



# CBO Explains How It Estimates Savings From Rescissions

Rescissions are provisions of law that cancel budget authority previously provided to federal agencies before it would otherwise expire. The Congress can use rescissions, along with other legislative tools, to reduce federal spending.

The Congressional Budget Office provides estimates of the budgetary effects of proposed rescissions to support the Congress in enforcing budget rules. To produce those estimates, CBO considers several factors, including:

- How much budget authority will be available to rescind,
- Whether the rescission would be permanent or temporary, and
- How any savings from the rescission would be classified in the budget.

CBO also makes an assumption about the date of the legislation's enactment, taking into account how long different types of legislation are typically considered by lawmakers, and uses historical spending patterns to estimate the rescission's effect on outlays for the budget account in question.

This document provides answers to key questions about how CBO estimates savings from rescissions.

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Notes: This document is one in a series of primers explaining various elements of CBO's work to support the budget process and to help the Congress make budget and economic policy. This and other primers in the series are available at [www.cbo.gov/topics/budget/budget-concepts-and-process](http://www.cbo.gov/topics/budget/budget-concepts-and-process).

For an explanation of key terms used throughout this primer, see Congressional Budget Office, *Common Budgetary Terms Explained* (December 2021), [www.cbo.gov/publication/57420](http://www.cbo.gov/publication/57420); for detailed definitions, see CBO's *Glossary* at [www.cbo.gov/publication/42904](http://www.cbo.gov/publication/42904).

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### How Do Rescissions Work?

The Congress rescinds budget authority in appropriation and authorization bills.<sup>1</sup> The Administration may also propose reductions in budget authority to the Congress, but it cannot implement them unless they are enacted into law.

To effectively rescind budget authority, legislation must identify the source of the funds to be canceled—for example, a specific budget account or an act that initially provided the budget authority.<sup>2</sup> If the source of those funds is not clearly identified and the rescission requires judgment to execute—for example, in the case of a nonspecific, sweeping rescission that cuts across multiple accounts or federal agencies—then the legislation must clearly identify who will execute it. To be executed, rescission legislation also must either specify the amount of budget authority to be canceled or provide enough information so that an amount can be determined.

### What Does CBO Consider When Estimating the Effects of Rescissions?

CBO considers various factors when it estimates the budgetary effects of rescissions. Analysis of those factors allows the agency to estimate budget authority savings and outlay savings and to identify their budgetary classification.

1. Budget authority is authority provided by federal law to incur financial obligations that will result in immediate or future outlays of federal funds.
2. In some cases, legislation provides budget authority in one section and reduces the stated amount in a different section. By definition, those spending reductions are not rescissions (though they are sometimes referred to as rescissions). In such cases, CBO estimates the net effect of providing and reducing budget authority under the same legislation.

### How Much Budget Authority Will Be Available to Rescind?

To estimate a rescission's effects on budget authority and outlays, CBO must first determine how much budget authority will be available when the rescission is enacted.<sup>3</sup>

In several situations, CBO would estimate no reduction in budget authority resulting from a rescission:

- Budget authority has expired or is anticipated to expire before the rescission is enacted, so any remaining balances could no longer be newly obligated.<sup>4</sup>
- Budget authority has already been spent or obligated.
- Services are legally owed and not yet rendered (sometimes the case for working capital and other revolving funds), or reimbursements are owed to another agency or nonfederal entity.
- Budget authority is for an appropriated entitlement (such as the Supplemental Nutrition Assistance Program). Funding for appropriated entitlements is included in appropriation acts and provides the cash agencies need to liquidate obligations that are governed by other laws specifying benefits and eligibility criteria. The Deficit Control Act requires CBO to assume that entitlement programs will be fully funded.<sup>5</sup> Therefore, CBO generally estimates no savings from legislation that would rescind such funding; any savings would require changes to benefit formulas or eligibility criteria.
- Budget authority was provided through an indefinite appropriation. (In indefinite appropriations, budget authority is usually identified as “such sums as may be necessary” rather than a specific amount.) To generate budgetary savings, the rescission would need to be coupled with a substantive reduction in the scope of activities funded by the appropriation.

3. Once rescissions are enacted, agencies are legally required to execute them in full. In practice, however, unless the law specifies when a rescission must be executed, the timing is generally flexible as long as it occurs within the affected fiscal year.
4. Obligations are legally binding commitments by the federal government that usually result in outlays, immediately or in the future.
5. Section 257(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. § 907(b)(1)).

## Would the Rescission Be Permanent or Temporary?

Rescissions can be permanent or temporary, depending on what the legislation states and what budgetary authority is being rescinded. Official guidelines for making that determination are outlined by the Office of Management and Budget (OMB) in Circular No. A-11.<sup>6</sup>

Rescissions of budget authority appropriated from the general fund of the Treasury are permanent unless the legislation states otherwise.<sup>7</sup> When rescissions are permanent, the canceled budget authority reverts to the general fund and is no longer available to the agency for obligation.

By contrast, rescissions of budget authority from a trust fund, special fund, or revolving fund or derived from offsetting collections are temporary unless the legislation states otherwise.<sup>8</sup> (For example, to make a rescission permanent, the legislation might say that budget authority is “permanently rescinded” or “permanently canceled.”) Temporary rescissions make budget authority unavailable in the year they are executed—but the statutes underlying that budget authority may allow it to “pop up,” or become available again, at the beginning of the next fiscal year. In such cases, a reduction in budget authority will be recorded in the year of the rescission and will be offset by an equivalent increase in budget authority in the following year, resulting in a net effect of zero over time. Similarly, although temporary rescissions may change the timing of spending, they generally do not affect total outlays.

## How Would Savings Be Classified in the Budget?

The budgetary classification of savings from rescissions matters for budget allocation, enforcement, and

reporting. When estimating the budgetary effects of a rescission, CBO attributes those effects to the bill that includes the rescission, regardless of the type of legislation that originally provided the budget authority. Accordingly, for budget enforcement purposes, any savings from rescissions included in appropriation bills are estimated as reductions in discretionary spending, whereas savings from rescissions included in authorization bills are estimated as reductions in mandatory spending.

Some budget authority receives a special designation when first provided. In such cases, the funding may be classified as an emergency requirement or as funding for overseas contingency operations, disaster relief, wildland fire suppression, the census, or program integrity activities. When those funds are rescinded, the budgetary effects generally retain the original designation; thus, the savings are attributed to that particular category for budget enforcement purposes. For example, savings from rescinding budget authority in authorizing legislation that was designated as an emergency requirement generally do not count for the purposes of the Statutory Pay-As-You-Go Act of 2010 (often called S-PAYGO)—just as the estimated outlays from the original funding did not count.<sup>9</sup>

## How Does CBO Estimate the Effects of Rescissions?

When estimating the effects of rescissions, CBO adheres to laws and Congressional rules concerning the federal budget and to a set of principles called scorekeeping guidelines. Accordingly, CBO estimates a reduction in budget authority resulting from a rescission in the year that the rescission takes effect. Estimated reductions in outlays, if any, may occur in that year or subsequent years.<sup>10</sup>

### Step One: Determine How Much Budget Authority Will Be Available to Rescind

To estimate the budget authority savings from a rescission, CBO assumes an enactment date, determines

6. Office of Management and Budget, *Preparation, Submission, and Execution of the Budget*, Circular No. A-11 (August 2022), <https://tinyurl.com/2d9bhwyx> (PDF).

7. The general fund receives all collections not dedicated for some other fund, including virtually all income taxes and many excise taxes, and is used for all programs that are not supported by trust, special, or revolving funds. Rescissions of contract authority (which permits an agency to incur obligations in advance of appropriations, including collections sufficient to liquidate those obligations) and borrowing authority (which allows an agency to borrow money and then obligate the borrowed amounts) are also usually permanent.

8. Offsetting collections are funds that are collected by government agencies from government accounts or the public and are credited to a spending account. They usually stem from business-like or market-oriented transactions.

9. S-PAYGO established procedures to control the effects of newly enacted legislation on the deficit by constraining increases in spending and reductions in revenues; the law applies only to authorizing legislation. For more information, see Congressional Budget Office, *The Statutory Pay-As-You-Go Act and the Role of the Congress* (August 2020), [www.cbo.gov/publication/56506](http://www.cbo.gov/publication/56506).

10. Under certain circumstances, CBO may estimate that a rescission would affect other spending or revenues. For example, see Congressional Budget Office, *Estimated Budgetary Effects of H.R. 23, the Family and Small Business Taxpayer Protection Act* (January 9, 2023), [www.cbo.gov/publication/58894](http://www.cbo.gov/publication/58894).

available balances, and considers other factors that affect how much budget authority is available.

**Assumed Enactment Date.** Typically, over the course of a year, as funds in an account are obligated or otherwise reduced, the available unobligated balances diminish.<sup>11</sup> Therefore, when estimating the amount of budget authority that would be available for rescission, CBO makes an assumption about the date of the legislation's enactment. In making that determination, CBO considers what type of legislation it is and when in the fiscal year it is being proposed; the agency also accounts for typical timelines of consideration for different types of legislation. For example, CBO's estimate for a rescission included in a supplemental appropriation bill, with a likely near-term enactment date, may differ from its estimate for an otherwise identical rescission included in a full-year appropriation bill for the upcoming fiscal year, with a likely enactment date later in the future.

**Available Balances.** Using the most up-to-date information available from the Department of the Treasury, OMB, and other agencies, CBO assesses whether the budget authority proposed for rescission will be available on the assumed enactment date. Specifically, CBO first examines whether the account in question currently has sufficient unexpired, unobligated balances to fulfill the proposed amount of the rescission and whether a sufficient amount would still be available upon the rescission's enactment. Resources such as OMB's Standard Form 133 provide information on available balances throughout the year.

CBO considers various factors—such as historical obligation rates for the affected account, the funding's expiration date, official information from government agencies on program schedules (such as published dates of grant awards), and the anticipated timing of any inflows—that affect how much funding would be available when the rescission was executed. In general, CBO does not use unofficial or prospective information (such as potential program changes that have not been officially announced) to determine whether budget authority would be available.

11. In some cases, an account's unobligated balance will increase throughout the year if it receives recoveries or other types of collections.

If an account's available balance would be sufficient to carry out the proposed rescission, CBO credits the rescission with full budget authority savings. If the available balance would be insufficient, CBO credits the rescission with either partial or no budget authority savings, depending on the available amount. (For examples, see Figure 1.)

**Other Considerations.** When the same rescission is proposed in more than one bill, CBO initially gives each bill full credit for the estimated budgetary savings. Ultimately, whichever bill is enacted first will get credit for those savings. If an enacted bill rescinds only some of the balances, then other legislation can get credit for rescinding the remainder.

### Step Two: Estimate Outlay Savings

After estimating a proposed rescission's effect on budget authority, CBO estimates the effect on outlays. In general, CBO estimates that effect on the basis of historical spending patterns and other factual information (such as court decisions and newly finalized regulations).

Outlay savings may be equal to or less than budget authority savings. CBO's estimates of outlay savings are based on its estimates of how much budget authority would be spent under current law within the 10-year projection period used by the Congress for enforcing budget rules. The estimated savings therefore exclude outlays that would have occurred after that 10-year period or funds that would not have been spent at all. Similarly, if a proposed rescission targets budget authority that is not available—because it is already fully obligated or has expired—then the estimated outlay savings will be zero. (For examples, see Figure 1.)

Although budget authority savings are credited in the year a rescission becomes effective, outlay savings may be spread over multiple years, depending on the historical or anticipated spending patterns of the program in question.

For temporary rescissions in which budget authority will pop up in the subsequent fiscal year, the estimated net effect on outlays over time is often zero because such rescissions only delay spending. However, the change in the timing of spending may decrease or increase outlays in any given year.

Figure 1.

## Examples of Possible Budgetary Effects of Rescissions

### Permanent Rescissions From a General Fund Account

Sample proposal: “Of the unobligated balances from amounts made available for Program X, \$100,000,000 is hereby rescinded.”

|  |  |   |
|--|--|---|
| <p><b>Full Budget Authority and Outlay Savings</b></p> <p>The account’s available balance and estimated outlays are greater than the amount to be rescinded, so the Congressional Budget Office would estimate full budget authority and outlay savings resulting from the rescission.</p> | <b>Budget Authority</b>  |   |
|  | Projected unobligated balances as of the rescission’s assumed effective date | \$200 million   |
|  | Estimated effect on budget authority   | -\$100 million in the year the money is rescinded   |
|  | <b>Outlays</b>   |   |
|  | Estimated outlays of unobligated balances under current law                  | -\$200 million  |
|  | Estimated effect on outlays  | -\$100 million over the next 10 years, when CBO estimates outlays otherwise would have occurred |

|   |  |  |
|---|--|--|
| <p><b>Partial Budget Authority and Outlay Savings</b></p> <p>The account’s unobligated budget authority falls short of the amount proposed for rescission, so the budget authority savings are only partial. In this case, estimated outlays are less than the available balance, so outlay savings are even smaller.</p> | <b>Budget Authority</b>  |  |
|   | Projected unobligated balances as of the rescission’s assumed effective date | \$50 million   |
|   | Estimated effect on budget authority   | -\$50 million in the year the money is rescinded   |
|   | <b>Outlays</b>   |  |
|   | Estimated outlays of unobligated balances under current law                  | \$25 million   |
|   | Estimated effect on outlays  | -\$25 million over the next 10 years, when CBO estimates outlays otherwise would have occurred |

|  |  |     |
|--|--|-----|
| <p><b>No Budget Authority or Outlay Savings</b></p> <p>The account would have no available budget authority by the time the rescission was effective, so CBO would estimate no budget authority savings or outlay savings.</p> | <b>Budget Authority</b>  |     |
|  | Projected unobligated balances as of the rescission’s assumed effective date | \$0 |
|  | Estimated effect on budget authority   | \$0 |
|  | <b>Outlays</b>   |     |
|  | Estimated outlays of unobligated balances under current law                  | \$0 |
|  | Estimated effect on outlays  | \$0 |

### Temporary Rescission With “Pop-Up” Budget Authority

Sample proposal: “Of the unobligated balances available in Trust Fund Y, \$100,000,000 is hereby rescinded.”

|  |  |                |
|--|--|----------------|
| <p><b>Net Zero Budget Authority and Outlay Savings</b></p> <p>Temporary rescissions can generate savings in the year they are executed, but the statutes underlying the canceled budget authority may allow it to pop up again at the beginning of the next fiscal year. For that reason, this rescission would have no net effect on budget authority or outlays.</p> | <b>Budget Authority</b>  |                |
|  | Projected unobligated balances as of the rescission’s assumed effective date | \$200 million  |
|  | Estimated effect on budget authority...                                      |                |
|  | ... in the year the money is rescinded                                       | -\$100 million |
|  | ... in the following year  | \$100 million  |
|  | ... over time  | \$0            |
|  | <b>Outlays</b>   |                |
|  | Estimated outlays of unobligated balances under current law                  | \$200 million  |
| Estimated effect on outlays over time  | \$0  |                |



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