LOCKBOX DEFICIT REDUCTION PROPOSALS

JOINT HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY

OF THE

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

AND THE

SUBCOMMITTEE ON LEGISLATIVE AND BUDGET PROCESS

OF THE

COMMITTEE ON RULES HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

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LOCKBOX DEFICIT REDUCTION PROPOSALS

TUESDAY, JULY 11, 1995

HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY, OF THE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT, JOINT WITH SUBCOMMITTEE ON LEGISLATIVE AND BUDGET PROCESS, OF THE COMMITTEE ON RULES,

Washington, DC.

The committees met, pursuant to notice, at 9:30 a.m., in room 2154, Rayburn House Office Building, Hon. Stephen Horn (chairman of the Subcommittee on Government Management, Information, and Technology) presiding.

Present: Representatives Horn, Davis, Fox, Bass, Maloney, Spratt, Mascara, Goss, Linder, Pryce, Solomon, and Waldholtz.

Subcommittee on Government Management, Information, and Technology staff present: J. Russell George, staff director; Mark Brasher, professional staff member; Andrew G. Richardson, clerk; and Matt Pinkus, minority professional staff member.

Committee on Rules staff present: Don Wolfensberger, chief of staff; Eric Pelletier, legislative assistant; and Wendy Selig, Rules subcommittee counsel.

Mr. HORN. Ladies and gentlemen, a quorum being present, the Subcommittee on the Legislative and Budget Process of the Committee on Rules and the Subcommittee on Government Management, Information, and Technology of the Committee on Government Reform and Oversight will come to order.

Let me first swear in the witnesses. We have a tradition in this committee of swearing in all witnesses, including Members of Congress. So if you will rise and raise your right hands.

[Witnesses sworn.]

Mr. HORN. Let the clerk note that all three witnesses have affirmed.

I want to yield first, for an opening statement, to the gentleman from Florida, a member of the Committee on Rules and chairman of the Subcommittee on the Legislative and Budget Process.

Mr. GOSS. Thank you very much, Mr. Chairman. I very much appreciate your hospitality in providing us the logistics and support this morning. This is a joint matter, obviously, and co-hosting this joint hearing today to get this subject off and running I think is extremely important and shows that, in fact, this Congress does work well together, combining the areas of jurisdiction that have to get together to do the necessary Nation's business.

The Rules Committee Subcommittee on the Legislative and Budget Process tends to take a comprehensive look at the entire congressional budget process, not just the lockbox, and we intend to do it in terms of the total fiscal environment which we find ourselves in today, which indeed is very challenging.

We are beginning that challenge with a general subcommittee hearing scheduled for this coming Thursday, so this precludes even that, which I think is a signal of our interest in the subject. In the meantime, today we are considering specific proposals for one mechanism to help us achieve the goal of deficit reduction and to increase our accountability to the people for whom we work.

The so-called "lockbox" concept is not a new one. For years we have grappled with the problem that occurs when this House agrees to cut funds for specific programs, yet somehow those savings end up being spent elsewhere. Many of the Members scheduled to testify today have worked on this problem over several years. I would particularly like to commend Mr. Crapo, Mr. Brewster, Ms. Harman, Mr. Royce, Mr. Zimmer, and others who are going to testify, for seeking and persisting in trying to find a legislative solution to this.

In addition to H.R. 1162, which Mr. Crapo has presented and which now has nearly 50 bipartisan co-sponsors, I understand, "lockbox" language was included in the Emergency Supplemental Disaster Assistance and Rescissions Act, which we remember as H.R. 1158, and has been proposed in various forms as amendments to appropriations bills, as well, as those of us on the Rules Committee well know.

The idea really is quite simple. If we say we are going to save money, we should mean it. Funds that this Congress decides not to spend, as we proceed through the annual appropriations cycle, should not be routinely permitted to be channeled into other programs. Those funds should generally be saved and applied to reducing the annual deficit first and to bringing down the cumulative national debt, once our yearly budgets are balanced.

Members who were here in 1993 well remember the outrage we felt when, even though the House voted to cut funding for ASRM, the advanced solid rocket motor, to save taxpayers dollars, the conference committee siphoned off those savings to support other programs. Who loses in that situation? Of course, the taxpayers lose. But this institution also loses, because people once again see that what we say and what we do are two different things, and that affects our credibility, and that concerns us all.

While we may agree on the concept of a lockbox, the complexity of the congressional budget process makes the task of implementing the lockbox quite challenging. There are technical issues, what I will call "details," that must be addressed to ensure that any change we propose to accomplish our goal is workable and forceful and meaningful.

In addition, our efforts must work to inspire the confidence of our constituents that this is real reform that will translate into real controls on Federal spending. I am particularly interested in exploring the issue of whether we need to go through the motions of setting up a separate trust fund in the treasury or whether we can accomplish our goals using congressional procedures. Indeed, there

are several rather specific questions that I presume this hearing will address.

Today's hearing should help us to find the issues and focus on the solutions. I welcome our witnesses and look forward to the testimony.

Mr. Chairman, if I may for a moment, I would like to point out that Mr. Frost, who was unable to be here today, is the ranking member of this subcommittee. And Mr. Moakley, regrettably, because he is in critical condition in the hospital, and I hope he will be in everybody's thoughts and prayers today, was unable to be with us.

But the chairman of our full Rules Committee is here, and I would like to yield, if I may, for a statement, to Mr. Solomon at this time.

[The prepared statement of Hon. Porter Goss follows:]

PREPARED STATEMENT OF HON. PORTER GOSS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Good morning. I'd like to thank my friend, Chairman Horn, for co-hosting this joint hearing with us today. This collaborative effort is another success story, demonstrating that our committees can combine resources and work together in conducting the Nation's business.

The Rules Committee's Subcommittee on Legislative & Budget Process, as part of our oversight responsibilities, intends to take a comprehensive look at the entire congressional budget process in the context of today's fiscal environment. We begin that challenge with a general subcommittee hearing scheduled for this coming Thursday.

In the meantime, today we are considering specific proposals for one mechanism to help us achieve the goal of deficit reduction—and to increase our accountability to the people for whom we work.

The so-called "lockbox" concept is not a new one. For years we have grappled with the problem that occurs when this House agrees to cut funds for specific programs, yet somehow those savings end up being spent somewhere else. Many of the Members scheduled to testify today have worked on this problem over the years. I would especially like to commend Mr. Crapo, Mr. Brewster, and Ms. Harman for their hard work and persistence on seeking a legislative solution. In addition to HR 1162, which Mr. Crapo has presented and which now has nearly 50 bi-partisan cosponsors, lockbox language was included in the Emergency Supplemental Disaster Assistance & Rescissions Act (HR 1158), and has been proposed in various forms as amendments to appropriations bills.

The idea really is quite simple: if we say we are going to save money we should mean it. Funds that this Congress decides not to spend as we proceed through the annual appropriations cycle should not be routinely permitted to be channelled into other programs. Those funds should generally be saved and applied to reducing the annual deficit first—and to bringing down the cumulative national debt once our yearly budgets are in balance.

Members who were here in 1993 well remember the outrage we felt when, even though the House voted to cut funding for the advanced solid rocket motor (ASRM) to save taxpayer dollars, the conference committee syphoned off those savings to support other programs. Who loses in that situation? Of course, the taxpayers lose. But this institution also loses because people once again see that what we say and what we do around here are two very different things.

While we may agree on the concept of a "lockbox," the complexity of the congressional budget process makes the task of implementing a "lockbox" mechanism quite challenging. There are technical issues that must be addressed to ensure that any change we propose to accomplish our goal is workable, enforceable and meaningful. In addition, our efforts must work to inspire the confidence of our constituents that this is real reform that will translate into real controls on Federal spending. I am particularly interested in exploring the issue of whether we need to go through the motions of setting up a separate trust fund in the treasury—or whether we can accomplish our goals using congressional procedures.

Today's hearing should help us to frame the issues and focus on the possible solutions. I welcome our witnesses and look forward to the testimony.

Mr. HORN. The gentleman from New York is recognized.

Mr. SOLOMON. Mr. Chairman and Members, let me first apologize for having to run off. We've got a leadership meeting coming up to discuss what you all are going to be doing for the next 5 weeks. My effort there is going to be to guarantee that you get out of here by August 4th or 5th.

Having said that, I want to commend the subcommittee chairmen, Mr. Goss and Mr. Horn, of the Rules and Government Reform and Oversight Committees, respectively, for convening this joint hearing on deficit reduction "lockbox" proposals.

Members, I think this is another excellent example of just how committees with shared jurisdictions can work together to examine issues of common interest, hopefully to develop consensus legislation to address the problem. And really, that's what we are here to do today.

I especially want to commend Congressman Crapo, who pioneered the concept of the deficit reduction lockbox back in the 103d Congress, and I commend him on moving forward with his initiative in this Congress, with the introduction of H.R. 1162, which currently has, I think, 49 co-sponsors, Mike, including me.

I also want to commend Representatives Royce and Zimmer for their important input, from the very beginning, on this issue, and Representatives Brewster and Harman on their dogged persistence in keeping this issue before the House and before the Rules Committee, with their requests to attach the lockbox provisions to each of the appropriation bills.

As you know, the Rules Committee has denied those requests, to date, at my request, because there has not been sign-off either by the authorizing committees or the leadership, and such amendments would require several major waivers of House rules. We have done everything we can in this Congress to try to live by the rules of the House. It is not always easy, but we have attempted to do that.

Moreover, each of the proposals has certain problems, in my opinion, which need working out before this legislation is ready for floor action. That's really what we are here to do today is to explore those problems.

Members, not the least of those problems is the failure of all of the proposals to address differing House and Senate budgetary authority and outlay allocations for the same appropriation bills. We have to keep that in perspective as we talk about how we are going to make this a workable piece of legislation.

Absent such a recognition and reconciliation of differing allocations, we could be left with what I would call apples and oranges in any final conference lockbox, and that means it wouldn't work. If they aren't apples to apples, the system just won't work.

Mr. Chairman, I think all of these proposals are on the right track and that we can iron out the differences and the problems in our committees and report sound legislation to the House that will really be workable. The overriding objectives of the competing lockbox proposals are quite simple, and I think all of us are sincere in the approach that we are taking.

First, they seek to ensure that any spending reduction savings made in any appropriation bill cannot be used for spending else-

where. That's the whole drive behind this lockbox concept. Second, they seek to apply such savings to lowering the overall discretionary spending caps on budget authority and outlays.

The bottom line is that our actions to cut spending should be directed solely at deficit reduction and not at squeezing the tube to permit these savings to be used for increased spending in subsequent appropriation bills. That's the whole issue here; right?

Mr. Chairman, I don't think we need to create any kind of deficit reduction trust fund in the treasury to accomplish these goals. If anything, such a trust fund would be an empty box instead of a lockbox. That is because money that is not appropriated does not exist and therefore cannot be placed in such a trust fund, let alone be used for buying down the debt, as one of the proposals would require.

There are other ways to ensure that our savings are locked in—not locked up, but locked in—and cannot be spent elsewhere, and of lowering the spending caps accordingly. I have a bill here which is H.R. 1923, and the original sponsors are Messrs. Goss, Hancock, Upton, Zeliff, Newman, and Zimmer.

Ladies and gentlemen, as you can see, this is a bill—it's like A to Z, only it's not a shell where we actually go to the floor and then dream up all these cuts. These are the cuts. This is $900 billion in cuts, and we have given this list to all of the appropriators, and we are giving it to every Member of Congress, so that, as these appropriations bills come onto the floor, any Member of Congress can take any page or any line or any paragraph of this bill as a spending cut amendment, the legislation is all done.

Your amendment is here, and you can cut anything you want to in this Congress. So this is available. This is what we need to do.

I will be a little critical of my good friend, George Bush, because back in the 1980's, when we had the original Reagan revolution going, we made cuts in education and in all of these programs, and they were significant. And lo and behold, then we had a new President, and President Bush was sort of put behind the eight ball, I guess. But all those significant cuts we made in all these programs all of a sudden began to grow back up again and so did the deficit, and this is the mess we are in today. We cannot allow that to happen.

So in developing the lockbox concept, let's don't just save money that can be spent somehow in the future, but let's don't appropriate it. Let's don't spend it in the first place. I hope that's the result of this legislation.

Mr. Chairman, I appreciate your indulging me this morning. When I run off, I will try to get back during the course of your hearing. Thank you so much.

[The prepared statement of Hon. Gerald Solomon follows:]

PREPARED STATEMENT OF HON. GERALD SOLOMON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. Chairman, I have a brief opening statement.

I want to commend Subcommittee Chairmen Goss and Horn of the Rules and Government Reform and Oversight committees, respectively, for convening this joint hearing on deficit reduction lock-box proposals, and I welcome the participation of Budget Committee members as well.

I think this is another excellent example of how committees with shared jurisdictions can work together to examine issues of common interest and hopefully develop consensus legislation to address the problem.

I especially want to commend Congressman Crapo who pioneered the concept of the deficit reduction lock-box back in the 103rd Congress.

And I commend him on moving forward with his initiative in this Congress with the introduction of H.R. 1162 which currently has 49 cosponsors.

I also want to commend Representatives Brewster and Harman on their persistence in keeping this issue before the House and the Rules Committee with their requests to attach lock-box provisions to each of the appropriations bills.

As you know, the Rules Committee has denied those requests to date because there has not been sign-off either by the authorizing committees or the Leadership, and such amendments would require several major waivers of House Rules.

Moreover, each of the proposals has certain problems which need working-out before this legislation is ready for floor action.

Not the least of these problems is the failure of all of the proposals to address differing House and Senate budget authority and outlay allocations for the same appropriations bills. Absent such a recognition and reconciliation of differing allocations, we could be left with apples and oranges in any final, conference lock-box.

Mr. Chairman, I think all of these proposals are on the right track and that we can iron-out the differences and problems in our committees and report sound legislation to the House.

The overriding objectives of the competing lock-box proposals are quite simple. First, they seek to ensure that any spending reduction savings made in any appropriations bill cannot be used for spending elsewhere.

And second, they seek to apply such savings to lowering the overall discretionary spending caps on budget authority and outlays.

The bottom line is that our actions to cut spending should be directed solely at deficit reduction and not at squeezing the tube to permit those savings to be used for increased spending in subsequent appropriations bills.

I do not think we need to create any kind of deficit reduction trust fund in the Treasury to accomplish these goals. If anything, such a trust fund would be an empty box instead of a lock-box. That is because money that is not appropriated does not exist and therefore cannot be placed in such a trust fund—let alone be used for buying-down the debt, as one of the proposals would require.

There are other ways to ensure that our savings are locked-in and cannot be spent elsewhere, and of lowering the spending caps accordingly. I look forward to exploring those further with our witnesses today. Thank you.

Mr. HORN. I thank the distinguished chairman of the Rules Committee for commenting on this. He is clearly a visionary and forward thinker, since he is going to a meeting to determine the next 5 weeks of our lives, when most of us have difficulty with the next 5 hours. So best of luck to you.

I now yield to the ranking minority member on the subcommittee, the distinguished gentlewoman from New York.

Mrs. MALONEY. Thank you, Chairman Goss and Chairman Horn.

I thank you for scheduling the hearing today to discuss different legislative proposals to reduce discretionary spending by providing for a deficit reduction so-called "lockbox." Budget rules prevent legislators from cutting spending and using the savings to lower the deficit. If the Congress approves a spending cut, the Appropriations Committee in charge of the bill just spends the savings from the cut somewhere else.

If Congress approves a spending cut, lawmakers who sponsored the cut should have the right to use the savings to cut the deficit. In other words, a cut would be cut if we could finally enact the so-called "lockbox" proposal.

Congress is extremely concerned about cutting the deficit. If funds could be earmarked for deficit reduction, there would be more incentive to cut programs. Various versions of the lockbox proposal have passed the House several times in this Congress;

specifically, on the line item veto and in the rescissions bill that was vetoed.

I look forward to hearing the testimony today from so many distinguished colleagues: my colleague from the 104th Congress, Jane Harman, who pioneered this effort; and Dick Zimmer, who has worked many sessions on it; Bill Brewster, and of course, Mr. Royce. The freshman class has come in almost totally in support of this concept. So I hope that we will be able to work out the problems that we have with it and pass a meaningful lockbox proposal this session.

Thank you.

[The prepared statement of Hon. Carolyn B. Maloney follows:]

PREPARED STATEMENT OF HON. CAROLYN B. MALONEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Thank you Mr. Chairman for holding this hearing. As you well know, we have been studying lockbox deficit reduction proposals for a long time. Hopefully this hearing will help clarify some of the issues involved.

I support the lockbox concept. I firmly believe that we must set aside funds to reduce the deficit, and one of the best ways to do that is through the appropriations process. When we make decisions about which projects to fund and which not to fund, we should do that with a constant reminder that we have a huge national debt to pay. If we don't, it is all too easy for that obligation to slip out of view.

Lockbox legislation would set up a special account in every appropriations bill that would be dedicated to deficit reduction. Any cuts in spending would, by default, go into that account unless specifically designated for another project. In addition, a point of order would lie against any conference report that did not have at least as much in the deficit reduction account as the lesser of the Senate or House bill.

In an era when we tell drug addicts to "just say no" and tell welfare recipients to "just get a job," you would think that Congress could "just spend less." Unfortunately that is not the case. Over and over again we have seen programs cut only to have the money spent elsewhere. This Congress has been characterized by a contentious debate over budget cuts versus tax cuts. Some in this Congress want to cut welfare, Medicare and drug treatment to pay for those tax cuts.

Lockbox legislation does two things. First, it creates a deficit reduction account in every bill. This serves as a constant reminder to the appropriators that part of their responsibility is to spend less. Second, it serves as a useful scorecard by which the public can measure our efforts to reduce the deficit by eliminating wasteful spending.

I believe that lockbox legislation is needed because Congress has a great deal of difficulty controlling its addiction to spending and I thank the Chairman again for his attention to this vital issue.

Mr. HORN. Thank you.

My own opening statement will go in the record as if read.

[The prepared statement of Hon. Stephen Horn follows:]

PREPARED STATEMENT OF HON. STEPHEN HORN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

A quorum being present, the Subcommittees on Legislative and Budget Process and on Government Management, Information and Technology will come to order. It is my honor and pleasure today to acknowledge, and to welcome as Co-Chairman of this hearing, my esteemed colleague from Florida, Porter Goss, who chairs the Rules Committee's Legislative and Budget Process Subcommittee.

This morning we meet to examine and discuss several proposals for adopting a mechanism popularly known as the "lockbox." In any of several forms, the new concept would provide for applying legislated budget savings directly toward reducing the annual Federal budget deficit. The lockbox would require that any savings resulting from amendments to annual spending bills, would have to be dedicated to deficit reduction and not be re-allocated to other funding requirements.

A key advantage of a lockbox mechanism is that it allows information unavailable at the time of the budget resolution to be used in later budget and spending decisions. The rule would function very much as the name implies—a box with a lock

on it. The spending authority cut from one program would be deposited and actually "trapped" inside, not to be withdrawn or used for anything else. All the savings in the box would become cuts in the overall Federal deficit. The American people have asked for assurance that program cuts translate into deficit reductions. A device like the lockbox is one way to give it to them.

We are joined today by many of our distinguished colleagues with longstanding interest in a lockbox rule. They will share several perspectives on what such a procedure should do and how it would work. We will conclude with comments by Director Alice Rivlin of the Office of Management and Budget and by Deputy Director Jim Blum of the Congressional Budget Office.

Thank you all for coming, we look forward to your testimony.

Mr. HORN. If there are any other opening statements, I would be glad to have them placed in the record.

The gentlewoman from Ohio.

Any other opening statements on this side? Any other opening statements on the Democratic side?

If you have it written, we can submit it and have it to look as if read, if you would like, which is what I am doing with mine.

Ms. PRYCE. I would appreciate that. Thank you.

[The prepared statements of Hon. Deborah Pryce and Hon. Frank Mascara follow:]

PREPARED STATEMENT OF HON. DEBORAH PRYCE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

First, I would like to commend our colleagues in the House who have worked very hard on behalf of the "lockbox" deficit reduction proposal. As you know, the 104th Congress has made deficit reduction a top legislative priority, and I believe today's hearing will shed much-needed light on the popular "lockbox" idea, its advantages, its potential drawbacks, and its implications for meaningful deficit reduction.

Second, I want to commend Subcommittee Chairmen Porter Goss and Stephen Horn for taking the initiative to hold this joint subcommittee hearing of our two committees. I hope this event will pave the way for further cooperation and dialogue between our two committees on areas of shared jurisdiction, especially on issues related to the congressional budget and spending process.

The concept of a "lockbox" to lock-in savings resulting from any unused spending allocations given to Appropriations subcommittees, or which result from spending reduction amendments adopted in committee or on the House floor, is certainly a worthy one, and one which I support in principle. The American people, I believe, would be shocked to learn that under current rules, "savings" which come from cutting amendments adopted during floor consideration of appropriations bills can be spent on other programs or projects.

Like many of my colleagues, I feel it is important to show the taxpayers that Congress is working to reduce federal spending, including in its own budget, and that we are honoring our reform-minded commitment to "truth-in-budgeting. Clearly, the deficit reduction "lockbox" proposal would, in general, give added visibility to bipartisan efforts to earmark savings in discretionary spending specifically for the purpose of deficit reduction.

Without prejudging any of the "lockbox" proposals that will be discussed in the course of our hearing today, I believe there are several important concepts which need to be explored while developing an effective "lockbox" mechanism. These include, but are not necessarily limited to, the following ideas:

- Clearly defining the purpose of a "lockbox" mechanism;
- Assessing the need to "lock-in" savings in discretionary spending for the purpose of reducing the deficit;
- Determining whether a "lockbox" trust fund, or some other accounting tool, within the U.S. Treasury is the most effective or efficient mechanism for identifying and holding discretionary savings;
- Assessing whether Congress could accomplish the same goal as a "lockbox" proposal through existing congressional rules and procedures, as well as through scorekeeping by the Congressional Budget Office (CBO);
- Determining exactly how "savings" are calculated, and whether such savings should remain unavailable for further appropriation, obligation, expenditure, or transfer:

• Establishing a "lockbox" mechanism which takes into account changing or differing levels of discretionary spending as appropriations bills proceed from the House, to the Senate, and through conference;

• Assessing the relationship between the "lockbox" mechanism and the need to provide funding for emergency situations (i.e. supplemental appropriations); and

• Considering the need for regular reporting to the Congress (and CBO?) on the status of any funds placed in such a "lockbox" trust fund;

In closing, let me say that deficit reduction should not be viewed as merely a Republican or a Democrat goal. Rather, it should be a bipartisan objective, and I congratulate Representatives Crapo, Brewster, Harman, Foley, and Royce for pursuing the "lockbox" proposal so diligently in the 104th Congress.

Again, I would like to thank the two subcommittee chairmen for holding this important joint hearing. I certainly remain open to other suggestions and ideas related to developing a truly effective and workable "lockbox" mechanism, and look forward to the testimony of our witnesses. Thank you.

PREPARED STATEMENT OF HON. FRANK MASCARA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Good morning Mr. Chairman. It is a little early and I hope I am alert enough to talk intelligently about the idea of a lockbox to promote deficit reduction.

Since coming to Congress in January, I have supported the lockbox concept as contained in the line-item veto legislation and in the amendment to the rescission bill offered by my colleague from Pennsylvania, Representative John Murtha.

I have felt, like many of my democratic colleagues, that if my Republican friends are going to make deep cuts in programs that impact a broad band of Americans, then this money should go to deficit reduction. It should not go to pay for tax breaks for the wealthy.

Unfortunately, my Republican friends, who in the past have generally supported this idea now find themselves in the majority. And as one of their leaders was recently quoted, this has changed their perspective and made them leery of enacting a tight lockbox.

If the press is correct, we are holding this hearing today to help air the frustrations of a group of Republican freshman who strongly support a lockbox dedicated to deficit reduction.

While it looks unlikely that a lockbox will be enacted this year, I nonetheless welcome the opportunity to further examine this proposal.

I certainly understand the disappointment of those who have worked hard in past sessions to win reductions in spending only to see these funds somehow shifted to increased expenditures for other programs.

While I certainly feel spending reductions should go to deficit reduction if that is the intent, Mr. Blum, the Deputy Director of the Congressional Budget Office, certainly raises some valid concerns that I think must be seriously considered before the lockbox is written in stone.

His comments about the tight controls that have already been placed on discretionary spending while mandatory spending increased an incredible 40 percent between 1990 and 1994 should make us all pause.

And his statements pointing out the potential benefits and drawbacks the lockbox concept could have on the appropriations process must be carefully considered.

As he points out, the appropriations process is very dependent on current circumstances. I don't think we really mean to lock ourselves into a process that allows us no wiggling room or flexibility.

I look forward to be enlightened by this morning's testimony.

Thank you Mr. Chairman.

Mr. HORN. I believe two witnesses were not sworn. Will those two stand up and raise their right hands.

[Witnesses sworn.]

Mr. HORN. Both have affirmed.

Let me begin with the prime author of the major bill here, the gentleman from Idaho, Mr. Crapo.

STATEMENT OF HON. MICHAEL D. CRAPO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IDAHO; HON. BILL K. BREWSTER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA; HON. JANE HARMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA; HON. EDWARD R. ROYCE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA; AND HON. RICHARD ZIMMER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. CRAPO. Thank you, Mr. Chairman.

First, may I ask unanimous consent that my prepared remarks be made a part of the record.

Mr. HORN. Without objection.

Mr. CRAPO. Thank you.

Mr. Chairman, I appreciate the opportunity that we have to come before the House Committee on Government Reform and Oversight and the House Committee on Rules today, to talk about what I consider to be one of the most important budgetary reforms that we can address in this Congress.

I can still remember the day when I was a freshman in the last Congress, I was sitting on the floor of the House, after we had voted on dozens, maybe more than 100 cuts to different appropriations bills, and I had been feeling pretty good about the fact that we had been making some effort and winning some of them.

And I was listening to the debate between two Members of Congress over a particular issue. I think it was the superconductor supercollider. One of the Members of Congress was saying that the other one was being a little disingenuous or hypocritical because he had supported one cut and wasn't supporting this cut. And the response made was, "You know very well that these cuts don't reduce the deficit anyway." And my ears perked up.

At that point I started looking into the process by which our budget operates as we vote on appropriations bills, on amendments to reduce the spending. And sure enough, I found out what we are all here about today. I found out that when we vote to cut a particular program, project, or spending matter, all that gets eliminated is that particular program or project, not the spending authority to spend the money that has been allocated in the budget.

The money simply gets taken into conference, unallocated, and then respent by the members of the conference on other programs or projects. I think that some of those who are here to testify today are going to give you some examples of how that has happened in the last budget cycle and is happening in the current budget cycle.

I went together and created a bill—I worked for months to create a bill; I called it "Make Our Cuts Count," and that was in the last Congress. We got many, many sponsors for that. I think the ultimate number of sponsors was over 100 sponsors.

I found out at that time that there were a group of my friends—and by the way, I want to say that I was assisted in that effort by Congressman Hastert, Congressman Inglis, and Congresswoman Morella on the Republican side. And I found out that, at the same time we were working on our legislation, a group of members of the Democratic caucus were working on similar legislation: Congress-

man Schumer, Congressman Brewster, Congressman Edwards, and Congresswoman Harman.

As we found that we were working the same issue from different approaches, we did what I think is not only the smart thing but a good example of bipartisan effort, we got together and we said, "Let's join our efforts and have a truly bipartisan effort to solve this problem."

From that point forward, we went together in a bipartisan fashion to craft legislation that would solve this issue. We are here before you today in a bipartisan effort. Congressman Brewster and Congresswoman Harman are here at the table, and they have been actively working on this issue throughout.

We have others who have been working. I want to give my appreciation to Congressman Royce, who is here at the table, for his efforts, independently, to work on this and to push this effort. Congressman Zimmer, who is here, has provided needed pressure and opportunities for me to be able to make my point and has been a stalwart supporter, and I appreciate his being present here at the table.

Congressman Upton has been another one of those. We have seen just Member after Member come forward and stand up firmly. As has already been mentioned in this hearing, the freshman class has almost unanimously supported and endorsed this project and provided needed momentum. And I appreciate Congressman Foley, who will testify here later, and Congressman Newman, of that class, and others who have taken the lead—Congressman Largent—in trying to push forward with this reform.

What does this reform do? It is very straightforward. It says that when we vote in the House and the Senate to cut a particular program or project, that that cut must be applied to deficit reduction unless the amendment itself reapplies that spending somewhere else.

In that way, when we are voting on legislation on the floor of the House, we will know whether it is to be redirected into some other spending, which is allowed, or whether it is to be directed to deficit reduction, which is always, almost always, what is the argument made on the floor for these various cuts and is almost never what happens to the spending.

With this reform, our rhetoric will match the outcome, and we will create a posture in which we can not only debate with the right rhetoric, but we can have the kinds of cuts that are necessary, that will definitely reduce deficit spending.

I know we are going to get into questions about how the bill operates, so I will end at that. I just want to say thank you again to these two committees for holding these hearings. It has been a long battle to get a hearing on this issue, and now we are going to be able to move forward with what, as I said earlier, is one of the most important budgetary reforms that this Congress could address.

Thank you, Mr. Chairman.

[The prepared statement of Hon. Michael D. Crapo follows:]

PREPARED STATEMENT OF HON. MICHAEL D. CRAPO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IDAHO

Thank you, Subcommittee Chairman (Steve) Horn, and Subcommittee Chairman (Porter) Goss, for giving me the opportunity to speak on behalf of a critical Budget process reform in the 104th Congress. Today, I would like to speak on a budget process reform that is included in a bill which I am pleased to have engineered with my colleagues from both sides of the aisle: H.R. 1162, "Deficit Reduction Lock Box Act." Introduced as H.R. 4057 during the 103rd Congress and co-sponsored by many of the people seated with me on this panel, this bill is currently before the Government Reform and Oversight and Rules Committees.

Congress debates on numerous amendments that are designed to reduce spending for specific federal programs or agencies. Unfortunately, passage of these amendments does not guarantee or mandate real spending cuts.

We need to begin the process of bringing truth to the budget process and MAKE OUR CUTS COUNT. When Congress votes for cuts they should be just that—CUTS! Only by finding a method to reduce the spending caps and the related subcommittee allocations will we be certain that spending cuts to appropriations bills will ever be realized. This is what H.R. 1162 addresses. And these spending cuts would be self-initiating, unless otherwise specifically designated or transferred. Moreover, these savings would apply to the out-years of appropriations for added deficit reduction.

Endorsing this legislation are several national groups including the U.S. Chamber of Commerce, Citizens Against Government Waste, the National Taxpayers Union, the Concord Coalition, and Citizens for a Sound Economy. This bill has 50 co-sponsors in the House of Representatives. It should be stressed that this bill, originally introduced in March of 1994 and again in March of 1995, is a truly bi-partisan product that would lead the way to making discretionary cuts count.

As the sponsor of H.R. 3145, the original "Make Our Cuts Count" bill of 1993, I am gratified to be the sponsor of the strong proposals in H.R. 1162 to require appropriations bill cuts to be translated into actual budget reductions. Soon after I introduced H.R. 3145, a similar bill was introduced by Representatives Chuck Schumer (D–NY) and Bill Brewster (D–OK). Realizing that we had drafted coincidentally similar bills which were completely independent of each other's efforts, we decided to join together in creating what became H.R. 4057 and what is now H.R. 1162. It incorporates major aspects of both bills.

As I mentioned earlier in this testimony, the House and Senate do not save money when they vote against approval of a specific program. What this means is that the whole Congress has no way to cut discretionary spending without the cooperation of the committees that appropriate federal funds. Even when both Houses of Congress vote to defund a program, the committees that control appropriations are free to design new ways to spend the federal money that they control.

The Lock-Box bill is geared toward finally doing what we constantly tell the American people that we're supposedly doing. Many people think that when we vote to make cuts and when we have success, that cuts are actually going to take place. Under present law, these dollars are reallocated. This proposal would ensure that we can actually address the deficit, which the American people want us to do.

When Congress votes to cut federal spending but the Treasury doesn't really save any money, it harms both American taxpayers and representative democracy. Congress should reform spending procedures to make its cuts count. When it votes against federal spending, there should be a way to create opportunities for savings that are both substantial and mandatory. That way, money would in effect be deposited in the federal treasury for deficit reduction, not just retreat a step back in the spending pipeline. Until Congress changes the way it approves federal spending so cuts can really count, even if rank-and-file Members vote to cut every program in the world, conference committees can simply reallocate the money.

Before the Congress can reform the nation's health care, welfare, and criminal justice systems it must first put its own house in order. Ensuring real spending cuts through this Lock-Box bill is a necessary first step in this process. Members of Congress must seriously consider listening to their constituents about spending cuts and place good government over the self-interest of specific projects by indicating their support for this Lock-Box Bill. Only through budget process reforms like this will Members be able to vote for cuts and be able to communicate the authenticity of these cuts honestly to the public.

A Brief Summary of Selected "Lock-box" Proposals in the 104th Congress

1. REPRESENTATIVE MICHAEL CRAPO (H.R. 1162, AS INTRODUCED ON MARCH 8, 1995)

The bill amends the Congressional Budget Act of 1974 to require that annual appropriations acts contain, at each stage of consideration, a line item entitled "Deficit Reduction Lock-box."

The amount in the lock-box for a given bill is determined generally by the amount of any unused spending suballocations (for the pertinent Appropriations subcommittee) made under the budget resolution, plus the total amount of spending-reduction amendments adopted. In the event that the spending allocations made to the Appropriations Committees are less that what would be allowed under the statutory discretionary spending limits, an amount equal to the difference is placed in the lock-box for the Treasury-Postal Service Appropriations bill. It is not in order to consider any conference report which includes a lock-box amount that is not within the scope of the amounts initially passed by the House and Senate.

A "Deficit Reduction Trust Fund" is established in the Treasury. Lock-box amounts contained in any appropriations act are transferred to the trust fund within 10 days of enactment and are not available for appropriation, obligation, expenditure, or transfer.

The statutory discretionary limits shall be reduced by the amount of budget authority transferred to the trust fund (on the day that such transfer is made). The Director of the Office and Management and Budget (OMB) also shall reduce the discretionary outlay limits accordingly after calculating the outlay reductions associated with the budget authority reductions, using programmatic and other assumptions set forth by the conferees.

The bill also amends the Congressional Budget Act of 1974 to require that the Congressional Budget Office score all general appropriations measures as passed by the House and Senate and have such scorecard published in the Congressional Record.

2. REPRESENTATIVE EDWARD ROYCE (H.RES. 182, AS INTRODUCED ON JUNE 30, 1995)

The resolution amends Clause 4 of Rule XI of the standing rules of the House to require reductions in the suballocations of spending to an Appropriations subcommittee following House passage of the pertinent annual appropriations bill, if amendments were adopted that reduce spending.

The reductions in suballocations must be made by the Chairman of the Appropriations Committee and promptly reported to the House. They may not be reallocated to any other subcommittee. Following this action, the Chairman of the House Budget Committee must report to the House revised spending allocations to the Appropriations Committee reflecting the reductions in suballocations. The revised allocations and suballocations are deemed to be those required by the Congressional Budget Act of 1974.

3. REPRESENTATIVES BILL BREWSTER AND JANE HARMAN (AMENDMENT SOUGHT TO BE OFFERED TO H.R. 1906, THE ENERGY AND WATER DEVELOPMENT APPROPRIATIONS ACT FOR FISCAL YEAR 1996; SEE THE CONGRESSIONAL RECORD OF JUNE 22, 1995 AT PAGE H6271)

The amendment applies the lock-box approach to a particular annual appropriations measure (the sponsors of the amendment also intend to apply it to other annual appropriations measures).

A "Deficit Reduction Trust Fund" is established in the Treasury and amounts are transferred to the trust fund by the Secretary of the Treasury. The amount transferred is equal to the amount of spending suballocations made to the pertinent Appropriations subcommittees minus the amount of discretionary spending provided in the act. The amounts in the trust fund may not be used for any purpose, except by the Secretary of the Treasury to reduce the public debt.

The Director of OMB must calculate the amounts to be transferred to the trust fund and reduce the statutory discretionary limits by these amounts.

4. EMERGENCY SUPPLEMENTAL APPROPRIATIONS AND RESCISSIONS ACT, FISCAL YEAR 1996 (SECTION 2003 OF HR. 1944, AS PASSED BY THE HOUSE; SEE THE CONGRESSIONAL RECORD OF JUNE 29, 1995 AT PAGE H6619)

The section requires the Director of OMB to calculate the aggregate amount of spending reductions resulting from the act (other than emergency appropriations) and to reduce the statutory discretionary spending limits for fiscal years 1995–1998 accordingly.

Section 2004 of H.R. 1944, headed "Prohibition on Use of Savings to Offset Deficit Increases Resulting From Direct Spending or Receipts Legislation," provides that reductions in outlays and the statutory discretionary spending limits resulting from the act shall not be taken into account for purposes of the pay-as-you-go process (covering mandatory spending and revenue legislation) under the Balanced Budget and Emergency Deficit Control Act of 1985.

H. R. 1162

To establish a Deficit Reduction Trust Fund and provide for the downward adjustment of discretionary spending limits in appropriation bills.

IN THE HOUSE OF REPRESENTATIVES

March 8, 1995

Mr. CRAPO (for himself, Ms. HARMAN, Mr. HASTERT, Mr. SCHUMER, Mrs. MORELLA, Mr. BREWSTER, Mr. SHAYS, Mr. EDWARDS, Mr. INGLIS of South Carolina, Mr. STENHOLM, Mr. KASICH, Ms. MOLINARI, Ms. DUNN of Washington, Mr. ACKERMAN, Mr. FROST, Mr. KLUG, Mr. WELDON of Pennsylvania, Mr. WELLER, Mr. MEEHAN, Mr. MINGE, Mr. POSHARD, Mr. HANCOCK, Mr. LIPINSKI, Mr. ORTON, Ms. ESHOO, Mr. CASTLE, Mrs. LINCOLN, Mr. GREENWOOD, Mr. BURTON of Indiana, Mrs. WALDHOLTZ, Mr. BEREUTER, Mr. BARRETT of Wisconsin, Mr. BUYER, Mr. BROWDER, Mr. BURR, Mr. DEAL of Georgia, Mr. NEUMANN, and Mr. BROWN of Ohio) introduced the following bill; which was referred to the Committee on the Budget, and in addition to the Committees on Government Reform and Oversight and Rules, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To establish a Deficit Reduction Trust Fund and provide for the downward adjustment of discretionary spending limits in appropriation bills.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. DEFICIT REDUCTION TRUST FUND.

(a) ESTABLISHMENT.—A trust fund known as the "Deficit Reduction Trust Fund" (hereinafter in this title referred to as the "Fund") shall be established in the Treasury of the United States.

(b) CONTENTS.—The Fund shall consist only of amounts contained in the deficit reduction lock box provision of any appropriation Act. Such amounts shall be transferred to the Fund as specified in subsection (c).

(c) TRANSFERS OF MONEYS TO THE FUND.—Within 10 days of enactment of any appropriation Act which has a deficit reduction lock box provision, there shall be transferred from the general fund to the Fund an amount equal to that amount.

(d) USE OF MONEYS IN THE FUND.—Notwithstanding any other provision of law, the amounts in the Fund shall not be available, in any fiscal year, for appropriation, obligation, expenditure, or transfer.

SEC. 2. DOWNWARD ADJUSTMENTS OF DISCRETIONARY SPENDING LIMITS.

(a) DOWNWARD ADJUSTMENTS.—The discretionary spending limit for new budget authority for any fiscal year set forth in section 601(a)(2) of the Congressional Budget Act of 1974, as adjusted in strict conformance with section 251 of the Balanced Budget and Emergency Deficit Control Act of 1985, shall be reduced by the amount of budget authority transferred to the Fund for that fiscal year under section 2(c), as calculated by the Director of the Office of Management and Budget. The adjusted discretionary spending limit for outlays for that fiscal year and each outyear as set forth in such section 601(a)(2) shall be reduced as a result of the reduction of such budget authority, as calculated by the Director of the Office of Management and Budget based upon such programmatic and other assumptions set forth in the joint explanatory statement of managers accompanying the conference report on that bill. All such reductions shall occur on the same day that the amounts triggering the reductions are transferred to the Fund.

(b) DEFINITION.—As used in this section, the term "appropriation bill" means any general or special appropriation bill, and any bill or joint resolution making supplemental, deficiency, or continuing appropriations.

SEC. 3. DEFICIT REDUCTION LOCK-BOX PROVISIONS OF APPROPRIATION MEASURES.

(a) DEFICIT REDUCTION LOCK-BOX PROVISIONS.—Title III of the Congressional Budget Act of 1974 is amended by adding at the end the following new section:

"DEFICIT REDUCTION LOCK-BOX PROVISIONS OF APPROPRIATION BILLS

"SEC. 314. (a) Any appropriation bill that is being marked up by the Committee on Appropriations (or a subcommittee thereof) of either House shall contain a line item entitled 'Deficit Reduction Lock-box'. The dollar amount set forth under that heading shall be an amount equal to the section 602(b)(1) or section 302(b)(1) allocations, as the case may be, to the subcommittee of jurisdiction over the bill of the Committee on Appropriations minus the aggregate level of budget authority or outlays contained in the bill being considered.

"(b) Whenever the Committee on Appropriations of either House reports an appropriation bill, that bill shall contain a line item entitled 'Deficit Reduction Account' comprised of the following:

"(1) Only in the case of any general appropriation bill containing the appropriations for Treasury and Postal Service (or resolution making continuing appropriations (if applicable)), an amount equal to the amounts by which the discretionary spending limit for new budget authority and outlays set forth in the most recent OMB sequestration preview report pursuant to section 601(a)(2) exceed the section 602(a) allocation for the fiscal year covered by that bill.

"(2) Only in the case of any general appropriation bill (or resolution making continuing appropriations (if applicable)), an amount not to exceed the amount by which the appropriate section 602 (b) allocation of new budget authority exceeds the amount of new budget authority provided by that bill (as reported by that committee).

"(3) Only in the case of any bill making supplemental appropriations following enactment of all general appropriation bills for the same fiscal year, an amount not to exceed the amount by which the section 602(a) allocation of new budget authority exceeds the sum of all new budget authority provided by appropriation bills enacted for that fiscal year plus that supplemental appropriation bill (as reported by that committee).

"(c) Whenever a Member of either House of Congress offers an amendment (whether in subcommittee, committee, or on the floor) to an appropriation bill to reduce spending, that reduction shall be placed in the deficit reduction lock-box unless that Member indicates that it is to be utilized for another program, project, or activity covered by that bill. If the amendment is agreed to and the reduction was placed in the deficit reduction lock-box, then the line item entitled 'Deficit Reduction Lock-box' shall be increased by the amount of that reduction.

"(d) It shall not be in order in the House of Representatives or the Senate to consider a conference report that modifies any Deficit Reduction Lock-box provision that is beyond the scope of that provision as so committed to the conference committee.".

(b) CONFORMING AMENDMENT.—The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by inserting after the item relating to section 313 the following new item:

"Sec. 314. Deficit reduction lock-box provisions of appropriation measures.".

SEC. 4. CBO TRACKING.

Section 202 of the Congressional Budget Act of 1974 is amended by adding at the end the following new subsection:

"(i) SCOREKEEPING ASSISTANCE.—To facilitate compliance by the Committees on Appropriations with section 314, the Office shall score all general appropriation measures as passed the House of Representatives and as passed the Senate and have such scorecard published in the Congressional Record.".

H. RES. 182

Amending the Rules of the House of Representatives to require the reduction of section 602(b)(1) suballocations to reflect floor amendments to general appropriation bills, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

June 30, 1995

Mr. ROYCE (for himself and Mr. MINGE) submitted the following resolution; which was referred to the Committee on Rules

RESOLUTION

Amending the Rules of the House of Representatives to require the reduction of section 602(b)(1) suballocations to reflect floor amendments to general appropriation bills, and for other purposes.

Resolved, That (a) clause 4(a) of rule XI of the Rules of the House of Representatives is amended by adding at the end the following new subparagraph:

"(4)(A) Upon the engrossment in the House of any general appropriation bill (or resolution making continuing appropriations (if applicable)), the chairman of the Committee on Appropriations shall—

"(i) reduce the suballocation of new budget authority to the appropriate subcommittee of that committee made under section 602(b)(1) of the Congressional Budget Act of 1974 by the net amount of reductions in new budget authority resulting from amendments agreed to by the House to that bill, and

"(ii) reduce the suballocation of outlays made under section 602(b)(1) of the Congressional Budget Act of 1974 to the appropriate subcommittee of that committee by the net amount of reductions in outlays resulting from amendments agreed to by the House to that bill,

and promptly report those revisions to the House.

"(B) The reductions in suballocations made under subdivision (A) may not be reallocated by the Committee on Appropriations to any other subcommittee.

"(C) In the House of Representatives, the revised suballocations made under subdivision (A) shall be deemed to be suballocations made under section 602(b)(1) of the Congressional Budget Act of 1974.".

(b) Clause 4(b) of rule XI of the Rules of the House of Representatives is amended by adding at the end the following new sentence: "Upon the reporting of revised suballocations to the House by the Committee on Appropriations under paragraph (a), the chairman of the Committee on the Budget shall make appropriate revisions in the allocations to the Committee on Appropriations to reflect the revised suballocations and report those revisions to the House. In the House of Representatives, those revised allocations shall be deemed to be allocations made under section 602(a)(1) of the Congressional Budget Act of 1974.".

THE BREWSTER-HARMAN AMENDMENT TO THE ENERGY-WATER APPROPRIATIONS BILL (H.R. 1905)

H.R. 1905

OFFERED BY: MR. BREWSTER

AMENDMENT NO. 5. At the end of the bill, add the following new title:

TITLE —DEFICIT REDUCTION LOCKBOX

DEFICIT REDUCTION TRUST FUND; DOWNWARD ADJUSTMENTS IN DISCRETIONARY SPENDING LIMITS

SEC. . (a) ESTABLISHMENT.—There is established in the Treasury of the United States a trust fund to be known as the "Deficit Reduction Trust Fund" (in this title referred to as the "Fund").

(b) CONTENTS.—The Fund shall consist only of amounts transferred to the Fund under subsection (c).

(c) TRANFERS OF MONEYS TO FUND.—The Secretary of the Treasury shall transfer to the Fund an amount equal to the allocations under section 602(b)(1) of the Congressional Budget Act of 1974 to the subcommittee if the Committee on Appropria-

tions with jurisdiction over this Act minus the aggregate level of new budget authority and outlays resulting from the enactment of this Act, as calculated by the Director of the Office of Management and Budget.

(d) USE OF MONEYS IN FUND.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amounts in the Fund shall not be available, in any fiscal year, for appropriation, obligation, expenditure, or transfer.

(2) USE OF AMOUNTS FOR REDUCTION OF PUBLIC DEBT.—The Secretary of the Treasury shall use the amounts in the Fund to redeem, or buy before maturity, obligations of the Federal Government that are included in the public debt. Any obligation that is paid, redeemed, or bought with money from the Fund shall be canceled and retired and may not be reissued.

(e) DOWNWARD ADJUSTMENTS IN DISCRETIONARY SPENDING LIMITS.—Upon the enactment of the Act, the Director of the Office of Management and Budget shall make downward adjustments in the adjusted discretionary spending limits (new budget authority and outlays) as set forth in section 601(a)(2) of the Congressional Budget Act of 1974 by the aggregate amount of estimated reductions in new budget authority and outlays transferred to the Fund under subsection (c) for such fiscal year, as calculated by the Director.

SECTION 2003 OF HR 1944 EMERGENCY SUPPLEMENTAL & RESCISSIONS ACT

DOWNWARD ADJUSTMENTS IN DISCRETIONARY SPENDING LIMITS

SEC. 2003. Upon the enactment of this Act, the Director of the Office of Management and Budget shall make downward adjustments in the discretionary spending limits (new budget authority and outlays) specified in section 601(a)(2) of the Congressional Budget Act of 1974 for each of the fiscal years 1995 through 1998 by the aggregate amount of estimated reductions in new budget authority and outlays for discretionary programs resulting from the provisions of this Act (other than emergency appropriations) for such fiscal year, as calculated by the Director.

LOCKBOX SAVINGS

HOUSE cuts that would have gone to the Lockbox so far for FY–96:

Foreign Ops (as of 7/10/95)	$79.5 million
Legislative	$700,000
Mil Con	$20.9 million
Total	$101.1 million

HOUSE cuts that would have gone to the Lockbox in FY–95:

Agriculture	$25.0 million
Commerce	$264.5 million
DC	$150.0 million
Defense	$0
Energy & Water	$0
Foreign Ops	$78.5 million
Interior	$4.0 million
Labor/HHS/ED	$32.0 million
Legislative	$18.5 million
Mill Con	$0
Transportation	$43.5 million
Treasury/Postal	$42.9 million
VA/HUD	$0
Total	$658.9 million

These are cuts resulting from amendments passed on the House floor during consideration of the 13 general appropriations bills. If the Lockbox had been law, the savings from those cutting amendments would have gone into the Lockbox to later be reconciled in the conference committee with the Senate's Lockbox savings. The final savings would have to be between the House and Senate amounts in the Lockbox.

Mr. HORN. Thank you for your eloquent statement.

I now recognize the gentleman from Oklahoma, a new member of the Government Reform and Oversight Committee.

When you finish testifying, please join us on the dais to participate in listening to the rest of the testimony.

Mr. Brewster.

Mr. BREWSTER. Thank you, Mr. Chairman.

I do have a prepared statement I would like to ask unanimous consent to put in the record.

Mr. HORN. Without objection.

Mr. BREWSTER. Mr. Chairman, since I came to Congress, I guess one of the things that surprised me the most and I was disappointed in was the fact that, as my friend, Congressman Crapo, mentioned a moment ago, we go through long, extended fights on the floor to try to make cuts in particular spending programs, and then the cuts never happen, because the money reappears in another appropriation bill somewhere else.

As Congressman Crapo mentioned, last year there were two groups of us headed in the same direction without knowing the other was doing it. So we joined forces and became, I think, a very potent force to try to do something about the problem.

There are those who say they don't like the concept of a trust fund. Well, we don't have to have a trust fund, but we do have to have an account at Treasury so that money is not reappropriated. Without that account at Treasury, where the money goes, when cuts occur, then all they do in conference is reappropriate the money, and it goes on down the road. So I think it's very important that we do that.

As far as just lowering the 602 (a) and (b) allocations, unless you lower the discretionary caps as well, you still haven't accomplished anything, because it is very important that we go through the whole concept of the lockbox and reducing and buying down debt.

Mr. Chairman, we put together a list of what the cuts would have been last year, just in last year's appropriation bills, the House cuts that would have gone to the lockbox in fiscal year 1995: Agriculture, $25 million; Commerce, $264.5 million; D.C. Appropriations, $150 million; Foreign Ops, $78.5 million; Interior, $4 million; Labor and HHS, $32 million; legislative, $18.5 million; Transportation, $43.5 million; Treasury, Postal, $42 million.

These were cuts that we fought for on the floor and got them passed, many by large numbers, except the cuts never occurred because the money was reappropriated. Mr. Chairman, last year it was $658.9 million, and that was under a Democrat regime. No telling how much it could be this year under Republican control. So, Mr. Chairman, going through the first three bills this year, it has already been $79.5 million on Foreign Ops, $700,000 on Legislative, $20.9 million on Mil. Con.

Mr. Chairman, the first three bills are $101.1 million. Mr. Chairman, it is time that this concept, whether it be in the name of a trust fund of whether it is in the name of an account at Treasury, we are not concerned about what the name of it is. We feel like it's a nonpartisan issue; it's an American issue; it's one that we all have to work together to see if we can't do some positive things here and stop this runaway deficit spending.

Mr. Chairman, I yield back the balance of my time. We look forward to questions.

[The prepared statement of Hon. Bill K. Brewster follows:]

PREPARED STATEMENT OF HON. BILL K. BREWSTER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. Chairmen I want to thank you both and members of your subcommittees for having this hearing today. As you know, this has been a very important issue to me and many of my colleagues for over two years now.

The issue today is very simple. We must make our cuts count. We cannot continue the practice of casting tough votes to cut spending to only find these savings reappear in an appropriations conference report.

Last year alone, Mr. Chairman, the house would have placed nearly $659 million in the lockbox. And, this was in a Democratic-controlled Congress. Just imagine the savings that can occur with the Republicans in the majority.

To give you an idea, this year, we have already cut over $101 million from only three appropriations bills—one of those being Foreign Operations, which is still under consideration.

Mr. Chairman. A million here and a million there. And we're talking about some real money. Seriously, this is money that the american people thought was going to deficit reduction.

Nearly every Member of this House has voted for the lockbox on the House floor, and many more have been a cosponsor of a lockbox bill, either in this Congress, or in the 103rd Congress. The support is overwhelming in the House for the lockbox bill.

Make no mistake the Crapo lockbox bill—that I, Ms. Harman, Mr. Schumer and many others are a cosponsor of—is the true, honest, and tough lockbox bill.

However, I understand, Mr. Chairman, that some Members of this House do not agree with, or understand, all the technical details of our lockbox bill. We have put a lot of time into this issue, and we feel very strongly about the merits of the lockbox. We would not only welcome, but be very happy to entertain any ideas any Member may have to perfect this legislation. We have encouraged input from both sides of the aisle throughout this process, and with this hearing I hope we can all come to the table and agree on a lockbox that will ensure these savings for deficit reduction.

Mr. Chairman, the lockbox idea is a sound and sensible idea that should have consideration on the House floor. The people of this country have asked for deficit reduction; let us stand by our promise to reduce the deficit and create the deficit reduction lockbox.

We must not wait any longer by letting millions of dollars slip into the wasteland of Federal spending.

Mr. HORN. Thank you very much.

I now recognize the gentlewoman from California, Ms. Harman.

Ms. HARMAN. Thank you, Mr. Chairman. It's nice to appear before you and to work with you on yet another project.

The lockbox, as you heard from my colleague and good friend, Mr. Crapo, has many fathers. I am its mother, and I care intensely about making more progress on this issue, as our colleagues from the Rules Committee know. Mr. Brewster and I have been there on every appropriations bill, urging the Rules Committee to order a lockbox amendment to each appropriations bill. The lockbox concept, as we point out each time, is something every member of the Rules Committee has supported.

At any rate, here I am again. Mr. Goss and Mr. Solomon have made my speech, so I would ask unanimous consent, Mr. Chairman, to insert two things in the record: one is a prepared statement, and the second is a letter signed by about 75 Members of the freshman class in support of this legislation. Thank you.

Let me just make several additional points and let other colleagues testify to some other issues. First of all, as I mentioned, the lockbox did pass in this Congress, on the floor of the House,

as a part of the rescissions bills, and the vote on the floor of this House was 418 to 5.

I haven't checked to see whether every member of this hearing panel voted for it, but I would guess most of you did. And I certainly know that every member of the Rules Committee did vote for it. This is a highly popular concept with our colleagues and certainly it is also with the American people.

Second, I did listen carefully to what Mr. Solomon said about budget authority and budget outlays. As Mr. Brewster said, there are some issues we should address in detail here and perhaps some fine-tuning needs to be done. But I would urge this combined subcommittee to work with us on that and to embrace the basic underlying concept and make sure that we deal with all of the technical questions quickly, so that we can pass this legislation, in final form, in this session of Congress.

Finally, let me make this point: It has been said that this legislation would, to some extent, curb the power of the Appropriations Committee, and that has been raised as an issue. My answer to that is: You bet.

It is not that I have any reason to believe that any member of the Appropriations Committee doesn't exercise power responsibly; however, I don't think that, as a Congress and as representatives of the American people, we want to say that only one committee of Congress can take the cuts we make and reprogram the money elsewhere, out of sight of the rest of us and out of sight of the American people.

What this proposal does, as Mr. Crapo said, is force Congress to put on the public record the ways in which it will reprogram cuts. We can do that under this legislation, but we have to do it with full accountability. So, for that reason, I strongly support what some may view as a slight curb on the power of the Appropriations Committee.

With that, Mr. Chairman, let me yield back my time and be ready to answer questions. Thank you.

Mr. HORN. Thank you very much for that statement.

I now recognize my other colleague from California, and neighbor, Mr. Royce.

Mr. ROYCE. Thank you, Chairman Horn, Chairman Goss, members.

I appreciate the opportunity to appear before you today to discuss a way to ensure real savings and deficit reduction from cuts made in Federal appropriations. I know that you have a number of different proposals before you today, and to me that is significant because it indicates the depth of concern that Members have regarding this critical problem.

My proposal, which is a proposal, really, to change the rules, is a bipartisan proposal. It's an outgrowth of my observations and those of my colleague Dave Minge, as co-chairmen of the Congressional Pork-Busters Coalition. Our hope is that a clean and effective solution can be found to the problem of paper savings that, unfortunately, turn to new outlays in the twinkling of a legislative eye.

We have all seen examples of the problem. Money cut from one program—and I'm going to give you an example from last year—

the Advanced Solid Rocket Motor program, in the 103d Congress. Now, that will end up not a reduction to the deficit but back in the budget, enriching other programs. In that case, it was $57 million that went back into the budget for other programs. Sometimes it winds up in the very same program it was cut from.

In the example I am giving you here, $100 million of ASRM, the same example, ended up back in that same program. There are dozens of such examples.

A number of proposals have been offered for preventing this duplicitous recycling of tax dollars, but my proposal has, I feel, one major advantage: It can be put into effect immediately. It can be applied to the 1996 appropriations bills before us. It is a tourniquet to prevent ongoing hemorrhaging. Like a tourniquet, it has the virtue of being both quick and effective.

House Resolution 182 amends the House Rules to require that as soon as any appropriation bill passes the House, the chairman of the Appropriations Committee shall adjust the appropriate 602(b)(1) suballocation of both new budget authority and outlays to reflect the changes made in the House. It further provides that the money saved in a suballocation may not be reallocated to any other subcommittee; in effect, capping both the suballocations and the overall allocation to reflect the new totals.

In addition, the chairman of the Budget Committee is ordered to make the appropriate revisions in the allocations to the Committee on Appropriations, and those revised allocations shall be deemed to be allocations under Section 602(a)(1) of the Congressional Budget Act. The advantage of that is, that allows a point of order to lie against any bill or conference report which breaches the allocations.

By locking in the savings achieved by amendments to appropriations bills on the House floor, H. Resolution 182 ensures that any funds cut will truly be saved, not spent for other things. This rules change does not require a new statute. It doesn't require an amendment to the Budget Act. It doesn't require the President's signature. It doesn't even require the concurrence of the other body. We can do it all ourselves, and we can do it in time to affect this budget and all of these appropriations bills that we are working on now.

I welcome the opportunity to work with your respective committees to craft a solution to the problem of disappearing savings and to assure that the will of the House is fully carried out, Mr. Chairman.

[The prepared statement of Hon. Edward R. Royce follows:]

PREPARED STATEMENT OF HON. EDWARD R. ROYCE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Chairman Horn, Chairman Goss, Subcommittee Members, I appreciate the opportunity to appear before you today to discuss ways to insure real savings to the taxpayer from cuts made in federal appropriations.

I know you have a number of different proposals before you, and to me that is significant, because it indicates the depth of concern that Members have regarding this critical problem. My proposal, for example, is a bipartisan one, and is an outgrowth of my observations and those of my colleague, Dave Minge, as Co-Chairmen of the Congressional Porkbusters Coalition. Our hope is that a clean and effective solution can be found to the problem of paper "savings" that unfortunately turn into new outlays in the twinkling of a legislative eye.

We've all seen examples of the problem. Money cut from one program, such as the Advanced Solid Rocket Motor program in the 103rd Congress, winds up not in reduction of the deficit but back in the budget enriching other programs. Sometimes, it winds up in the very same program it was cut from.

A number of proposals have been offered for preventing this duplicitous "re-cycling" of tax dollars, but my proposal has, I feel, one major advantage—it can be put into effect immediately, and applied to the 1996 appropriations bills still before us. It's a tourniquet to prevent on-going hemorrhaging, and like a tourniquet, it has the virtue of being both quick and effective.

House Resolution 182 amends the House Rules to require that as soon as any appropriations bill passes the House, the Chairman of the Appropriations Committee shall adjust the appropriate 602(b)(1) suballocation of both new budget authority and outlays to reflect the changes made in the House. It further provides that the money saved in a suballocation may not be reallocated to any other subcommittee—in effect, capping both the suballocations and the overall allocation to reflect the new totals. In addition, the Chairman of the Budget Committee is ordered to make the appropriate revisions in the allocations to the Committee on Appropriations, and those revised allocations shall be deemed to be allocations under Section 602(a)(1) of the Congressional Budget Act, thus allowing a point of order to lie against any bill or conference report which breeches the allocations.

By locking in the savings achieved by amendments to appropriations bills on the House floor, H. Res. 182 insures that any funds cut will truly be saved, not spent for other things. This rules change does not require a new statute or amendment to the budget act, and it doesn't require the President's signature; it doesn't even require the concurrence of the other body . . . we can do it all ourselves.

I welcome the opportunity to work with your respective committees to craft a solution to the problem of "disappearing savings," and to insure that the will of the House is fully carried out.

Mr. HORN. Thank you very much for that very creative proposal.

I now recognize the gentleman from New Jersey, a well-known reformer in this body, Mr. Zimmer.

Mr. ZIMMER. Thank you, Mr. Chairman.

In supporting this legislation, I don't think anyone on this panel means to be critical either of the Budget Committee or the Appropriations Committee. Certainly, speaking for myself, the Budget Committee has done a remarkable job in setting priorities and in creating a credible "glide path" to a balanced budget by the year 2002.

The Appropriations Committee has, to its credit, met the caps set by the Budget Committee and, in fact, has, in virtually every case, come in under the budget allocation. You, Mr. Chairman, are a political historian. You may know that in years past there was a committee of this House called the Committee on Retrenchment. I think that could properly be the name of the Appropriations Committee of the 104th Congress.

They have a very difficult task, and I don't mean at all to be critical of their work. But it is important that the House be allowed to do its will when it comes to deficit reduction, and I think that the rules, as they currently exist, and the law, as it currently exists, do not allow us to reduce spending below the 602 caps if that is what we choose to do.

I am here to endorse the Crapo legislation, because I believe that it will simply allow a majority of the House, if it chooses to, to set spending below the budget allocation levels. If it chooses to, the House may also redirect that spending. It does not have to reduce the allocation levels.

I share Congressman Royce's sense of urgency. We are going through the budget process, appropriation bill by appropriation bill,

and losing the opportunity to, in effect, bank the savings that we are seeing below the spending allocations.

I believe we should have adopted some sort of lockbox provision on the first day that we organized this House in January, and I urge the members of the Rules Committee who are here on this joint panel to make in order the entire Crapo bill, as an amendment to the next appropriations bill that comes to the floor. I believe that that will accomplish what we need to do, which is to make sure that all the hard work that we are doing in making some difficult and unpopular cuts will not simply be frittered away.

So I want to commend all those on the panel who have contributed to this effort, most of whom have put in far more work on it than I have, and just tell you that I intend to press for immediate consideration of this legislation, lest we lose an entire appropriations season while we are debating the finer points.

Thank you.

Mr. HORN. Thank you very much.

I now yield 5 minutes to the gentleman from Florida, Mr. Goss.

Mr. GOSS. I thank the chairman very much. I am very pleased to have heard the testimony, and I want to assure Ms. Harman that, in fact, we were listening at those Rules Committee meetings, and, if we stole your speech, it is because we listened to you well, and I apologize, since we are on the same track.

There appear to be two areas that are what I will call the technical details here that are a little troublesome, that we need to come to grips with. In response to Mr. Zimmer's observation that the Rules Committee make in order the Crapo bill, or the Harman-Brewster amendments, or whatever form they come through, as the appropriation bills come in, we are hung up on those technical details, and that is the reason we have gone ahead and had this hearing today.

As you know, this is a joint jurisdiction, and Chairman Horn has accommodated us very well, as has Chairman Clinger of the full committee. And Chairman Kasich of the Budget Committee was aware of this, and we have had some conversations. Unfortunately, we were not able to make it a tripartite hearing, but they are aware of what is going on, and I believe that they have staff here. There were some technical problems in getting organized.

That having been said, where we have to focus down, really, is in the two areas of the question of how do you make this thing actually work? At what point do you change the caps? And how do you make that work, vis-a-vis the OMB or the CBO scoring? And at what time in the process do you do it?

If you do it too soon, do you preempt the ability of our conferees to do a job in conference. If you follow the Royce approach on this, that says, let's just do what is good for the House, and let the rest take care of itself, are we putting ourselves at a disadvantage and, in fact, going to create some arterial loss elsewhere in the process because we have only locked up the House part of it and not the rest of the process when we pass legislation?

On the other hand, if we wait until we get all the way through the Presidential signature, the approval of the legislation, to go ahead and change the caps, then do we use the OMB caps, which are higher, or the CBO caps, which would be lower, because they

are our budgetary caps? But the question is, then do we lose the opportunity, in the process, to make the savings? Do we have the same old problem of attrition during the conferee process?

So that seems to be the area where we need to focus on details as we go into this, and those are really the questions that we would like to have your expertise and your views on.

I apologize, Mr. Chairman. I have been called to the floor for the rule on Foreign Ops, which I know we are all very excited about, and I am going to have to leave for a few minutes, but I will be back, assuming we don't run into too many misadventures today.

I would welcome comment from any of the four colleagues there on any of those two points I have made on where we need to focus.

Mr. CRAPO. Mr. Chairman, I will respond first by saying that, as I indicated in my testimony, I am in the process myself of trying to learn and understand the budget cycle. I can tell you that, as I worked on preparing my legislation, about 2 years ago now, I can't count up right now the number of budget experts I talked to who told me, "Well, this is how you can do it." Then when I took that approach, the next budget expert would say, "Well, this is how you can do it," and "There is a problem with this one."

This is going on. I'm not being critical about that. I'm saying we've got a very complex budget system that we must deal with here. All of us who have worked on this have talked to budget experts and have tried to get this honed in to the right vehicle. If we need further honing, further refinements, let's get the experts in. I understand you have some experts testifying in this hearing. Let's have the answers provided, and let's write the proper provisions in to get it done correctly.

Having said that, basically what I'm saying is, I am very open to adjustments that are going to make the bill more effective and more workable. Having said that, I believe the basic concept should be very straightforward, and that is, we are creating an account in each appropriation bill that must go to deficit reduction.

It seems to me that if we can, in some fashion, in our budgetary cycle, as we vote in the House and the Senate to take spending out of the spending category and put it into deficit reduction, that we do it, and then that those reductions must be applied to the 602(b) allocations.

I'm going to get caught up in saying which caps it must be myself. I personally think that it probably ought to be done at the earliest stage possible, but if an expert says there's a problem with that and there's a better approach, I'm willing to live with it. The bottom line is, I am not willing to live with the answer that it can't be done. It can be done. It must be done. And let's have the experts tell us how to do it.

Ms. HARMAN. I certainly would agree with those comments and just add a couple others, very tentatively, since I, too, am not an expert on how our budgeting works, especially how the Senate budgeting works. But my understanding is that the Senate operates by different rules than the House, and they are more restrictive than the House rules, and that, in conference, the House conferees generally accept the Senate-imposed restrictions on outlays.

I think that gets us closer to an answer, when we think about it that way. What I would like to put on the table, consistent with

what Mr. Crapo just said, is that we may be better off to consider some statutory limitations and not just confine ourselves to the Senate and House rules. That way we would make sure that both bodies operate consistently and in a way that we will achieve the result that everyone supports.

So let me put that on the table and offer my enthusiastic cooperation, on a bipartisan basis, to figure out the technical solutions to several really valid issues that have been raised.

Mr. ROYCE. Mr. Chairman, if I could respond specifically to the idea of having the House take the lead on changing our House rules and then asking the Senate to follow. You know, for 100 days, the House took the lead, and we found that the Senate did follow.

And you could make arguments that we lost some leverage in the process, but, frankly, as I look at the body of former House Members that we now have serving in the Senate, I believe they will have the same type of enthusiasm which our freshmen showed in pushing for these approaches that we are discussing today in deficit reduction.

I believe that the Senate leadership—and I have spoken with Senator McCain, who is my counterpart; he is the chairman, on the Senate side, of our Pork-Busters Coalition—I know that there are people in leadership, including, I believe, Senator Dole, who have campaigned on deficit reduction, who would look at the fact that the House took the lead on changing its rules. I think there would be enormous pressure—enormous pressure—we could bring to bear on the Senate to have them follow through and achieve real deficit reduction.

So, as I say, in looking at our experience with the first 100 days, I think we should continue and build upon that by changing the House rules now, and each of us work with our counterparts in our delegation on the Senate side. And let me point out one more time, the advantage of that is, it gets us to these appropriations bills now, as they are going through the process, rather than have to wait another year in the hopes that we get a signature.

Thank you, Mr. Chairman.

Mr. HORN. I thank you for your comments. As you know, there are basically two rules in the Senate: unanimous consent and exhaustion. So I wish you luck.

The gentleman from New Jersey.

Mr. ZIMMER. I would just like to add one point to what has been said in answer to this question, and that is to respond to a comment that Chairman Solomon made about how, if the Senate has different allocations than the House does, you are dealing with apples and oranges. You are not; you are dealing with different numbers of apples. And it's very easy to split the difference when you are simply dealing with orders of magnitude. We do it all the time, and I don't think it's an insurmountable problem.

So I think we ought to get on with the business of setting up a lockbox and not let the appropriations season pass us by.

Mr. HORN. The gentlewoman from New York, the ranking member.

Mrs. MALONEY. Thank you, Mr. Chairman.

First, to Representative Crapo, in your testimony you said that there would be two choices: you could either direct it to the deficit,

or you could direct to a different spending proposal. Then later you said it was going to go just to the deficit. What is it in your bill?

Mr. CRAPO. Thank you for letting me clarify that. If I said that it would simply go to the deficit, I did not state it correctly. The bill allows any Member who brings an amendment to the floor to state in their amendment that the spending they want to cut out of a particular program or project should be reallocated to some other program or project, within the same bill. It does not allow to shift it to another appropriation outside the jurisdiction of that bill.

So what it says is, if what you really want to do is to shift spending instead of cut spending, you can do that, but you have to say so, and you have to do it up front. Right now we say we are cutting, and we are shifting. So I hope that clarifies the answer.

Mrs. MALONEY. It does, but it appears that there is really most emphasis on reducing the deficit, why not just go all the way and say you can't redirect it; it has to just go to——

Mr. BREWSTER. Would the gentlelady yield for a moment, please?

Mrs. MALONEY. Absolutely.

Mr. BREWSTER. What he is saying is, if the amendment reallocates the money somewhere else, then that's where it goes; otherwise, any cutting amendment would go to deficit reduction. So unless the amendment specifically said you are taking money from the supercollider and putting into solid rocket motors, or whatever, the amendment that passed and the $20 million, $30 million, or whatever was reduced, would go to deficit reduction.

Mr. CRAPO. If I might answer even further——

Mrs. MALONEY. I understand exactly what you are saying. I was just questioning whether we shouldn't just make it all go to deficit reduction, as opposed to being able to redirect it within that category.

Mr. CRAPO. That's certainly a policy decision that we could make, but we felt, and I still believe, that it would not be an appropriate restriction of Members' rights to bring any amendment they chose to bring. What we are saying is, if you bring an amendment and you claim that you are addressing the deficit, then we will make it so that you are addressing the deficit.

Ms. HARMAN. Could I just add something to that answer?

Mrs. MALONEY. Yes.

Ms. HARMAN. It is just this, that then the House acts on the proposal. And if the majority of the House does not want that cut reallocated, the House can vote down the amendment and can substitute one that could apply the cut to deficit reduction. So the option is still there, even though the legislation permits a vote on a proposal for reallocation.

Mrs. MALONEY. Given the realities of what has been happening between the House and Senate, we seem to be passing a great deal of legislation which the conference committees can never seem to get around to meeting on, I agree with Representative Royce that we may be dealing with a one-house action. We may pass something in the House, and it probably won't pass in the Senate or not be worked out.

Therefore, I think your suggestion of forcing the issue, doing a rules change right now, in which we can move forward immediately with reductions—which my colleague so brilliantly pointed out, Mr.

Brewster—and the cuts that we have already done in this session and in the 103d session, because—I would like your comments on whether or not you really feel the Senate is going to act on this—maybe it is better to just take a one-house action and then let it be worked out in the conference committee, as Solomon and the Congressman from Florida, Goss, mentioned in their statements.

Mr. ROYCE. Yes, well, I think I would just quote the chairman of the committee.

What was your quote, Mr. Chairman?

Mr. HORN. On the rules of the Senate?

Mr. ROYCE. The rules of the Senate: exhaustion and——

Mr. HORN. Exhaustion and unanimous consent.

Mr. ROYCE [continuing]. And unanimous consent. I mean, the difficulty in proceeding with a statute is that we may not, in the course of this Congress, see any advance on this issue. Now, that is not to say we shouldn't do so. I believe we should. I believe we should go forward with a statutory change and put that over in the Senate, as well.

But I think the action we can all take immediately, at this point in time, is the rules change, and I think that that pushes the envelope. I think that that forces, on the Senate side, consideration of the change we have made on the House side. It brings media attention to bear on the issue. It brings peer pressure to bear. And we know, as I have said, that we've got a leadership over there that has campaigned on deficit reduction. We've got a freshman class over there that will help drive that issue.

So I think taking both approaches is the one that this body should take.

Thank you, Mr. Chairman.

Mrs. MALONEY. Could any of you—following up on your statement, and I agree with you—could any of you describe for us the process by which the House and the Senate Appropriations Committee make their 602(b) allocations on appropriation bills and conference reports?

Mr. CRAPO. I'm not sure I understand your question. I can give you the very broad basics, but I think you are probably asking——

Mrs. MALONEY. And how many times do they readjust their numbers in the course of an appropriations cycle?

Mr. CRAPO. Well, I can tell you that one of the criticisms that has been levied against the lockbox approach is that once an adjustment is made or a lockbox account is created and funded, that the appropriations committees or subcommittees could simply work around that by readjusting their allocations and reallocating.

I understand that that is permissible and available for them to do. I have not observed that happening very often, and I believe that we could address that phenomenon in some way, in either a resolution or a bill, so that we could prohibit it from being a loophole that would stop us from applying these cuts to deficit reduction.

Ms. HARMAN. Maybe I could add to that, because Mr. Linder has been asking this question in the Rules Committee every time we have appeared. The goal here is to bring down the 602(b) allocation every time we cut spending and not reallocate it. That's the goal. The lockbox isn't a shoe box full of money. The lockbox is an ac-

counting mechanism that shows the amount by which the 602(b) allocation shall be brought down.

We need to get there from here, making whatever technical course corrections are necessary to get there. But I think this whole panel, on a bipartisan basis, wants to work both for rules changes and statutory changes to get there.

Mrs. MALONEY. Thank you very much, Mr. Chairman.

Mr. HORN. I thank you.

Let me make one comment before yielding to the gentlewoman from Utah. It was noted that you did not want to apply any savings to anything outside of that particular appropriations bill. We do get into rescission bills. We do get into omnibus appropriation bills. I must say, the rule that has concerned me the most in this session is when the first one to change the budget formula in a particular section in essence precludes anyone else from touching that section.

The facts of life were that one of the great unplucked cows that has gone through the House has been the military construction budget, which was also true in the rescission. And yet, when you are trying to save the summer youth program and a few other things that are important to this society, one is precluded from touching that cow, plucked as it should be, because it is sitting over in another section.

I really do think the Rules Committee ought to take a very careful look at that. We should be able to save money where we can, and, if a majority rules, we should be able to put it where we want to put it.

I now yield to the gentlewoman from Utah, Ms. Waldholtz.

Ms. WALDHOLTZ. Thank you, Mr. Chairman.

I am particularly pleased that we have an opportunity to talk about this issue this morning. As Representative Crapo knows, I am a co-sponsor on his bill and feel very strongly that this is an issue that we need to resolve. I have reluctantly not been able to support adding it as an amendment in the Rules Committee because of these technical issues that came up. I think the sooner that we can get past these and get back to the merits of the proposal, that we will be able to go ahead and resolve this and have some sort of lockbox mechanism.

The question I want to raise is this and just get your views on how we can deal with it. It seems to me, if we take Congressman Royce's approach—and it sounds wonderful because it's something we can do immediately; it's something we can do unilaterally on the House side—it seems, though, that we nevertheless then lock ourselves in to these particular allocations at the point that we go to conference with the Senate.

While it was suggested that we can split the difference with different apples, if we have lowered our allocations to the point that there is no room for negotiation with the Senate, how then do we split that difference?

It seems to me that we then have a point of order: If our conferees were to try to come to an agreement with the Senate, do the best that they can, but nevertheless come in $10 over the new allocations that we have set, if we set them early in the process, then a point of order lies against consideration of that conference report, and either we would have to continuously, as the Rules Committee,

waive our point of order, or we would have absolutely no negotiating room with the Senate.

How would you suggest we resolve that?

Mr. ROYCE. Or we are going to find that the Senate conferees are cognizant of where we have taken this action, why we feel strongly about these types of what generally we would describe as pork barrel spending, and the fact that they are setting themselves up for a confrontation, unless they agreed to be checked by the actions the House takes.

Now, I believe that in point of fact, since what we are almost invariably dealing with are pork barrel items, I believe we will checkmate the conferees on the Senate side. And I don't believe we will have to go through a tortuous process. But should the worst happen—and I don't think it would happen very often—I believe the House would win in those negotiations.

And I just can't, for the life of me, come up with a reason why we shouldn't at least minimally correct the problem on our side. I don't really believe we are losing anything in negotiations. I believe we are strengthening the hands of our conferees enormously through this approach.

So those would be my arguments in rebuttal.

Ms. WALDHOLTZ. We would hope that the Senate would accede to that, but, worst case scenario, and they don't, would you then support waiving the point of order against bills in that situation?

Mr. ROYCE. My suggestion is that we don't tip our hand to the Senate conferees in terms of how we would react. I would presume that our best strategy for having the most leverage in this negotiation is to go forward and say, these are now the rules of the House, and the Senate will have to at least agree that, in those few cases where the House finds itself with pork barrel spending, which is so egregious that the majority of the Members, in a bipartisan way, on the House floor put into effect this change of this allocation, this reduction of this allocation, I think, as a practical matter, we are going to see the Senate agree on those specific changes.

Ms. WALDHOLTZ. I wish I could share your optimism, but thank you.

Ms. HARMAN. I have just had a thought which I think would supplement Mr. Royce's point, and that is that, on the Senate side, they have something called the "Byrd rule." I think it's still alive. I haven't heard it used in this Congress, but it certainly was in the last Congress. And everyone over here was very cognizant of what it required, in terms of relevance, and we adjusted our actions to accommodate the Byrd rule.

It might work out that this new lockbox rule would cause not just a similar reaction on the Senate side but perhaps an even bigger reaction, because, as Mr. Royce points out, the public pressure behind this would be substantial. So I think, as a piece of the overall solution, a rules change, a unilateral rules change, would be a very good start.

Ms. WALDHOLTZ. I have no further questions.

Thank you, Mr. Chairman.

Mr. HORN. I now yield to the gentleman from Pennsylvania, Mr. Mascara.

Mr. MASCARA. Thank you very much, Mr. Chairman.

I took all of this information home last night and tried to sift through it. I generally agree on the lockbox concept. I think it's something we need to pursue, only there seem to be a lot of unanswered questions about—well, when is the right time to use the lockbox process?

I understand that some of the proposals would use the lockbox at the subcommittee level in appropriations and in the full Appropriations Committee as bills are being created. Others would begin to use the lockbox in the amendment stage on the floor.

Since no general appropriations bill actually exists until it is ordered reported from the committee, reported to the House and given a bill number, could you comment on how early this process should begin? Is it too early to apply the lockbox within the committee itself?

So maybe, perhaps, you could give me some information in that regard.

Mr. CRAPO. Yes, thank you. I will approach that from the perspective of the lockbox bill, the Crapo-Brewster-Harman bill.

Again, I will state that if the committees want to address this issue in a particular way, it can be so addressed. But the bill literally creates an account, or a line item, if you will, in each of the appropriations bills. As a subcommittee operates, that committee can begin filling that account at the committee level, as it prepares the bill. So the action would be able to be started at the committee level, as the subcommittee starts out with its allocation and then starts determining that portions of its allocation can be placed in the lockbox account.

So, at least as I see it, we could start at the subcommittee level.

Mr. MASCARA. Thank you.

I have no further questions at this time.

Mr. HORN. The gentleman from New Hampshire, Mr. Bass.

Mr. BASS. No questions, Mr. Chairman.

Mr. HORN. The gentleman from Pennsylvania, Mr. Fox.

Mr. FOX. Mr. Chairman, just one question, to anyone on the panel.

In the past, the appropriations process has been plagued by delay and conflict, leading to funding lapses, agency shutdowns at times, and the use of omnibus continuing resolutions for the rest of the year. How might the lockbox mechanism affect these problems?

Mr. ZIMMER. I wish I could say that it would help, but we are solving another problem, not those problems.

Mr. FOX. OK.

Mr. CRAPO. Yes, I would say the same thing. I will give that some thought, but, off the top of my head, I don't see that it would impact those issues.

Mr. FOX. OK.

I have no further questions, Mr. Chairman. Thank you.

Ms. HARMAN. One thing might, however, and that is, the bipartisan cooperation that is exhibited here in favor of these programs. If we applied it more generally around this place, I think it could help with that issue.

Mr. FOX. Good inspiration.

Mr. HORN. The gentleman from South Carolina, Mr. Spratt.

Mr. SPRATT. Thank you very much.

We have been through this a couple of times before, but it has never really come to fruition on the floor. And every time, in trying to deal with the bill, we have run into lots of different questions. For example, do you think that the allocation of the lockbox should be for the next ensuing fiscal year, for this particular rescission bill, or is it workable with a multi-year allocation to the lockbox?

Would you advocate ratcheting down the discretionary spending limit by a lockbox credit for the full remainder of the spending cap, as opposed to just one fiscal year? Have you thought through that?

Ms. HARMAN. Well, I would see it as a permanent mechanism, not just a temporary fix. That's why we are talking about amending the Budget Act. But we are also talking about amendments which do require waivers to each of the appropriations bills in this year, as a jump start to the concept.

But I think, as a permanent mechanism and a concept that would be perhaps refined over time. Because the bottom line here is that we want to show the American public that a cut is a cut, and when we say we are cutting we actually do cut, unless, on the record, we reallocate.

So to get there from here, I think we need a permanent, multi-year, consistently applied mechanism.

Mr. CRAPO. I would agree with that.

I think Mr. Brewster wanted to make a comment.

Mr. BREWSTER. Since I was sitting down there earlier, before you came in, John, I would like to answer that, as well.

In our bill, it would affect that year only. The bill, as it came from Appropriations, would have a lockbox account with zero in it, as it came to the floor. As amendments were brought up, if cuts occurred of $23 million, then that account would have a $23 million tag to it. But it doesn't affect the 602(b)'s or whatever is done in the future years.

Now, the rescission bill, as we did it earlier, we effected outyear caps, as well. That's quite different than the lockbox approach that we are taking on the appropriations bills. But the rescission bill was a multi-year rescission bill, as well, so that's why it was different than this concept.

Mr. SPRATT. When do you think the allocation to the lockbox should become final? If we have an appropriations bill on the floor, and an amendment succeeds, and a credit is made to the lockbox account, can someone later, in the consideration of that bill in a subsequent title or the same title, take account of that credit and then use that credit to pay for an add-on to the bill? Does it become final at the point it is approved in the House?

Mr. BREWSTER. The way the bill was filed and the way we had it last year, if they want to transfer it to another place within that bill, they had to do it at the time the amendment was made.

Mr. SPRATT. By that very amendment.

Mr. BREWSTER. That amendment would take $23 million from one particular account in South Carolina and transfer it to a particular project in Ohio.

Mr. SPRATT. Oklahoma, I'm sure.

Ms. HARMAN. Mr. Brewster, we want Mr. Spratt's support for this legislation.

Mr. ZIMMER. Mr. Spratt, I would like to make a point about the multi-year impact. I think, to the extent we can, we ought to cover the out years. Although the budget resolution that we adopted is relatively free of gimmicks and rosy scenarios, compared to years past, we have to concede that it is back-end loaded to a large extent.

It is going to be more and more difficult, as the years go by, to actually stay on that so-called "glide path" to a balanced budget. Any kind of relief we can give on spending in the out years would be very important; for instance, if we had a recession, which we are not planning for in the 7-year resolution. So the more we can have a multi-year impact, the better it is for our final objective.

Mr. SPRATT. Mr. Blum makes a point in his testimony, "The real problem with the budget is mandatory spending, not discretionary spending," and further makes a point that we have taken it down another notch this year with the current budget resolution, the spending cap.

In light of that, if someone makes a substantial deletion, let's say the Zimmer amendment to delete the space station, passes, and it is $2 billion that you want to take completely out of discretionary spending for that year, maybe for the next 4 or 5 fiscal years, do you think your amendment should be subject to amendment so that others on the floor, before consideration of the bill is completed, might be able to reclaim it?

Certainly, I would think your amendment ought to be subject to amendment, so that anyone who wants to say, "Wait a minute. If we don't spend this $2 billion on the space station, the whole point is to spend it on your smaller-sized projects within NASA."

Mr. ZIMMER. I would have no objection to that. You may recall that last year Mr. Roemer and I actually did propose, not a cut in the NASA budget, but a reallocation of the money from the space station to other NASA programs. It didn't pick us up a single additional vote.

We were told, in years past, as has been described in the testimony here, that trying to reduce the deficit would be fruitless because the money would end up being spent on parking lots for VA hospitals. But when we said, "OK," as a concession to those people who made that point, "we will reallocate it to more cost-effective programs within science," as a political matter, it didn't avail us.

But I do think that the House ought to be allowed to work its will. And if someone proposes that it all go to deficit reduction, and the majority of the House believes that the cut is appropriate but it should be reallocated rather than simply go into the lockbox, the House should be able to work its will.

Ms. HARMAN. Mr. Spratt, we are not proposing to waive the normal rules for floor consideration, and there can be substitute amendments and amendments to amendments.

Mr. SPRATT. No, I simply think the bill ought to make it clear, so that you don't have to depend on the Rules Committee, if somebody offers an amendment, particularly for a large credit to the lockbox, like the space station, that that puts in issue whether or not this will go to the lockbox. You can still delete it, but anybody can amend it to reallocate it within that particular appropriation

bill, including a title already considered or a title yet to be considered in that bill that is before the House.

I simply think it ought to be in the statute so the procedure is well-known.

Ms. HARMAN. I certainly would second that. Also, we pointed out earlier, before you were here, that by amendment on the floor a proposed reallocation could be defeated, and instead the will of this body could be to devote the entire cut to deficit reduction.

Mr. BREWSTER. If the gentleman would yield just a second longer, I think you make a very good point there. When there could be a very large cut, and after that cut was successful, then there could be some need for reallocation. If you will help us get our bill up for a vote, we would certainly entertain your amendment.

Mr. SPRATT. I'm a long-time supporter of it. I just think that a lot of these concepts need to be worked out. The concept is there in the bill, but it is a little skeletal, and there are things that you encounter as you think through the process, through the House, through the consideration of separate bills, and on into conference, for example.

Particularly in the Armed Services Committee, we do this all the time. We will knock $1 billion out for one program. A classic case this year is the B–2 and the Seawolf. So the Senate has money for the Seawolf; we have money for the B–2. Maybe the deletions are the same in amount, but the programs are quite different. When you go to conference, and each side maybe has taken that billion and put it in a lockbox, what is the scope of the conference?

I commend the chairman for holding the hearing, because I think this is a worthy concept, and I hope we can carry it forward.

Mr. HORN. I thank the gentleman. You have asked, as usual, some excellent questions that need answers.

Does the gentleman from Virginia have some questions he would like to ask?

Any other questions on the majority side?

If not, I recognize the gentleman from Oklahoma, Mr. Brewster.

Mr. BREWSTER. Mr. Chairman, one thing I would like to do, Representative Schumer had sent a statement. He is in another committee meeting at the moment. I would like to ask unanimous consent that his statement be entered for the record.

[The prepared statement of Hon. Charles E. Schumer follows:]

PREPARED STATEMENT OF HON. CHARLES E. SCHUMER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Thank you Mr. Chairman and Members of the Committee for inviting me here today to talk about the Deficit Reduction Lock Box.

Much has changed in Congress since 1993, but the Lock Box still remains an important and bipartisan concept. Little did I know when I introduced this bill with Bill Brewster, Chet Edwards, and Jane Harman in 1993 that the term "Lock Box" would enter the political lexicon. There have been many "Lock Boxes" over the past two years, but our original bill which incorporated some ideas from Michael Crapo's legislation, I still think is the best.

Why should Congress pass the Lock Box?

The first reason is simple honesty. In my fifteen years in Congress, I have seen hundreds, maybe thousands of appropriations floor amendments. Regardless of whether the amendment passes or fails, no spending is ever cut. It's a sham.

The funds cut from one program are transferred to another program during a closed door Conference.

Our constituents would be shocked to learn that spending cuts won in hard fought, blood bath floor battles have absolutely no impact on the deficit.

If we are going to tell our constituents that we are cutting spending, we must at least have the opportunity to dedicate those funds to deficit reduction.

Second, I believe the Lock Box will make the Appropriations Committee more accountable and lead to wiser decisions on spending. While Members may have legitimate philosophical differences over programs like the National Endowment for the Arts, there are other items in appropriations bills that have every Member shaking their head. For example, every year we pass over $1 billion in unauthorized, unrequested, unreviewed earmarks.

Cutting these earmarks is futile because the money appears somewhere else.

Appropriators will be much less likely to include these "special purpose" grants if floor amendments will cut their 602B allocations.

Since there are so many lock box bills, let me review how the original bill works. Each appropriations bill has a deficit reduction lock box account. As Members introduce amendments to cut spending they can earmark the savings to another program or to the lock box account. If a particular House Appropriations bill has $200 million and the Senate counterpart has $300 million in the lock box, the Conference agreement must be somewhere in between the two figures. When the bill is signed into law, the discretionary caps are reduced for that year and that year only. Outlays are not reduced in the out years.

This is the most reasonable way to implement lock box legislation. Congress should not have to pay the price of drastically reduced discretionary outlay caps because of amendments that passed two, three, and four years previous.

The Deficit Reduction Lock Box should have been enacted before the House took up this year's appropriations bills. Because, once again, these bills are filled with pork.

Last year, the Schumer-Crapo-Brewster, et al Lock Box bill had the support of 135 Members, including then Minority Whip Gingrich, and Reps. Kasich, Solomon and Armey.

I hope this hearing is an indication that we are finally getting off the dime on the Lock Box.

Thank you.

Mr. BREWSTER. Mr. Chairman, I think we have had an excellent discussion thus far and anticipate we will certainly have some more with the panels to come. I think several points can be made very quickly.

First off, the lockbox concept doesn't promote or have any cuts in it itself. All it says is, if the will of the House is to amend a bill and reduce a particular amount, that that should go to deficit reduction. I think that we have to establish some type of particular account out there to do that, and that's what we are attempting to do.

Mr. Royce makes a very good point on the rules, and I would have to agree that that is a good starting point. I don't think, though, in finality, it gets us where we need to be, because it doesn't lower discretionary caps and also because points of order are waived routinely on these appropriation bills. But it's certainly—and I appreciate your interest and appreciate the opportunity to work with you as we move toward this.

But I am very pleased, Mr. Chairman, that you chose to have the hearing. I think Mr. Spratt made a very good point here on a possible amendment to the process to allow the reallocation if the majority of the House chose to do it. But ultimately, if the majority of the House chooses to make a cut, that should be a cut. That's what the American people want and they think we do all the time.

Thank you, Mr. Chairman.

Mr. HORN. I thank you for your contribution. I think what you and Mr. Zimmer have stressed is the basic point: we should operate

by a majority in the House and not be precluded from working our will in any of these areas.

Without objection, I am going to include a statement from the distinguished chairman of the Committee on Appropriations on this subject at this point in the record.

[The prepared statement of Hon. Robert Livingston follows:]

PREPARED STATEMENT OF HON. ROBERT LIVINGSTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA

I appreciate the opportunity to submit my views on the "lockbox process" to this subcommittee.

This issue has been around the Congress for only the past few years. I put it in a different category than balancing the budget or the line item veto. It is a relatively new idea that may not have been fully thought through. Unlike these other two budget processes, the lockbox type process does not appear to have any precedent in state or local government.

The motivation for having a lockbox is to assure savings really occur when cuts are made on the floor. It would achieve this goal by reducing a subcommittee's section 602(b) subdivision by the amount of the adopted amendment. That sounds pretty straight-forward and simple, but it would have far-reaching consequences and would create many unintended problems.

I oppose the lockbox for three main areas. First, the lockbox process would result in a continuously amended spending level. The budget resolution currently sets this level, and it does so only once each year. The lockbox process would allow the discretionary level to be revised again and again. I do not think we should have a process that would dynamically change spending levels all the time.

We should not revisit the discretionary spending level over and over during the course of a year. We should concentrate our time on setting priorities within the overall fixed spending level set in the budget resolution.

Second, the lockbox process would create situations where both legislative bodies lock away savings for programs they each do not like but the other body does. This would leave no allocation left to make the compromises needed to get a passable bill in both bodies. A good example would be the Defense Bill. The House could cut the F–22 and lock up several billion dollars. The Senate could cut the C–17 and also lock up several billion dollars. In order to get a conference agreement that would be passable in both bodies, some restoration of both programs would be necessary, and yet the reduced allocations would not allow such restorations.

The third problem is the chaos the lockbox would cause to the orderly process of enacting appropriations bills. Our section 602(b) subdivision is not identical to the Senate's until we get to the conference stage on the 13 appropriations bills. Thus, when you start out with different subcommittee allocations in the House and Senate and then you lock up different pieces of a subcommittee's allocation in both bodies, it becomes very difficult to devise a system that takes all these things into account and yet maintains integrity in the lockbox.

My answer to the people who want to lock up savings with a lockbox is that the existing budget and appropriations process will result in savings if that's what the legislative bodies want to do. If there's an unpopular program that continues to receive funding in reported bills and conference agreements then the existing process can be used to eliminate that spending. We on the Committee on Appropriations don't like to put forward programs that cause our bills to be defeated. We get the message quickly. We make the adjustments. We just don't want a procedural straightjacket that will cause us to have to do something that's unintended or worse, just plain dumb.

We are on a path to balance the budget. We are making unprecedented cuts. If there's ever a time that members can get credit for cutting it's now—by voting for our bills. In making these huge cuts, determining priorities will be very difficult and will be different in the Senate than in the House. A lockbox process will compound this situation. The existing process is responsive to cutting programs and making real savings.

Mr. HORN. I only have one question, in conclusion. And we are right on schedule here. Mr. Foley will be our next witness.

What is your reaction to establishing a deficit reduction account in each appropriations bill without lowering the 602(b) caps? This

would give conferees some flexibility but also let Members allocate funds to deficit reduction. Any feeling on that?

Mr. CRAPO. Mr. Chairman, I will start out. That's where I first started out as I began looking at how to solve this problem. And I was immediately told by budget experts that it won't work if you don't deal with the caps.

Now, I am not going to profess to you that I am yet—although I intend to become—an expert on this process so that I can answer these things of my own knowledge. But it is my understanding that if we simply create a deficit reduction account, and the caps are not adjusted appropriately, that ultimately, through one loophole or another, the conference will not end up putting that money into deficit reduction.

If an expert comes and says that that's a way to do it, and it works, I would be willing to sit down and evaluate the reasons why they might say that it could happen that way.

Mr. HORN. Of course, one answer to that is that a majority of the House can always reject the conference report and reinstruct the conferees, as the case may be.

Mr. CRAPO. That's true. That kind of account would at least—it would at least bring it up into the open so that, when that account was being robbed, it could be observed.

Mr. HORN. Right.

Mr. CRAPO. But I think that we want to try to get it even tighter than that.

Mr. ROYCE. Mr. Chairman, I worked with the parliamentarians and also the attorneys we use as legislative counsel, basically, for the House. In my conversations with them, in developing this legislation on the rules, that issue came up, and they did not feel that without addressing the 602(b) caps that we could be effective.

Mr. HORN. Thank you.

Ms. HARMAN. Let me add that the reduction in the 602(b) allocations is our answer to those who say this is a gimmick. This is not a gimmick. This is a real way to cut spending and to match our rhetoric with our actions. So I think it is quite essential that, perhaps with any technical modifications that are necessary, we bring our spending levels down consistent with our cutting aspirations.

Mr. HORN. Any further comments any of you would like to make? If not, we thank you all. You have given excellent testimony, and we deeply appreciate it.

Now, if the gentleman from Florida, Mr. Foley, would come forward.

Mr. FOX. Mr. Chairman, may I submit an opening statement for the record?

Mr. HORN. Certainly. Without objection, it will be inserted.

Mr. FOX. Thank you, Mr. Chairman.

[The prepared statement of Hon. Jon D. Fox follows:]

PREPARED STATEMENT OF HON. JON D. FOX, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. Chairman, as evidenced in the 104th Congress, several proposals initiated by our colleagues have sought to capture savings made in appropriations bills and credit them toward deficit reduction. The various proposals, although differing in their detailed applications, all seek to ensure that any savings achieved through the legislative process are used for deficit reduction, not allocated to other programs.

In our current fiscal climate, Americans expect us to take charge of our responsibility to combat the deficit. The implementation of a viable "lockbox" mechanism would, undoubtedly, provide a significant means to achieve the ends of reducing our public debt. As a result, cutting spending and eliminating the deficit requires fundamental change to our budget process.

Major issues remain to be considered in developing an effective "lockbox" mechanism. Therefore, I look forward to hearing from today's witnesses as we explore the various proposals to achieve deficit reduction.

Mr. HORN. Mr. Foley, we have a tradition in this committee of swearing in the witnesses. If you will raise your right hand.

[Witness sworn.]

Mr. HORN. Let the clerk note that Mr. Foley affirmed.

We are now delighted to have you with us and recognize you for your testimony.

STATEMENT OF HON. MARK ADAM FOLEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. FOLEY. Thank you very much, Mr. Chairman.

I am delighted to be a Member of the freshman class of the 104th Congress and, particularly, here to speak on the deficit lockbox proposal. Coming to Congress and looking at the daunting task ahead of us in cutting deficit spending, the lockbox makes absolute perfect sense for those Members of the freshman class.

The freshman class overwhelmingly supports H.R. 1162, Congressman Crapo's lockbox bill, and have asked for immediate consideration to enact a permanent fix to this problem. I understand my colleague, Ms. Harman, has entered the letter from the freshman class into the record. I would like to also ask for unanimous consent to enter my testimony along with the letter signed by the freshman.

Mr. HORN. Without objection, it will be inserted at this point.

Mr. FOLEY. It is very difficult to get Members of Congress to sign letters around here these days. Everybody is a bit gun-shy. Representative Largent and Representative Myrick and myself took on the task of going about the freshman class with our letter, asking the Speaker for immediate consideration of the lockbox. Within 48 hours, we had a bipartisan letter signed by virtually every Member of the freshman class.

Let me point to you an example that occurred to me in a Science markup. I happened to successfully fight to end a program, a $25-million program of spending, in the Science Committee. The following day, the committee continued to resume negotiations on the markup. I was in the Rules Committee talking about this very item on lockbox. A colleague of mine from California immediately made a motion to take the $25 million that I had saved the day before from a project and apply it to another category within the bill.

Now, I understand, as an authorizing committee, that may not apply to the specific bill, but I think it points out the frustration I found from day one, that I saved $25 million of taxpayers' dollars, only to find the next day that that very amount, exact amount, was transferred to another program within a bill.

Now, the Crapo-Brewster-Harman language will allow a Member, if, in fact, I had found that $25 million to transfer over to another project, and can successfully argue that, then the committee can go along with it and we can move forward. It will be on the

record. It will be apparent that Mark Foley, a Member of Congress, has taken money out of one category and applied it somewhere else. That is very consistent with the way I think the appropriations and the authorization committee should operate.

But if I indeed find $25 million of real savings, then that absolutely should be held harmless, if you will, from future allocations. That's another reason we are very, very serious about this.

The American public understands things like Christmas savings accounts. They understands things like vacation savings accounts. They understand things like putting money aside for home improvements. They are unable to pay for them today, but they also want the opportunity to make those home improvements, take the vacation, or buy gifts at the holiday period. So this has a very simple application for people to understand when you go home.

Mr. Brewster, I'm sure, submitted to all of you his lockbox savings letter that would have indicated the amounts of cuts available in the lockbox this year alone for 1996 and for the prior year of 1995. I can readily understand that, as a small businessperson, how you take a cut and save the dollars.

So let me make clear that I think this is an issue—while there are technical difficulties, and I understand some of them—one of my concerns was, when we talk about a deficit lockbox, we talk about paying off the deficit, are we borrowing from our Master card to pay off our Visa? Should we be confining ourselves to making certain we are reducing current deficit projections rather than looking at the out years?

All of these have to be resolved. But the bottom line is, for the freshmen, that we think, quite clearly, that the lockbox proposal, the legislation before you, provides the opportunity to allow flexibility for the committees to—the chairmen of committees, I understand, have been somewhat concerned—the chairman of Appropriations has been somewhat concerned because it takes away the flexibility.

Well, every chairman of a committee knows an amendment I am going to file or another Member of Congress is going to file. It gives every chairman or every member of that committee an opportunity to come before that member and say, "I understand you have a cutting amendment of $25 million. Let me explain a project that I think is vitally important to the American public. Would you consider, Congressman Foley, of that $25 million pool, would you allow us to borrow or take $5 million of your savings and allocate it here?"

The process will still work. The negotiations will still occur. The Members of Congress can still do what is necessary to provide for the American public. But at the same time, the Member of Congress who feels that the reason they are sent here is to reduce some of the glaring sizes of the deficit, their work is still going forward in a positive direction.

After the committee the other day, in Science, after I had saved what I considered a substantial amount of money, to have it reapplied somewhere else, believe me, the frustration I felt leaving this building that day was immense. I said, "What is the point? Why am I even attempting to save a nickel, if somebody else is going to sweep it up in one fell swoop?"

So these are issues that I think we have to confront every Member of Congress with, and I think the lockbox provides that mechanism.

[The prepared statement of Hon. Mark Adam Foley follows:]

PREPARED STATEMENT OF HON. MARK ADAM FOLEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. Chairman, thank you for this opportunity to testify before this joint Subcommittee hearing on Deficit Reduction Lock-Box Proposals. As I am sure you are aware. this issue has generated a great deal of interest among the 104th Congress' Freshman Class and for good reason—it just makes sense. Unfortunately, several details of this proposal have been hung up in unnecessary consideration due to the confusing and often times convoluted budget procedures which govern the Congress of the United States. It is my hope that we can reach a final conclusion on this issue is the very near future so that another year's appropriation cycle is not lost without the lock-box.

Let me start out by stating that the Freshman Class has overwhelmingly supported H.R. 1162, Congressman Crapo's bipartisan Deficit Reduction Lock-Box bill and has asked the Speaker of the House for immediate floor consideration of this important legislation. Attached to my testimony is a letter for the Freshman class with 70 signatures in support of immediate consideration of the bill. I am here today to reiterate our class' support for this legislation and once again ask for immediate floor consideration of this permanent fix.

While separate pieces of lock-box legislation may have differing ways of achieving the same goal, they all share the same underlying philosophy - when a body of Congress works its will to eliminate spending on appropriations bills, that savings should be applied to deficit reduction. Legislation that sets up separate accounts within appropriations legislation while at the same time lowering discretionary caps is the only way to achieve this goal.

While the efforts to attach this to individual amendments to all appropriations bills have been unsuccessful, it has only solidified the point that multi-year authorization of this bookkeeping measure be enacted into law. Instead of taking this debate to the Rules Committee on every piece of appropriating legislation, the Congress needs this legislation already in place to avoid future haggling over details which undermine the true intent of this legislation.

The Appropriations Committee has been given a daunting task of staying within the budgetary guidelines given to them necessary to balance the budget by the year 2002. However, the Congress cannot ignore the true frustration and absolute commitment of the American people to achieve real deficit reduction. In no way are supporters of lock-box proposals saying that discretionary caps are too high. Instead what we are saying is that when the House votes to eliminate further spending from appropriations bills, that spending should not simply be replaced elsewhere in the bill at a later date. The current fiscal crisis facing this country has been aggravated by the willingness of Congress to spend now and somehow wait for savings somewhere down the road. When savings are achieved through the democratic process, let's make sure we have a mechanism in place to ensure that these are real savings and not just credits for future spending.

Imagine the frustration of newly elected members of Congress when savings are achieved in appropriations bills, but true deficit reduction doesn't accompany the actions of the House of Representatives. As a freshman, I am still learning this process, and was amazed to learn that this is not the case. Imagine trying to explain 602 allocations or discretionary caps to the average taxpaying citizen back home. Imagine telling your friends back home that yes, we did cut funding for that project, but the money was not saved, it was spent elsewhere.

To say that this is ludicrous to the American public is an understatement and I believe it adds to the level of frustrations most American associate with the Congress. The "spend-spend" mentality of the Congress is something that the American public is not interested in, they are interested in establishing a "save-save" mentality.

Let me illustrate this point with a personal experience I recently had in the Science Committee which I believe underscores the importance behind the philosophy of the lock-box. Although this example is not exactly relevant because it deals with an authorization bill it demonstrates perfectly the mentality in Congress that American taxpayers are fed up with.

During the markup of the Department of Energy Authorization bill I offered an amendment to strike the authorization for $25 million in funding of the Gas-Turbine

Modular Helium Reactor a project twice rejected by the National Academy of Sciences for three years left out of the President's budget and even the Department of Energy doesn't want the money. Regardless of any personal opinions on this project the Committee saw fit to agree with me that this authorization was unnecessary and costly. The Committee voted to eliminate the authorization one day but the very next day that money was restored for a different project elsewhere in the country.

This was a hard fought amendment with excellent debate on both sides yet in the end it was eliminated. Is this something that I am truly proud of now? No—I feel as if the importance of eliminating unnecessary spending was lost on the inherent Congressional mentality that if there is money out there—let's spend it. Something is truly wrong here' and unless action is taken soon this problem will surely perpetuate.

I am pleased that these Subcommittees have joined together today to discuss this issue, and I appreciate the opportunity to testify and present my views along with the views of the Freshman class. However we are loosing this battle to time as the Appropriations cycle is well underway and no accounting mechanism to ensure that cuts remain cuts is in place. It is my sincere hope that the Committee will work expeditiously to resolve any technical issues that may be at hand on the issue of the lock-box and not lose sight of the underlying philosophy that accompanies all of the lock box proposals.

Cutting spending and eliminating the deficit requires fundamental change to our budget process without loopholes so the American public can be assured that when Congress votes to cut spending those cuts remain cuts and not spending elsewhere. In the end we can end up with a budget process that truly reflects the will of the people of this country and is not covered by confusing budgetary procedures.

Once again Mr. Chairman I thank you for this opportunity and while I do not claim to be an expert at the budget process I will be happy to answer any questions that the Committee may have.

CONGRESS OF THE UNITED STATES
WASHINGTON, DC
June 28, 1995

The Honorable Newt Gingrich
Speaker
United States House of Representatives
H232 Capitol

DEAR MR. SPEAKER: We, as members of the Freshman Class, are writing to urge your support for immediate Floor consideration of H.R 1162, the Deficit Reduction Lock-Box bill. Our class has pledged iself to implementing sweeping reforms to eliminate the deficit and cut spending, and we believe H.R 1162 is the best and most efficient way to achieve these goals.

The Deficit Reduction Lock-Box bill is a bi-partisan approach that would guarantee the spending cuts approved during appropriations bills are designated to deficit reduction. Common sense dictates that when we vote for cuts to spending bills they should be just that—cuts! Our constituents are often surprised to learn that our efforts to cut Federal programs and projects on the House floor are automatically redesignated to other spending programs under current Budget rules.

By creating a deficit reduction account, the Lock-Box bill creates a mechanism to ensure that these hard-fought spending cuts are not squandered. Cutting spending and eliminating the deficit requires fundamental change to our budget process without loopholes.

We believe that immediate floor consideration of H.R. 1162 is essential as the House's already well into the fiscal year 1996 appropriations cycle. Your consideration and commitment to this request would be most appreciated.

Sincerely,

Rep. MARK FOLEY, Rep. SUE MYRICK, Rep. STEVE LARGENT, Rep. WALTER B. JONES, JR., Rep. JON CHRISTENSEN, Rep. JOHN ENSIGN, Rep. CHARLIE NORWOOD, Rep. RANDY TATE, Rep. MAC THORBERRY, Rep. MATT SALMON, Rep. STEVE LATOURETTE, Rep. ROBERT NEY, Rep. STEVE CHABOT, Rep. BILL MARTINI, Rep. HELEN CHENOWETH, Rep. BARBARA CUBIN, Rep. ANDREA SEASTRAND, Rep. JOE SCARBOROUGH, Rep. JIM BUNN, Rep. SAXBY CHAMBLISS, Rep. TOM DAVIS, Rep. PHIL ENGLISH, Rep. MIKE DOYLE, Rep. GREG GANSKE, Rep. WES COOLEY, Rep. SONNY BONO, Rep. ROBERT ERLICH, Rep. TOM COBURN, Rep. MARK SANFORD, Rep. MARK SOUDER, Rep. FRANK LOBIONDO, Rep. J.D. HAYWORTH, Rep. STEVE STOCKMAN, Rep. DAVID MCINTOSH, Rep. DAVID FUNDERBURK, Rep. MIKE FORBES, Rep. JERRY WELLER, Rep. DAVE WELDON, Rep. SUE

KELLY, Rep. MARK NEUMANN, Rep. DAN FRISA, Rep. JON FOX, Rep. VAN HILLERY, Rep. RAY LAHOOD, Rep. JOHN HOSTETTLER, Rep. LINDSEY GRAHAM, Rep. GIL GUTKNECHT, Rep. RICK WHITE, Rep. MICHAEL FLANAGAN, Rep. J.C. WATTS, JR., Rep. ED BRYANT, Rep. SAM BROWNBACK, Rep. DICK CHRYSLER, Rep. TODD TIAHRT, Rep. ZACH WAMP, Rep. ED WHITFIELD, Rep. FRANK RIGGS, Rep. JACK METCALF, Rep. LINDA SMITH, Rep. RICHARD BURR, Rep. JOHN SHADEGG, Rep. GEORGE RADONOVICH, Rep. TOM LATHAM, Rep. ENID WALDHOLTZ, Rep. CHARLES BASS, Rep. FRANK CREMEANS, Rep. JOHN BALDACCI, Rep. BILL LUTHER, Rep. MIKE DOYLE, Rep. KAREN MCCARTHY, Rep. MIKE WARD.

Mr. HORN. You have rendered very eloquent testimony. I share your frustration. In the last Congress, in which I was a freshman, I had a deficit proposal with very strong backing, including that of the current Speaker and majority leader, and it was turned down three times by the Rules Committee. The third time, one of my friends on the Democratic side, an elected leader, put his arm on my shoulder, and said, "Steve, you know we can't clear that for the floor. It would pass."

So we do have those problems around here.

Mr. FOLEY. I also wanted to add, Mr. Chairman—I thank you for your comment there—not only the freshman class, but in conversations with the Tuesday group of moderates, the conservative action team, all of them indicate a strong, strong interest in this. So it not only covers the bipartisan spirit of our Congress, but it covers the conservatives to the moderates to the liberals. Everybody is involved in the same attitude.

Mr. HORN. You are absolutely right. We are all agreed on that one thing, I think, around here.

Does the gentleman from New Hampshire have any questions?

Mr. BASS. No questions, Mr. Chairman.

Mr. HORN. Does the gentleman from Virginia have any?

Mr. DAVIS. I just want to compliment my colleague for taking a leadership role on this with other freshman Members, but Mark, particularly, compliment you for your leadership on this. I think a lot of us were astounded when we came here, where you would vote for cuts, and the money ends up being spent somewhere else and finding itself somewhere else in the old Government slop bucket, instead of back in the Federal treasury.

I think this will allow us to set priorities at the congressional level, and I applaud you for taking a lead in this.

Mr. FOLEY. Thank you, Mr. Davis.

Mr. HORN. The gentleman from Pennsylvania.

Mr. FOX. I would echo Congressman Davis' remarks with regard to your contribution to this effort.

Congressman Foley, I would ask you, under the scenario that you described to us, if the lockbox was in effect after the amendment that you made to the bill saved the $25 million, would that have gone immediately to the lockbox, or what would be procedure, as you envision it?

Mr. FOLEY. Well, the procedure would have been that I would have designated in my amendment to strike that spending, that the resultant savings would have been transferred to the lockbox. Or I would have had the option to say $25 million is the amount of the proposed reduction, $15 million to the lockbox; $10 million to some other worthwhile project. But it would have been specified in the amendment.

Mr. FOX. Would it have required the Senate to agree with your amendment?

Mr. FOLEY. Well, the Senate would have had to come into conference, whether they, in fact, agreed on my particular amendment. The Senate has stricken the $25 million of spending anyway. They have done it the last two Congresses. The House has been the one that kept the $25 million of spending.

Mr. FOX. But under my scenario, let's say that you strike it but the Senate hasn't done anything with it yet, would it have to go to conference, or you would have to a similar bill in the Senate, or make sure that both Houses agree.

Mr. FOLEY. Correct.

Mr. FOX. OK. Thank you.

Mr. HORN. I now yield to the ranking member, the gentlewoman from New York, Mrs. Maloney.

Mrs. MALONEY. Thank you for your leadership and your lively testimony. Were you here earlier when the other panel was here that testified earlier.

Mr. FOLEY. I got in a bit late, but I heard some of their commentary.

Mrs. MALONEY. Well, they argued—I questioned why we shouldn't go the full length and have it all go to deficit reduction, and they argued very strongly, although they supported deficit reduction, that there should be a flexibility in the budgeting process and that they should be able to reallocate it. I believe the example that was used was the space station. If Zimmer's amendment had passed with the $2-billion cut to the space station, why shouldn't that be able to reallocated to other really important space projects.

So they were arguing, really, the need for more flexibility, and I would like to hear your comments on that.

Mr. FOLEY. Well, I think the flexibility is important, but I think, also, in the lockbox proposal, that Member of Congress has to be on record of where they are taking those savings from. I mean, I'm here to save some money for the taxpayers, so I'm going to be, 99 percent of the time, putting my money that I save toward deficit reduction.

Mrs. MALONEY. Would you oppose the other proposal by Congressman Crapo that had the flexibility of allowing it to be reallocated for spending?

Mr. FOLEY. No, I wouldn't oppose it, but I think, you know, in my viewpoint, I'm going to be very strong on putting the money, when I make an amendment, toward deficit. But I do think you have to allow some flexibility, because we may be spending money on projects that are, in fact, pork and waste, and yet there may have been some that have some great significance for the taxpayers that should have been looked at a little bit further.

You know, you can make that case in Health and Human Services. Maybe there should be some more moneys going to AIDS research that was cut in prior appropriations. Maybe we are able to transfer some savings to some very vital categories that would, in fact, save taxpayers dollars in the future.

I think that flexibility is need, but I think, more importantly, in the lockbox, is that that Member has to go on record, that if they feel that project is so worthwhile they are taking money from some-

thing else, putting it on record that they are sending it over to another category, and then have to get a majority of the committee to go along with it. So I think you are still having a check and balance.

Mrs. MALONEY. Would you support a strengthening of your bill that said that the spending cuts could not be used for special interest tax breaks?

Mr. FOLEY. Yes. Absolutely.

Mr. MALONEY. Thank you. I have no further questions.

Mr. HORN. Any further questions on the majority side?

If not, I yield to the gentleman from Pennsylvania.

Mr. MASCARA. Thank you, Mr. Chairman.

I looked at Representative Brewster's calculations here for up through July of fiscal year 1995, and I guess the savings here amount to $658 million. Has anybody been able to calculate or estimate the amount of savings, given some historical data, what the savings could mean to the deficit reduction?

Mr. FOLEY. I have not myself, other than looking at the raw number. If you look at $658 million, it's a significant amount of money, to myself, to apply to the deficit.

Mr. MASCARA. Well, lest the record indicate that I don't think this is a lot of money, that is a lot of money. That's 10 years of budget in Washington County where I was chairman of the Board of Commissioners. That's a lot of money.

I'm just inquiring whether or not those of you—and I do support the concept—those of you who have looked at this have been able to estimate the amount that we could reduce the deficit over a period of years. Nobody has done that?

Mr. FOLEY. I'm trying to follow your question. The $658 million, if you applied it to the deficit today?

Mr. MASCARA. No. Has anybody looked at any historical fiscal data and been able to calculate the amount we could reduce the deficit over a period of years, over the next 10 years? Can we use this as a figure in estimating what we could reduce the deficit by, if we implemented the lockbox concept?

Mr. FOLEY. Well, you certainly could use it as a benchmark. Whether all of these numbers, in fact, would materialize as true savings, if they all went $658 million to lockbox, I would say, yes. You could take $658 million for this period, and whatever other dollars you save in resultant years, and apply it directly to deficit.

Mr. MASCARA. Thank you, Mr. Foley.

Thank you, Mr. Chairman.

Mr. HORN. I thank you.

I thank, again, the gentleman from Florida for your energy and your coordination and your working on a bipartisan basis. Thank you very much for coming.

Mr. FOLEY. Thank you, Mr. Chairman. Thank you, members of the committee.

Mr. HORN. We expect the Director of OMB shortly. Are any of her representatives here that know whether it will be 11:15 a.m. or 11 a.m.? If not, if Mr. Blum is here, we will be glad to start your statement. As you know, our tradition is to swear in our witnesses.

[Witness sworn.]

Mr. HORN. Mr. Blum, Deputy Director of the Congressional Budget Office, we're delighted to have you with us. We might interrupt you for the Director of OMB and then get back to you, but we'll piece it all together.

STATEMENT OF JAMES L. BLUM, DEPUTY DIRECTOR, CONGRESSIONAL BUDGET OFFICE

Mr. BLUM. That's quite all right. I don't mind being interrupted by Director Rivlin.

Mr. HORN. She's on a tight schedule, as well.

Mr. BLUM. She's on a tight schedule, and I've had plenty of experience in the past in deferring to her when she was the Director of the Congressional Budget Office. Chairman Horn, members of the subcommittees, I certainly appreciate the opportunity to discuss proposals to provide for a deficit reduction lockbox. With your permission, I will submit my prepared statement for the record, and limit my oral remarks to a brief summary.

Mr. HORN. Without objection.

Mr. BLUM. I think what I would like to do in summarizing my statement is focus on a number of issues that I think are important for the subcommittees to consider in their evaluation of the lockbox proposal. The first issue that I wanted to raise is the overall question of how necessary and desirable are additional controls on discretionary spending.

Discretionary spending now is controlled by the statutory caps that have been enacted into law through 1998, and presumably will be extended through the year 2002. Also, the budget resolution allocations set limits on the amount of discretionary appropriations that can be made each year. These caps and the budget resolution and allocations, the so-called 602(a) allocations have proved in the past to be quite effective.

Just to illustrate what's been happening with discretionary spending as a whole, if we take discretionary spending as a percentage of total outlays in the budget, that percentage has fallen from 40 percent in fiscal year 1990 to 36 percent for the current fiscal year 1995. Under the recently adopted budget resolution, discretionary outlays will fall further, to 34 percent in the next fiscal year, 1996, to 29 percent in the year 2000, and to 27.5 percent by the year 2002.

I think, as Mr. Spratt has pointed out, in commenting on my written statement, what's out of control is the entitlement spending and other mandatory spendings, not discretionary spending. Discretionary spending, in general, is clearly under control, and is coming down as a percentage of the total budget. Under the budget resolution, in fact, discretionary spending in the year 2002 will be 6 percent below the level for the current fiscal year 1995, without any adjustment for inflation.

If you take into account inflationary factors that unfortunately we can't outlaw, they will take effect. By the year 2002, looking at, in terms of real cuts, that isn't inflation adjusted, the cuts by the year 2002 will be 24 percent below the 1995 level. I submit that those are very significant reductions in discretionary spending. They're already planned. I think based on the historical record,

since the use of appropriation caps began, we can be rather confident that these limits will be made.

That's not to say that additional cuts in discretionary spending can't be made. I just wanted to draw the committee's attention to the fact there are very significant cuts on the drawing boards. I think that they will be made. Second, there had been reference this morning to a number of issues—technical issues—as to how the lockbox proposal would help or hinder the appropriation process.

I think that in the end, the appropriation committees perhaps are the best able to comment exactly on how this would affect their work. It certainly does give the Congress an opportunity to revisit the decisions that are already made each year as part of the budget resolution, concerning what total amount of discretionary spending is appropriate. And you would be given this opportunity each time an appropriation bill emerged from committee.

That could be a useful addition. On the other hand, as has been pointed out by members of both the subcommittees here this morning, the use of the lockbox does add problems to the appropriations process in terms of the flexibility that the appropriations committees have in reaching agreement, in conference with the other body, or in responding to new or unanticipated spending needs that might arise later in the year.

I think another question that I would just raise in general terms is whether Members should be given more options when they're considering appropriation bills as opposed to an alternative allocation within the same appropriation bill, or deficit reduction. It seems to be either that you spend it somewhere else or it goes toward deficit reduction—for that particular bill that's on the floor at the time.

Another possibility, of course, is reductions in one appropriations bill might be used for additions in other appropriations bills. For example, if it is decided that the space station is a lower priority than some item in the defense bill, would it be possible to reallocate the moneys from one bill to another bill?

That would not be possible under the current rules. I think another possibility that occurred to me as I was listening to the discussion this morning is, should the reductions in appropriations bills be reserved for emergency purposes? What I have in mind here is disaster assistance. What we're finding is that the need for disaster assistance cannot be planned for in advance, simply because of the uncertainties that are involved and so forth.

And when these emergencies inevitably arise, then the Congress is faced with the proposition of waiving the appropriation caps, using the so-called emergency safety valve provision. I notice that this year Chairman Livingston, in making the 602(b) allocations for the subcommittees within the Appropriations Committee in the House, set aside $1.5 billion dollars for emergency supplementals that might come along later this year or even sometime next year.

That's an alternative use that could be made for lockbox type reductions that, instead of immediately going toward deficit reduction, could be set aside, reserved, for emergency situations later in the year. That would then permit the Congress to respond without having to waive the overall appropriation caps.

Mr. HORN. If I could just interrupt the gentleman, I think that's an excellent suggestion. As a member of the Transportation and Infrastructure Committee, we have struggled with all of the emergencies in the Southeast, the South, the Midwest, California. There's been such a variety that, fortunately, there was money in the pipeline during a few of these, so they could give immediate assistance.

But even though we felt we were on a fast track around here in the 103d Congress, it did take substantial time to actually get the supplemental. And as you know, when you have one of those bills, that the train is leaving the station, there's also a tendency to add a few other things to it, as it's going through both chambers.

So I suspect your suggestion of at least putting some formula where there would be a minimum involved in that account would be much like Earl Warren, when he was Governor of California, had a rainy day fund in the budget, and simply accrued the money they needed to meet the emergencies in California's immediate post-war expansion. So I think it's a good idea. Go ahead.

Mr. BLUM. Thank you, Mr. Chairman. Anyway, the point of raising those questions was that it's not clear that deficit reduction is always the next best option if spending is not to be made for a particular project in an appropriation bill. There may be more cost-effective ways of utilizing that money within that bill, or other bills or reserving it, as I just suggested, for emergency purposes later in the fiscal year.

That's not to say that I don't think deficit reduction is important. Certainly, the Congressional Budget Office, like the Energizer bunny, has been beating the drum for reducing the deficit over the years. We certainly support all actions that are taken to do that. But it may well be that more attention should be focused on controlling entitlement or mandatory spending, which does seem to be somewhat out of control—certainly it's growing much faster than discretionary spending—rather than devoting a lot of time to figuring out more ways to get discretionary spending under control.

In closing, there have been questions raised already about one provision in Mr. Crapo's bill about creating a deficit reduction trust fund. I certainly would agree with statements by Mr. Solomon and Mr. Goss that this is unnecessary and potentially troublesome. I'm particularly concerned about the proliferation of trust funds throughout the Federal budget.

It seems to me that this proliferation does go in the direction of undermining the utility of trust funds. There certainly are other ways of counting up savings that have been achieved in appropriation bills. I know that over the years, the appropriation committees themselves have kept track of all the savings that they've made in relation to Presidential requests. And they're quite proud of the fact that they have been able to cut Presidential requests every year without exception.

One minor point that's in H.R. 1162 that affects the Congressional Budget Office directly. It would call for us to have published in the Congressional Record a score card for each appropriation bill as it is passed by the Senate. I don't think I have to remind the subcommittee that the Congressional Budget Office is only a sup-

port agency. We can't cause anything to be published in the Congressional Record.

But certainly, a committee can, whether it be the Committee on Appropriations or the Committee on Budget. We prepare these score cards for every bill as they go through the process. So it's no problem for us to provide the information. It's just a matter of how that can best be made available to all Members of the Congress. In conclusion, Mr. Chairman, my main message is that the evaluation of lockbox ideas should hinge on two factors: First, how much should discretionary spending be constrained beyond the levels reflected in current law and anticipated by each year's budget resolution? And second, how much does additional restraint require the lockbox approach, as opposed to simply providing for lower discretionary caps at the beginning of the appropriation season each year?

Finally, perhaps resolving such issues, I would humbly suggest that perhaps you should wait for the results of the comprehensive review of the budget process that your committee and the Rules Committee are now undertaking. Certainly, the question of what change might be made in controlling discretionary spending is an appropriate focus for that review. The lockbox is only one of many proposals for reform that might be considered.

For example, proposals have surfaced that would require a vote of the full House and Senate to ratify the 602(b) allocations that are made to the appropriation committees. This would then give everybody an opportunity to approve or reject the suballocations that are made now only by the Appropriations Committee. Other proposals that have been made in the past would eliminate the functional categories in the budget resolution and replace them with allocations to committees and subcommittees.

Right now, Members vote essentially on an allocation of money among broad functional categories. But those subdivisions among functional categories can be completely ignored by the Appropriations Committee when it comes to making its suballocations to the subcommittees. So I'm suggesting, Mr. Chairman, that consideration of the merits of the lockbox might be left until your committee has had an opportunity to review the process as a whole.

At that time, if a change is sought in the way that appropriated spending is controlled, the lockbox certainly could be considered as one key option. Thank you, Mr. Chairman.

[The prepared statement of Mr. Blum follows:]

PREPARED STATEMENT OF JAMES L. BLUM, DEPUTY DIRECTOR, CONGRESSIONAL BUDGET OFFICE

Chairman Goss, Chairman Horn, and Members of the Subcommittees, I am pleased to be here today to discuss proposals to provide for a deficit reduction "lockbox." My testimony will discuss how the proposals for a lockbox would change the way in which discretionary spending is controlled and will also explore some issues that the Congress may want to consider before making such a legislative change.

CONTROLS ON DISCRETIONARY SPENDING

Since 1990, discretionary spending has been controlled by statutory limits, or caps, on total budget authority and outlays appropriated for discretionary programs. Proposals for a lockbox would create an additional means for the Congress to reduce discretionary spending by allowing Members of Congress to offer amendments to ap-

propriation bills that would reduce spending for specific programs and apply the resulting savings to deficit reduction.

The Budget Enforcement Act (title XIII of the Omnibus Budget Reconciliation Act of 1990) currently controls discretionary spending through statutory limits on budget authority and outlays. Those limits governed three categories of discretionary spending (domestic, defense, and international) through fiscal year 1993. Since then, one cap has existed for all discretionary spending. The current caps expire in 1998, but the budget resolution recently approved by the Congress anticipates continuing the caps through 2002. Under that control system, if the cumulative effect of all appropriations for a single year would exceed the caps, the Office of Management and Budget (OMB) can order a sequestration, or an across-the-board cut, of all discretionary programs.

Actually, the caps created a statutory control on top of the controls that already existed in the budget process since the Congressional Budget and Impoundment Control Act of 1974 was passed. Under that act, the budget resolution specifies a total level of budget authority and outlays, which are then allocated to committees with spending jurisdiction. In the case of discretionary spending, the allocation is made to the Committees on Appropriations. That committee allocation, referred to as the section 602(a) allocation (after the section of the Budget Act that established it), provides a limit on the amount of budget authority and outlays that can result from action by the Appropriations Committees. The existence of the caps effectively establishes a ceiling on the level of the 602(a) allocation for discretionary spending. The budget resolution may provide less than the level of the cap for discretionary budget authority and outlays, but it may not provide more.

After the 602(a) allocations are provided to the Committees on Appropriations, those committees subdivide their allocations by subcommittee (so-called 602(b) allocations). Each subcommittee is limited by the amount of its 602(b) allocations. Bills reported out of the committee may not exceed the amounts permitted under the 602(b) allocations. Similarly, the total of all 602(b) allocations cannot exceed the 602(a) allocation. The Committees on Appropriations are, however, permitted to revise the subcommittee allocations as they choose; indeed, they have routinely done so several times each year as they have considered appropriation bills.

Currently, if a successful amendment is offered to reduce budget authority in an appropriation bill (either in committee or on the floor) and the reduction would cause that bill to come in below its 602(b) allocation, one of three things can happen. First, that money could be made available within a subcommittee's own jurisdiction to spend on other programs. Second, if the subcommittee allocations are revised, the money could be made available for other subcommittees to spend on programs within their jurisdictions. Third, if no additional funding is made available for spending on other programs, total discretionary spending would be cut by the amount of the reduction.

Consider, as an example, a successful amendment to the Veterans Affairs (VA), Housing and Urban Development (HUD), and Independent Agencies appropriation bill to reduce funding for the space station by $1 billion. Under the current process, that money may be spent on other programs within the same appropriation bill. Alternatively, the 602(b) allocations may be revised to permit the $1 billion to be spent on programs in one or more other appropriation bills. For instance, the allocation for the Department of Defense appropriation bill might be increased by $1 billion as a result of the reduction in space station funding. Finally, the Congress might choose to make the reduction without funding a corresponding increase anywhere else in the budget. Presumably, that would mean that the VA–HUD bill would come in under its 602(b) allocation, and the 602(b) allocations for other subcommittees would remain unaltered. The result would be a $1 billion reduction in total discretionary spending.

That control process for discretionary spending is one in which the decisions on the size of the total discretionary pot are made first; then decisions are made on how to allocate those funds. Usually, as a result, total appropriated spending for a given fiscal year is close to the amounts permitted under the discretionary spending limits and to the total for discretionary spending specified in the budget resolution. Thus, the appropriation process sets priorities within an agreed-on level of discretionary spending and then decides how much money goes for defense programs, health programs, justice programs, and the like.

Some Members of Congress, however, are dissatisfied with the current process. They maintain that it does not permit a majority of Members of a given body to require that a cut in an appropriation bill be used to reduce the deficit, as opposed to permitting spending in other areas. Members have been particularly concerned that successful efforts to eliminate funds for certain programs or projects did not reduce the deficit, but resulted in additional money being added for other programs

at the conference stage. For that reason, they have suggested that Members be able to offer budget-reducing amendments and earmark the savings for deficit reduction by placing the amounts from the cuts into a deficit reduction lockbox.

Proposals for the lockbox vary and have surfaced recently in many contexts. The House version of the line-item veto legislation included a lockbox provision, as did title IV of the House-passed Emergency Supplemental Appropriations/Rescissions Act for Fiscal Year 1995 (H.R. 1158). Most recently, Members have raised the issue again about the fiscal year 1996 appropriation bills. Most of those proposals would permit amendments that cut spending to be used for deficit reduction in two ways—by preventing the 602(b) allocations from being revised to reallocate funds that were reduced, and by requiring a reduction in the discretionary spending caps equal to the total amount placed in the lockbox.

Proposals vary concerning how much discretion proponents of deficit-reducing amendments would have to allocate reduced funds to other programs. Under the strictest version of the lockbox proposal (similar to that offered by Congressman Brewster to the rescission bill considered earlier in this session), funds would not be available under any circumstances for other spending. Rather, the discretionary spending limits would be reduced by the amount placed in the lockbox. Under H.R. 1162, introduced by Congressman Crapo, a proponent of a deficit-reducing amendment would have the option of transferring the amount reduced to other programs within the same bill or placing the funds in the lockbox. A third approach would give Members the flexibility to offer amendments to include not only the options of placing funds in the lockbox or using them for other programs within a subcommittee's jurisdiction, but allowing the funds to be used for other discretionary spending programs (in other subcommittees) as well.

ISSUES TO CONSIDER IN EVALUATING THE LOCKBOX PROPOSAL

The Congress currently has no way to guarantee that savings resulting from individual amendments to reduce discretionary spending will actually lower the deficit below the level established by the appropriation caps. For example, the incentives that now exist for the Appropriation Committees or for the Congress as a whole may discourage efforts to reduce discretionary spending below the level that is provided by the caps or the budget resolution. Subcommittees spending less than their allocation do so with the knowledge that the funds will be made available for spending by some other subcommittee. Perhaps if they could earmark funds for deficit reduction, they would have more incentive to cut programs.

The Congress, however, should consider several issues in evaluating the appropriateness of the lockbox idea. First, how necessary or desirable are additional controls on discretionary spending? Second, what is the most appropriate way to control discretionary spending? Third, what technical issues do the current proposals raise that might need to be addressed before enacting the lockbox idea into law?

Is Discretionary Spending Under Effective Control?

Most budget experts, including the Congressional Budget Office (CBO), maintain that the prime engine of growth in spending is mandatory spending programs rather than discretionary spending. That is particularly true since the caps were adopted in 1990. In fact, discretionary outlays were less than 10 percent higher in 1994 than they were in 1990 (and most of that growth occurred between 1990 and 1991). Moreover, the current caps would freeze discretionary spending in place through 1998. Indeed, as a percentage of gross domestic product (GDP), discretionary spending will have declined from 9.2 percent in 1990 to 6.8 percent in 1998, if the Congress complies with the current caps.

The budget resolution recently approved by the Congress anticipates a further ratcheting down of discretionary spending in real terms between 1998 (when the current caps expire) and 2002. The resolution would continue the freeze on discretionary outlays between 1998 and 2002. By 2002, discretionary spending would be $164 billion (approximately 25 percent) below the level in CBO's inflation-adjusted baseline (see Table 1 for a summary of the caps assumed in the budget resolution compared with those in the baseline).

Table 1. Total Discretionary Outlays

(By fiscal year, in billions of dollars)

	1995	1996	1997	1998	1999	2000	2001	2002
CBO March 1995 Uncapped Baseline[a]	548	556	574	592	613	635	657	679
Budget Resolution[b]	548	534	524	518	516	520	516	515

Table 1. Total Discretionary Outlays—Continued

(By fiscal year, in billions of dollars)

	1995	1996	1997	1998	1999	2000	2001	2002
Budget Resolution Minus Baseline	0	−22	−50	−74	−97	−115	−140	−164

SOURCE: Congressional Budget Office.
NOTE: Numbers may not add to totals because of rounding
[a]Assumes appropriations for 1996 through 2002 at the fiscal year 1995 enacted level adjusted for inflation.
[b]U.S. House of Representatives, Conference Report on House Concurrent Resolution 67, the Concurrent Resolution on the Budget for Fiscal Year 1996, H. Rpt. 104–159 (June 26, 1995).

Conversely, mandatory spending has been growing rapidly over the same period. Spending for entitlements and other mandatory programs, which is not controlled by the appropriation process, was almost 40 percent higher in 1994 than in 1990 and is projected to continue at only a slightly lower rate of growth through 1998. CBO projects that mandatory spending will equal 12.6 percent of GDP in 1998 compared with 10.3 percent in 1990. Medicare and Medicaid have fueled much of that rapid growth in spending. The budget resolution would slow their rate of growth but would still permit mandatory spending to increase as a percentage of GDP.

In short, the caps have proved to be an effective control over discretionary spending, but mandatory spending has continued its rapid growth. Faced with that scenario, the Congress may want to consider whether additional controls over discretionary spending are desirable or if the real focus for reform should be on the mandatory programs, which have not proved to be as tractable.

What Is the Appropriate Means of Controlling Discretionary Spending?

If the Congress decides that additional controls on discretionary spending are desirable, the lockbox concept and the existing method of control represent fundamentally different ways of meeting that goal. Under the existing process, the focus is on controlling spending by setting the totals at an early point in the process. Under the concept of a lockbox, decisions on the total level of discretionary spending can be revisited often on a case-by-case basis.

The existing system has relied on a set of controls by which the President and the Congress agree on multiyear enforceable targets for discretionary spending. As long as those targets are reached (and a sequestration is triggered if they are not), the deficit is reduced by the agreed amount. Additional deficit reduction could be brought about primarily either by the President and the Congress reaching a new agreement or by establishing targets in the budget resolution that would hold appropriations below the level of the cap. The appropriation process itself focuses on setting priorities within the constraints reflected by the cap, but normally no significant additional spending reductions result from the appropriation process. The role of the Appropriations Committees in the process has been to decide the allocation of discretionary spending among different programs, not the level of total discretionary spending.

The lockbox approach would give the Congress the flexibility to revisit decisions on the total amount of discretionary spending as each appropriation bill emerges from committee. Each time a lockbox amendment was considered, the respective House could go on record as saying that the existing caps are too generous and could advocate their reduction. The eventual reduction in discretionary spending, of course, would still depend on the outcome of the conference between the two Houses and the approval of the President. But the approach would represent a fundamentally different method of control—one in which the total amount of permissible discretionary spending would change on a week-by-week or even day-by-day basis during the period when appropriation bills were being considered.

Nothing is inherently right or wrong with those two approaches. But considering the lockbox proposal cannot be separated from deciding on how best to control the level of discretionary spending. The discretionary caps, as noted, already represent a nominal freeze in appropriated spending. Moreover, they are likely to be reduced further as a part of the effort to reach a balanced budget. If the Congress believes that further reductions in discretionary spending are desirable, it could reduce the caps even more—that is, by setting lower targets at the outset of the process. Alternatively, if the lockbox approach is selected, it would leave open the possibility—but not necessarily the certainty—that the caps may be reduced further in the future.

The Congress needs to weigh the benefits of the flexibility that would be created under the lockbox reform against the possible costs that could result because of the potential for continual political conflict over the total amount of discretionary spending. Alternatively, because the lockbox reform would leave the decision on a further

reduction in discretionary spending until the future, it would provide policymakers with greater flexibility to respond to changing circumstances than the setting of the appropriation caps does. Nonetheless, changing the rules after the President and both Houses have already agreed to the appropriation limits could make it even more difficult than it currently is to reach agreement on appropriation bills. Even in the current process, the House, the Senate, and the President frequently disagree over priorities within a given total level of spending. The lockbox approach would add the possibility of frequent disagreements over the total amount of discretionary spending. That may be more conflict than the appropriation process could bear.

Another related issue concerns the ability of the Congress to set priorities for discretionary spending. As noted in the description of the lockbox concept, some approaches offer less flexibility than others in using savings from amendments. In drafting a lockbox approach, the Congress would need to decide on a number of issues. Should all spending reductions go to reduce the deficit? Should amendments be permitted to provide for offsetting increases within the same bill? Or should amendments free up funds for other discretionary spending purposes? For example, a Member who wanted to reduce funds for the space station in order to provide more funds for defense would be prohibited from doing so under H.R. 1162.

What Technical Issues Are Raised by the Proposals?

Some of the proposals for a lockbox raise several minor technical issues. Those include the necessity of creating a deficit reduction trust fund, the desirability of reducing discretionary spending limits in future years to reflect amounts placed in the lockbox, and limitations on the ability of CBO to inform the Congress unilaterally of the status of spending legislation.

A DEFICIT REDUCTION TRUST FUND. Several proposals would create a special trust fund to which the amounts placed in the lockboxes from the various appropriation bills would be transferred. Those transactions would have no additional effect. The deficit reduction represented in the lockbox would result from reducing the discretionary spending limits. That adjustment would be made regardless of the status of the trust fund. The trust fund is unnecessary and could prove confusing when compared with more conventional trust funds, which exist primarily as a means of accounting for earmarked taxes that are limited in their use to specific purposes (as is the case, for example, with the transportation trust funds or the Social Security trust funds).

THE OUT-YEAR EFFECTS OF REDUCING DISCRETIONARY SPENDING LIMITS. The lockbox provision attached to H.R. 1158 would require OMB to adjust future discretionary spending limits downward by the amounts placed in the lockbox, adjusted for inflation. That requirement ignores the reality that appropriation decisions made in one year do not necessarily reflect in any way the priorities and necessity for spending in succeeding years.

In some cases (such as for many agency salary and expense accounts), a cut in one year may translate into continuing savings. But in other cases, the relationship between a cut this year and savings in the future are less straighforward. Consider an effort to cut funds from a Department of Defense appropriation bill for the purchase of a submarine. Canceling funds to purchase a submarine in one year implies nothing about the need for that submarine in another year. Nor is it necessarily true that submarines would be purchased every year. Perhaps the priority in the next year would be aircraft carriers. If so, should the canceling of a submarine this year automatically imply that the Defense Department should have less money to spend on aircraft carriers next year? The appropriation process depends very much on current circumstances. Adjustments to the discretionary spending limits, then, should probably be made only one year at a time.

CBO'S ABILITY TO INFORM THE CONGRESS. Finally, let me note a relatively minor point, but one that affects CBO directly. Section 4 of H.R. 1162 would require that CBO "score all general appropriation bills as passed the House of Representatives and as passed the Senate and have such scorecard published in the Congressional Record." CBO already scores appropriation bills as they pass both Houses, and we provide that information to the Budget Committees. But CBO, as a support agency of the Congress, cannot unilaterally cause anything to be published in the Record. It would seem more appropriate, therefore, for that section to be amended to specify that CBO provide the information to particular committees in the Congress (such as the Budget Committees or the Appropriations Committees), which would in turn have the information published in the Record.

CONCLUSION

In short, my main message is that the evaluation of the lockbox idea should hinge on two factors. First, how much should discretionary spending be constrained be-

yond the levels reflected in current law and anticipated by this year's budget resolution? Second, how much does such additional restraint require using the lockbox approach, as opposed to simply providing for lower discretionary caps?

Finally, perhaps resolving such issues should wait for the results of the comprehensive review of the budget process that your Committees are now undertaking. Certainly the question of what change might be made to the method of controlling discretionary spending is an appropriate focus of that review. But the lockbox idea is only one of many proposed reforms that might be considered. For example, proposals have surfaced that would require a vote of the full House and the full Senate to ratify the allocations made to the appropriations subcommittees. Other proposals would eliminate the functional categories in the budget resolution and replace them with allocations to committees and subcommittees. A consideration of the merits of the lockbox might be left until your Committees have completed their review of the process as a whole. At that time, if a change is sought in the way that appropriated spending is controlled, the lockbox approach could be considered as one option.

Mr. HORN. I thank you. Let me ask a question on that thought you had about getting the scoring into the Congressional Record. The Congressional Budget Office, I assume, works for the Congress, both House and Senate. Are you limited by some rule that says you can only release that to the Appropriations Committee and the Budget Committee? Or can the Government Reform and Oversight Committee make sure those are in the record?

Mr. BLUM. We would be glad to provide it to any committee. We're not limited at all in that respect. My only point was that, as an employee of a support agency, I can't really walk to the office where you put material into the Congressional Record. That's for Members to do.

Mr. HORN. But we could ask for it, and just do it as a regular practice, if no one else did?

Mr. BLUM. Absolutely.

Mr. HORN. All right. Does the gentleman from Georgia have any questions of the witness?

Mr. LINDER. I have one question. It is true that we're getting control over discretionary spending, and it seems to incline you to believe that we don't really need a lockbox arrangement. But don't we need somehow to convince America that we're doing something serious, so that when we get a handle on mandatory spending, we can convince them that it's actually going against deficit and debt, rather than just moving into another category of spending?

Mr. BLUM. Well, perhaps the question boils down to how much convincing of the public you want to do. Certainly the budget resolution that you just voted on is a very convincing plan that you've demonstrated to the public. It embodies a very significant cut in discretionary spending. And I think you demonstrate each time that the bills that carry out that plan stay within the limits of the plan.

Now, to the extent that you can do even more, I guess that's all to the better.

Mr. LINDER. Well, the constraint we're getting this year in the budget resolutions passed by the House and the Senate and agreed to in conference, essentially now, are significantly different than the budget resolution put forth by the President in February and again in his 10-year balanced budget plan.

And if we didn't have some kind of strictures in place, any succeeding Congress could reverse all that we're doing. What we're trying to do is say, look, we're serious about it; let's put some kind

of stricture in place so that future Congresses can't be as careless as past Congresses have been.

Mr. BLUM. I certainly understand where you're coming from on that, Congressman. I would just note that there are now, in the law, statutory caps on the appropriations process that the President must abide by as well as the Congress. The budget resolution allocations, I believe, are even below the statutory caps through 1998. I think the effective way of making sure that the administration is adhering to those limits as well is to lower the statutory caps and to extend them in law.

And then you can be assured that not only future Presidents but future Congresses would abide by them.

Mr. LINDER. Thank you.

Mr. HORN. The gentlelady from New York, Mrs. Maloney.

Mrs. MALONEY. Thank you. There was a discussion earlier with Congressman Solomon and others that pointed out that there may be substantial differences between the House and the Senate and the way that they handle the budget. Are there any substantial differences between the House and Senate that would cause us trouble with this concept?

Mr. BLUM. One difference that hasn't been noted is that there's no guarantee that the 602(b) suballocations by subcommittee would be the same in either House. Sometimes we've even had the situation where the 602(a) allocations aren't even the same in the House and the Senate. But certainly there's nothing to guarantee that both bodies are working from exactly the same overall blueprint for the appropriations bills. And that could pose a problem.

Mrs. MALONEY. What would be the problem? Just the difference between the two and how do you work it out?

Mr. BLUM. Yes.

Mrs. MALONEY. But there's always a difference between the two in the conference committee, and you work it out.

Mr. BLUM. I know. And the process does succeed in resolving those differences. All I'm raising is the possibility—and I haven't thought through this completely—that the lockbox could provide some hindrance in reaching those resolutions.

Mrs. MALONEY. You mentioned in your testimony that you oppose the trust fund because you were afraid of a "proliferation of trust funds in Government." Are there many trust funds now that you're aware of?

Mr. BLUM. Yes. There are many, and they're quite large. The Social Security Trust Funds, for example, the Medicare Trust Funds, the Highway Trust Fund, and the Airport and Airways Trust Funds. There are trust funds for the Federal employee retirement plans, et cetera.

Mrs. MALONEY. Are they working well? Why wouldn't this work well if those are working well, too?

Mr. BLUM. Well, I think all of those trust funds have a legitimate budget purpose to them. In the case of the Social Security, the Medicare, or the Highway Trust Funds, for example, are a way of keeping track of earmarked tax receipts. And that's a very important thing to do. In the case of the Federal employee retirement trust funds, these are a very useful cost-accounting mechanism to keep the agencies aware of what the cost of doing business is

today, which would include the cost of deferred compensation as well as the cost of pay that is made each year to employees.

A deficit reduction trust fund, as Mr. Solomon observed, really has no money in it. It is just an accounting mechanism to take credit for saving actions that have been done. In that case, as I noted earlier, the appropriation committees have taken great pride in the savings that they've made in relation to Presidential requests.

They don't have any problem each year with counting up what those savings are, and saying what they are.

Mrs. MALONEY. I have no further questions.

Mr. HORN. The gentleman from South Carolina.

Mr. SPRATT. Mr. Blum, thank you very much. I think we're going to have to run for a vote. But I take it from the totality of your testimony what you're saying is, we need to give a lot more thought to this type of budget device than any of these bills now before us has begun to plum.

Mr. BLUM. I think you've gone to the heart of my testimony, yes, sir.

Mr. SPRATT. You made quite an undertaking, you know, just before you testified. You were sworn to tell the whole truth about the budget process. Do you think we should go so far as to provide that in the amendment to allocate money to the lockbox that we would have to then reallocate the 602(b) allocation on the floor?

Mr. BLUM. I think that there are alternative ways to consider the suballocations, the so-called 602(b) allocations. It may well be that these ought to be subject to a floor vote before the subcommittees actually get to work. The concept of the lockbox is a very attractive one in the sense that certainly I understand the frustration that the Members have expressed here this morning in terms of they sponsored cuts in appropriations bills and then found that they did not go for deficit reduction.

Mr. SPRATT. They were scooped up for some other purpose. You work hard to get a cut, and then it's used for some other purpose.

Mr. BLUM. It's hard to understand, I think, the use that will be made of discretionary spending when all you're voting on in budget resolutions is a total amount. You're given some hints, obviously, when you see that total distributed by functional categories. But it becomes more real once it's then reallocated to appropriation subcommittees.

And of course it becomes more real when you see an appropriation bill. So it's hard to object that many Members would feel——

Mr. SPRATT. But I take it you have concern about how many balls we can juggle in the air at the same time. If we've got one 602(b) allocation for 050, and the Senate has another; if we have one amount in the lockbox for one program, and they have an amount for another; and you could go on the list to infinity almost. Pretty soon you're inviting chaos.

Mr. BLUM. Yes, sir. The process has inevitably become quite complex in the effort to control overall spending and reduce the deficit. And I guess I'm afraid that the lockbox is just one more item of complexity.

Mr. SPRATT. Thank you very much for excellent testimony.

Mr. HORN. I thank you for your excellent testimony. We might submit some questions, if you don't mind responding in writing. And we'll put them at this point in the record. I have several questions. We face a voting situation. I'm conscious that the Director of OMB has arrived, and that she has to leave at 12 p.m. So we want to get over and vote and come back.

If you'll raise your right hand.

[Witness sworn.]

Mr. HORN. Mr. Davis will chair the hearing while the rest of us vote. So, welcome.

Mr. DAVIS [presiding]. Dr. Rivlin, thank you. We're going to try to keep moving. We have four votes in a row, but we don't want to keep you; we know your schedule is tight. Thank you.

STATEMENT OF ALICE RIVLIN, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Ms. RIVLIN. Thank you. I'm happy to be here. I have a fairly short statement. I think it might be useful if I just read it, and maybe by that time, more Members will have arrived. I appreciate the opportunity to present the administration's view on lockbox deficit reduction proposals.

The Clinton administration is clearly committed to balancing the budget and doing so by cutting spending. We're happy to discuss, with Congress, any mechanism that would help reach this worthy goal. Budget process mechanisms can be useful in enabling Congress to reserve spending cuts for deficit reduction. In fact, in 1993, the President issued Executive Order 12858, which created a mechanism known as the deficit reduction fund, to keep careful track of the savings enacted in the Omnibus Budget Reconciliation Act of 1993.

As of June 30, 1995, the deficit reduction fund had logged more than $100 billion in savings, generated by OBRA 93. In addition, the rescission bill that the administration is supporting, H.R. 1944, includes a lockbox provision. The provision, as contained in H.R. 1944, assures that the net savings resulting from these rescissions will be dedicated to deficit reduction.

We should remember, however, that a lockbox, like any other technical accounting device, is not a substitute for enacting real policy changes that cut the deficit. Balancing the budget requires the administration and Congress to make tough policy decisions about Federal programs and priorities. That's what we did in 1993.

Two years ago, responsible observers universally foresaw growing Federal deficits. With no source of relief in sight, the likely outcome was an explosion of debt, and a mounting debt burden. The most serious implication was the likelihood of continued sluggish growth in the living standards of average Americans. With a large deficit draining our Nation's savings, the outlook for business investment was poor. Without strong investment, productivity would lag, dampening long-term economic growth and average wages.

The President took on the deficit fight. He proposed, and Congress passed, a major deficit reduction plan. Its benefits are clear, and even more dramatic than we originally estimated. We now estimate that accumulated deficits will fall by more than $1 trillion

over 7 years. The economy has grown more rapidly over a longer period than in any time in recent memory.

Interest rates fell sharply, spurring an investment boom. Rapid economic growth prompted a burst of job creation—more than 6 million jobs so far. At the same time, inflation hit bottom and stayed there. Federal Reserve Chairman Alan Greenspan says that prospects for sustained, non-inflationary economic growth are the best in over a generation.

The Fed's lowering of the interest rates last week should help keep the economy on this path. It is only due to the huge progress that we made as a result of the 1993 bill that we can even talk about balancing the budget now. The President shares with Congress the goal of balancing the budget; although he has profound differences with Congress over how to do it. As he has often said, there's a right way and a wrong way to balance the budget.

The President's plan is a responsible, reasonable approach that relies on spending reductions that are attainable and consistent with the purpose of deficit reduction—raising the living standards of average Americans in the long run. It builds on his undeniable success by cutting the deficit by balancing the budget in 10 years.

It includes an affordable tax cut to help middle-income Americans raise their young children, pay for post-secondary education and training, and save for the future. It cuts spending without sacrificing needed investments in key national priorities.

But let me now turn to the issue of a deficit reduction lockbox. To the extent that budgetary mechanisms would help us reach the goal of deficit reduction, they deserve careful consideration. However, the budgetary mechanisms that you are considering—the lockbox proposals—may present some unanticipated problems which would need to be addressed carefully.

A major problem could occur because lockbox proposals are often designed to operate in tandem with discretionary spending caps. Discretionary spending caps were first enacted as part of the 1990 Budget Enforcement Act. OBRA 93 extended them through 1998. The caps place a statutory ceiling on total budget authority and outlays, which may be spent in any fiscal year, and they are enforced by a sequester mechanism that requires automatic cuts in non-exempt discretionary spending to offset any overage. The caps are part of an overall, multi-year policy on how much the Government should spend, in total, on discretionary programs including: defense, international aid, education, housing, science and technology, and a host of other activities.

We should consider discretionary spending in the context of overall fiscal needs. For instance, the lockbox in the rescissions bill reflects an overall approach to fiscal policy—one in which critical supplemental appropriations are more than offset by spending reductions. That is, the bill accommodates increases in high priority areas, including emergencies, while dedicating net savings for deficit reduction.

Most lockbox proposals would require the OMB Director to automatically reduce discretionary spending caps to reflect reductions made in a particular appropriations bill at the beginning of a fiscal year. But this could make it hard for Congress to provide necessary supplemental appropriations. Typically, we do not know the need

for supplemental funding until several months after Congress and the President enact appropriations.

If Congress chooses not to use the authority to declare an emergency, it must be able to fund such contingencies either by rescinding other appropriations, or by using available funds under the caps. A lockbox could act as a disincentive to cutting appropriations bills, because such cuts would eliminate room under the caps to pay for supplementals.

Similarly, a lockbox might dissuade Presidents from using the line item veto—a tool this President has strongly and consistently supported—if its use automatically lowers the spending caps. A lockbox could also hamper Congress' ability to set priorities within the caps. It should be possible to cut lower priority spending in one appropriations bill, in order to increase higher priority spending in another.

If a lockbox called for immediate and automatic reductions in the spending caps, it could impair Congress' ability to set priorities. I think we all agree that the spending caps have been very successful in controlling the growth of discretionary spending. I would urge caution when considering new mechanisms that would enhance or undermine an already proven and effective budget control mechanism.

I commend your two subcommittees for looking for serious ways to ensure real deficit reduction. We're always ready to discuss with you procedures that may enhance our joint ability to reach this important goal. But as we work together to reduce the deficit, we need to ensure that such procedures do not impair our ability to set overall fiscal policy, as well as our spending priorities. Thank you, Mr. Chairman.

[The prepared statement of Ms. Rivlin follows:]

PREPARED STATEMENT OF ALICE RIVLIN, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Chairman Goss, Chairman Horn, and Members of the Subcommittees, I appreciate the opportunity to present the Administration's views on "lockbox" deficit reduction proposals. This Administration is clearly committed to balancing the budget, and to do so by cutting spending. We are happy to discuss with you any mechanism that would help reach this worthy goal.

Budget process mechanisms can be useful in enabling Congress to reserve spending cuts for deficit reduction. In fact, in 1993 the President issued Executive Order 12858, which created a mechanism known as the Deficit Reduction Fund to keep careful track of the savings enacted in the Omnibus Budget Reconciliation Act of 1993 (OBRA–93). As of June 30, 1995, the Deficit Reduction Fund had logged $108.6 billion in savings generated by OBRA–93.

In addition, the rescission bill that the Administration is supporting includes a lockbox provision. The provision, as contained in the H.R. 1944, assures that the net savings resulting from these rescissions will be dedicated to deficit reduction.

We should remember, however, that a "lockbox," like other technical accounting devices, is not a substitute for enacting real policy changes that cut the deficit. Balancing the budget requires that the Administration and Congress make tough policy decisions about Federal programs and priorities. That is what we did in 1993.

Two years ago, responsible observers universally foresaw growing federal deficits. With no source of relief in sight, the likely outcome was an explosion of debt and a mounting debt burden. The most serious implication was the likelihood of continued sluggish growth in the living standards of average Americans. With a large deficit draining our nation's saving, the outlook for business investment was poor. Without strong investment, productivity would lag, dampening long-term economic growth and average wages.

The President took on the deficit fight. He proposed, and the Congress passed, a major deficit reduction plan. Its benefits are clear, and even more dramatic than

originally estimated. We now estimate that accumulated deficits will fall by more than $1 trillion over 7 years. The economy has grown more rapidly over a longer period than at any time in recent memory. Interest rates fell sharply, spurring an investment boom. Rapid economic growth prompted a burst of job creation—more than 6,000,000 so far. At the same time, inflation hit bottom and stayed there. Federal Reserve Chairman Alan Greenspan says that prospects for sustained, noninflationary economic growth are the best in over a generation. The Fed's lowering of interest rates last week should help keep the economy on this path.

It is only due to the huge progress we made in 1993 that we can even talk about balancing the budget. The President shares with Congress the goal of balancing the budget, although he has profound differences with Congress over how to do it. As he has often said, there is a right way and a wrong way to balance the budget.

The President's plan is a responsible, reasonable approach that relies on spending reductions that are attainable and consistent with the purpose of deficit reduction—raising the living standards of average Americans in the long run. It builds on his undeniable success in cutting the deficit by balancing the budget in 10 years. It includes an affordable tax cut to help middle-income Americans raise their young children, pay for postsecondary education and training, and save for the future. And it cuts spending without sacrificing needed investments in key national priorities.

DEFICIT REDUCTION "LOCKBOX"

Let me now turn to the specific issue of a deficit reduction lockbox.

To the extent that budgetary mechanisms would help reach the goal of deficit reduction, they deserve careful consideration. However, the budgetary mechanisms that you are considering—often called lockbox proposals—may present some unanticipated problems which would need to be addressed carefully. A major one could occur because lockbox proposals are often designed to operate in tandem with discretionary spending caps.

Discretionary spending caps were first enacted as part of the Budget Enforcement Act of 1990; OBRA–93 extended them through 1998. The caps place a statutory ceiling on total budget authority and outlays which may be spent in any fiscal year. They are enforced by a sequester mechanism that requires automatic cuts in nonexempt discretionary spending to offset any overage.

The caps are part of an overall, multi-year policy on how much the government should spend, in total, on discretionary programs—the amounts into which we fit defense, international aid, education, housing, science and technology, and a host of other activities. We should consider discretionary spending in the context of our overall fiscal needs.

For instance, the lockbox in the rescission bill reflects an overall approach to fiscal policy, one in which critical supplemental appropriations are more than offset by spending reductions. That is, the bill accommodates increases in high-priority areas, including emergencies, while dedicating net savings for deficit reduction.

Most lockbox proposals would require the OMB Director to automatically reduce discretionary spending caps to reflect reductions made in a particular appropriations bill at the beginning of a fiscal year. This could make it hard for Congress to provide necessary supplemental appropriations.

Typically, we do not know the need for supplemental funding until several months after the President and Congress enact appropriations. If Congress chooses not to use the authority to declare an emergency, it must be able to fund such contingencies either by rescinding other appropriations or by using available funds under the caps. A lockbox could be a disincentive to cutting appropriations bills, because such cuts would eliminate room under the caps to pay for supplementals. Similarly, a lockbox might dissuade Presidents from using a line-item veto—a tool that this President has strongly and consistently supported—if such use automatically lowers the spending caps.

A lockbox also could hamper Congress' ability to set priorities within the caps. It should be possible to cut low-priority spending in one appropriations bill in order to increase higher priority spending in another. If a lockbox called for immediate and automatic reductions in the spending caps, it could impair Congress' ability to do so.

As I think we can all agree, the spending caps have been very successful in controlling the growth of discretionary spending. I would urge caution when considering new mechanisms that would enhance or undermine an already proven and effective budget control mechanism.

CONCLUSION

We commend your two Subcommittees for looking for serious ways to ensure real deficit reduction. We are always ready to discuss with you procedures that may enhance our ability to reach this important goal. But as we work together to reduce the deficit, we need to ensure that such procedures do not impair our ability to set overall fiscal policy as well as our spending priorities.

Mr. DAVIS. Dr. Rivlin, thank you very much. Let me give you the schedule here. They're going to have another vote commence any minute. At that point, we don't know if it's going to be a 5-minute vote or a 15-minute vote. If it's a 15-minute vote, we'll continue; if it's a 5-minute vote, I'm going to have to run and we'll recess. And if you have to leave before anybody comes back, we certainly understand, and we'll get any additional questions from the committee to you at that point.

But we'll find out in just a couple minutes, and I'd like to proceed.

Ms. RIVLIN. Well, I can stay around until you find out, and if for any reason we can't make that work, I will be happy to answer questions in writing or in any other way.

Mr. DAVIS. Thank you very much. Let me ask you, right now Congress has some discretion to do this without any statutory change through the rules committee; don't they? Couldn't a rule on a particular bill give us the leeway on lockbox procedure?

Ms. RIVLIN. I assume it could. You could just vote for it.

Mr. DAVIS. Your written testimony mentions that the President might have some hesitation to use any line item veto authority if doing so would reduce discretionary spending caps. I thought cutting spending was part of what having a line item veto was all about. How do you reconcile that?

Ms. RIVLIN. Well, I think a President might want to use his line item veto to say, these are low priority things, but to indicate what he thought were higher priority things.

Mr. DAVIS. But he couldn't add the higher priorities at that point. You'd just say they have the discretionary——

Ms. RIVLIN. No, but the line-item veto would leave room under the caps if there were no lockbox effect.

Mr. DAVIS. OK. Now, some versions of the lockbox procedure would place new duties on the Secretary of the Treasury and the Director of OMB. For example, the Treasury Secretary periodically would transfer lockbox amounts into a special account and use the funds to buy down the public debt. And the Director of OMB periodically would revise the statutory discretionary spending limits.

Is it essential to the goals of the lockbox procedure that it be fashioned so as to involve actions by the executive branch officials?

Ms. RIVLIN. I think so, so that you don't get into Constitutional separation of powers questions. But I'm not an expert on that.

Mr. DAVIS. OK. A notable feature of some of the lockbox proposals is the establishment in the U.S. Treasury of a deficit reduction trust fund. Under long-standing convention, trust funds in the Federal budget are used to account separately for funds that may be invested, and eventually will be spent on specified purposes. How do you believe the deficit reduction trust fund envisioned for use in the lockbox procedures differ from the customary type of trust fund found in the Federal budget?

And are there any particular advantages or disadvantages associated with it that you can spot?

Ms. RIVLIN. I think Mr. Blum explained that quite clearly a few minutes ago when he said that the true trust funds, the ones that are used to segregate earmarked taxes for certain purposes, as we do in Social Security, are closer to a trust fund idea than a deficit trust fund is. A deficit reduction trust fund is simply an accounting device to say: we have decided to show this amount of spending cut as a deficit reduction, and use that to retire debt. But these are not segregated revenues.

Mr. DAVIS. OK, thank you. Let me just check and make sure, I think we have a 15-minute vote. Now, some lockbox proposals would apply only to the House, while others would apply to both the House and the Senate. In your view, is a bicameral lockbox essential, or would a unicameral procedure for the House suffice?

Ms. RIVLIN. I think you can make anything workable. But anything that increases the differences that have to be reconciled between the two bodies makes budgeting more complicated.

Mr. DAVIS. Different rules would make it——

Ms. RIVLIN. Yes.

Mr. DAVIS. OK. How does the lockbox concept deal with the fact that the House and the Senate appropriations committee sometimes do not suballocate identical amount to parallel House and Senate subcommittees, and that each committee revises its suballocation periodically?

Ms. RIVLIN. Well, you'd just end up with more things that would have to be reconciled in any ultimate conference.

Mr. DAVIS. Let me try a couple more as we're waiting. The lockbox concept—do you know how that would accommodate the fact that new discretionary spending limits have been established for congressional use in the recently adopted budget resolution? If downward adjustments were to be made periodically in the statutory limits, should they also be made at the same time to the new limits established in the budget resolution?

Ms. RIVLIN. The typical lockbox proposal does provide a step for automatically reducing the caps. And presumably, we would be reducing the caps now from the limits established in the budget resolution.

Mr. DAVIS. Let me go off the beaten path and ask you another question, a little bit off, but something close to this Member's heart and district. We can foresee in the October timeframe a period where we have appropriations bills passed by the Congress that may be subject to a veto by the President. And perhaps with that not being acted on a continuing resolution, the way we have in the past. One of the reasons being that the appropriation levels approved by Congress are less than in previous years.

Under those circumstances, what is the risk to existing contracts, Federal employees getting paid, working out so that you don't bring brinkmanship and have innocent bystanders, like the Federal employees who are out doing their job every day, penalized as a result of that? Has the administration given that any thought?

Ms. RIVLIN. I think the risks are great. And one of the problems is that the current schedule that Congress is on, with the reconciliation—with the committees will not even report on reconciliation

until September 22, which is awfully late in the fiscal year—leaves about a week to get everything done before October 1. That schedule means that there is a very high risk of needing a continuing resolution or of what is sometimes described as the train wreck, closing down the Federal Government.

The President is very eager to avoid that, and has urged Congress, even today, to accelerate the schedule so that there's more time for debate and less risk of exactly the kind of contingencies that you described.

Mr. DAVIS. But even if you move the schedule up, you have other issues—the debt ceiling raise, the other things—that really jeopardize the day to day workings, the ongoing work of the Federal Government and Federal employees. And we've been through this before; this would not be the first time, if it were to happen this year, that that could happen.

Do you see a way or a resolution so that at least on the part of Federal employees that they could be paid during this period of time?

Ms. RIVLIN. I think Congress could enact such legislation as part of a continuing resolution.

Mr. DAVIS. Do you think the administration would look at that favorably, would work with us to make sure that didn't happen?

Ms. RIVLIN. Well, I think the administration wants to work with Congress to avoid having to do the kinds of things that would cause hardship to Federal employees and to Federal customers, as it were, the people who receive the services. We would like very much to avoid that. The best way to avoid it is to get the decisions made, and get the budget done before the 1st of October.

Mr. DAVIS. Dr. Rivlin, thank you. I'm going to turn the chair back over to our chairman, who has returned from the last vote, and I'm going to go vote. But once again, it's good to see you, and thank you very much.

Ms. RIVLIN. Thank you.

Mr. HORN [presiding]. Did you finish most of your testimony?

Ms. RIVLIN. I did finish reading it, and have answered some questions. I would be happy to proceed in any way you want.

Mr. HORN. Well, let me just say, I kid you a little. I heard you violate your oath in your first sentence; you said it was a pleasure to be before this subcommittee. With all that you have to do today, I'm sure there are other pleasures you can get. But I think basically what we're searching for, and with your wealth of experience both as Director of CBO and Director of OMB, I guess the basic problem is the frustration of Members when they make a cut in a bill and then they find that it isn't really a cut that goes into reduce the deficit.

It has been reassigned by the committees involved. It could be authorizing committees; it could be appropriations subcommittees in conference. And their desire is to move that cut, done by a majority, into the so-called lockbox or reserve it, where it can't be reallocated. One of the problems is, some of them seem to think that you can do that as a House of Representatives alone, by a rules change. Others think you've got to treat it in the sense of the Constitutional process of Senate participation and Presidential participation.

And I guess, since you've seen that from both sides of Pennsylvania Avenue, what would your advice be to Congress as to the best way to handle it?

Ms. RIVLIN. Well, I understand the frustration of Members who want to see the cut go to deficit reduction. But I'm not an expert on the rules. I don't know whether you can do this by rules, or whether you have to do it by legislation. The disadvantage of doing it by rules, even if you can, is that you then end up with different rules in the House and Senate, and you complicate the already complicated budget process even further, because the differences have to be resolved in some way.

And I think that's the major disadvantage of lockboxes; that the budget process is already very complicated. It's difficult to set the spending ceilings. And if you are resetting the caps every time you vote on a particular bill or even on an amendment, it complicates things a lot.

Mr. HORN. Yes. I think some would argue that if the House did set a very strict rule that isolated that money, that would put pressure on the House's own conferees, also send a signal to the other body that, with these severe restrictions, our people cannot give as easily in a conference as they might have given. And so there's an argument here of leverage on the conferees.

Obviously, a majority can always instruct or fail to instruct or always reject the conference report, which is another part of leverage, if you aren't worn down by the whole process.

Ms. RIVLIN. Yes.

Mr. HORN. Let me ask you, the current budget process creates very poor incentives for the appropriations subcommittee. The subcommittee that comes in under that 602(b) allocation, that is cut spending, sees the results of its spending cuts spent elsewhere, as I mentioned earlier. Any comments on how to better structure the process, and now, I would think, beyond the 1974 Budget Act?

You had to administer the 1974 Budget Act. Some would say we ought to scrap it and start over. And I guess I would ask you if you had your druthers and could wave a wand, what do you think makes sense, now that you've been in both the legislative side and the executive side, in terms of a budget act where we could come to grips with some of these problems?

Ms. RIVLIN. I think we're coming to grips with them now. I think the Budget Enforcement Act of 1990 gave us a very good set of tools, as we have proven in the last several years, for reducing the deficit. The Congress is now on a track, clearly, to reducing the deficit further. The President wants to work with Congress to do that.

It seems to me that the basic tools are in place; the Budget Enforcement Act, as amended, gives us the tools to reduce the deficit. And this year, I'm not sure there are going to be too many subcommittees faced with the problem of coming in under the 602(b). Those are very stringent limitations—historically much more stringent than we've ever had.

A lockbox might be useful in some instances. But I think the problem this year is not going to be what to do with the excess; it's going to be, can the subcommittees actually come in at the 602(b) allocations.

Mr. HORN. Before you arrived, some figures were put in the record, stating that by the year 2002, in essence, we will have had a 26 percent cut, without accounting for inflation, in the discretionary programs. Now, obviously, we're not as successful in the entitlement programs. What are your suggestions as to how we might deal with the entitlement programs?

Ms. RIVLIN. Well, there we have the reconciliation process. Again, we've come out of this budget resolution with reconciliation targets that are extremely stringent. The administration believes they are too stringent; that they will force deeper cuts in Medicare, Medicaid, and other programs than would be in the best interest of the Nation. But there's no question that the tools are there.

Mr. HORN. When a Governor has to grapple with some of these problems, often they use the freeze approach, and they solve the problem. Why is it we have such difficulty using a freeze approach in the Federal Government?

Ms. RIVLIN. Well, we haven't had difficulty on the discretionary spending side, as you point out. We have essentially frozen discretionary spending now for quite a long time, and now we're going well below a freeze. On the entitlement side, I think the reasons are very real—population increases and the number of people entitled to benefits increases.

In the case of the health care programs, medical inflation has been substantial, and much higher than ordinary inflation. And there are reasons why a freeze in dollar terms is a very drastic thing to do, and means real cuts in real benefits to people.

Mr. HORN. We have, what, by count, several hundred entitlement programs, from the large to the small?

Ms. RIVLIN. We have a lot of mandatory programs. But it is also true that when you point to Social Security, Medicare, and Medicaid, you've accounted for a very large portion of the budget.

Mr. HORN. Everybody agrees Social Security is off the table. People, I think, are beginning to agree that we can reform Medicare by slowing the rate of growth and getting a lot of efficiencies in the system. And certainly on Medicaid, just as in other programs, when Governors have to make the tough decisions and freeze an amount from 1 year to the next to meet the State budget because they cannot go into a deficit situation, and they cannot borrow to cover it through bonds, although some procedures sometimes work out, they solve the problem.

We have, as you know, some court decisions on the Federal side that would say you've got to readjust all the criteria, and give guidance to the Cabinet officer. It seems to me, common sense would be that the Cabinet officers, given a certain amount of money, ought to be able to allocate it as best they can if that's all there is to allocate. And what's your feeling?

Ms. RIVLIN. Cabinet officers allocate discretionary spending. They are not empowered to allocate entitlement spending, nor do I believe they should be. I think there is a role for programs where the Congress and the President decide that it is important to guarantee people certain benefits if they meet certain criteria, which is what an entitlement is.

Medicare is a good example of that. I don't think the way to reduce the rate of growth of spending in Medicare is to turn it over

to Cabinet officers or indeed to Governors. We have to look very carefully at what it costs to provide different kinds of benefits to older people. And if it is costing too much, if the rate of growth of spending is too high, then I think the benefits have to be reduced or we have to find ways of organizing the system more efficiently, or both. But just capping Medicare spending is not a sensible way to do it.

Mr. HORN. As you know, there has been a difference in the rate of increase and the rate of inflation, if you will, in health care, between the private sector and the public sector. This is certainly true in the Medicaid program, and there's no question that some savings can occur without affecting quality or quantity of delivery.

Ms. RIVLIN. I believe, in Medicaid, that the per capita expenses have been rising much more slowly than the per capita expenses in the private sector. Medicaid reimbursement rates are low, compared to the private sector, and they have not been rising rapidly. What has been rising rapidly are the number of people eligible for Medicaid, the size of the poor population.

Mr. HORN. Yes. Well, I take Medicaid as an example because, as you say, it is a major program. While we're trying to make economies in a number of these programs, there are still 100 or more smaller entitlement programs on which we could try to make economies. Then the question is, are we really making savings? And these lockbox proposals require the OMB Director to adjust the discretionary spending limits downward, following the enactment of an annual appropriations act, containing lockbox accounts.

The budget resolution recently adopted by the House and Senate, H. Con. Res. 67 included discretionary spending limits through fiscal year 2002. These new limits are in effect only for the purpose of internal congressional procedure. They're significantly lower than the statutory discretionary limits used for sequestration, and adjusted periodically by the OMB Director.

In view of this, is it no longer necessary, for purposes of the lockbox procedure, for the OMB Director to adjust the statutory limits?

Ms. RIVLIN. Well, it depends on what you want to have happen. If you want a lockbox that will have the effect of saying, when you vote to lower spending on a particular discretionary program, that savings cannot be devoted to any other program, then a way to do that is to say that the spending cap is lowered by that amount.

Mr. HORN. Well, I regret that you have to leave, and we have a number of absent Members that are stuck over there that do have some questions. We might submit some questions to you, and if you would be gracious enough to answer them, we'd appreciate it.

Ms. RIVLIN. I'd be delighted, Mr. Chairman, to answer any questions.

Mr. HORN. Does the gentlewoman from Ohio have any questions?

Mrs. PRYCE. Thank you, Mr. Chairman. This is a 5-minute vote, so I think we better leave it at that. If I have any, I'll submit them. Thank you very much for your testimony, Ms. Rivlin.

Ms. RIVLIN. Thank you.

Mr. HORN. We thank you very much for coming. Let me just thank, in closing, the members of both majority and minority staffs that were helpful in preparation of this hearing—Mr. Brasher, pro-

fessional staff member; Russell George, the subcommittee staff director; Mr. Richardson, the subcommittee clerk, for the Committee on Government Reform and Oversight.

And for the Committee on Rules, Mr. Wolfensberger, chief of staff; Wendy Selig, counsel; and Eric Pelletier, legislative assistant. For the Government Reform and Oversight minority, Matt Pinkus and David McMillen. And we appreciate the help, in particular, of Bob Keith, of the Congressional Research Service.

Thank you for coming. And of course, Marianne Nash, the reporter; thank you, Marianne. The committee is adjourned.

[Whereupon, at 12 noon, the hearing was adjourned, subject to the call of the Chair.]