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The 0.22 Percent Across-the-Board Cut in FY2001 Appropriations

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Summary

The Consolidated Appropriations Act for FY2001 (P.L. 106-554; H.R. 4577; December 21, 2000) enacted three of the regular appropriations bills for FY2001—Labor-HHS-Education, Legislative Branch, and Treasury-Postal Service—into law by cross-reference, as well as a Miscellaneous Appropriations Act and five legislative measures. Section 1403 of the Miscellaneous Appropriations Act (H.R. 5666) provided for a 0.22% across-the-board cut in FY2001 appropriations. Military personnel spending, as well as appropriations for Labor-HHS-Education programs (and emergency supplemental appropriations for FY2000), were exempted from the cuts. According to a report included in the *Analytical Perspectives* volume of the President's budget for FY2002, the cuts reduced budget authority and obligation limitations for FY2001 by \$1.089 billion. This report will not be updated again.

The 106th Congress brought the annual appropriations process in 2000 to a close by incorporating three of the 13 regular appropriations acts for FY2001, as well as a number of legislative measures, into an omnibus bill.¹ The Consolidated Appropriations Act for FY2001, H.R. 4577, enacted the Labor-HHS-Education, Legislative Branch, and Treasury-Postal Service appropriations acts by cross-reference. In addition, H.R. 4577 enacted by cross-reference a Miscellaneous Appropriations Act and the following legislative measures: the Commodity Futures Modernization Act of 2000 (H.R. 5660); the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (H.R. 5661); the Community Renewal Tax Relief Act of 2000 (H.R. 5662); the New Markets Venture Capital Program Act of 2000 (H.R. 5663); and the Small Business Reauthorization Act of 2000 (H.R. 5667).²

¹ For more information, see: U.S. Library of Congress. Congressional Research Service. *FY2001 Consolidated Appropriations Act: Reference Guide*, by Robert Keith, CRS Report RS20756 (Washington: December 2000).

² At the end of the previous congressional session, the House and Senate followed a similar approach for wrapping up action on the regular appropriations acts. The Consolidated
(continued...)

President Clinton signed the Consolidated Appropriations Act for FY2001 into law on December 21, 2000 (P.L. 106-554; 114 Stat. 2763-64). The House had agreed to the conference report on the measure on December 15, 2000, by a vote of 292-60; the Senate had agreed to it the same day by voice vote.

As initially sent to conference, H.R. 4577 provided FY2001 appropriations only for the Departments of Labor, Health and Human Services, and Education. In conference, the coverage of the bill was expanded to cover the Legislative Branch and Treasury-Postal Service appropriations bills. Prior to the national election, negotiators from Congress and the Clinton Administration reached a tentative agreement on total spending included in the bill, including a funding level for Labor-HHS-Education programs well in excess of the President's request. Legislative consideration of the measure was delayed, however, in part because of lingering disagreement over an associated provision dealing with the promulgation of an ergonomics regulation by the Department of Labor.

When House and Senate conferees resumed their negotiations on H.R. 4577 after the election break, they faced mounting concern over the cost of the bill and the level of FY2001 appropriations generally. Although the discretionary spending limits for FY2001 had been raised earlier in the session to accommodate FY2001 spending of about \$640 billion, many Members expressed a desire to hold total appropriations well below this level.³ In response to this concern, the negotiators scaled back total appropriations by several billion dollars, including significant reductions in appropriations for Labor-HHS-Education programs. As Representative David Obey, ranking minority member of the House Appropriations Committee, noted during House consideration of the conference report on H.R. 4577:

To get an agreement in the last week, we had to cut \$3.7 billion from the earlier agreement, we had to take \$1.4 billion from advance funding for LIHEAP, we had to take \$257 million out of handicapped education, \$127 million out of efforts to reduce class size, \$180 million out of after-school programs and \$200 million out of biomedical research.⁴

An important part of the reductions in FY2001 appropriations was an across-the-board cut of 0.22%, estimated to yield about \$1 billion in savings. The provision was included in one of the measures enacted by cross-reference—H.R. 5666, the Miscellaneous Appropriations Act.

² (...continued)

Appropriations Act for FY2000 (P.L. 106-113) enacted five regular appropriations acts and several legislative measures, mostly by cross-reference. For more information, see U.S. Library of Congress. Congressional Research Service. *FY2000 Consolidated Appropriations Act: Reference Guide*, by Robert Keith, CRS Report RS20403 (Washington: November 30, 1999), 4 pages.

³ For information on actions pertaining to the discretionary spending limits for FY2001, see: U.S. Library of Congress. Congressional Research Service. *Discretionary Spending Limits: A Procedural Assessment*, by Robert Keith, CRS Report RL30696 (Washington: December 2000).

⁴ See the remarks of Representative Obey in the *Congressional Record* of December 15, 2000 (Part II) at pages H12444-12445.

Section 1403 of H.R. 5666 applied the cut, in the form of rescissions, to all discretionary appropriations except for military personnel spending provided in Title I of P.L. 106-259 (the Defense Appropriations Act for FY2001), activities funded under the Labor-HHS-Education Appropriations Act for FY2001, and defense and nondefense emergency supplemental appropriations for FY2000 provided in Division B of P.L. 106-246 (the Military Construction Appropriations Act for FY2001). According to preliminary estimates prepared at the time of enactment by the Office of Management and Budget (OMB), the provision was expected to save \$1.044 billion. Roughly half of the cuts had to be made in defense spending and the other half in nondefense spending. The cuts were to be applied on a pro rata basis to each applicable program, project, and activity. Section 1403 instructed the OMB director to report on these reductions in the President's budget submission for FY2002. The text of Section 1403 is provided in **Appendix A**.

The across-the-board cut mechanism in P.L. 106-554 was similar in approach to one used the previous year in the Consolidated Appropriations Act for FY2000 (P.L. 106-113). That measure, which enacted five regular appropriations acts and several legislative measures (mostly by cross-reference), included a 0.38% across-the-board cut in FY2000 appropriations.⁵ Like the cuts for FY2001, the FY2000 cuts exempted military personnel.

While the two across-the-board cuts were similar in design, they also differed in several respects. First, the FY2000 cut was more than twice the size of the FY2001 cut; it was estimated at the time as saving about \$2.4 billion in budget authority, compared to about \$1 billion for the FY2001 cut. Second, the FY2000 provision required uniform cuts across accounts, but allowed flexibility as to the amounts cut for programs, projects, and activities (PPAs) within accounts; the FY2001 provision requires "pro rata" cuts across PPAs. Third, while both cuts exempted military personnel spending, the FY2001 cut also exempted spending for Labor-HHS-Education programs (which were cut through other means) and emergency supplemental appropriations for the then current fiscal year. Finally, the FY2000 cut was instrumental in avoiding a sequester under the discretionary spending limits for that fiscal year; for FY2001, a sequester would not have been triggered even if the across-the-board cut had not been included in the act.

On January 5, 2001, OMB issued Bulletin 01-03 (Rescission of FY2001 Discretionary Budget Authority), providing guidance to agencies in how to comply with the requirement for the 0.22% cut.

The report required of the OMB director was part of the budget that President Bush submitted to Congress on April 9, 2001. The 20-page report was included in the *Analytical Perspectives* volume as a separate chapter.⁶

⁵ For more information, see: U.S. Library of Congress. Congressional Research Service. *The 0.38 Percent Across-the-Board Cut in FY2000 Appropriations*, by Robert Keith, CRS Report RL30443 (Washington: February 25, 2000), 11 pages.

⁶ See section 21 in: U.S. Executive Office of the President, Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2002, Analytical Perspectives* (Washington: April 2001), Section 21, "FY2001 Government-Wide Rescission, Consolidated Appropriations Act," pages 339-358.

According to the OMB report, a total of \$1,088.962 million in discretionary spending was rescinded in 632 accounts (see **Table 1**). This included \$5.941 million for the legislative branch and \$8.763 million for the judicial branch.

Reductions in individual accounts ranged from \$2 thousand for the “White House repair and restoration” account to \$51.234 million for the “Operation and Maintenance, Navy” account. The largest share of the cuts, amounting to \$487.6 million and involving 67 accounts, was allocated to military activities of the Department of Defense. The other departments with cuts in excess of \$50 million included the Departments of Transportation (\$125.1 million) and Housing and Urban Development (\$68.8 million).

Table 1. Summary of FY2001 Rescissions Made Under the Requirement for a 0.22 Percent Cut

Category	Number of accounts	Rescissions (\$ millions)
Legislative branch	28	5.941
Judicial branch	11	8.763
Department of Agriculture	70	42.589
Department of Commerce	24	11.712
Department of Defense—Military	67	487.594
Department of Education	0	0
Department of Energy	28	44.503
Department of Health and Human Services	7	8.642
Department of Housing and Urban Development	25	68.753
Department of the Interior	50	22.547
Department of Justice	34	46.212
Department of Labor	0	0
Department of State	23	16.573
Department of Transportation	55	125.143
Department of the Treasury	30	30.925
Department of Veterans’ Affairs	14	49.337
Corps of Engineers	8	10.013
Environmental Protection Agency	8	17.222
Executive Office of the President	15	0.658

Category	Number of accounts	Rescissions (\$ millions)
Federal Emergency Management Agency	9	5.368
General Services Administration	7	1.470
International Assistance Programs	32	29.070
National Aeronautics and Space Administration	4	31.430
National Science Foundation	5	9.736
Office of Personnel Management	5	0.462
Small Business Administration	4	1.983
Export-Import Bank of the United States	1	2.039
Smithsonian Institution	9	1.270
All other accounts	59	9.007
Total	632	1,088.962

**Appendix A. Text of the 0.22% Across-the-Board Cut Provision
(Section 1403 of H.R. 5666, the Miscellaneous Appropriations Act)**

Sec. 1403. (a) Government-Wide Rescissions.—There is hereby rescinded an amount equal to 0.22 percent of the discretionary budget authority provided (or obligation limit imposed) for fiscal year 2001 in this or any other Act for each department, agency, instrumentality, or entity of the Federal Government, except for those programs, projects, and activities which are specifically exempted elsewhere in this provision: *Provided*, That this exact reduction percentage shall be applied on a pro rata basis only to each program, project, and activity subject to the rescission.

(b) Restrictions.—This reduction shall not be applied to the amounts appropriated in Title I of Public Law 106-259: *Provided*, That this reduction shall not be applied to the amounts appropriated in Division B of Public Law 106-246: *Provided further*, That this reduction shall not be applied to the amounts appropriated under the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2001, as contained in this Act, or in prior Acts.

(c) Report.—The Director of the Office of Management and Budget shall include in the President's budget submitted for fiscal year 2002 a report specifying the reductions made to each account pursuant to this section.