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BUDGET PROCESS

**Use and Impact of
Rescission Procedures**

Statement of Harry S. Havens
Assistant Comptroller General



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Mr. Chairman and Members of the Committee:

I am pleased to appear before you today to discuss the General Accounting Office's role in the congressional rescission process and to provide some perspective on the use and impact of rescissions.

Since enactment of the Impoundment Control Act in 1974, all Presidents have proposed rescissions. The Congress has considered and accepted a portion of the proposals, while also initiating rescissions of its own to revise spending decisions. Although rescissions have caused adjustments in programmatic priorities, we do not believe that they can be expected, in the present circumstances, to serve as a significant deficit reduction or spending limitation tool. Thus, proposals to change the rescission process should be viewed primarily in terms of their effect on the balance of power between the Congress and the President with respect to discretionary program priorities.

OUR ROLE

We have certain responsibilities under the Impoundment Control Act, which, among other things, established formal congressional control over presidential impoundments. Impoundments include both deferrals--the temporary withdrawal of budget authority within a fiscal year--and rescissions--permanent cancellation of budget authority. We review impoundment messages that the President sends to the Congress to verify the justification for and estimated program effect of the impoundment. We are also authorized to report to the Congress any impoundment which, in our opinion, has been misclassified, such as a rescission proposal reported as a deferral.

The Comptroller General is also authorized under the act to report to the Congress any impoundment which the President has failed to report. Obviously, it would be impractical to attempt to review every account of the government, but we have found that this is unnecessary. When an unreported withholding takes place, it is typically brought to our attention by the intended recipient or by concerned Members or Committees of the Congress.

When the President submits an impoundment message to the Congress, we are responsible for monitoring the status of affected funds. For example, we monitor deferred budget authority to ensure that funds are released in time to allow for prudent obligation. Well before the expiration of deferred appropriations, we initiate inquiries at the Office of Management and Budget to verify that funds will not be permitted to lapse; if it appears that a lapse may occur, we report the deferral to the Congress as a de facto rescission. We also monitor the 45-

day statutory time limit associated with proposed rescissions to ensure that funds are released promptly following congressional disapproval or the expiration of the time limit.

Finally, we provide statistical summaries and analyses on the impoundment process, as an adjunct to the above roles. In the past, we informally provided a variety of data to the Congress; as the level of interest in this area has increased, we have prepared and periodically submitted to the Congress formal summaries of proposed and enacted rescissions.

Mr. Chairman, I would now like to turn to that data to provide some perspective on the use of rescissions by both the Congress and the President since the 1974 act was adopted. Data tracking the disposition of rescission proposals as well as their impact on fiscal policy and budgetary priorities can provide the context for considering proposals to change rescission procedures. First, let me discuss actual experience under the procedure.

USE OF THE RESCISSION PROCESS

All presidents have proposed rescissions since 1974. The Congress has accepted about one-third of the proposals, and it has also initiated its own rescissions to revise enacted budget authority. The total of congressionally enacted rescissions--accepted presidential proposals plus congressionally initiated rescissions--has exceeded in total dollars the aggregate amount proposed by presidents. Attachment I summarizes all proposed and enacted rescissions since 1974.

As shown at attachment II, both Republican and Democratic presidents have submitted substantial rescission proposals. However, the number and dollar values proposed have varied widely within each administration. For example, the Reagan administration proposed the highest number (245 in 1985) and current dollar value (\$15.4 billion in 1981) as well as the lowest (zero in 1988).

Since 1974, the Congress has approved about 35 percent of proposed rescissions and about 31 percent of proposed rescinded budget authority. The approval rate varies by administration. For example, in the Carter administration, about 56 percent of the proposals were approved, covering 46 percent of the budget authority that was proposed for rescission. The comparable numbers for Republican administrations were about 32 percent of proposals and 30 percent of budget authority.

The Congress, on its own initiative, has made increasing use of rescissions as a tool to revise enacted budget authority. As shown in attachment I, the Congress has not merely reacted to presidential proposals, but has also initiated its own

rescissions. Overall, congressionally initiated rescissions total nearly \$50 billion. When this is added to the presidential proposals accepted by the Congress, the total of \$71 billion of enacted rescissions exceeds the \$69 billion proposed by all presidents since 1974.¹

These data suggest an evolution in the use of rescissions as a budgetary tool. The rescission approval procedure was envisioned in the 1974 Impoundment Control Act as a mechanism to assure congressional review of presidential rescission proposals. The Congress has also used rescissions to adjust enacted budget authority to reflect congressional priorities. Over time, as shown in attachment III, the share of total enacted rescissions which were originally proposed by the president has fallen and the share originating in the Congress has increased.

The statistics discussed above are useful to gauge how rescission authority has been used since 1974. Of course, the more important questions relate to the programmatic and fiscal effect of rescissions and whether changes to the current process should be considered. Let me now turn briefly to those questions.

THE FISCAL AND PROGRAMMATIC EFFECTS OF RESCISSIONS

Rescissions cannot be expected to be a major tool to reduce the deficit. Rescissions can be proposed or enacted only for funding provided by annual appropriations or supplementals--referred to as discretionary spending--which represents only 37 percent of this year's outlays. Further, the discretionary portion of the budget has been falling as a share of the budget. As we said in our June 5, 1992, report (Budget Policy: Prompt Action Necessary to Avert Long-Term Damage to the Economy, GAO/OCG-92-2), interest on the debt and escalating health expenditures are the major deficit drivers. However, these and other types of mandatory spending, which equal almost 63 percent of fiscal year 1992 outlays, cannot be proposed for rescission.

Since 1974, rescinded budget authority has had a negligible impact on annual and total federal deficits. Total enacted rescissions amount to less than 3 percent of cumulative deficits since 1974. In only 5 of the past 19 years have rescissions

¹These estimates do not include rescissions of an indefinite amount of budget authority; such rescissions do not include a specific dollar value at the time of enactment.

constituted more than 3 percent of the annual deficit.² In 1974, enacted rescissions equalled nearly 23 percent of that year's deficit, principally because the 1974 deficit was so low--\$6 billion. To achieve rescissions equal to 23 percent of this year's projected \$314 billion deficit, the Congress would need to rescind over \$70 billion--nearly eight times currently rescinded budget authority and over 13 percent of the fiscal year 1992 discretionary budget authority cap.

Further, rescissions that are approved may not reduce total spending. It is quite possible that an equivalent amount of budgetary authority could be added to another program. In such cases, the rescission in effect transfers funds from one program to another, thereby shifting budgetary priorities rather than reducing total resources.

This is not to say that rescissions are unimportant. While their impact on total spending and the deficit is marginal at best, at least in the present circumstances, they do occasion debate between the President and the Congress over cuts in specific programs. The Congress often substitutes its own programmatic priorities for those of the President, with potentially significant consequences for programs.

ENHANCED AND EXPEDITED RESCISSION AUTHORITY

Finally, Mr. Chairman, I turn to the question of changes that could be made to the current rescission process, in which presidential proposals are considered rejected unless expressly approved by the Congress. You have before you many proposals to change that process. I will not attempt to address each of these individually. For discussion purposes I will divide them into two categories:

- proposals for "enhanced" rescission, commonly defined as providing authority to the President to rescind enacted budget authority unless expressly disapproved by the Congress, and
- proposals for "expedited" rescission, defined as procedures which modify the current process to ensure rapid and formal consideration of presidential proposals.

²Comparing rescissions to deficits overstates the short-term impact of rescissions. Rescissions are always stated in terms of budget authority, whereas the deficit is a function of outlays. Because some rescinded budget authority might yield outlays in subsequent years, the current year value of the rescission would be greater than expected current year outlays.

Enhanced Rescission Authority

The typical enhanced rescission proposal would grant to the President the authority to cancel all or part of budget authority already enacted by the Congress and signed into law. To reinstate that budget authority, the Congress would have to reenact it. Because the reenactment would be subject to presidential veto, the Congress could be sure of overturning a rescission only if there were sufficient support in both Houses to overturn a veto.

Thus, adopting an enhanced rescission proposal would constitute a major shift of power from the Congress to the President in an area that was reserved to the Congress by the Constitution and historically has been one of clear legislative prerogative. Considering the relatively small effect that rescissions can have on fiscal policy, in the present circumstances, but the significant effect that they could have in restructuring spending priorities, the Congress should consider whether it wishes to pursue such a major transfer of power.

Expedited Rescission Authority

Proposals for expedited rescission procedures appear to grow out of a belief that a president should be entitled to a prompt up-or-down vote in the Congress on his specific proposals to reduce enacted spending authority and that the current procedures do not yield this result.

On the other hand, the Impoundment Control Act provides a special discharge procedure permitting 20 percent of the members of either house to force a floor vote on any presidential rescission proposal. Arguably, this should be sufficient to ensure that any such proposal, having sufficient congressional support to create the possibility of approval, can be brought up for debate and an up-or-down vote. A proposal that fails to gather the support of even 20 percent of the members would appear to have no chance of enactment. Under these circumstances, forcing a vote might be considered a waste of time on the legislative calendar.

This year, there was some discussion about using this discharge procedure. No discharge petition was actually filed, and the President's specific proposals were not, in their entirety, considered by the full House. However, some have suggested that the potential use of the discharge procedures helped speed congressional consideration of a rescission bill³ that included some of the President's proposals and which

³PL' 102-298, 106 STAT. 217 (1992), rescinding certain budget authority.

rescinded more budget authority than the President had initially proposed.

CONCLUSION

In summary, Mr. Chairman, we believe that 19 years of experience show that the rescission process has been used, as intended, by presidents to advance their own priorities for spending cuts. But rescissions have also been increasingly used by the Congress as a vehicle to express its own view of changing priorities. As the Congress has come to embrace an equivalent or greater amount of reductions as proposed by presidents, the debate has shifted from deciding whether to cut to deciding where to cut.

Given the relatively small influence rescissions can have on budgetary totals and deficits of today's magnitude, rescissions cannot be expected to serve as a significant deficit reduction or spending limitation tool. Rather, they can more appropriately be viewed as a way for the President and the Congress to debate and resolve their differing views about the need to cut specific programs. Proposals to change the process should be viewed in the context of their effect on the relative balance of power in this debate. Enhanced rescission authority would provide significant new power to the President, which could very well change the outcome of that debate; expedited rescission authority would have a less dramatic effect but, arguably, current processes are sufficient to ensure congressional consideration of any rescission proposals for which there is significant support in the Congress.

Thank you, Mr. Chairman. This concludes my prepared remarks. I would be happy to answer any questions you may have.

SUMMARY OF RESCISSIONS ENACTED BY CONGRESS
FISCAL YEARS: 1974 - 1992

Fiscal Year	Number of rescissions proposed by President	Dollar amount proposed by President for rescission	Number of proposals accepted by Congress	Dollar amount of proposals enacted by Congress	Number of rescissions initiated by Congress	Dollar amount of rescissions initiated by Congress	Total rescissions enacted	Total dollar amount of budgetary authority rescinded	Notes
1992	128	7,979,473,690	26	2,067,546,000	107	7,353,878,054	133	9,421,424,054	1
1991	30	4,859,251,000	8	296,419,000	26	1,420,467,000	34	1,706,886,000	2
1990	11	554,258,000	0	0	71	2,304,988,000	71	2,304,988,000	
1989	6	143,100,000	1	2,053,000	11	325,913,000	12	327,966,000	
1988	0	0	0	0	61	3,888,663,000	61	3,888,663,000	
1987	73	5,835,900,000	2	36,000,000	52	12,359,390,675	54	12,395,390,675	
1986	83	10,126,900,000	4	143,210,000	7	5,409,410,000	11	5,552,620,000	
1985	245	1,856,087,000	98	173,699,000	12	5,458,621,000	110	5,632,320,000	
1984	9	636,400,000	3	55,375,000	7	2,188,689,000	10	2,244,064,000	
1983	21	1,569,000,000	0	0	11	310,605,000	11	310,605,000	
1982	32	7,907,400,000	5	4,365,486,000	5	48,432,000	10	4,413,918,000	
1981	133	15,361,900,000	101	10,880,835,550	43	3,736,480,600	144	14,617,426,150	3
1980	59	1,618,100,000	34	777,696,448	33	3,238,206,100	67	4,015,902,548	
1979	11	908,700,000	9	723,609,000	1	47,500,000	10	771,109,000	
1978	12	1,290,100,000	5	518,855,000	4	67,164,000	9	585,819,000	
1977	20	1,926,930,000	9	813,690,000	3	172,722,943	12	986,412,943	
1976	50	3,582,000,000	7	148,331,000	0	0	7	148,331,000	
1975	87	2,722,000,000	38	386,295,370	1	4,999,704	39	391,285,074	
1974	2	495,635,000	0	0	3	1,400,412,000	3	1,400,412,000	
Total: 1974 - 1992	1012	\$69,273,034,690	350	\$21,379,000,366	458	\$49,736,550,076	808	\$71,115,550,442	4

NOTES

1 As of September 3, 1992.

2 The Military Construction Appropriations Act, Fiscal Year 1991, approved most of the rescissions proposed by the President in Fiscal Year 1990, 41 days after the funds were released for obligation under the Impoundment Control Act. The following individual projects were not "approved" for rescission: Central District Center, Phase III, Red River, Texas - \$39,000,000 in proposed rescission R90-4; addition to Flight Simulator, Luke Air Force Base, Arizona - \$1,900,000 in proposed rescission R90-5; installation of fireplaces in SOQ, WPAFB, Ohio - \$56,000 in proposed rescission R90-10.

3 Thirty-three rescission proposals for \$1,142,364,000 proposed by President Carter in Fiscal Year 1981 have not been included in this table because the rescissions were converted to deferrals by President Reagan in his Fifth Special Message for Fiscal Year 1981, dated February 13, 1981.

4 The total estimate of budgetary authority rescinded is understated due to rescissions of indefinite amounts, which are not included in this table.

**Rescissions by Presidential Administration
under the Impoundment Control Act**

Fiscal Year	Rescissions proposed by President Bush	
	Number	Total Amount
1992	128	7,879,473,690
1991	30	4,859,251,000
1990	11	554,258,000
1989	0	0
TOTALS	169	\$13,292,982,690

Presidential proposals accepted by Congress		
Number Accepted	Total Amount	Percent Accepted
26	2,067,546,000	20%
8	286,419,000	27%
0	---	0%
0	---	0%
34	\$2,353,965,000	20%

Rescissions Initiated by Congress During Bush Administration	
Number	Total Amount
107	7,353,878,054
26	1,420,487,000
71	2,304,986,000
11	325,913,000
215	\$11,405,244,054

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Fiscal Year	Rescissions proposed by President Reagan	
	Number	Total Amount
1989	6	143,100,000
1988	0	0
1987	73	5,835,800,000
1986	83	10,126,900,000
1985	245	1,856,087,000
1984	9	636,400,000
1983	21	1,569,000,000
1982	32	7,907,400,000
1981	133	15,361,900,000
TOTALS	602	\$43,436,587,000

Presidential proposals accepted by Congress		
Number Accepted	Total Amount	Percent Accepted
1	2,053,000	17%
0	0	0%
2	36,000,000	3%
4	143,210,000	5%
98	173,699,000	40%
3	55,375,000	33%
0	0	0%
5	4,365,486,000	16%
101	10,880,935,550	76%
214	\$15,656,758,550	36%

Rescissions Initiated by Congress During Reagan Administration	
Number	Total Amount
0	0
61	3,888,663,000
52	12,359,390,875
7	5,409,410,000
12	5,458,621,000
7	2,188,689,000
11	310,605,000
5	48,432,000
43	3,736,490,600
198	\$33,400,301,275

**Rescissions by Presidential Administration
under the Impoundment Control Act (continued)**

Fiscal Year	Rescissions proposed by President Carter		Presidential proposals accepted by Congress			Rescissions Initiated by Congress During the Carter Administration	
	Number	Total Amount	Number Accepted	Total Amount	Percent Accepted	Number	Total Amount
1981	[33]	[1,142,364,000]	0	0	0%	0	0
1980	59	1,618,100,000	34	777,696,446	58%	33	3,238,206,100
1979	11	908,700,000	9	723,609,000	82%	1	47,500,000
1978	12	1,290,100,000	5	518,655,000	42%	4	67,164,000
1977	7	791,552,000	2	96,090,000	29%	3	172,722,943
TOTALS	89	\$4,808,452,000	50	\$2,116,050,446	56%	41	\$3,525,593,043

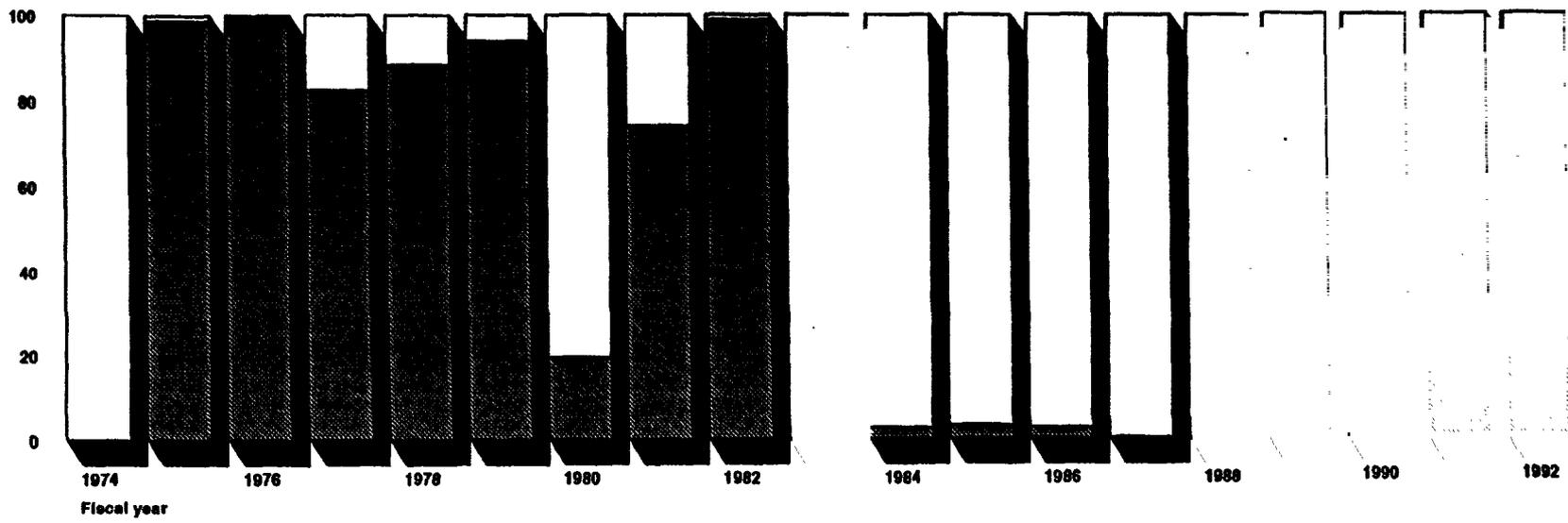
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Note: The 33 rescissions proposed in 1981 by President Carter were converted to deferrals by President Reagan in his Fifth Special Message of Fiscal Year 1981, dated February 13, 1981.

Fiscal Year	Rescissions proposed by President Ford		Presidential proposals accepted by Congress			Rescissions Initiated by Congress During Ford Administration	
	Number	Total Amount	Number Accepted	Total Amount	Percent Accepted	Number	Total Amount
1977	13	1,135,378,000	7	717,800,000	54%	0	0
1976	50	3,582,000,000	7	148,331,000	14%	0	0
1975	87	2,722,000,000	38	386,295,370	44%	1	4,999,704
1974	2	495,835,000	0	0	0%	3	1,400,412,000
TOTALS	152	\$7,935,013,000	52	\$1,252,226,370	34%	4	\$1,405,411,704

Presidential Proposals Compared to Total Enacted Rescissions

Percent of total dollar amount rescinded



Legend:
[White box] Congressionally initiated rescissions
[Dark shaded box] Presidential proposals accepted

Note: Negligible dollar amounts were rescinded pursuant to presidential proposals in fiscal years 1987 and 1989.

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