



Insight

Cuts Are Cuts

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I sense a tempest in a teapot brewing over the continuing resolution for 2011, specifically the notion of “real” versus “fake” cuts. I confess I’m mystified.

A \$1 cut in the appropriations process (of which there are now 28 billion versus FY 2010 enacted) does not cut outlays by \$1. It cuts the *authority* to engage in outlays by \$1 (which down the line presumably means fewer outlays).

A \$1 “rescission” (roughly \$8.5 billion from prior mandatory appropriations) does exactly the same thing. It cuts the *authority* to engage in outlays by \$1 (which down the line presumably means fewer outlays). So rescissions are just as real as cuts to appropriations levels.

Weirdly enough, reforms to mandatory programs (changes to the Pell Grant alone come to \$35 billion in cuts in ten years) *immediately* cut outlays and the reductions grow in perpetuity (since the program was running in perpetuity). Of course, most of the long-term mandatory program changes do not *score* in this FY 2011 appropriations exercise (quirky Budget Act), so only \$500 million of the Pell Grantsavings are reflected in the \$1.049 trillion figure.

Appropriations, rescissions, mandatory changes: cuts are cuts.

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