M-Day they would have high priority in the first estimates submitted to Congress.

Preparation of Estimates, Protective Mobilization Plan Preparation of estimates for funds required after the event of an emergency, as I have stated, are based on the Protective Mobilization Plan. The plan, as you know, has been prepared by the War Department and issued to Corps Area Commanders who, in turn, have prepared their subsidiary plans. Instructions have recently been sent to these Commanders to prepare estimates of costs to carry their plans into effect. The instructions, in part, are as follows:

"a. Have such estimates ready at any time for submission to Congress.

"b. Have essential details of fiscal administration prepared in advance.

"Estimates for many of the major items of expenditure will be initially prepared within the War Department. For other items, which would normally not be included in the estimates of the Chiefs of Supply Services, it is desired that the estimates be initially prepared by the corps area commanders and other field agencies.

"There is inclosed a list of appropriations and projects under which it is desired that estimates of financial requirements be prepared and submitted by you. In the preparation of these estimates the appropriate supply officers under your command, in order to avoid duplication, should coordinate fully with their respective chiefs of supply services in Washington. The estimate under each project should indicate separately the amount required for obligation

"a. During the first 30 days of mobilization.

"b. During the period 31M to 120M, inclusive."

The preparation of such estimates will, of course, take time but it should not be particularly difficult since existing standardized

213a

computations permit estimates to be made on a per capita basis, not only for pay, clothing, and subsistence, but also for shelter, utilities, etc. For example, the estimated cost of providing temporary housing for 8,000 men, including administration buildings, storehouses, etc., is \$5,800,000 or \$725 per man.

The Protective mobilization Plan is basic. For any particular color plan it should, in large part, provide the necessary data as to costs. Amendments would of course be necessary so as to provide for the transportation of troops and supplies and, from the character of impending operations and the progressive plans of the War Department to meet the emergency, will flow the determining factors in the building of further estimates.

Estimating Agencies. The estimates presented to Congress should be prepared by the same War Department agencies who normally prepare them. While Corps Area, Army, exempted station and other commanders will present their requirements, the existing estimating agencies of the War Department alone are staffed, equipped and trained to prepare estimates in final form. Their employment would permit the evaluation of requirements submitted by field commanders, prevent duplication, assure accuracy and provide complete cost data for their respective needs.

Budget Officer for the War Department The estimates as prepared by the several War Department agencies should then be submitted to the Budget Officer for the War Department for compilation and coordination.

Fiscal War Planning Committee. They should subsequently be submitted to examination by a Fiscal War Planning Committee to determine that all elements of the plan are provided for. Its functions would be similar to those of the peacetime Budget Advisory Committee, but broader and consideration of the estimates would have to be decentralized. Its membership probably could consist of representatives of the Deputy Chief of Staff, all General Staff Divisions and of the Assistant Secretary of War.

Review by such a Committee is essential. It should see that priorities be established in accordance with their relative order in the plan, that inter-related estimates be coordinated so as to eliminate duplication and waste. Also future withdrawals from the Treasury should be calculated. The rate of expenditure will be a matter with which the President and Congress will be greatly concerned since taxation and bond issues will be determined by the actual cash withdrawn from the Treasury.

In war, as in peace, I believe that an agency directed by the Chief of Staff must constantly be employed in assembling, scrutinizing, and presenting to the President and Congress the War Department's recurrent estimates of the funds necessary for the prosecution of its plans. Speed will be an essential factor, therefore the number of people who appear before the Committees of Congress will undoubtedly be reduced. Favorable Congressional action will depend largely on the confidence which the Congress has in the ability and integrity of a few men who appear before it.

Record of discussion filed in A. C. Record Section.

SLIDES FOR COLONEL LOUGHRY'S LECTURE ON THE WAR DEPARTMENT BUDGET.

- CHART 1. (Graph) Budgetary organization of the War Department.
- CHART 2. Schedule -- War Department Budget -- fiscal year 1940.
- CHART 3. Tentative Directive -- War Department Military Program for the fiscal year 1940.
- CHART 4. Tentative Directive -- War Department Military Program for the fiscal year 1940, Continued.
- CHART 5. Tentative Directive -- War Department Military Program for the fiscal year 1940, Continued.
- CHART 6. Tentative Directive -- War Department Military Program for the fiscal year 1940, Continued.
- CHART 7. Tentative Directive -- War Department Military Program for the fiscal year 1940, Continued.
- CHART 8. Tentative Directive -- War Department Military Program for the fiscal year 1940, Continued.
- CHART 9. Schedule -- War Department Budget -- fiscal year 1940, Continued.
- CHART 10. Justification of Estimate "Ordnance Service and Supplies."
- CHART 11. "Ordnance Service and Supplies, Army," Project 2.
- CHART 12. (Graph) Progress of Military Estimates, fiscal year 1940
- CHART 13. (Graph) War Department Appropriation Acts (Military), fiscal year 1940 -- Appropriations for each estimating agency.
- CHART 14. (Graph) Functional breakdown -- War Department Appropriation Act, fiscal year 1940 (Military).
- CHART 15. (Graph) War Department Appropriation Acts, fiscal year 1940, Regular and Supplementals
- CHART 16. Total Appropriations (including contract authorizations), fiscal years 1935 - 1940, inclusive.

(Slides filed in Record Section, A W.C)

204

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Discussion
following the lecture

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War Department

January 3, 1940

215

Discussion

BUDGETARY PROCEDURE IN THE ARMY

Colonel Howard K. Loughry, G.S.C.

Q -- Are real estate acquisitions purchased through the regular budget or are they handled in the regular manner?

A -- We have to get authorization for the procurement of real estate. As a matter of fact, we went to the Bureau of the Budget last year with the real estate program, which, I think, totaled some \$7,000,000, and the Bureau of the Budget recommended that \$5,000,000 be authorized to be expended in the two fiscal years 1941 and 1942. The answer to your question is that we have got to have authorization. There are certain exceptions - namely, the Fortification Act of 1917 authorized the acquisition of real estate in connection with seacoast defense and with fortifications. When you want to acquire a site for a seacoast battery, you don't have to have specific authorization for it. It's contained in the general act of 1917. But, generally speaking, you have to have authorization.

Q -- When a need for money arises for some purpose for which there is no existing authorization, to what extent does the necessity for obtaining authorization and appropriation in the same year impede the thing?

A -- Well, it would depend entirely on the purpose for which the money was to be employed. What have you in mind?

2045

Q -- Well, in a general case where there is a need for money but there is no existing authorization, so it can't be included in a regular appropriation until authorization is obtained.

A -- In some cases the authorization would be required. If the emergency were critical enough, we would go to the Bureau of the Budget and the Appropriations Committee and ask for the appropriation for the specific purpose and not ask for a separate authorization, trusting that Congress, in view of the emergency, would not raise the question of authorization. If it did, then we'd have to get the authorization separately and then we'd get them approximately simultaneously. That is conjecture in that answer. For example, we have got estimates now which are before the Bureau of the Budget for construction that would require authorization and it's the practice of Congress to get authorization for construction prior to asking for the appropriation of funds. In this case we thought that in order to expedite the matter and in the belief that the situation might be considered as critical, we could ask for the appropriation without getting the specific authorization. Which may or may not answer your question. In other words, perhaps we could get by without the necessary authorization in some cases and we might run into difficulties. But as you understand them, the appropriations, in general, for the maintenance of the Army and for the procurement of materiel and everything of that character do not require specific authorization. It's contained in previous appropriation bills. It should be the exception rather than

7.5/2

the rule, when we have to have authorization. In other words, I don't believe that in the estimates for 1941 - with one or two exceptions, and they are largely technical - we will have to have any authorizing legislation.

Q -- Then there's not a hard and fast line drawn against appropriations being considered by an appropriations committee for a purpose that has not been previously authorized by a military committee?

A -- Yes, there is. That is exactly the fact. Ordinarily, funds carried in an appropriations bill would be subject to a point of order if they hadn't been previously authorized and in the exception mentioned this would be the case. In an emergency, the point of order might not be made. Normally it would be made, or it would be anticipated. In other words, the appropriation committee itself would not recommend appropriations that had not been authorized before.

Q -- What check is made by Congress as to the expenditure of this money according to the various items pending before the Congressional committee?

A -- They don't make any check up at all. I might say that so long after the funds are appropriated an expenditure program, as you know it, is prepared and issued to all the estimating and disbursing agencies. That program is prepared by G-4 and it's prepared in accordance with the purposes of the appropriation. There is sometimes a departure from the specific purposes for which

24c

funds are appropriated. Generally speaking, there is an agreement that funds will be appropriated for the purposes indicated in the appropriation and as recommended in the estimate and which is not departed from in any considerable degree. Departure is the exception and presumably a justifiable one. Congress rests assured that the money is expended as appropriated for. They don't make any check up on it except as it may come to their attention in subsequent years. If there has been any departure from it they sometimes prescribe, for example, that in the appropriation for the Air Corps a certain sum should be expended for the procurement of airplanes. The money appropriated for that purpose cannot be used for anything else. Generally speaking, they don't put checks on it.

Q -- Would that be the basis for this investigation they are talking about?

A -- I don't know of any investigation.

Q -- Is there appropriated for training, where the Army has any particular maneuvers, any money for claims that may arise in training on land?

A -- Yes, the language of the appropriation for field exercises provides for the payment of claims, and, in view of the large amount that is carried in the 1941 estimate, four field exercises are due to the state of the maneuvers. Whereas the authority for local commanders for the settlement of claims has been heretofore limited to \$5.00, it has been increased to \$500, and broader authority has been

241

given to local commanders for such claims. Is that right, Brown?

A -- I believe the authority has not yet been given. It is contemplated. It's provided for in the language of the appropriation bill and it's contemplated by the Acting Secretary.

Colonel Lewis -- Gentlemen, the time is short. We have another conference. Any comments or questions by the instructors? Colonel Borden?

Colonel Borden -- I have only one question. I understand that you said that certain appropriations would be exhausted in February and that you were submitting deficiency estimates. What happens if we don't get them by February?

A -- This action is taken on the assumption that Congress will make the appropriation by that time. In certain appropriations such as travel where we have practically employed all our funds, I don't know of anything you could do except to stop travel or go to the President and ask him for authorization to exceed the appropriation or to create a national deficit. There are certain appropriations which the law prescribes so that deficiencies may be created in accordance with the needs of the current fiscal year. Travel and transportation - travel is included in transportation - would be one of them. The president can authorize such an obligation for the creation of a national deficit in accordance with that law. As you may know, we over-obligated the appropriation for transportation by some \$12,000,000 for the procurement of motor vehicles, the contract

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which was let in December. We got the specific authority of the President for that action, and if Congress should fail to appropriate money by the first of February for the critical appropriations, I think we could again go to the president and ask authority for such an obligation which is authorized by law.

Colonel Miles -- I have no question. I want to thank Colonel Loughry for this interesting talk. I think everyone has been greatly benefited by it.

Colonel Loughry -- Thank you.