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## HOW TO MAKE ACROSS-THE-BOARD BUDGET CUTS WORK

BY PETER SPERRY

President Bill Clinton may decide to reject Congress's recently approved 0.9 percent across-the-board reduction in discretionary program accounts as part of Labor-Education-Health and Human Services appropriations. But if he does, Congress will have an opportunity to approach these appropriations from a new direction and find the savings it needs to complete the budget process. It can do so by shifting its focus away from program funding levels and toward object class analysis.

Object classes are used by the Office of Management and Budget (OMB) to describe the nature of products or services purchased by the federal government. OMB recognizes 5 object classes and 33 subclasses of direct obligations. All of this information is available at <http://www.access.gpo.gov/usbudget/fy2000/maindown.html>. Congress can find the savings necessary to meet its goal and be fiscally responsible merely by making targeted reductions in 11 of these subclasses.

Ideally, Congress should identify and eliminate obsolete, redundant, or poorly performing programs and agencies, rather than resort to broad budget tools, such as an across-the-board cut in funding. Usually, it is more effective to use a scalpel than a meat ax. However, given the current budget cycle, time and political pressure do not permit such subtlety. Making targeted cuts in object classes would help Congress achieve its goal with more precision than if it were to try to make

across-the-board program cuts while avoiding the tax increases the Administration advocates or the micromanagement of programs that would strain Congress's time and resources.

Because grants, subsidies, and contributions include mandatory as well as discretionary funding, Congress will want to limit its use of across-the-board cuts in the Grants, Subsidies, and Contributions object class (Account 41.0) to only discretionary programs. However, even a 0.25 percent reduction in this class would yield a savings of \$1.24 billion. Although some mandatory programs include expenditures recorded in the other object classes, these expenditures constitute the "administrative overhead" of the mandatory program and should be subject to the same reductions as the discretionary programs. A 1.5 percent cut in the remaining object classes listed in Table 1 would yield a savings of \$3.16 billion. Combined savings could total more than \$4.4 billion.

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### Examples of Object Classes for Across-the-Board Cuts

Account	OMB Estimate of FY2000 Cost in Billions of Dollars
11.3 Personnel (Temporary or Part-Time)	\$5.571
21.0 Travel and Transportation of Persons	7.026
22.0 Transportation of Things	4.787
23.3 Communications, Utilities, and Miscellaneous Charges	7.678
25.1 Advisory and Assistance Services	7.333
25.2 Other Services	45.652
25.5 Research and Development Contracts	35.395
26.0 Supplies and Materials	29.946
31.0 Equipment	52.852
32.0 Land and Structures	13.009
Subtotal	210.336
41.0 Grants, Subsidies, and Contributions	497.986
Total	<b>\$700.635</b>

Source: Office of Management and Budget, available at <http://www.access.gpo.gov/usbudget/fy2000/maindown.html>.

Across-the-board cuts in object classes treat all programs fairly. They also allow Congress to avoid micromanaging the programs, such as interfering with a program director's decision regarding, for example, when to work late, call a temporary personnel agency, or hire a consultant; which out-of-town trips to cancel; or whether to replace two-year-old computers or keep them another year.

Limiting cuts to administrative- or support-oriented subclasses would allow Congress to direct a program manager's efforts to trimming waste rather than paring back needed services.

*—Peter Sperry is the Grover M. Hermann Fellow in Federal Budgetary Affairs at The Heritage Foundation.*