

Deal includes \$8.6 billion in cuts that might never have been spent

By David A. Fahrenthold / *The Washington Post*

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WASHINGTON — More than one-fifth of the \$38.5 billion budget cut that Congress will consider on Thursday comes from eliminating funds that never existed — except on paper — and, even without the deal, might never have been spent at all.

This theoretical pile of money, about \$8.6 billion worth, is one reason why the budget cuts have seemed to shrink upon closer inspection this week. The reductions were touted as historic by both parties last Friday night, after they reached an agreement just minutes before a government shutdown.

But the Congressional Budget Office has since found that the compromise will cut just \$352 million in expected “nonemergency” government spending during this fiscal year. That figure is just 1 percent of the \$38.5 billion, and has left some conservatives saying the bill was not the blockbuster they were promised.

“The traditional laws of addition and subtraction must not apply in Washington,” Rep. Tim Huelskamp, R-Kansas, said. “With 308 million people in the United States, that’s a savings of \$1.14 per person, enough to buy one item at the dollar store.”

It is unclear how deep this sentiment runs: Conservatives will have a chance to register their displeasure on Thursday, when the House is to vote on the compromise bill.

The rest of the \$38.5 billion in “cuts” includes changes that are supposed to end spending in future years.

And it includes the elimination of these paper funds, moves called “rescissions” in Hill-speak.

What Congress did, in these instances, was cancel nearly 100 very large IOUs that it had issued to government agencies — but which those agencies had never used. Then, Congress totaled up the value of those IOUs and pronounced all that money “cut” from the budget.

A closer look shows that some of the IOUs were unlikely ever to be cashed in.

The Education Department, for instance, had an IOU for \$560 million - for a program that no longer exists. The U.S. Capitol had one for \$15 million, for a building that was already built. The Treasury Department had one for \$490 million, which it had already volunteered to return.

Both political parties defended their budget maneuver this week, saying many of the IOUs would have been cashed eventually.

But outside experts said that their accounting means that the “cuts” might look bigger than they actually are.

“Some of that money, the odds are 90 percent, it would not have been spent,” said Steve Bell, a longtime Senate staffer who now is a senior director at the Bipartisan Policy Center in Washington.

Still, under the federal government’s rules, “that’s not cheating,” he said.

The budget compromise, which is expected to pass the House on Thursday, does include some very real cuts. The Environmental Protection Agency would lose 15 percent of its budget. An Agriculture Department program that provides food and infant formula to low-income families would lose \$504 million.

This \$8.6 billion is different. In essence, it involves raiding the Capital's rainy-day funds: taking back IOUs that nobody was using.

"They're doing the easy cuts first," said Chris Edwards of the libertarian Cato Institute. "Which is, I guess, to be expected."

Understanding these maneuvers - called "rescissions" in Hill jargon - means understanding that the federal government does not work like a savings bank. Federal agencies do not have their own checking accounts, fattened up every year by new money from Congress.

Instead, Congress usually gives agencies the authority to draw from Uncle Sam's one gigantic checking account. That is the Treasury's General Fund, which is constantly taking in taxes, fees and borrowed money.

The agencies can't take money out of this fund until they're ready to spend it.

And sometimes, they're never ready.

That happens if a project is canceled. It happens if a project costs less than expected. And it happens when an agency simply doesn't do what Congress gave them money to do.

The result is leftover IOUs. Some of them expire at the end of the fiscal year. But others roll over, which can leave agencies with billions in unused "budget authority."

Now what Congress has done is to take back some agencies' authority to use this money.

Spokesmen for both both parties in Congress said they weren't sure exactly how much of the \$38.5 billion came from these rescinded IOUs. But a Washington Post search through the 459-page budget bill turned up what appeared to be 98 cases, totalling 22 percent of the overall cuts.

Republican and Democratic spokesmen agreed on this: They said it was legitimate to count these maneuvers as real budget cuts.

"Is it a taxpayer dollar? Then it counts," said Jon Summers, a spokesman for Senate Majority Leader Harry Reid, D-Nev. He said that if the IOUs weren't revoked, agencies could have found ways to spend the money - turning it from theoretical to real.

"I mean, is it better to just leave the money sitting there?" Summers said.

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Michael Steel, a spokesman for House Speaker John Boehner, R-Ohio, said these moves were not an attempt to game the system: "They prevent Washington bureaucrats from spending money."

Indeed, in some cases, taking back these IOUs slows down government work. At U.S. Customs and Border Protection, for instance, a spokesman said a \$10 million rescission would delay the replacement of aging equipment. The Census Bureau lost \$50 million it was planning to spend on things like IT infrastructure and on support personnel.

But in other cases, the IOUs seem unlikely to be cashed in.

The compromise budget, for instance, takes \$560 million worth from the "Academic Competitiveness/SMART" program, which gave grants to college undergraduates.

But the program ends after this school year. And the Education Department already has enough cash to cover the remaining grants. "We would not have used this money," a spokesman said.

At the Treasury Department, Congress gave itself credit for rescinding \$423 million from a program that uses forfeited assets to aid in criminal investigations.

But there, too, the cut was less impressive than it sounds. Last year was a banner year for forfeited assets: The fund took in \$1.2 billion after a series of financial-crime cases and found it had far more money than it could use.

In fact, in next year's budget, the Obama administration asked Treasury to give back \$600 million it wasn't going to spend. That was more, in the end, than Congress took.

At Homeland Security, the Air Marshals lost \$2.4 million and the Coast Guard \$13.5 million. But, in both cases, a spokesman said, there was already enough money to cover expenses. "There is no impact from the rescission," a spokesman said.

Congress took back one IOU from . . . itself.

When the massive Capitol Visitor Center was under construction, Congress eventually allotted \$621 million to pay for it. The project wound up costing less than \$600 million. In the compromise budget, Congress took back \$15 million of the unused budget authority.

Putting a value on these "cuts" leads to an only-in-Washington logic puzzle. If an agency's IOU was never going to be used, then did that money ever exist?

No, said Brian Riedl at the conservative Heritage Foundation.

"There was permission to spend money, but there were never actual dollars allocated," Riedl said. "It's kind of like a parent saying, 'If you go buy something, I'll pay the credit card for you.' And then the kid never goes out and buys it."

But, Riedl said, Congress has often used this trick before - as an excuse for increasing spending. Many times, he said, past Congresses have canceled unused IOUs and then spent the money on something else.

So, he said, at least these measures stop somebody from doing it again: "You're preventing shenanigans" in the future, Riedl said. "It's worth doing. Just don't over-sell how much you're saving."

Staff writer Philip Rucker contributed to this report.

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