

34 of 102 DOCUMENTS

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GOP-Favored Budget Cuts Would Have Small Immediate Effect on Spending

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Even if House Republicans somehow managed to steamroll Senate Democrats and realize their broadest spending-cut ambitions for this year, the federal government would spend only slightly less money than earlier this year.

That could come as a surprise to many lawmakers as Congress remains locked in a high-stakes showdown over government funding. Democrats argue that GOP-favored cuts -- included in a House-passed bill (HR 1) -- could hurt the economy, while Republicans say steep reductions are necessary to tame the debt and deficit.

The House-passed spending measure, which was rejected by the Senate last month, would cut \$61.5 billion in non-emergency spending authority from the government's bankroll by targeting money for a variety of programs, from screening for bad drugs and rotten food to programs aimed at snaring tax cheats.

Despite those immediate reductions, however, total discretionary spending outlays -- excluding war and other emergency money -- under the House bill would hit \$1.281 trillion in fiscal 2011, just \$8.8 billion less than the \$1.289 trillion that would have been spent under a continuing resolution (PL 111-322) that covered the early part of this year, according to an analysis from the Congressional Budget Office.

Outlays vs. Budget Authority

How could a major spending-cut bill not produce more sizable immediate reductions in the amount of money out the door?

Part of the answer has to do with how Congress appropriates money, versus how that money is actually spent by agencies. For agencies like the Transportation Department, along with many grant programs, lawmakers often provide a pot of money that can be spent over several years.

With money leftover from previous years' appropriations still being spent by some agencies, annual federal outlays for discretionary spending tend to exceed the new money, or budget authority, appropriated in a given year.

In some respects, outlays are like the actual checks written by the government, while budget authority is akin to an annual deposit made to the government's checking account.

Generally speaking, when lawmakers talk about spending cuts, they mean reductions in budget authority, largely because that is what they have the most direct control over.

That annoys Tad DeHaven, budget analyst for the libertarian Cato Institute. Focusing on outlays would foster an "honest discussion" about how much the government is spending, he said.

"It's political gamesmanship," DeHaven said. "I have no problem with calling it cutting funding. But, I don't think it should be called cutting spending."

But cutting fiscal 2011 budget authority, as the House-passed bill does, would make longer-term reductions on actual spending. So it seems "fair" to call the House bill a spending cut, according to Brian Riedl, the lead budget analyst at the

conservative Heritage Foundation.

Riedl also noted that many newer members and staffers may be still sorting out how budget authority and outlays differ. "It's not in the handbook the day that you arrive in Congress," he said.

But the sharp focus on discretionary appropriations will lead to bad budgeting decisions, said Michael Linden, associate director for tax and budget policy at the liberal Center for American Progress.

The lagged payout of money following congressional spending decisions, with multi-year appropriations still in place for many programs, will mask for a short while the effects of fiscal 2011 cuts, he said.

But, in time, Linden said, those cuts would definitely have an impact.

"The cuts are real. They will cascade. They will actually hurt these services over time," he said. "We're going to end up doing things that we're going to regret."

Slow Death

Because money is often spent over years after it is first appropriated, many government programs die a slow death after Congress cuts them off. That can also blunt the immediate impact of spending cuts.

As part of several recent stopgap spending laws, lawmakers terminated or cut funding for a number of programs favored by few in Washington. One of those cuts was a \$250 million reduction for the Striving Readers program, which Republicans said was duplicative of another, larger Education Department program.

The White House also would like to zero out funds for Striving Readers in fiscal 2011. However, even after that cut, the program still has \$183 million in unspent money from fiscal 2010 appropriations, according to the Education Department.

So congressional accountants would score the latest bill as cutting \$250 million from the program, even while it could still be spending tens of millions of dollars this year.

Some cuts Congress could make would have a more immediate impact. Cutting salary accounts would reduce outlays relatively quickly, for example. But those reductions also would produce some of the most direct impacts on government services, and could face the stiffest resistance from lawmakers who favor those programs.

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