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THUNE AMENDMENT WOULD SHUT DOWN MUCH OF THE FEDERAL GOVERNMENT FOR FINAL MONTHS OF FISCAL YEAR

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Senator John Thune has proposed legislation with an obvious surface appeal to those concerned about federal spending and deficits — to cancel 5 percent of appropriated funds for fiscal year 2010, as well as tens of billions of dollars of unspent funds from last year’s Recovery Act and other legislation. But his legislation would essentially shut down much of the federal government for the last two and a half months of this fiscal year (which ends September 30), threatening such basic services as providing Social Security checks, ensuring food safety, and inspecting mines.

The Thune legislation, which he has offered as an amendment (SA 4333) to pending jobs legislation, proposes rescissions (that is, cancellations) of previously appropriated funding available for fiscal year 2010. Specifically, he proposes to:

- rescind 5 percent of the funds appropriated for fiscal year 2010 from *each* discretionary budget account (with the cuts coming proportionately from each “program, project, and activity” funded in that account);
- rescind another \$80 billion from total unobligated balances — funds not yet legally committed, including money carried over from prior years’ appropriations — in discretionary accounts, as determined by the Administration; and
- rescind \$37.5 billion from funds appropriated in the 2009 Recovery Act.

The amendment exempts funding for the Department of Defense (DoD) and Veterans Affairs (VA) from the first two cuts, and little of the Recovery Act funds were appropriated for those agencies.

If enacted, the Thune amendment would have an enormous, and potentially devastating, impact on not just federal operations, but on core benefits and services that the federal government provides on a daily basis.

- Taken together, these and other rescission provisions would reduce budget authority by \$140.6 billion in 2010, according to the Congressional Budget Office. Total discretionary funding

appropriated for 2010 for agencies other than DoD and VA totaled \$652.3 billion,¹ according to the Office of Management and Budget. Thus, the proposed \$140.6 billion cut is equal to almost 22 percent of total 2010 funding appropriated for agencies subject to the cut.

- Since fiscal year 2010 is drawing to a close, however, the required cuts (which can only come from funds not already legally committed for agency activities so far this year) represent a much larger share of the remaining funding available for the rest of the year. Even if Congress enacts the Thune amendment before recessing for the July 4 holiday, and even if the Administration then works heroically to implement the rescissions immediately, the cuts could not possibly take effect before July 15. At that point, only two and a half months will remain in the fiscal year. And for an account that spends its funds at the same rate throughout the year, only 21 percent of the funds appropriated for 2010 would remain.

On average, then, the Thune amendment would cut an amount equal to *all* of the 2010 discretionary funding remaining for agencies other than DoD and VA. *Thus, his amendment would essentially shut down much of the government for the last half of July and all of August and September.*

Proponents of the Thune amendment may argue that, since the Administration would have flexibility to determine where to cut to achieve the proposed \$80 billion rescission and could cancel unobligated balances provided in prior-year appropriations bills, it could protect important programs from cuts that would eliminate all of their funding for the remainder of the year. The Administration, however, will not be able to achieve the required \$80 billion reduction while protecting all important programs.

Moreover, even a program that the Administration *is* able to protect from the steps to cancel \$80 billion in unobligated balances would not escape the ax. At bare minimum, the requirement to cut *each* program across the board by 5 percent of its 2010 appropriation means that about a quarter of the funds remaining for 2010 would be eliminated even for a program that is completely spared from the separate requirement to rescind \$80 billion. Five percent of total funding for the year is about a quarter of the 21 percent of funding that would be left.

A one-quarter cut in funding available for the final two and a half months of the fiscal year is unachievable without severe cuts in the services and benefits an agency provides, *such as providing Social Security checks or conducting safety inspections in mines.* Furloughs and layoffs would be inevitable. And that is the smallest cut that an agency would face. Many agencies would have no funds remaining for fiscal year 2010 after the various components of the Thune amendment's cuts are all taken into account and would have to cease operations altogether.

In sum, the Thune amendment represents an irresponsible and radical approach to the real budgetary and economic problems before the nation.

¹ This figure includes not only discretionary budget authority, but also "budgetary resources" made available through obligation limitations on transportation trust fund resources enacted in appropriation bills (the obligation limitations are not counted as budget authority but the resulting spending is counted as discretionary outlays).