

Some Background

FEDERAL BUDGET PROCESS

What is the history of the budget process?

Q. What is the history of the budget process?

A. In 1972, President Richard Nixon impounded funds for various social programs. Nixon argued that because Congress lacked a process for controlling the federal budget, budget deficits might expand irresponsibly if the president lacked the power to block funding. Congress responded by establishing a formal budget process through the Congressional Budget and Impoundment Control Act of 1974.

Today's congressional budget process has its origins in the Congressional Budget and Impoundment Control Act of 1974. That law sought to create a coherent procedure for Congress's revenue and spending decisions, and to constrain a president's ability to impound funds appropriated by Congress.

In 1972, newly reelected president Richard Nixon refused to spend funds appropriated for various social programs. Although the Constitution provides that a president may not spend money without a congressional appropriation, it was less clear whether he was obliged to spend every dollar appropriated.

Prospective recipients quickly challenged Nixon's impoundments in court, and he lost every case at the appellate level except one. Before the Supreme Court could consider the issue, Congress moved to limit the president's power to impound funds explicitly.

But Nixon had an effective counterargument. He pointed out that Congress had no formal, orderly process of its own for adding up individual spending and revenue decisions, and for relating total spending to total revenue. Nixon argued that if the president lacked the power to impound spending, total spending might expand irresponsibly.

Congress realized that Nixon had won the substantive argument and that it could not limit the president's impoundment powers unless it created a formal budget process of its own. It responded by passing the Congressional Budget and Impoundment Control Act of 1974.

The designers of the new process were intent on avoiding any significant reduction in the powers of existing committees or else they could not get the legislation passed. With a few exceptions, the new budget process only established targets for aggregate spending and revenue totals. Traditional committees were left to determine the details. This compromise made the new process much more complicated than it would otherwise have been.

The budget process has evolved since. Originally, two budget resolutions were required; now, only one. Reconciliation was originally seen as a mechanism for reconciling the first budget resolution with the second but now it is a way to expedite debate and to avoid filibusters in the Senate and provides a mechanism for

Some Background

FEDERAL BUDGET PROCESS

What is the history of the budget process?

expediting changes in entitlements and tax policy.

Updated May 2020

Further Reading

Schick, Allen. 1995. [*The Federal Budget: Politics, Policy, Process*](#). Washington, DC: Brookings Institution Press.

Copyright © 2020. Tax Policy Center. All rights reserved. Permission is granted for reproduction of this file, with attribution to the Urban-Brookings Tax Policy Center.