

BY RAISING SPENDING AND KILLING THE DEFERRAL, THE HOUSE CONCOCTS A TAXPAYER'S NIGHTMARE

The 1986 "urgent" supplemental appropriation currently before the House of Representatives is a taxpayer's nightmare. The bill would appropriate \$1.7 billion in new spending while cancelling about \$5 billion in Reagan Administration spending deferrals. It also includes measures to torpedo some of the most promising Reagan initiatives to pare federal spending. Example: It proposes to prohibit the Administration from studying the feasibility of privatizing the federally subsidized Power Marketing Administrations. Now, barely five months after Congress agreed to six years of budget austerity by passing the Gramm-Rudman-Hollings Act, the House is already trying to return to shady business as usual, trying to shelter existing programs from reforms while ramming through a package of brand new spending items.

Even worse, the bill would suspend the President's deferral power. When a President defers funds, he delays spending money approved by Congress beyond the end of the fiscal year for which it was appropriated. Congress may overturn a deferral by passing legislation rejecting the deferral, in which case the President must spend the money as originally appropriated. The President has had the power to defer funds since the Antideficiency Act of 1905. Revoking it would shift the balance of power dramatically and unwisely from the Executive Branch to the legislature. Congressman Richard Arney (R-TX) has introduced an amendment to the supplemental appropriations bill that would preserve the President's deferral power.

The U.S. Chamber of Commerce estimates that in the past decade deferrals have saved taxpayers almost \$60 billion. Deferrals also promote sound management. Examples: Foreign aid funds may be deferred when the conditions of the assistance are not yet firmly established; highway construction funds may be deferred when an area has undergone substantial flooding and work is delayed; water projects funding may be deferred as the federal government awaits completion of an environmental impact statement. The vast majority of deferrals, in fact, are these so-called "technical deferrals." Without the ability

to defer, the President would have no option but to spend money wastefully. By contrast, Congress reserves for itself the right to pass urgent supplemental appropriations throughout the fiscal year when it has underestimated program spending requirements.

Reagan has used the deferral pretty much as have his predecessors. So far Reagan has issued 636 deferrals, while Presidents Gerald Ford and Jimmy Carter, when combining their terms to equal Reagan's years in power, issued 642. In 1980 Carter had about \$7 billion in policy deferrals (motivated by disagreements over program funding levels); in 1975 Ford had over \$20 billion in deferrals. This year Reagan has only about \$5 billion. Deferrals, moreover, are no substitute for a line item veto. Deferrals only temporarily suspend an appropriation; a line item veto cancels the spending permanently.

Congressman Arney recommends that Congress address the deferral issue separately from the supplemental bill. A rider to an urgent supplemental appropriations bill is an inappropriate way to consider an issue of such importance. And there is indication, moreover, that the attempt to rush the deferral repeal through the House with little discussion may backfire on its advocates. The American Public Law Division of the Congressional Research Service maintains that the law would not repeal the President's right to defer funds, which has rested with the Executive Branch long before the 1974 Impoundment Act was passed, but merely repeal the President's requirement to report deferrals to Congress.

The 1986 urgent supplemental appears to be a signal that the House of Representatives will continue to push for parochial spending items even if it violates the Gramm-Rudman limits, which are the law of the land. This could force mindless across-the-board cuts of sequestration. As worrisome are the efforts by House liberals to eliminate an Executive Branch power that has saved the taxpayers \$60 billion over ten years, to say nothing of stripping the President of an essential tool for managing the federal bureaucracy and promoting economical agency spending. Even the compromise that is being considered, which would limit the dollar amount of presidential policy deferrals to \$5 billion annually, is a poor solution. As such, Congressman Arney's amendment to save the deferral makes good sense.

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For further information:

Richard Ehlke, "Legal Analysis of Proposal to Repeal Deferral Authority Under the Impoundment Control Act," Congressional Research Service, April 2, 1986.

Prepared Statement of James C. Miller, III, Director, Office of Management and Budget, before the House Rules Committee, Washington, D.C., April 9, 1986.