

148664

GAO

Testimony

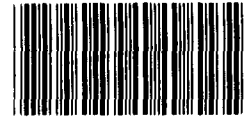
Before the Subcommittee on Legislation and National Security
Committee on Government Operations
House of Representatives

For Release on Delivery
Expected at
10:00 a.m., EST
Wednesday
March 10, 1993

BUDGET PROCESS

**Use and Impact of
Rescission Procedures**

Statement of Milton J. Socolar
Special Assistant to the
Comptroller General



148664



056638/148664

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 (1) deferrals, the temporary withdrawal of budget authority within a fiscal year, and (2) rescissions, permanent cancellation of budget authority. We review and report to the Congress on the President's impoundment messages, as to their justification and estimated program effect and as to any impoundment that, in our opinion, has been misclassified, such as a rescission proposal reported as a deferral.

We also report to the Congress any impoundment that the President may fail to report. Obviously, we cannot review every account of the government, but we have found this to be 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 expiration of the time limit.

Finally, we provide statistical summaries and analyses on the impoundment process, as an adjunct to the above roles. We have informally provided a variety of data to the Congress. As the level of interest in impoundments has increased, we have periodically submitted to the Congress summaries of proposed and enacted rescissions dating from enactment of the act in 1974.

I would now like to provide some perspective on the use of rescissions by both the Congress and presidents 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 a useful context for considering proposals to change rescission procedures.

USE OF THE RESCISSION PROCESS

All presidents have proposed rescissions since 1974. The Congress has accepted about one-third of these proposals and 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 in 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 amounting to about 31 percent of budget authority proposed for rescission. The approval rate varies by administration. For example, in the Carter administration, about 56 percent of the proposals were approved, covering 46 percent of budget authority 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 for revising enacted budget authority. Overall, congressionally initiated rescissions total nearly \$65 billion--almost equal to the total value of presidential rescissions proposed. When congressional rescissions are added to presidential proposals accepted by the Congress, the total of

over \$86 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 procedure was envisioned in the 1974 Impoundment Control Act as a mechanism to accommodate administration desires to impound funds, by providing for congressional review and approval of presidential proposals for rescission of associated budget authority. The Congress, of course, could always initiate rescissions of enacted budget authority on its own. Over time, as shown in attachment III, the share of total enacted rescissions 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. More important questions, however, relate to the programmatic and fiscal effect of rescissions and as to whether changes to the current process should be enacted.

THE FISCAL AND PROGRAMMATIC EFFECTS OF RESCISSIONS

Rescissions cannot be expected to be a major tool for reducing the deficit. They can be proposed and enacted only with regard to funding provided by annual appropriations or supplementals--referred to as discretionary spending--which only represented about 39 percent of fiscal year 1992 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. These and other types of mandatory spending, which amount to over 61 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 slightly more than 3 percent of cumulative deficits since 1974. In only 6 of the past 19 years have rescissions constituted more than 3 percent of the annual

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.

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 baseline deficit of \$319 billion, the Congress would need to rescind over \$73 billion--more than 13 percent of fiscal year 1993 discretionary appropriations.

Further, enacted rescissions do not reduce total spending if, as sometimes occurs, an equivalent amount of budgetary authority is 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 funding priorities and 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, there is the question of changes that could be made to the current rescission process under 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 them 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. Some rescinded budget authority does not affect outlays in the current year.

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 proceed cautiously in considering 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 are not adequate in this regard.

However, a mechanism to ensure congressional consideration of presidential proposals already exists. 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 proposal having adequate congressional support to suggest the possibility of approval could be brought up for debate and a prompt 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.

Expedited rescission proposals raise other operational questions. For example, enacting mandatory time frames for congressional action on presidential proposals could adversely affect the congressional calendar, suggesting the need to limit the number of such proposals. Although several bills before this Committee limit presidential proposals to the passage of appropriation bills, even this might not be sufficient. These bills typically occur at end of sessions, when legislative calendars are already crowded. In addition, several of the expedited rescission bills before this Committee carry forward and maintain our current

role. With the rescission proposal review period shortened from 45 days to 25 days or less, our ability to support congressional review will be necessarily affected. We would like to work with your Committee and the appropriations committees to redefine our role under expedited procedures, if they are enacted.

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 than 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, therefore, should be viewed in the context of their effect on the relative balance of power between the legislative and executive branches. Enhanced rescission authority would provide significant new power to the President. Expedited rescission authority would have a less dramatic effect, but current processes are sufficient, arguably, 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 PROPOSED AND ENACTED RESCISSIONS
FISCAL YEARS 1974 - 1993**

(All legislative action through December 11, 1992)

Fiscal year	Rescissions proposed by president	Dollar amount proposed by president for rescission	Proposals accepted by Congress	Dollar amount of proposals enacted by Congress	Rescissions initiated by Congress	Dollar amount of rescissions initiated by Congress	Total rescissions enacted	Total dollar amount of budget authority rescinded
1993	0	\$0	0	\$0	8	\$242,825,843	8	\$242,825,843
1992	128	7,879,473,690	26	2,067,546,000	131	22,526,953,054	157	24,594,499,054
1991	30	4,859,251,000	8	288,419,000	26	1,420,467,000	34 ^a	1,706,886,000
1990	11	554,258,000	0	0	71	2,304,986,000	71	2,304,986,000
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	5,835,800,000	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	836,400,000	3	55,375,000	7	2,188,689,000	10	2,244,084,000
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 ^b	10,880,935,550	43	3,736,490,600	144	14,817,426,150
1980	59	1,618,100,000	34	777,696,446	33	3,239,206,100	67	4,015,902,546
1979	11	908,700,000	9	723,609,000	1	47,500,000	10	771,109,000
1978	12	1,290,100,000	5	518,655,000	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	391,295,074
1974	2	495,635,000	0	0	3	1,400,412,000	3	1,400,412,000
Total: 1974 - 1993	1,012	\$69,273,034,690	360	\$21,379,000,366	490	\$65,152,460,719	640	\$66,531,451,065^c

a. The Military Construction Appropriations Act of 1991 approved certain rescissions proposed by the President in 1990 41 days after the funds were released for obligation under the Impoundment Control Act. Presidential rescission proposals R90-4, R90-5, and R90-10 totalling about \$41 million were not approved.

b. Thirty-three rescissions proposed by President Carter and totalling over \$1.1 billion are not included in this table. These rescission proposals were converted to deferrals by President Reagan in his Fifth Special Message for Fiscal Year 1981 dated February 13, 1981.

c. The total estimate of budget authority rescinded is understated. This table does not include rescissions which eliminate an indefinite amount of budget authority.

**RESCISSIONS BY PRESIDENTIAL ADMINISTRATION
UNDER THE IMPOUNDMENT CONTROL ACT**

Fiscal Year	Rescissions proposed by President Bush		Presidential proposals accepted by Congress			Rescissions Initiated by Congress During Bush Administration	
	Number	Dollar Amount	Number Accepted	Dollar Amount	Percent Accepted	Number	Dollar Amount
1993	0	\$0	0	\$0	0	8	\$242,825,643
1992	128	7,879,473,690	26	2,067,546,000	20	131	24,526,953,054
1991	30	4,859,251,000	8	286,419,000	27	26	1,420,467,000
1990	11	554,258,000	0	--	0	71	2,304,966,000
1989	0	0	0	--	0	11	325,913,000
TOTAL	169	\$13,292,982,690	34	\$2,353,965,000	20	247	\$ 28,821,144,697

00

Fiscal Year	Rescissions proposed by President Reagan		Presidential proposals accepted by Congress			Rescissions Initiated by Congress During Reagan Administration	
	Number	Dollar Amount	Number Accepted	Dollar Amount	Percent Accepted	Number	Dollar Amount
1989	6	\$143,100,000	1	\$2,053,000	17	0	\$0
1988	0	0	0	0	0	61	3,888,663,000
1987	73	5,835,800,000	2	36,000,000	3	52	12,359,390,675
1986	83	10,126,900,000	4	143,210,000	5	7	5,408,410,000
1985	245	1,856,087,000	98	173,699,000	40	12	5,456,621,000
1984	9	636,400,000	3	55,375,000	33	7	2,188,689,000
1983	21	1,569,000,000	0	0	0	11	310,605,000
1982	32	7,907,400,000	5	4,385,486,000	16	5	48,432,000
1981	133	15,361,900,000	101	10,880,935,550	76	43	3,736,490,600
TOTAL	602	\$43,436,587,000	214	\$15,656,758,550	36	198	\$33,400,301,276

**RESCISSIONS BY PRESIDENTIAL ADMINISTRATION
UNDER THE IMPOUNDMENT CONTROL ACT
(continued)**

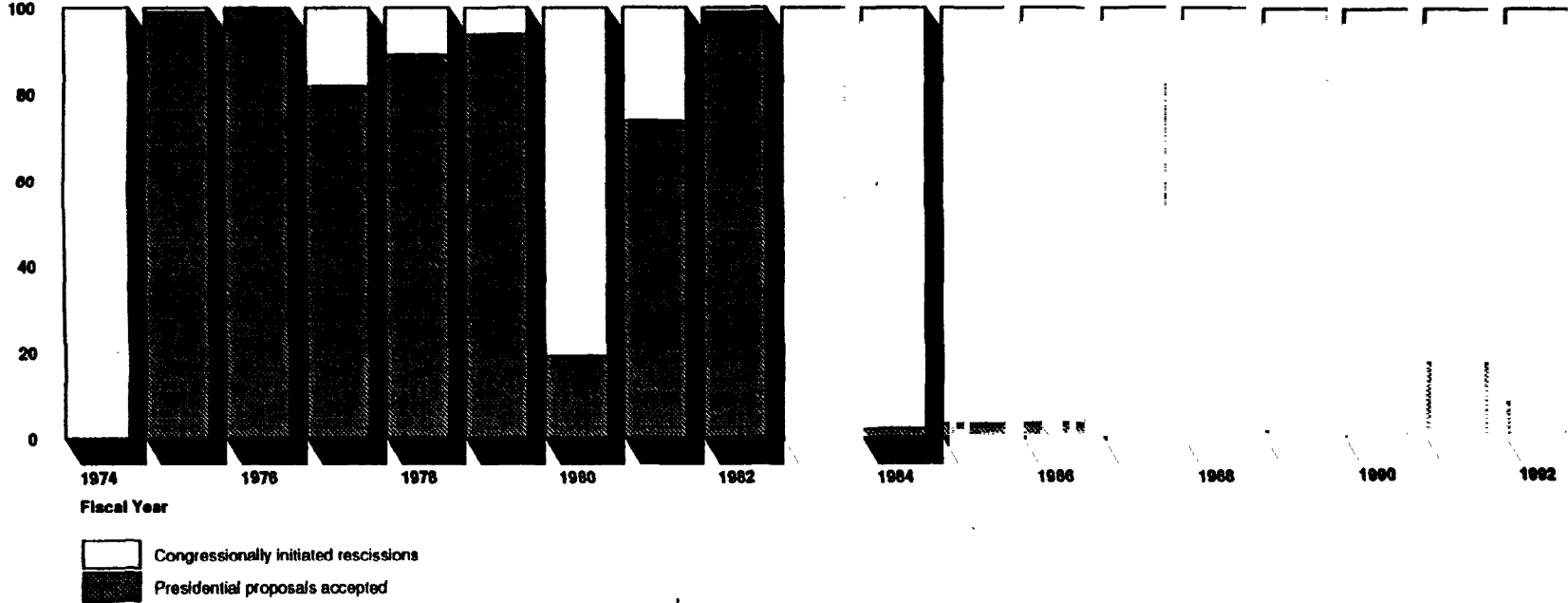
Fiscal Year	Rescissions proposed by President Carter		Presidential proposals accepted by Congress			Rescissions initiated by Congress During the Carter Administration	
	Number	Dollar Amount	Number Accepted	Dollar Amount	Percent Accepted	Number	Dollar Amount
1981	33	\$1,142,384,000	0	\$0	0	0	\$0
1980	59	1,818,100,000	34	777,896,446	58	33	3,238,206,100
1979	11	908,700,000	9	723,809,000	82	1	47,500,000
1978	12	1,290,100,000	5	518,855,000	42	4	67,164,000
1977	7	791,552,000	2	96,090,000	29	3	172,722,943
TOTAL	89	\$4,608,452,000	50	\$2,116,050,446	56	41	\$3,525,593,043

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	Dollar Amount	Number Accepted	Dollar Amount	Percent Accepted	Number	Dollar Amount
1977	13	\$1,135,378,000	7	\$717,600,000	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	495,635,000	0	0	0	3	1,400,412,000
TOTAL	152	\$7,935,013,000	52	\$1,252,226,370	34	4	\$1,405,411,704

Presidential Proposals Accepted as a Percent of Total Enacted Rescissions

Percent of total dollar amount rescinded



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

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

**U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015**

or visit:

**Room 1000
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC**

**Orders may also be placed by calling (202) 512-6000
or by using fax number (301) 258-4066.**

**United States
General Accounting Office
Washington, D.C. 20548**

**Official Business
Penalty for Private Use \$300**

**First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100**
