



Insight

Spring Cleaning

GORDON GRAY | MAY 9, 2018

On May 8th, President Trump transmitted to Congress a package of [38 rescissions](#), or cancellations, of over \$15.3 billion in budget authority (BA). By law, the president can impound, or preclude from spending, these funds for 45 days, but requires Congressional approval to permanently cancel the funds.[\[1\]](#)

Prior to the official request, there was considerable speculation about how large the proposed spending cut would be. Initial reports suggested that the administration would propose as much as \$60 billion in rescissions. That number fell back to \$11 billion, and then, according to press reports, increased to the final \$15 billion to appease conservatives. Focusing on the top-line figure largely misses the important underlying policy at work, as does the predictable criticisms from the left and support from some on the right. What these observers misunderstand is that the cancellations will have little effect on federal spending and essentially no impact on the underlying programs. But that doesn't mean the rescission request is not worth considering.

Under current law, the president may propose the impoundment of budget authority if he determines that the funding is not necessary to carry out the intended purpose of the program or simply if the cancellation would be sound fiscal policy. Upon that determination, the president may impound that budget authority and must submit to Congress a special message that includes details of the proposed funding reductions. This process hasn't been used since the Clinton Administration, but it used to be a routine process.

The rescission package submitted on May 8th contains proposed cancellations of \$15,349,050,641 in BA covering 38 different programs. (Both President Trump and Office of Management and Budget Director Mulvaney seem to have been a bit sunny in rounding this figure up to \$15.4 billion in their communications to Congress.) In a single year, that would be a considerable sum. These are largely unobligated balances, however; that is, means they are previously appropriated funding for programs that were never, and largely never will be, spent. To a large degree, this rescission package simply cleans up the federal ledger budget by removing obsolete funding streams. Accordingly, the *outlay* effect, the actual spending implications, of this rescission package is about \$3 billion for this year.

This distinction is missing from the public debate about this package. One publication reported that Trump “would ask Congress to [slash about \\$15 billion in spending](#).” Some progressives have been critical of the billions in BA cancellations focused on the Children's Health Insurance Program (CHIP), as if the BA reductions would have a meaningful impact on actual CHIP payments—but this is hardly the case, [as CBO reported](#). Keep in mind that Congress routinely cancels unobligated CHIP funds to offset real spending increases elsewhere in the budget. One need not look any further than the recent Consolidated Appropriations Act of 2018, which contained [nearly \\$7 billion](#) in similar rescissions.

Meanwhile, some conservatives have celebrated the development as a move toward reducing the size of government, again, by \$15 billion. But this is hardly the case, either.

Instead, the rescission package is worthwhile because it facilitates ongoing and meaningful deliberation between the executive and legislative branches about fiscal priorities. It need not yield major budget savings to be a

valuable fiscal policy process. And besides, a billion here, a billion there—it might add up.

[1] For more on the rescission process, see: <https://www.americanactionforum.org/insight/rediscovering-rescissions/>