

CBO TESTIMONY

Statement of
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before the
Subcommittee on Legislation
and National Security
Committee on Government Operations
U.S. House of Representatives

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NOTICE

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Mr. Chairman, I am pleased to have the opportunity to offer the views of the Congressional Budget Office (CBO) on the proposal to establish procedures for the Congress to consider expedited rescissions of budget authority that are proposed by the President. I will focus on three main points in my statement:

- o First, expedited rescission, a more limited grant of authority to the President than the line-item veto, would enable the President in certain circumstances to force Congressional proponents of specific spending proposals to defend those proposals publicly.
- o Second, despite the anticipated increase in spending visibility, expedited rescission is unlikely to have a significant effect on the size of the federal deficit. This conclusion is consistent with the experience of the states with the line-item veto.
- o Third, this change in procedure could increase the Congressional work load.

WHAT ARE THE CURRENT AND PROPOSED PROCEDURES FOR RESCISSION?

The Congressional Budget and Impoundment Control Act of 1974 (the Budget Act) permits the President to propose the rescission, or cancellation, of amounts of budget authority enacted by the Congress. Such a rescission becomes effective, however, only if it is approved by both Houses within 45 days of continuous session after it is proposed. The Congress can effectively and easily disapprove a Presidential proposal for rescission by simply ignoring it. During the 45 days that the Congress is presumed to be considering the proposal, the funds are withheld from spending.

Essentially, then, the President's power under this provision is restricted to the authority to defer the use of funds for 45 days. Of course, the Congress can enact rescissions of budget authority through its appropriation process, regardless of whether the President initiates the procedure or not.

Under the provisions of H.R. 1013, which is the expedited rescission bill with the most sponsors (and is similar to H.R. 2164, the expedited rescission bill that passed the House in the 102nd Congress), the 1974 Budget Act would be amended to foreclose the ability of the Congress to disapprove a President's rescission by ignoring it. Specifically, this proposal and other

expedited rescission bills would establish a mandatory timetable for Congressional action on the President's proposal.

Under H.R. 1013, for example, the President has three days following the enactment of an appropriation act to propose a bill to rescind specific amounts of budget authority provided in that act. Within two days of receiving the President's message, the House leadership must introduce the rescission bill. Failing that, on the third day any Member can introduce the bill, which is to be referred to the Appropriations Committee. The bill must be reported without substantive revision by the seventh day and voted on in the House by the tenth day. If passed, the bill would be transmitted to the Senate, where action is also to be completed in 10 days of continuous session. A simple majority vote in either House would be sufficient to defeat the rescission.

For authorized appropriations, the President could not propose canceling any more than 25 percent of the amount appropriated for any program, project, or activity under expedited rescission. For unauthorized appropriations, the President would not be limited in the proportion proposed for rescission. Finally, the procedures included in H.R. 1013 are experimental; they would remain effective only for the 103rd Congress.

Another expedited rescission bill, H.R. 222, would make the procedures permanent.

Expedited rescission procedures give the President the authority to raise the visibility of any spending proposal, including so-called pork-barrel items, by forcing debate and votes on a selected number of spending projects. This increased attention may result in these items being deleted from appropriation acts for fear of later embarrassment by a proposed rescission and efforts to enact it. At a minimum, proposals that have not heretofore been the subject of hearings and debate (which may include unauthorized appropriations) might need to be publicly defended by their advocates, if the President chose to force the issue.

Alternatively, some of the problems meant to be addressed by expedited rescission could be dealt with by enforcing the current prohibition on unauthorized appropriations and by using existing procedures. The typical parliamentary impediments (such as filibusters in the Senate, the need to muster majorities in numerous committees and at various stages of the legislative process, or the two-thirds majority in each House required to override a Presidential veto) that make enacting any legislation so difficult could be used more effectively to prevent adopting such spending, without necessarily adding another stage to the process.

Presidential rescissions could also be brought to the floor by using the existing procedure for discharge under the Budget Act. This procedure was used in the 102nd Congress when President Bush proposed various rescissions of budget authority. Expedited rescission differs in two primary ways, however, from the existing procedures. First, the President can specify the particular rescissions to be voted on; in the case of the discharge procedures, nothing prevents the Congress from voting on a separate set, as it did last year. Second, expedited rescission puts the burden (and the opportunity) squarely on the President. It is a matter for you to decide if that is where the responsibility belongs.

EXPEDITED RESCISSION IS UNLIKELY TO REDUCE THE DEFICIT SIGNIFICANTLY

Proponents of expedited rescission and related measures sometimes suggest that these procedural changes could offer substantial assistance in reducing federal spending and the budget deficit. Since the veto would apply only to discretionary spending, however, its potential usefulness in reducing the deficit or controlling spending is limited.

CBO's baseline budget data for fiscal year 1994 illustrate this point. The outlay caps for discretionary spending, enacted in the Budget

Enforcement Act (BEA), total \$539 billion. Other spending--including mandatory spending and interest on the national debt--is projected to be \$962 billion. Discretionary spending, which is the only portion of the budget that would be subject to expedited rescission, therefore represents less than 40 percent of total projected spending in fiscal year 1994. The projected deficit for that year is \$287 billion, or more than 50 percent of total discretionary spending.

Further, expedited rescission would apply to the area of the budget that is, comparatively speaking, under control. Discretionary spending has grown far slower than mandatory spending--a trend that is expected to continue under current policies. Mandatory spending (fueled by an increase in health care spending) rose by an average of 8.7 percent a year between fiscal years 1987 and 1992, compared with less than 4 percent for discretionary spending.

Expedited rescission procedures could decrease discretionary spending in cases where the President cared more about reducing spending or the deficit than he did about pursuing his own spending priorities. In such cases, expedited rescission could help in two ways. The first is obvious: selected discretionary appropriations that could not overcome majority opposition in both Houses would be reduced without causing anything to be added to the budget, thus reducing the deficit. The potential effect on the deficit of these

rescissions, however, would probably be quite small. In addition, though, the President could use the threat of expedited rescission to bargain with the Congress, encouraging it to adopt a broad package of deficit reductions in exchange for a pledge not to single out appropriations some Members support.

If the President did not give top priority to deficit reduction, the situation would be much different. Recent experience suggests that even Presidents who support reductions in one area of discretionary spending may favor increases in others. In that case, the President would be unlikely to request rescissions in activities where he supported increased spending. He could also use the threat of expedited rescission to win votes for the appropriations that he supported. That approach could lead to an increase in total discretionary spending rather than a decrease.

Under any scenario, expedited rescission would probably pave the way for replacing some Congressional budget priorities with Presidential ones. A number of analysts argue that this is sufficient reason to adopt the procedure, because the President is more likely to support spending that has broad national benefits and is less likely to support more parochial pork-barrel spending. Since pork-barrel spending has no consistent definition, however, this argument is difficult to evaluate.

RELATED GRANTS OF EXECUTIVE AUTHORITY HAVE NOT HELD DOWN STATE SPENDING

Supporters of expedited rescission sometimes point to the use of the line-item veto in the states as evidence of its potential effectiveness in reducing spending and the deficit. Governors in 43 states have the power to remove or reduce particular appropriation items that state legislatures have enacted.¹ The evidence from studies of the use of the line-item veto by the states, however, indicates little support for the assertion that it has been used to reduce state spending.

Researchers have reviewed the impact of state line-item vetoes through case studies of individual states, surveys of multiple states, and statistical techniques. For example, a study of the use of the line-item veto in Wisconsin over a 12-year period found that governors were likely to use the authority to pursue their own policies or political goals but not to reduce spending.² Similarly, a survey of state legislative budget officers in 45 states found that governors were likely to use the item veto for partisan purposes (Democratic governors vetoing projects enacted by Republican legislators, for

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1. See Advisory Commission on Intergovernmental Relations, *Significant Features of Fiscal Federalism* (January 1990).
 2. James Gosling, "Wisconsin Item Veto Lessons," *Public Administration Review*, vol. 46 (July/August 1986), pp. 292-300.

example), but were unlikely to use the veto as an instrument of fiscal restraint.³ Finally, several researchers have used statistical models to test the effect of the line-item veto, and few have found support for the contention that the veto reduces state spending.⁴ Although the line-item veto may have an effect on the budget, that effect is more likely to substitute the governor's priorities for those of the legislature than it is to reduce spending.

EXPEDITED RESCISSION PROCEDURES COULD INCREASE THE CONGRESSIONAL WORK LOAD

Any procedural change that requires the Congress to take an action that it can now avoid has the potential to increase the work load of the Congress. Providing the President with the authority to force a vote on individual appropriation items could prompt a substantial amount of legislative action in each House. Such an increase in Congressional work load could eat up many hours of floor time.

3. Glenn Abney and Thomas Lauth, "The Line-Item Veto in the States: An Instrument for Fiscal Restraint or an Instrument for Partisanship?" *Public Administration Review*, vol. 45 (May/June 1985), pp. 372-377.

4. See, for example, David C. Nice, "The Item Veto and Expenditure Restraint," *Journal of Politics*, vol. 50, no. 2 (May 1988), pp. 487-499; and Douglas Holtz-Eakin, "The Line Item Veto and Public Sector Budgets: Evidence from the States," *Journal of Public Economics*, vol. 36 (August 1988), pp. 269-292. For a study that finds a restraining influence, see W. Mark Crain and James C. Miller III, "Budget Process and Spending Growth," *William and Mary Law Review*, vol. 31, no. 4 (Spring 1990), pp. 1021-1046.

H.R 1013 does take this concern into account. For example, it includes procedures that would limit debate and the use of motions to strike proposed rescissions from the bill. It would also require the President to take all items from a single appropriation bill proposed for rescission in a single message and bill (unless the proposal includes accounts within the jurisdiction of more than one subcommittee of the Appropriations Committee).

The provision for a single rescission bill, however, also contains a potentially significant drawback. The larger the number of items in the rescission bill, the greater the opportunity for the affected interests to defend their projects through logrolling and voting coalitions. Nonetheless, because fewer narrow interests will be at stake in a vote on a rescission bill, the supporters of items proposed for rescission would have a reduced chance of forming successful coalitions on the rescission vote than they would on the more inclusive appropriation act.

CONCLUSIONS

Debates about whether to adopt expedited rescission will undoubtedly turn on issues other than the effect on total spending. These issues include what effects granting the President this authority are likely to have on the

separation of powers, the relationship between the two branches of government, and the consequences for the Congressional work load.

The strongest case for the reform relies on a belief that Presidents can identify projects with predominantly local benefits and are willing to act against them without substituting their own local-benefit projects. However, no two Presidents would act alike in this respect.