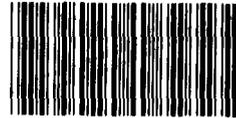


GAO

January 1992

LINE ITEM VETO

Estimating Potential Savings



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**Accounting and Financial
Management Division**

B-244571

January 22, 1992

The Honorable Robert C. Byrd
ChairmanThe Honorable Mark O. Hatfield
Ranking Minority Member
Committee on Appropriations
United States SenateThe Honorable Jamie L. Whitten
ChairmanThe Honorable Joseph M. McDade
Ranking Minority Member
Committee on Appropriations
House of Representatives

Presidential authority to reduce or eliminate individual items in appropriation acts, usually referred to as the line item veto, has been widely discussed as a possible mechanism for reducing federal spending. Over the years, a variety of proposals for such authority have been considered, but none have been implemented at the federal level. Therefore, although many state governors have line item veto authority, no hard information is available on the impact of such authority on federal spending patterns.

To provide a better basis on which to debate the merits of federal line item veto proposals, we estimated (1) the spending reductions that might have occurred if the President had had line item veto authority (including authority to reduce an appropriation) during fiscal years 1984 through 1989 and (2) the shift in spending priorities that might have resulted. Our estimates are based on Statements of Administration Policy (SAPS) which the Office of Management and Budget (OMB), on behalf of the President, provided to the Congress. SAPS are detailed statements about administration objections to specific items in appropriations bills that are sent to the Congress while the bills are still under consideration.

Results in Brief

If presidential line item veto/line item reduction authority had been applied to all items to which objections were raised in the SAPS during fiscal years 1984 through 1989, spending could have been reduced by amounts ranging from \$7 billion in 1985 to \$17 billion in 1987, for a 6-year total of about \$70 billion. This would have reduced federal deficits

and borrowing by 6.7 percent, from the \$1,059 billion that actually occurred during that period to \$989 billion.

However, these estimates are subject to a variety of uncertainties, and other administration documents indicated that they may overstate the savings that would have occurred. A special one-time OMB report in 1988 indicated that the President would have vetoed much smaller amounts than those the SAPs identified as objectionable for that year. Similarly, the dollar amount of administration proposals to rescind enacted budget authority for fiscal years 1984 through 1989 was somewhat lower than the SAP-based estimates of line item veto savings for every fiscal year except 1986.

Using the SAP-based estimates, we found that almost 72 percent of the line item veto savings in fiscal years 1984 through 1989 would have occurred in five spending areas that account for 20 percent of discretionary spending: (1) transportation, (2) commerce and housing credit, (3) education, training, employment, and social services, (4) income security, and (5) natural resources and environment. Conversely, only 2 percent of the possible savings would have come in four areas that account for 70 percent of discretionary spending: (1) general science, space, and technology, (2) national defense, (3) international affairs, and (4) veterans benefits and services.

Background

Line item veto authority refers to presidential authority to delete individual items of appropriations from legislation before signing it into law. Line item reduction authority refers to the additional authority to reduce the amounts appropriated for individual items in appropriations legislation before signing it into law. Appendix II details various forms of line item veto and related authority.

Most of the recently proposed line item veto legislation would apply solely to spending funded through the annual appropriations process. Thus, line item veto authority would have been applicable to about 40 percent of annual federal spending during the 1980s. The remaining 60 percent of each year's spending consists of entitlements and other mandatory spending. These outlays are controlled by authorizing or other legislation which would not be subject to most of the recent proposals for line item veto authority.

Because line item veto authority has never been granted to the President, the potential effect on spending has never been tested at the federal level. Since line item veto authority has been given to most governors, many studies on this issue have focused on the states' experience, and the reported results have been mixed. Some studies indicate that the gubernatorial line item veto held spending below what it otherwise would have been, while others suggest that it had no such result. Appendix III summarizes some of this literature.

Objectives, Scope, and Methodology

The objectives of this study were to estimate the maximum savings likely and the shift in spending priorities that might have resulted if the President had been granted line item veto and line item reduction authority in fiscal years 1984 through 1989.

The hypothetical savings estimates were constructed from information contained in the SAPs, which are documents OMB sends to the House and Senate Appropriations Committees and the floor leadership outlining the administration's position on the most recent version of an appropriations bill as it makes its way through the legislative process. SAPs are generally prepared for the 12 executive branch appropriations bills, but not for the legislative branch bill. The SAPs contain account-by-account objections to funding levels and conditions placed on the use of funds contained in each version of the bill. The period selected for this case study begins with the first fiscal year that the SAP data were available for all of the appropriations bills and ends with the change in administration.

We reviewed SAPs on the 12 executive branch appropriations bills for each of the 6 fiscal years included in the study. We identified all appropriation amounts to which objections were raised in the SAPs. This involved four types of spending authority provided in annual appropriations bills:

- budget authority, which is the basic authority to incur obligations;
- obligation limitations, which limit commitments to current or future payments through contracts, services, or similar transactions (for example, a limitation on administrative expenses in a trust fund);
- direct loan limitations, which limit the amount of loans an agency can make; and
- loan guarantee limitations, which limit the amount of loans an agency can guarantee.

We then tracked each of the items to which an objection was stated in the SAPs through the legislative process to determine the amount of spending authority that was eventually appropriated despite the SAP objection. These enacted increases over the President's request are the amounts we estimate might have been saved if the line item veto had been applied to the excess amount and not overturned through subsequent congressional action.

These increases, however, include amounts for direct loans and guaranteed loans which would overstate the actual budgetary savings estimate. To arrive at the actual overall savings estimates, we converted the direct loan and loan guarantee savings amounts to the OMB estimate of their subsidy value. While this departs from the budgetary practices in effect during the period covered by the study, it is consistent with the procedures required for the future under the credit reform legislation contained in the Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508).

To estimate the total potential savings from line item veto authority, we aggregated the information for each of the 12 appropriations bills in each of the 6 fiscal years covered by this study. We then compared these results against two other sources of data that might indicate the potential savings from a line item veto. These were a special OMB report in 1988 on line item veto candidates and administration proposals to rescind enacted budget authority.

To estimate the shift in spending priorities that might have occurred if a line item veto had been applied in accordance with the objections raised in the SAPs, we grouped the possible veto items into the standard budget functional classifications. We then ranked the 17 functional categories by their percentage of the total hypothetical veto savings and compared this ranking to the percentage of overall federal spending each category represented during the period of this study. Appendix I contains additional information on the use of SAPs and alternate data sources for this report.

This methodology rests on two central assumptions—that a President who actually had the authority to reduce or eliminate individual items of appropriation would have proposed budgets in fiscal years 1984 through 1989 that were not greatly different from those actually submitted and that the President would have used line item veto authority successfully to reject each and every specific item to which objections were raised in the SAPs.

The savings are expressed in terms of budget authority (or budget authority equivalent) only—we did not calculate the outlay savings for a particular year that would result from the budget authority reduction in that year. Since most programs do not spend all of their appropriated funds in the first year they are available, our assumption that budget authority equals outlays for purposes of estimating annual savings overstates the deficit reduction that would result in a given year from the veto of objectionable items in that year. However, since a reduction in budget authority does result in an equal reduction in outlays over time, this approach does capture the total eventual deficit reduction that could result from the hypothesized exercise of the item veto in a given year. We compared our savings estimates with cumulative deficits and new federal borrowing (based on outlays) to illustrate the order of magnitude of the savings, recognizing that short-term, direct comparisons are invalid.

We conducted our work between October 1990 and April 1991 in accordance with generally accepted government auditing standards. In commenting on a draft of this report, responsible OMB officials asked only that we clarify our comparison of budget authority and outlays over the 6-year period covered by this study. We have modified the “Objectives, Scope, and Methodology” section of this report to explain this comparison more completely.

Line Item Veto Might Have Reduced Federal Spending by \$70 Billion Over 6 Years

If the President had had line item veto authority from fiscal years 1984 through 1989 and used that authority to reduce or eliminate each item to which an objection was raised in the SAPs, we estimate that the savings would have ranged from \$7 billion to \$17 billion per year, for a cumulative 6-year total of about \$70 billion. Table 1 shows these potential savings by year and by type of budgetary resource.

Table 1: Potential Line Item Veto Savings

Dollars in billions

Savings	Fiscal year						Total
	1984	1985	1986	1987	1988	1989	
Budget authority	\$7.3	\$7.1	\$9.1	\$13.7	\$12.6	\$9.5	\$59.2
Obligation limits	0.1	0.1	0.0	1.7	0.3	0.9	3.1
Direct loan limits ^a	2.1	^b	1.5	1.1	1.0	1.0	6.7
Loan guarantee limits ^a	^b	0.0	0.1	0.2	1.3	0.0	1.7
Total Savings	\$9.6	\$7.2	\$10.7	\$16.6	\$15.3	\$11.3	\$70.6

Note: Totals may not add due to rounding.

^aCredit program amounts have been converted to subsidy value in accordance with procedures required by the credit reform provisions of the Omnibus Budget Reconciliation Act of 1990.^bLess than \$50 million.

In fiscal years 1984 through 1989, actual cumulative deficits and additions to federal debt totaled about \$1,059 billion. If the estimated potential savings from exercising a line item veto as specified in table 1 had been achieved, they would have, over time, reduced this amount by about 6.7 percent, to \$989 billion. In addition, the reduced federal borrowing associated with the program savings explicitly shown would have resulted in interest cost savings.

Most Potential Savings Would Have Been in Five Functions

Table 2 displays the SAP-based estimates of the potential savings from use of presidential line item veto authority by budget functional category. Almost 72 percent of the savings in the 6-year period from fiscal years 1984 through 1989 would have been realized in the following five functional areas: (1) transportation, (2) commerce and housing credit, (3) education, training, employment, and social services, (4) income security, and (5) natural resources and environment. These functional areas accounted for about 20 percent of discretionary spending during this period.

Conversely, only about 2 percent of the savings would have come in the following four functional areas comprising about 70 percent of discretionary spending: (1) general science, space, and technology, (2) national defense, (3) international affairs, and (4) veterans benefits and services.

Table 2: Estimated Line Item Veto Savings by Function for Fiscal Years 1984 Through 1989

Dollars in billions

Function	Total estimated savings ^a		Total discretionary spending ^a	
	Amount	Percent of total	Amount	Percent of total
Transportation	\$14.9	21.1	\$154.8	5.9
Commerce and housing credit	9.5	13.5	18.4	0.7
Education, training, employment, and social services	9.5	13.4	138.3	5.3
Income security	9.2	13.1	116.4	4.4
Natural resources and environment	7.5	10.7	92.3	3.5
Energy	5.0	7.1	33.7	1.3
Community and regional development	4.6	6.5	34.8	1.3
Health	4.6	6.4	64.7	2.5
Administration of justice	2.5	3.6	44.0	1.7
Agriculture	1.5	2.2	12.8	0.5
Veterans benefits and services	0.9	1.3	65.9	2.5
International affairs	0.4	0.5	96.6	3.7
General government	0.3	0.5	43.9	1.7
Social security	0.1	0.1	13.5	0.5
National defense	^b	0.1	1,632.3	62.0
General space, science, and technology	^b	0.1	58.7	2.2
Medicare	0.0	0.0	10.9	0.4
Total	\$70.6	100.0	\$2,632.5	100.0

Note. Totals may not add due to rounding.

^aTotal estimated savings are expressed as the sum of budget authority, obligation limitations, and the subsidy value of direct and guaranteed loans. Total discretionary spending, however, is expressed as outlays and is used here only to indicate each function's relative share of the budget.

^bLess than \$50 million.

Since the objections to funding levels registered in the SAPs applied to specific programs, the estimated line item veto savings hypothesized in this study sometimes would have represented very large reductions in particular functional areas. For example, the estimated 1987 line item veto savings in the transportation function would have represented 11.7 percent of total fiscal year 1987 budget authority for transportation; the estimated fiscal year 1986 savings in the community and regional development function would have represented 17.4 percent of all community development budget authority in that year.

Use of a line item veto as hypothesized in this study would also have resulted in the termination of a number of programs. Our data show that if a line item veto had been used as indicated by the SAPs and had not been subsequently overridden by the Congress, 71 federal programs

would have been terminated. This would have included such programs as the Legal Services Corporation and federal funding for the National Railroad Passenger Corporation (Amtrak). Appendix IV contains a list of these and other programs that were repeatedly proposed for termination in SAPs during that period. For these programs, estimated savings from termination are included only for each year in which the SAPs registered objections to continued funding.

Actual Savings Might Have Been Different

A presidential line item veto might significantly change the relationship between the executive and legislative branches, particularly on budgetary matters. For example, the budgets submitted by a President who had no line item veto authority might include items to which the President objected, but which he permitted to go forward in the interest of avoiding controversy. A President who had line item veto authority, however, might submit budgets that proposed dramatic reductions in programs he opposed, anticipating that he could defend those policy changes using his line item veto authority.

For the period covered by this study, it is unlikely that the President included items to which he objected. Presidential budgets during this period frequently proposed program reductions or eliminations which had been rejected previously, without apparent regard for the likelihood of enactment. It seems unlikely that the President submitted proposals that conflicted with his own policy preferences.

Even if line item veto authority had not affected the President's budget submissions, he might have exercised it more aggressively than the SAP-based estimates suggest. The SAPs during the period covered by this study appeared to be comprehensive and detailed. Thus, we assumed that any item of appropriation sufficiently objectionable to evoke a presidential veto would have been objected to in the SAPs covering that bill.

On the other hand, the SAP-based estimates might have overstated the potential savings from a presidential line item veto. For example, a President might have chosen not to exercise the veto on all the items to which objections were raised in the SAPs. This might have happened as part of a compromise on some other policy issue or to avoid the risk of a subsequent congressional override of the veto.

In addition, some line item vetoes might have been overridden. Some current proposals for a line item veto provide for the Congress to override a presidential veto by a simple majority of both Houses, as opposed to the traditional requirement for a two-thirds majority. Such a provision would probably reduce the frequency with which a President could exercise line item veto authority successfully.

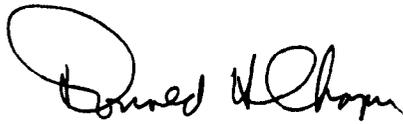
We were able to examine these issues somewhat more closely for fiscal year 1988. For that year, OMB prepared a special report which identified in detail the items the President would veto if he had line item veto authority. The OMB report, which is discussed in greater detail in appendix I, identified items with total savings of \$540 million in budget authority, compared with our SAP-based estimate of line item veto savings for 1988 of \$12.6 billion in budget authority. We have not attempted to resolve this very large difference, but it suggests that the SAP-based estimates may overstate the potential savings from a line item veto.

We also tested the validity of the SAP-based estimates by comparing them to the administration's proposals to rescind budget authority for fiscal years 1984 through 1989. The proposed rescissions totalled less than the SAP-based estimates for every fiscal year except 1986, when the President proposed numerous rescissions to help meet the deficit targets established by the enactment of the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings).

Based on these tests, we judged that the SAPs are a reasonable indicator of the maximum savings that might have been achieved if a President had used line item veto authority in the period we studied. However, it is impossible to determine conclusively whether or not the SAP-based estimates developed for this report accurately reflect the way a President who actually had line item veto authority in the period 1984 through 1989 would have used that authority. Therefore, this case study only indicates the possible implications for federal spending of providing the President with such authority.

We are sending copies of this report to the Director, Office of Management and Budget; the Director, Congressional Budget Office; and interested congressional committees. Copies will also be made available to others upon request.

This report was prepared under the direction of James L. Kirkman, Director, Budget Issues, who may be reached on (202) 275-9573 if you or your staffs have any questions. Staff who made major contributions to this report were Laura Ellen Hays, Evaluator-in-Charge, and Bruce L. Baker, Evaluator.



Donald H. Chapin
Assistant Comptroller General

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Abbreviations

ACIR	Advisory Commission on Intergovernmental Relations
OMB	Office of Management and Budget
SAP	Statement of Administration Policy

Use of SAPs and Alternate Data Sources

This appendix provides additional information on the SAPs and alternate data sources we used in developing our estimates and in testing the reasonableness of the estimates.

Use of SAPs

We selected a SAP reacting to a House appropriations action and a SAP reacting to a Senate appropriations action for each of the appropriations bills. Because many objectionable items are stricken or modified in the course of the normal appropriations process (whether in response to SAPs or not) we tried to find the SAP prepared latest in the appropriations process. We did not, however, use SAPs sent just prior to House-Senate conferences. Although they do include administration reactions to both House and Senate floor amendments, they may not be as inclusive as SAPs sent earlier in the process. The administration sometimes “gives up” on objectionable items that will not be affected by conference action and dwells only on those which can still be altered (so-called “conferenceable” items).

Identifying objectionable items in the SAPs occasionally requires subjective judgment because some of the items require interpretation. In all cases, we tried to give the benefit of the doubt to the President; that is, we used the broadest possible interpretation of SAP items to show the maximum possible savings estimates.

We did not include any savings associated with objections to language provisions in this study. Objectionable language provisions—whether they are earmarks or other conditions on spending—could conceivably be stricken by line item veto authority. Although many objectionable provisions affect the way in which funds can be spent, striking them does not affect funding levels. We included only savings achievable by the veto or reduction of funding levels.

Other Data Sources Used to Test Our Estimates

We used two other sources of information on possible line item veto candidates to test the reasonableness of our results: the 1988 OMB line item veto report provided by the President to the Congress and the presidential rescission proposals. While both could be used as alternative measures for line item veto savings, we believed neither would provide as complete a set of results as the SAPs.

The 1988 OMB line item veto report, commonly referred to as the “pork” report, explicitly detailed \$540 million in budget cuts that President Reagan said he would make if he had line item veto authority. The

\$540 million figure is the budget authority associated with the “candidates for rescission” detailed in the report. If we believe the SAPs capture the universe of items that would be vetoed by the President, most of the 1988 “pork barrel” items should be included within the data collected from the SAPs for 1988. Approximately 87 percent of the dollars detailed in the 1988 OMB report are included in our SAP-based estimates, leading us to believe that our estimates based on the SAPs represented a reasonable measure of the maximum potential budgetary savings through the use of line item veto authority. As noted in the report, our estimates far overstated the explicit line item veto savings detailed in the OMB report.

In a second test of our estimates, proposed rescissions averaged \$3.1 billion a year in budget authority for fiscal years 1984 through 1989, compared with average SAP-based estimates of \$9.8 billion. Proposed rescissions exceeded the SAP-based estimate only for fiscal year 1986, when the administration proposed numerous rescissions to help meet the deficit targets established by recent enactment of the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings).

Definitions of Line Item Veto Authority

Line item veto authority represents a significant expansion of the President's ability to eliminate or reduce individual items of appropriations. The President's current authority under the Congressional Budget and Impoundment Control Act of 1974 enables him to merely propose to rescind (eliminate the authority for) spending with which he disagrees. The Congress must then approve the rescission proposal within 45 days. If the Congress fails to act within 45 days, the funds in question must be made available for obligation on the 46th day.

Based on our research, at least 22 bills granting the President some form of line item veto authority were introduced during the first 9 months of the 102nd Congress. The authority has been proposed in the following four general forms:

- Line item veto authority would allow the President to veto individual items in an appropriations bill, while the rest could become law. The veto would be subject to congressional override by either a two-thirds majority or (in some versions) a simple majority.
- Line item reduction authority would allow the President to reduce the amount of spending authority for individual items in an appropriations bill while keeping the rest of the program intact. This authority would also be subject to congressional override and has customarily been coupled with line item veto authority.
- Enhanced rescission authority would allow the President to submit items for rescission. Budget authority in such a rescission message is deemed permanently cancelled unless the Congress passes a joint resolution of disapproval within a prescribed period. Joint resolutions of disapproval would be subject to presidential veto and subsequent congressional override.
- Expedited rescission authority would allow the President to propose items for rescission by sending a draft rescission bill to the Congress. The Congress would have to take an up-or-down vote within a prescribed period. This authority is considered veto-proof because the Congress's failure to pass the rescission bill would leave the President nothing to veto.

Most current definitions of line item veto authority assume it would be used for annually funded discretionary budget authority, which comprises about 40 percent of annual spending. The other 60 percent is not subject to the annual appropriations process and includes all entitlements and other mandatory spending, including interest on the public debt.

Conceivably, line item veto authority could be used to allow the veto of items in authorizations of entitlements or other mandatory spending, or even allow the veto of items in revenue bills. This would give the President authority over the full range of federal spending and revenue collection. However, most versions of line item veto authority introduced during the 102nd Congress do not contemplate its use for these types of legislation.

Several different types of line item veto legislation have been proposed: amendments to the Constitution, stand-alone legislation, or amendments to the Congressional Budget and Impoundment Control Act of 1974.

Finally, the 22 bills vary by whether they provide for a traditional two-thirds congressional override of the President's actions or a simple majority override. As part of an effort to limit the President's power, some of the line item veto legislation reduces the override requirement from two-thirds of both Houses to a simple majority.

Literature on State Experience With Line Item Veto Authority

While line item veto authority has never been granted to the President, 43 governors presently hold some form of it. Consequently, most of the literature on the impact of line item veto authority focuses on the states' experience. This literature, however, exhibits no apparent consensus on its budgetary impact. Several studies have found that the item veto limits spending, but other studies find no relationship between the item veto and government spending. The following briefly summarizes selected studies on the states' experience with line item veto authority.

Abney, Glenn and Thomas P. Lauth. "The Line Item Veto in the States: An Instrument for Fiscal Restraint or an Instrument for Partisanship?" Public Administration Review, Vol. 45 (May/June 1985), pp. 372-377.

In 1982, Abney and Lauth conducted a mail survey of state legislative budget officers to determine how the item veto is used. Based on survey responses, Abney and Lauth conclude that governors use the item veto to advance partisan interests, not primarily as a tool of fiscal restraint. They also used respondents' assessments of three indicators to determine fiscally responsible and irresponsible legislatures. The measures were (1) the propensity to legislate to benefit specific legislators' districts, (2) the propensity to appropriate in excess of the governor's recommendation, and (3) whether the legislature considered efficiency in setting appropriations. Abney and Lauth found that legislatures against which the item veto is used are as fiscally responsible as other legislatures.

Abrams, Burton A. and William R. Dougan. "The Effects of Constitutional Restraints on Governmental Spending." Public Choice, Vol. 49 (1986), pp. 101-116.

Abrams and Dougan briefly examine theoretical and empirical evidence concerning constitutional constraints on state and local government spending. The constitutional constraints studied include borrowing limits, constitutional spending and taxing limits, reelection restrictions, and line item veto. Spending and other data are gathered for 1980. They use a regression model controlling for political competition, ideology, median income, income distribution, severance tax capacity (a tax on nonresident users of state natural resources), and federal aid. They conclude that there is no evidence to suggest that line item veto authority has a significant effect on aggregate spending.

Carter, John R. and David Schap. "Line-Item Veto: Where Is Thy Sting?" Journal of Economic Perspectives, Vol. 4 (Spring 1990), pp. 103-118.

Carter and Schap use a multiple regression model to determine if line item veto authority enhances the power of the governor. Power is measured in three ways: by the amount of campaign spending on gubernatorial races (using 1978 and 1982 data), the ability of a governor to be reelected (using 1978 data), and the ability of a governor to run successfully for the U.S. Senate (using 1946 to 1982 data). All three relationships are statistically insignificant, and the authors conclude that "the data do not support the general proposition that item veto authority significantly increases executive power." They then adapt a previously used public choice model to demonstrate that the effect of granting line item veto authority to the executive cannot be measured in terms of spending levels or budget composition outside of a specific situational context.

Crain, W. Mark and James C. Miller III. "Budget Process and Spending Growth." William and Mary Law Review, Vol. 31 (Spring 1990), pp. 1021-1046.

Crain and Miller categorize states by whether the governor has no item veto, item veto, or item reduction authority. They use multiple regression analysis to determine the relationship between veto authority and state spending growth, while controlling for the number of budget bills, whether the legislature prepares its own budget, the specificity of item veto authority, super majority requirements to pass tax increases, the presence of nonappropriated funds in the state budget, and the presence of a constitutional balanced budget requirement. They find spending growth of 4.0 percent among states without gubernatorial line item veto and 1.3 percent budget growth in states with gubernatorial item reduction authority. Based on the study findings, Crain and Miller projected that there would have been a \$98 billion savings in federal spending for fiscal 1988 if item reduction had been granted to the President in 1980.

Fiscal Discipline in the Federal System: National Reform and the Experience of the States. Advisory Commission on Intergovernmental Relations (ACIR) (July 1987).

ACIR used a series of regression models to test the exercise of the item veto and state spending for 1984 and earlier years. Although they found one model that produced statistically significant results for 1 year, they were "unable to demonstrate any consistently statistically significant

relationship” between state spending and the line item veto. They note, however, that the models used did not prove that the item veto was not a deterrent against legislative attempts to increase spending.

Gosling, James J. “Wisconsin Item-Veto Lessons.” Public Administration Review, Vol. 46 (July/August 1986), pp. 292-299.

Gosling analyzes all of the 542 item vetoes exercised by Wisconsin governors between 1975 and 1987 to determine how the Wisconsin item veto was used. Gosling concludes that the Wisconsin item veto was used “primarily as a tool of policy-making and partisan advantage rather than of fiscal restraint.” Gosling found the fiscal savings from the item veto to be small, ranging from .006 percent to 2.5 percent of state budget revenues.

Holtz-Eakin, Douglas. “The Line Item Veto and Public Sector Budgets: Evidence from the States.” Journal of Public Economics, Vol. 36 (1988), pp. 269-292.

Holtz-Eakin uses multiple regression analysis to study the composition and level of state spending. State budget data from 1965 to 1983 are broken down into five categories: tax revenues, nontax revenues, current spending, capital spending, and grants-in-aid to local governments. The regression model controls for per capita income, population, federal grant receipts, financial assets, financial debts, partisan political composition of the governor and the legislature, and the sustainability of a governor’s veto. Over the 18-year period studied, Holtz-Eakin finds that line item veto authority has no statistically significant effect on budget behavior or the composition of state spending even after controlling for political composition of the governor and legislature. However, when used to analyze specific years and political situations, the model shows that item veto authority has some statistically significant relationships. Holtz-Eakin concludes that the item veto has the following short-term budgetary results: Democratic governors reduce current spending; Republican governors reduce capital outlays; for all governors, nontax revenues are reduced, tax revenues increase, and grants to local governments increase.

Nice, David C. “The Item Veto and Expenditure Restraint” Journal of Politics, Vol. 58 (May 1988), pp. 487-499.

Nice uses bivariate correlation and stepwise regression models to determine that there is “no substantial support” for the argument that the

**Appendix III
Literature on State Experience With Line
Item Veto Authority**

item veto restrains spending. Nice found no substantial negative correlation between veto powers and a state's 1980 expenditures, even when divided partisan control was factored in. The multivariate regression controlled for socioeconomic development, education, metropolitanization, ideology, and federal aid; this analysis produced results which "fail to support the contention that the item veto restrains state spending."

Programs Repeatedly Proposed for Termination, Fiscal Years 1984 Through 1989

Termination of the following programs was proposed at least three times during the 6-year period covered by the study.

Economic Development Administration
Public Telecommunications Facilities Program
Indian Health Facilities
Legal Services Corporation
International Trade Administration, Trade Adjustment Assistance
Program
Appalachian Regional Commission
Temporary Emergency Food Assistance Program
Urban Development Action Grants
Rental Housing Development Grants
Work Incentives Program
Urban Mass Transportation Administration Formula Grants
Urban Mass Transportation Administration Interstate Transfer Grants
Amtrak
Northeast Corridor Improvement Program
Payments to Air Carriers
Reimbursements to Rural Electrification Administration
Rural Housing Insurance Fund, Direct Loans
College Housing and Academic Facilities, Direct Loans
Historic Preservation Fund

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