

# Issue Brief

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## President Trump's Late Term Rescission Request Would Save Taxpayers \$27 Billion

### Introduction

Late last December, Congress passed H.R. 133, the Consolidated Appropriations Act (CAA), 2021. The bill combined \$900 billion in emergency pandemic relief (including \$600 rebate checks to individuals) with \$1.4 trillion for Fiscal Year 2021 appropriations. President Trump signed it into law on December 27 and [said](#) that he would be sending Congress a rescission package to target some of the wasteful spending in the bill.<sup>1</sup>

That list of savings was submitted to the legislative branch on January 14, 2021 and includes 73 rescissions of budget authority totaling [\\$27.4 billion](#) across eleven departments, thirteen other agencies and programs, and funding provided to the District of Columbia.<sup>2</sup> The package primarily targets funding provided in the CAA, but would also reduce other budget areas. The reduction in budget authority would reduce FY 2021 outlays by \$24.9 billion, with the remainder reducing previously provided unobligated funds.

<sup>1</sup> President Donald Trump, "Statement from the President," Executive Office of the President. December 27, 2020. Retrieved from <https://trumpwhitehouse.archives.gov/briefings-statements/statement-from-the-president-122720/>.

<sup>2</sup> Executive Office of the President. (2021). "Rescission Transmittal Package." Retrieved from <https://trumpwhitehouse.archives.gov/wp-content/uploads/2021/01/POTUS-Rescission-Transmittal-Package-1.14.2021.pdf>.

### Key Facts:



With a week left in office, President Trump submitted a rescission request to Congress identifying \$27 billion in savings across 73 programs. A smaller rescission request in 2018 was not approved.



The funds are frozen for 45 days during which Congress can consider the package. The funds would be restored if Congress does not approve it or if the new Biden administration rescinds it.



Rescission requests used to be common, but in recent decades Congress has rarely considered stand-alone savings proposals. Passage of the request would represent a small but symbolically important step to prioritize taxpayer dollars.

By submitting this rescission request before leaving office, President Trump triggered a temporary hold on the funds in question for a period of 45 days for Congress to address the savings package. In 2018, Congress declined to approve a smaller rescission request from the administration. The new Biden administration could also rescind the request, which would immediately restore the funds for obligation.

While the likelihood of passage is unfortunately slim, it is worth revisiting the details of the rescissions process because Congress rarely has the opportunity to consider stand-alone savings packages.

## How Rescissions Work

The rescission process was established in the Congressional Budget and Impoundment Control Act of 1974 to re-assert Congress's power of the purse after aggressive use of impoundment by President Richard Nixon. An "impoundment" occurs when the executive branch withholds or delays spending provided in law. The Act refined the rules for impoundment through two processes, deferral and rescission.

A deferral allows for a temporary delay of funds in limited circumstances upon notification to Congress of the deferral and the reasons. This was an issue in 2019 when the Trump administration sought to delay security funding to Ukraine enacted in the Department of Defense appropriations bill but had [not properly notified](#) Congress about the deferral.<sup>3</sup>

Under the rescissions process, the president can submit a proposed list of reductions to Congress which can be considered under expedited procedures. During this period, the proposed funds are impounded. If Congress fails to approve the budget cuts within 45 days of continuous session, the withheld funds become available for obligation.

## Previous Rescissions

Rescissions were quite common in the first few decades after passage of the Impound Control Act. The Government Accountability Office [reported](#) that presidents submitted 843 rescission requests from 1974 through 1989 and another 335 from 1990 through 2000.<sup>4</sup>

The process was unused since 2000 until Trump sent Congress a package in 2018 identifying \$15 billion rescissions in budget authority. The Congressional Budget Office [estimated](#) that the rescissions package would reduce outlays by just \$3 billion.<sup>5</sup>

The discrepancy between the two numbers is a result of a mismatch between authorizations, which provides the legal authority for funds to be spent, and appropriations, which is the process of actually spending the dollars. The bulk of the budget authorizations targeted in Trump's 2018 rescissions had been provided several years earlier and remained unspent. CBO determined that the funds would not be spent even if they were not rescinded.

Passage of rescissions of funds that would otherwise remain unspent is still a worthy objective: Congress often uses repeal of left-over funds as a gimmick to help finance – on paper only – spending increases elsewhere in the budget.

## What's in the New Package

The new request notes that it focuses on finding savings from the CAA "where the funding provided by the bill seems particularly egregious." The package includes \$27.4 billion in budget authority to be rescinded.

<sup>3</sup> Government Accountability Office. (2020). "Office of Management and Budget—Withholding of Ukraine Security Assistance." Retrieved from <https://www.gao.gov/assets/710/703909.pdf>.

<sup>4</sup> Government Accountability Office. (2012). "Updated Rescission Statistics, Fiscal Years 1974–2011." Retrieved from <https://www.gao.gov/assets/600/592874.pdf>.

<sup>5</sup> Congressional Budget Office. (2018). "Letter to the Honorable Kevin McCarthy: Re: H.R. 3, the Spending Cuts to Expired and Unnecessary Programs Act, as Introduced on May 9, 2018." Retrieved from [https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/hr3mccarthytr\\_2.pdf](https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/hr3mccarthytr_2.pdf).

CBO has not done its independent analysis of the proposal yet, but the Office of Management and Budget in the White House, which prepared the report, estimates that it would reduce outlays by \$24.9 billion.

The letter from the White House with the request claims that it is the “largest rescissions package ever proposed.” That is true when compared to the specified dollar amounts in previous proposals. The largest previous rescission package was submitted in 1981 by President Reagan, with cuts totaling \$15.4 billion. However, when adjusted for inflation, Reagan’s cut would be equivalent to \$46 billion in current dollars.

The five largest rescissions in Trump’s proposal are:

- **\$5.1 billion** from the \$7.3 billion appropriated for Department of State Global Health Initiatives. The justification argues that this rescission would maintain funding “to meet America’s burden-share target of 25 percent of all donor contributions and would increase the incentive for other donors to burden share.”
- **\$2.4 billion** from the Advanced Technology Vehicles Manufacturing (ATVM) Loan Program, this would eliminate all federal funding for the program. ATVM has a [history](#) of making risky loans that have gone bad, forcing taxpayers to foot the bill.<sup>6</sup> This program was also included in the 2018 rescissions package.
- **\$2.2 billion** from the Agency for International Development’s Development Assistance program, which was appropriated \$3.5 billion for FY 2021.
- **\$2.1 billion** from the Department of Energy’s \$2.9 billion Energy Efficiency and Renewable Energy program. The research efforts should be left to the private sector.
- **\$2.1 billion** from the \$5.9 billion provided for the Department of State’s Global Health Programs account to fund the President’s Emergency Plan for AIDS Relief. The justification notes that the remaining funds, supplemented with leftover funds from prior years, would be sufficient to fully fund the program’s work in FY 2021.

The rescissions list would eliminate federal funding to 40 programs in addition to the ATVM mentioned above, including:

- The **\$880 million** Student Financial Assistance program, which is duplicative of other needs-based student financial programs.
- The **\$392 million** Advanced Research Projects Agency—Energy, which was originally established in the 2009 American Reinvestment and Recovery Act “stimulus” package and is duplicative of other federal research programs.
- **\$29 million** provided in the CAA for the Department of Energy’s Title 17 Innovative Technology Loan Guarantee Program, which should be supported with private dollars. The package includes an additional \$161 million rescission of funds provided for the program in 2011.
- **\$16 million** provided to the East-West Center, leaving \$4 million to wind down the program. This proposal was included in the 2020 [Toward Common Ground](#) joint project of the National Taxpayers Union Foundation and the U.S. PIRG Education Fund.<sup>7</sup> As we noted in our report, “It is highly unusual for private organizations to receive a direct appropriation with no direct oversight.”
- **\$15 million** provided to the United States Botanic Garden. Located near Congress, the Botanic Garden is a museum administered by the Architect of the Capitol and receives funding through the legislative branch appropriations.

<sup>6</sup> Swift, Nan. “NTU Urges Senators to Reduce Wasteful Spending in Energy and Water Appropriations.” National Taxpayers Union. April 21, 2016. Retrieved from <https://www.ntu.org/publications/detail/ntu-urges-senators-to-reduce-wasteful-spending-in-energy-and-water-appropriations>.

<sup>7</sup> Brady, Demian and Cross, R.J. “Toward Common Ground 2020: Bridging the Political Divide with Deficit Reduction Recommendations for Congress,” National Taxpayers Union Foundation and U.S. PIRG Education Fund. April 23, 2020. Retrieved from: <https://www.ntu.org/publications/page/toward-common-ground-bridging-the-political-divide-with-deficit-reduction-recommendations-for-congress>.

Other notable reductions in the rescission list include:

- **\$500 million** of the \$6.2 billion in FY 2021 for the Foreign Military Financing program, which provides grants to U.S. allies for the purchase of U.S. goods and services.
- **\$483 million** in reductions to the \$843 million provided to the AmeriCorps' State and National and AmeriCorps Volunteers in Service to America grant programs. Taxpayers should not be supporting "paid volunteer" programs.
- **\$112 million** of the \$912 million provided to the Millennium Challenge Corporation, which provides financial assistance to countries that meet criteria evaluating political and economic freedom. The program currently has over \$3 billion in unobligated funds from prior years and the amount rescinded would otherwise be expected to remain unobligated.
- **\$15 million** rescissions from the \$176 million appropriated in FY 2021 to the National Gallery of Art for facilities, operations, and maintenance, reducing the funding level to the amount in the 2021 budget request.
- **\$6 million** in cuts from the \$14 million appropriated to the Woodrow Wilson International Center for Scholars. Like the East-West Center noted above, the Wilson Center is among a handful of think tanks that get direct appropriations as a line-item in the federal budget. They should compete for funds in the private sector rather than relying on scarce tax dollars. Moreover, the Wilson Center is directly duplicative of other federal spending programs.<sup>8</sup> Congress should consider repealing the full amount provided.

In addition to the items above, the letter notes that there are other budgetary provisions in the CAA that are not subject to the rescissions process "but nonetheless contribute to the Nation's unsustainable fiscal path. These include, for example, extensions of energy tax credits including the Investment Tax Credit and Production Tax Credit. Even during the pandemic, industries supported by these tax credits have continued to grow, and they have achieved full maturity, no longer needing costly federal support."

## Conclusion

The dollar amount of the rescission proposal is less than one percent of outlays for FY 2021, which are expected to approach \$6 trillion with the passage of the CAA, and which could go even higher if Congress adopts the \$1.9 trillion relief package proposed by President Biden.

As a last-ditch effort just weeks before a new Congress and President took office, President Trump's rescissions proposal is unlikely to find the support it needs to become law. The new Biden Administration could simply withdraw the package, or Congress could ignore it.

Nevertheless, passage of savings as a stand-alone measure would represent a small but symbolically important step to prioritize taxpayer dollars, rein in ballooning budget deficits, and end the practice of recycling of unobligated funds into future spending hikes. Taxpayers deserve a better way of budgeting.

## About the Author

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<sup>8</sup> Brady, Demian. "Eliminating Direct Federal Funding for Think Tanks Would Save Taxpayers Millions," National Taxpayers Union Foundation. August 12, 2020. <https://www.ntu.org/foundation/detail/eliminating-direct-federal-funding-for-think-tanks-would-save-taxpayers-millions>.



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