Labor, Health and Human Services, Education, and Related Agencies

Privatize the Corporation for Public Broadcasting

RECOMMENDATION

Eliminate federal funding for the Corporation for Public Broadcasting (CPB). This proposal saves $486 million in FY 2018.[1]

RATIONALE

In 1967, the CPB was created at a time when U.S. households faced very limited broadcasting options. As technology has grown since the corporation's inception, media sources for accessing the news and broadcasting have greatly increased.

The CPB received $485 million in federal appropriations in FY 2016.[2] Of those appropriations, nearly $300 million was allocated to Public Television,[3] and almost $100 million allocated to Public Radio.

Without federal funding from the CPB, services such as the Public Broadcasting Service (PBS) and National Public Radio (NPR) would operate like any other news or broadcasting source in the private sector. Both organizations could seek to make up the lost funding by increasing revenues from corporate sponsors, foundations, and members. NPR states that it receives only 5 percent of its overall funding from federal, state, and local governments.[4] Many nonprofits manage to stay in business without receiving federal funding by being creative and reacting to market fluctuations. Public broadcasters should be no exception. NPR and PBS should find new sponsors, create new shows, and find alternative ways to generate viewership without receiving taxpayer funding.

ADDITIONAL READING

- David Boaz, "Top Ten Reasons to Privatize Public Broadcasting," CATO Institute, July 25, 2005.
- Corporation for Public Broadcasting, "About CPB: Financial Information."
- Corporation for Public Broadcasting, "Proposed FY 2014 Operating Budget," September 11, 2013.
- Emily Goff, "Why Big Bird's Federal Subsidies Need to Go," The Daily Signal, October 14, 2012.
- Glenn J. McLoughlin and Mark Gurevitz, "The Corporation for Public Broadcasting: Federal Funding and Issues," Congressional Research Service, January 7, 2014.
- Public Broadcasting Service and Subsidiaries, "Consolidated Financial Statements and Independent Auditor's Report Years Ended June 30, 2014 and 2013," October 30, 2014.

CALCULATIONS

Savings are expressed as budget authority as projected for FY 2018 according to the CBO's most recent August 2016 baseline spending projections.

Eliminate Job Corps

RECOMMENDATION

Eliminate Job Corps. This proposal saves $1.755 billion in FY 2018.

RATIONALE

The National Job Corps Study, a randomized experiment—the "gold standard" of scientific research—assessed the impact of Job Corps on participants compared to similar individuals who did not participate in the program. For a federal taxpayer investment of $25,000 per Job Corps participant, the study found that:

- Compared to non-participants, Job Corps participants were less likely to earn a high school diploma (7.5 percent versus 5.3 percent);
- Compared to non-participants, Job Corps participants were no more likely to attend or complete college;
- Four years after participating in the evaluation, the average weekly earnings of Job Corps participants were a mere $22 higher than the average weekly earnings of the control group; and
- Employed Job Corps participants earned only $0.22 more in hourly wages compared to employed control group members.

If Job Corps actually improved the skills of its participants, it should have raised their hourly wages substantially. A paltry $0.22 increase in hourly wages suggests that Job Corps does little to boost the job skills of participants.

A cost-benefit analysis based on the National Job Corps Study found that the benefits of the Job Corps do not outweigh the cost of the program. Job Corps does not provide the skills and training to substantially raise the wages of participants. Costing $25,000 per participant over an average participation period of eight months, the program is a waste of taxpayer dollars.

ADDITIONAL READING

- David B. Muhlhausen, "Do Federal Social Programs Work?" Heritage Foundation *Backgrounder* No. 2884, March 19, 2014.
- David B. Muhlhausen, "Job Corps: An Unfailing Record of Failure," Heritage Foundation *WebMemo* No. 2423, May 5, 2009.

CALCULATIONS

Savings are expressed as budget authority as projected for FY 2018 in the CBO's most recent August 2016 baseline spending projections.

Eliminate Workforce Innovation and Opportunity Act Job-Training Programs

RECOMMENDATION

Eliminate the 2014 Workforce Innovation and Opportunity Act's (WIOA's) adult, dislocated-worker, and youth job-training grants. This proposal saves $3.424 billion in FY 2018.

RATIONALE

The Department of Labor has a history of operating ineffective job-training programs. The evidence from every multisite experimental evaluation of federal job-training programs published since 1990 strongly indicates that these programs are ineffective. Based on these scientifically rigorous evaluations using the "gold standard" of random assignment, these studies consistently find failure.

On Election Day of November 8, 2016, while Americans were focused on who was going to move into the White House, the U.S. Department of Labor publicly released 15-month findings of the 1998 Workforce Investment Act (WIA) Gold Standard Evaluation. However, the report was had already been finalized in May 2016. The peculiar timing and months-long delay occurred despite Labor's official policy of releasing reports within two months of a report's completion.[5]

The WIA Gold Standard Evaluation assessed the effectiveness of WIA Adult and Dislocated Worker programs. The 15-month findings continue a decades-long trend of dismal results. The findings are highly relevant to policymakers today, because the authorization of the WIOA did not substantially alter the types of employment services offered by the Adult and Dislocated Worker programs.

The most important test of the WIA's effectiveness is the comparison of "full WIA" services—intensive services (skills assessments, workshops, and job-search assistance) plus job training—to core services, which offered mostly information and online tools for participants to plot their careers and find employment. During the five quarters of the follow-up period, members of the full-WIA group failed to have statistically different earnings than the core group members. In the fifth quarter, the earnings of the full-WIA group, on average, were indistinguishable from the earnings of the core group. Despite being more likely to enroll in training, receive one-on-one assistance, and other employment services, participation in full WIA had no effect on earnings.

Full-WIA participants did not believe that the services provided to them resulted in finding jobs. A solid majority of 57 percent of full-WIA participants believed that the services provided to them was unrelated to finding employment. Perhaps more important, full WIA participants were largely unable to find employment in occupations related to their training. Only 32 percent of full-WIA participants found occupations in the area of their training. Thus, 68 percent were unable to find jobs in their intended occupations.

Federal job-training programs targeting young adults have been found to be extraordinarily ineffective. According to a 2009 GAO report:

> [L]ittle is known about what the workforce system is achieving. Labor has not made such research a priority and, consequently, is not well positioned to help workers or policymakers understand which employment and training approaches work best. Knowing what works and for whom is key to making the system work effectively and efficiently. Moreover, in failing to adequately evaluate its discretionary grant programs, Labor missed an opportunity to understand how the current structure of the workforce system could be modified to enhance services for growing sectors, to encourage strategic partnerships, and to encourage regional strategies.[6]

There is abundant evidence suggesting that federal job-training programs do not work.

ADDITIONAL READING

- David B. Muhlhausen, "Do Federal Social Programs Work?" Heritage Foundation *Backgrounder* No. 2884, March 19, 2014.
- U.S. Government Accountability Office, "Workforce Investment Act: Labor Has Made Progress in Addressing Areas of Concern, But More Focus Needed on Understanding What Works and What Doesn't," February 26, 2009.
- Sheena McConnell et al., *Providing Public Workforce Services to Job Seekers: 15-Month Impact Findings on the WIA Adult and Dislocated Worker Programs* (Washington, DC: Mathematica Policy Research, May 2016).

CALCULATIONS

Savings are expressed as budget authority as projected for FY 2018 in the CBO's most recent August 2016 budget baseline.

Let Trade Adjustment Assistance Expire

RECOMMENDATION

Let the entire Trade Adjustment Assistance (TAA) program expire. This proposal saves $858 million in FY 2018.

RATIONALE

The TAA provides overly generous government benefits to American workers who lose their jobs when companies find overseas production less costly. The program encourages recipients to participate in job training. As a result, they spend considerable time in job training that could have been spent looking for work, or working in a new job they could have found had they not been in job training. Most participants never recover this lost income, and their federal subsidies only partially offset these financial losses. Participating in the TAA costs the average participant approximately $25,000 in lost income. Congress should not spend taxpayer dollars on actively hurting unemployed workers' job prospects.

Program evaluations of the TAA find no evidence that this assistance and training improves earnings based on newly acquired job skills. This finding should not be surprising, because scientifically rigorous evaluations of federal job-training programs have consistently found these programs to be highly ineffective.

A 2012 quasi-experimental impact evaluation of the TAA by Mathematica Policy Research and Social Policy Research Associates builds upon the consensus of three previous quasi-experimental impact evaluations that have found the TAA to be ineffective at improving the employment outcomes of participants.[7]

Overall, there is little empirical support for the notion that the TAA improves the employment outcomes of displaced workers. In fact, TAA participants are more likely to earn *less* after participating in the program. The TAA failed a commonsense test of determining whether the program produces more benefits than its costs.

Furthermore, TAA benefits often go to politically connected unions and firms that did not experience layoffs because of foreign competition. The Labor Department only requires showing a correlation between increasing foreign imports and a firm's loss of sales. These correlations are often coincidental, or unrelated to the firm's financial woes. This allowed the Obama Administration to award TAA benefits to Solyndra and Hostess despite foreign competition having little to do with the bankruptcies of these companies.

ADDITIONAL READING

- David B. Muhlhausen, James Sherk, and John Gray, "Trade Adjustment Assistance Enhancement Act: Budget Gimmicks and Expanding an Ineffective and Wasteful 'Job-Training' Program," Heritage Foundation *Issue Brief* No. 4396, April 28, 2015.

CALCULATIONS

Savings are expressed as budget authority as authorized for FY 2016 in the Consolidated Appropriations Act, 2016 (H.R. 2029), p. 346. Heritage assumes that FY 2016 appropriations hold steady in FY 2017 and decrease at the same rate as discretionary spending growth (–0.32 percent) in FY 2018 according to the CBO's most recent August 2016 baseline spending projections.

Eliminate Susan Harwood Training Grants

RECOMMENDATION

Eliminate Susan Harwood Training Grants. This proposal saves $11 million in FY 2018.

RATIONALE

The Department of Labor has a history of operating ineffective job-training programs. The evidence from every multisite experimental evaluation of federal job-training programs published since 1990 strongly indicates that these programs are ineffective. Based on these scientifically rigorous evaluations using the "gold standard" of random assignment, these studies consistently find failure.

Since 1978, the Occupational Safety and Health Administration (OSHA) has provided Harwood grants to nonprofit organizations to provide safety training to workers. Despite existing for decades, OSHA does not have any credible evidence that these training grants are effective. Case in point is the FY 2015 Department of Labor performance report that relies solely on the number of people trained to assess performance of the grant program.[8] The number of people trained provides no information for determining whether trainees learned anything new to make workplaces safer.

Measuring the number of people trained does not measure program "impact." Instead, it measures an output. Program impact is assessed by comparing outcomes for program participants with estimates of what the outcomes would have been had the participants not partaken in the program. Without a valid comparison, performance monitoring based on "outputs," such as number of people trained, cannot provide valid estimates of program effectiveness.

CALCULATIONS

Savings are expressed as the budget authority authorized for FY 2016 and found in the Consolidated Appropriations Act, 2016, Public Law 114–113, p. 353. Heritage assumes that the FY 2016 level of $10.537 million remains constant in FY 2017 and decreases at the same rate as discretionary spending (–0.32 percent) in FY 2018 according to the CBO's most recent August 2016 baseline spending projections.

Eliminate the Corporation for National and Community Service

RECOMMENDATION

Eliminate the Corporation for National and Community Service (CNCS). This proposal saves $1.164 billion in FY 2018.[9]

RATIONALE

The CNCS is a federal agency that aims to promote public service and support civil society institutions. The CNCS operates four main programs—(1) AmeriCorps, (2) Senior Corps, (3) the Social Innovation Fund, and the (4) Volunteer Generation Fund—as well as other public-service-oriented programs. These programs are funded by federal dollars, in-kind donations, and public-private partnerships. Civil society is critical to a strong and prosperous United States, but it is not the proper role of the federal government to intervene in this sector.

Americans already give to charity and volunteer their time. According to the Charities Aid Foundation *World Giving Index*, in 2016, 63 percent of Americans donated money to charity, and 44 percent spent time volunteering.[10] Charitable giving is an individual choice and Americans should be free to choose if they want to give their time and money to charities, to which charities they want to give, and how much they want to give. The CNCS takes this choice away from individuals and forces taxpayers to subsidize particular charities chosen by the government. Moreover, guaranteed funding for CNCS programs means they do not have to be accountable to their donors. Taxpayers cannot withhold their tax dollars if they think the CNCS is using their money imprudently.

Using taxpayer dollars to support civil society also warps the value and meaning of public service. AmeriCorps members join one of the three programs and are assigned locations and projects. Full-time participants are given a stipend for living and health care and are eligible for federal benefits.[11] Senior Corps provides stipends and insurance for participants. Volunteering is valuable when genuine service to those in need creates feelings of fulfillment.[12] Having the federal government use the CNCS to pay for volunteers and decide how volunteers serve creates an environment where participants serve the government rather than their fellow citizens.

The effectiveness of CNCS programs is questionable. In 2010 a GAO report found that the agency's performance measures did not reflect the goals of the organization. As a result, the agency could not properly tell if their grants were having the desired impact.[13] In a separate study, the CBO found that state-run and locally run programs are more attuned to the needs of the community.[14]

Funding for the CNCS should be eliminated. If the hand-picked charities included in the CNCS provide valuable charitable services that Americans deem worthy of their time and money, those charities will have the opportunity to maintain their operations through private donations—the same way that other charitable organizations receive their funds.

ADDITIONAL READING

- Matthew Spalding, "Principles and Reforms for Citizen Service," Heritage Foundation *Backgrounder* No. 1642, April 1, 2003.
- Giving USA, "Giving USA 2016–Highlights," June 14, 2016.
- Patrick Knudsen, "Tight Budget? Congress Can Save $42 Billion by Eliminating Bad Government Programs," Heritage Foundation *Backgrounder* No. 2837, August 29, 2013.

CALCULATIONS

Savings are expressed as budget authority as projected for FY 2018 in the CBO's most recent August 2016 budget baseline.

Bring National Labor Relations Board Funding in Line with Caseloads

RECOMMENDATION

Bring funding for the National Labor Relations Board (NLRB) in line with its caseloads, reducing spending by roughly 50 percent. This proposal saves $147 million in FY 2018.

RATIONALE

The NLRB, under the National Labor Relations Act, regulates private-sector union elections and collective bargaining, except for unions in the railway and airline industries regulated by other law. The NLRB conducts union certification and decertification elections, investigates unfair labor practices, and adjudicates cases with administrative law judges.

Private-sector union membership and organizing has dropped considerably over the past 25 years. Consequently, the NLRB caseload has fallen considerably as well. The NLRB received 65 percent fewer election petitions and 40 percent fewer unfair labor practice charges in FY 2014 than in FY 1990. Despite this lower workload, the NLRB's inflation-adjusted budget has increased by one-sixth since 1990. Reducing the NLRB budget by 50 percent in FY 2018 would bring its spending in line with the previous funding levels for its caseload. This would save taxpayers $147 million in FY 2018.

In FY 2018, its projected budget authority is $293 million, even though unfair-labor-practice complaints have fallen by 40 percent since FY 1990, and election petitions have fallen by an even larger amount. A proportional reduction of 50 percent would bring the NLRB's FY 2018 spending to $147 million.

CALCULATIONS

Savings are based on reducing the CBO's projections for NLRB appropriations in FY 2018 by 50 percent. NLRB spending is estimated at $293 million in FY 2018, according to the CBO's most recent August 2016 baseline spending projections. A 50 percent reduction equals $147 million.

Sunset Head Start to Make Way for Better State and Local Alternatives

RECOMMENDATION

Reduce funding for Head Start by 10 percent in FY 2018 and by an additional 10 percent every year thereafter until the program is sunsetted in 2027. This proposal saves $914 million in FY 2018.

RATIONALE

In addition to its questionable status as a function of the federal government under the Constitution, the federal Head Start program has failed to live up to its stated mission of improving kindergarten readiness for children from low-income families. In December 2012, the Department of Health and Human Services, the agency that administers Head Start, released a scientifically rigorous evaluation of more than 5,000 children participating in the program. It found that Head Start had little to no impact on the cognitive skills, social-emotional well-being, health, or parenting practices of participants. Low-income families should not have to depend on distant, ineffective federal preschool programs.

As such, Congress should sunset the federal Head Start program over a period of 10 years. The sunset provision will provide states with adequate time to determine whether they need to provide additional state funding to subsidize day care for low-income families. To begin phasing out the program, Congress should reduce Head Start funding by 10 percent in FY 2018. Ultimately, Head Start would be completely phased out by 2027.

ADDITIONAL READING

- Lindsey M. Burke and David B. Muhlhausen, “Head Start Impact Evaluation Report Finally Released,” Heritage Foundation *Issue Brief* No. 3823, January 10, 2013.
- David B. Muhlhausen, “The Head Start CARES Demonstration: Another Failed Federal Early Childhood Education Program,” Heritage Foundation *Backgrounder* No. 3040, August 6, 2015.
- David B. Muhlhausen, “Head Start Program: Fraudulent and Ineffective,” Heritage Foundation *WebMemo* No. 2919, May 28, 2010.

CALCULATIONS

Savings are expressed as budget authority, based on the FY 2016 authorized funding level of $9.168 billion as found in the Consolidated Appropriations Act, 2016, Public Law 114–113, p. 373. Heritage assumes that the FY 2016 level holds steady in FY 2017 and decreases at the same rate as discretionary spending (–0.32 percent) in FY 2018, according to the CBO’s most recent August 2016 baseline spending projections. Savings equal 10 percent of the projected FY 2018 level.

Eliminate Competitive and Project Grant Programs and Reduce Spending on Formula Grants

RECOMMENDATION

Eliminate competitive and project grant programs that fall under the Every Student Succeeds Act (ESSA).[15] At the same time, reduce spending on formula grant programs managed by the Department of Education by 10 percent.

Eliminating competitive grant programs under ESSA saves $1.470 billion in FY 2018.[16] Reducing formula grant program spending by 10 percent saves $2.208 billion in FY 2018. Combined, this proposal saves $3.678 billion in FY 2018.

RATIONALE

If the federal government is going to continue spending money on this quintessentially state and local function, federal policymakers should limit and better target education spending by streamlining the existing labyrinth of federal education programs. Federal competitive grant programs authorized under the Elementary and Secondary Education Act (ESEA) should be eliminated, as they are duplicative and ineffective, and federal spending should be reduced to reflect remaining formula programs authorized under Title I of the ESEA and the handful of other programs that do not fall under the competitive/project grant category. Remaining programs managed by the Department of Education, such as large formula grant programs for K–12 education, should be reduced by 10 percent.

Since the 1970s, inflation-adjusted per pupil federal education spending has nearly tripled. Spending increases reflect the number of federal education programs that have amassed over the decades. ESSA—just one federal education law—authorizes dozens of competitive and formula grant programs, many of which are redundant and ineffective. The numerous federal education programs have not only failed to improve K–12 education nationally, but have levied a tremendous bureaucratic compliance burden on states and local school districts. In order to stop the federal education spending spree, and to ensure that state and local school leaders' focus is oriented toward meeting the needs of students and parents—not toward satisfying federal bureaucrats—program count and associated federal spending should be curtailed.

ADDITIONAL READING

- Lindsey M. Burke, "How the A-PLUS Act Can Rein in the Government's Education Power Grab," Heritage Foundation *Backgrounder* No. 2858, November 14, 2013.
- Lindsey M. Burke, "Reducing the Federal Footprint on Education and Empowering State and Local Leaders," Heritage Foundation *Backgrounder* No. 2565, June 2, 2011.

CALCULATIONS

Savings are based on reported FY 2016 grant levels under both the ESSA and the American Recovery and Reinvestment Act of 2009, as reported in U.S. Department of Education, "Fiscal Year 2016 Congressional Action," January 11, 2016, pp. 1–6. The FY 2016 authorized levels of $1.475 billion for competitive grants, and $22.149 billion for formula grants, are assumed to hold steady in FY 2017 and decrease at the same rate as discretionary spending (–0.32 percent) in FY 2018, according to the CBO's most recent August 2016 baseline spending projections. Estimated savings of $3.678 billion equal the entirety of FY 2018 spending ($1.470 billion) on competitive grants, and 10 percent of spending on formula grants ($2.208 billion).

Reduce Funding for the Department of Education Office for Civil Rights

RECOMMENDATION

Reduce the Department of Education Office for Civil Rights budget by 50 percent. This saves $57 million in FY 2018.

RATIONALE

The Department of Education Office for Civil Rights (OCR) is tasked with ensuring equal access to education and enforcing civil rights laws. In recent years, the department has abused its power by interpreting "sex" to mean "gender identity" for purposes of enforcing Title IX, essentially rewriting the law to require access to intimate facilities, dorms, and sports programs to students based not on biology but on self-declared gender identity.[17] Furthermore, the department has violated the principles of due process by requiring an unfairly low burden of proof for adjudicating claims of sexual harassment or assault, and making it exceedingly difficult for the accused to defend themselves.[18] Schools are threatened with the loss of federal funding if they do not cave to these one-size-fits-all policies. OCR's actions undermine the rule of law and prevent Americans from being able to make policies that will best serve all members of their communities. Its budget should be significantly cut.

ADDITIONAL READING

- Samantha Harris, "Campus Judiciaries on Trial: An Update from the Courts," Heritage Foundation *Legal Memorandum* No. 165, October 6, 2015.
- Ryan T. Anderson, "Obama Unilaterally Rewrites Law, Imposes Transgender Policy on Nation's Schools," The Daily Signal, May 13, 2016.
- Ryan T. Anderson and Roger Severino, "3 Ways Conservative Lawmakers Should Fight Obama's Bathroom Directive," The Daily Signal, May 23, 2016.

CALCULATIONS

Savings are expressed as budget authority based on the CBO's most recent August 2016 baseline spending projections.

Eliminate Redundant Department of Labor Agencies

RECOMMENDATION

Eliminate the Office of Federal Contract Compliance and the Women's Bureau in the Department of Labor. Eliminate all grant-making by the International Labor Affairs Bureau (ILAB). This proposal saves $171 million in FY 2018.

RATIONALE

Several Labor Department agencies serve little public purpose, or perform duties that are redundant with other federal agencies.

In 1965, President Johnson signed Executive Order No. 11246, which prohibited federal contractors from engaging in racial discrimination. At the time, the Civil Rights Act did not have strong enforcement provisions. The Office of Federal Contract Compliance Programs (OFCCP) within the Department of Labor now enforces these provisions. However, the Equal Employment Opportunity Act of 1972 gave the Equal Employment Opportunity Commission (EEOC) strong enforcement powers. Discrimination is currently illegal for all employers—federal contractors or not—and the EEOC polices these policies. A separate agency for federal contractors is redundant and a poor use of tax dollars, thus the OFCCP should be abolished.

The Women's Bureau in the Department of Labor examines challenges facing women in the workforce. It was created in 1920 when few women worked outside the home. Today, women make up half of the workforce. The challenges facing female employees are the challenges facing workers as a whole. The Women's Bureau has become obsolete.

The ILAB monitors foreign compliance with labor obligations under trade treaties. It also hands out grants to unions and aid organizations to promote the welfare of foreign workers. The effectiveness of these grants is unclear and a poor use of U.S. taxpayer dollars in times of tight budgets. Congress should eliminate ILAB funding for grant-making and restore it to its core purpose of monitoring treaty compliance.

CALCULATIONS

Savings are expressed as budget authority. Estimated FY 2018 budget authority of $112 million for the Office of Federal Contract Compliance comes from the CBO's most recent August 2016 baseline spending projections. Estimated FY 2018 appropriations for the ILAB comes from the FY 2016 appropriated level of $59.8 million as found in the Consolidated Appropriations Act, 2016, Public Law 114–113, p. 354. Estimated FY 2018 spending for the Women's Bureau comes from the FY 2016 enacted level of $11.5 million as found in the Department of Labor's FY 2017 Budget Justification, p. DM-8. Heritage assumes that these FY 2016 appropriated levels hold constant in FY 2017 and decrease at the same rate as discretionary spending growth (–0.32 percent) in FY 2018 according to the CBO's most recent August 2016 baseline spending projections. The estimated savings include elimination of the Office of Federal Contract Compliance and the Women's Bureau Secretary as well as an 80 percent reduction in the ILAB's budget, based on then–Secretary of Labor Elaine Chao's suggested cut, by eliminating ILAB's grant-making activities in her FY 2009 budget request.

Eliminate Funding for the Institute of Museum and Library Services

RECOMMENDATION

Eliminate funding for the Institute of Museum and Library Services (IMLS). This proposal would save $227 million in FY 2018.

RATIONALE

The IMLS is an independent agency that administers federal funds to libraries and museums. In 2016, Congress appropriated $227.8 million for the agency. Most funding supports state grants administered through State Library Administrative Agencies.[19] The largest grants are from the Grants to States program, which uses a population formula to disperse federal funding across all states and the District of Columbia.[20] The agency also administers smaller grants, such as the Laura Bush 21st Century Librarian Program, which funds librarian workforce development, and STEMeX grants, which support STEM research for library use. The IMLS also supports special and tribal libraries, as well as various museums.

It is not the proper role of the federal government to give grants to libraries and museums when these institutions are already being funded at the state and local level. The federal government should devolve funding decisions for these institutions back to states and localities.

ADDITIONAL READING

- Sven Larsen, "Federal Funds and State Fiscal Independence," Heritage Foundation *Backgrounder* No. 2136, May 15, 2008.
- Patrick Knudsen, "Tight Budget? Congress Can Save $42 Billion by Eliminating Bad Government Programs," Heritage Foundation *Backgrounder* No. 2837, August 29, 2013.

CALCULATIONS

Savings are expressed as budget authority and were calculated by using the FY 2016 enacted spending level of $227.8 million as found in the Consolidated Appropriations Act, 2016, Public Law 114–113, p. 128. Heritage assumes that FY 2016 appropriations hold steady in FY 2017 and decrease at the same rate as discretionary spending growth (–0.32 percent) in FY 2018 according to the CBO's most recent August 2016 baseline spending projections.

Redirect Funding from Planned Parenthood to Health Centers Not Entangled with Abortion Services

RECOMMENDATION

Redirect funding from Planned Parenthood to health centers that provide comprehensive health care for women. This proposal has no savings in FY 2018.

RATIONALE

Taxpayer money should not be used to fund elective abortion providers, such as the Planned Parenthood Federation of America (PPFA) and its affiliates. The need to end such funding has become even more acute in light of serious and disturbing press coverage of PPFA representatives discussing the sale of body parts of aborted infants.

No federal funds should go to the Planned Parenthood Federation of America or any of its affiliates or health centers. Under the recommendation, disqualifying Planned Parenthood affiliates and other abortion providers from receiving Title X family planning grants, Medicaid reimbursements, Zika-related funding, and other grants and contracts would not reduce the overall funding for women's health care: The funds currently flowing to Planned Parenthood affiliates and other abortion providers would be shifted to programs that offer comprehensive health care without entanglement in abortion on demand.

ADDITIONAL READING

- Sarah Torre, "Congress Should End Federal Funding to Planned Parenthood and Redirect It Toward Other Health Care Options," Heritage Foundation *Issue Brief* No. 4462, September 22, 2015.
- Roger Severino and James Bryan Hall, "Distangling the Data on Planned Parenthood Affiliates' Abortion Services and Receipt of Taxpayer Funding," Heritage Foundation *Issue Brief* No. 4467, September 30, 2015.

Continue to Restrict the ACA Risk-Corridor Program Funding

RECOMMENDATION

Continue to restrict the Affordable Care Act's (ACA's) risk-corridor program funding. This proposal has no savings in FY 2018.

RATIONALE

Section 1342 of the ACA directed the Secretary of Health and Human Services to operate a temporary risk-corridor program (from 2014 to 2016) to limit the profits and losses of insurers selling qualified health plans in the individual and small-group markets. However, the provision does not specify that funding for the program be budget neutral, leaving taxpayers responsible for any potential funding shortfall of the program. To protect taxpayers from such an outcome, Congress has included language in the annual appropriations bills to require that funding for the risk-corridor program come only from participating insurers.[21] This funding restriction has saved taxpayers $8.3 billion as the risk-corridor program faced a funding shortfall of $2.5 billion in 2014 and $5.8 billion in 2015.[22] Congress should maintain the risk-corridor program's budget-neutrality provision in order to continue to protect taxpayers.

Direct the Department of Education to Rescind the "Gainful Employment" Regulations Promulgated on For-Profit Higher Education Institutions

RECOMMENDATION

Direct the Department of Education to rescind the "gainful employment" regulations promulgated on for-profit higher education institutions. This proposal has no savings in FY 2018.

RATIONALE

The Higher Education Act stipulates that in order to be eligible for federal student aid, colleges must prepare students for "gainful employment in a recognized occupation." The U.S. Department of Education has aggressively promulgated rules concerning gainful employment during the Obama Administration, and on July 1, 2015, gainful employment regulations primarily affecting for-profit institutions went into effect. The rule could limit opportunities for non-traditional students in particular, who may choose a for-profit institution because of its flexibility and affordability. The Trump Administration should enable private for-profit and vocational colleges to continue to serve students who have been historically underserved by traditional universities by repealing the gainful employment regulations that took effect on July 1, 2015.

ADDITIONAL READING

- Lindsey M. Burke, "Reauthorizing the Higher Education Act—Toward Policies that Increase Access and Lower Costs," Heritage Foundation *Backgrounder* No. 2941, August 19, 2014.

Protect Freedom of Conscience in Health Care

RECOMMENDATION

Protect freedom of conscience in health care. This proposal has no savings in FY 2018.

RATIONALE

Congress should maintain all existing pro-life policy riders that prevent federal funding from being entangled with the provision, coverage, or advocacy of abortion, whether in the U.S. or abroad. In addition, Congress should codify prohibitions on government agencies and programs funded with federal money that discriminate against health care providers, organizations, and health insurance plans because they do not perform, pay for, refer, or provide coverage for abortions. Congress should also allow victim-of-conscience violations to be vindicated in court.

Since 2004, the Weldon Amendment has prohibited federal, state, and local governments that receive certain federal funds from discriminating against health care entities, including health care plans that decline to "provide, pay for, provide coverage of, or refer for abortions."[23] Enforcement of the conscience policy, however, is left to the discretion of officials in the Department of Health and Human Services, which has a poor track record of moving quickly—if at all—on such complaints.[24]

The need to codify these conscience protections and provide victims a better path to relief is urgent. In August 2014, the Department of Managed Health Care in California mandated that almost every health plan in the state include coverage of elective abortions, including those plans offered by religious organizations, religious schools—even churches. Complaints to HHS about the state's mandate were dismissed by the Office for Civil Rights after nearly two years of investigation.[25] Policymakers should not wait for more assaults on conscience before protecting the freedom of every American to provide, find, or offer health care and health insurance coverage that aligns with his values.

ADDITIONAL READING

- Sarah Torre, "Obamacare's Many Loopholes: Forcing Individuals and Taxpayers to Fund Elective Abortion Coverage," Heritage Foundation *Backgrounder* No. 2872, January 13, 2014.

Stipulate the Use of Fair-Value Accounting

RECOMMENDATION

Stipulate the use of fair-value accounting. This proposal has no savings in FY 2018.

RATIONALE

In order for taxpayers to have a clear understanding of the costs of federal higher education subsidies, policymakers should direct the Department of Education to use fair-value accounting. Fair-value accounting estimates take market risk into account, and are a better reflection of the true costs of federal higher education subsidies for student loans. Without the use of fair-value accounting, it is difficult to know whether federal loan programs are using non-subsidizing interest rates, which they should use so that the loans can break even. Absent fair-value accounting, it is impossible to know the extent to which student loan programs are providing a subsidy to borrowers. Congress should require the Department of Education to use fair-value accounting estimates calculated by the CBO and adjust loan rates accordingly, on a yearly basis.

ADDITIONAL READING

- Lindsey M. Burke, "Federal Student Loans Cost Taxpayers Money," The Daily Signal, June 24, 2013.
- Lindsey M. Burke, "Student Loan Servicing: The Borrower's Experience," testimony before the Subcommittee on Financial Institutions and Consumer Protection, Banking, Housing, and Urban Affairs Committee, U.S. Senate, June 4, 2014.

Allow K–12 Education Costs as Qualified Expenses Under 529 College Savings Plans

RECOMMENDATION

Allow K–12 Education Costs as Qualified Expenses Under 529 College Savings Plans. Although this will affect revenues, it will have no impact on spending, and therefore no estimated savings for FY 2018.

RATIONALE

The federal government currently provides tax advantages for families saving for college tuition and other higher education expenses. This incentive, known as a 529 college savings account, allows money to grow tax-free, without incurring federal tax penalties. Parents might question why the federal government gives tax advantages to one form of education savings (higher education) over another (K–12). Expanding section 529 of the Internal Revenue Code to allow families to contribute money to 529 plans for K–12 educational expenses would provide new incentives for parents to save for K–12 education-related expenses while increasing their ability to pay for education options outside the public school system. This relatively small change to federal tax law could have major implications for school choice. Such an outcome would significantly expand educational choice, consistent with long-term goals for reforming the federal tax code.

ADDITIONAL READING

- Lindsey M. Burke and Rachel Sheffield, "Continuing the School Choice March: Policies to Promote Family K–12 Education Investment," Heritage Foundation *Backgrounder* No. 2683, April 25, 2012.

Halt Implementation of the Union-Persuader Regulations

RECOMMENDATION

Halt implementation of the union-persuader regulations. This proposal will have no savings in FY 2018.

RATIONALE

The Office of Labor-Management Standards (OLMS) is considering regulations requiring almost all lawyers who consult with companies during union-organizing drives to file detailed financial-disclosure forms. These forms would require listing all clients and detailing the substance of communications with them. This disclosure violates the attorney-client confidentiality standards to which the American Bar Association holds its members. These regulations would discourage lawyers from providing legal advice to companies during union-organizing battles, and increase the likelihood that businesses conduct unfair labor practices. Congress should deny funding for OLMS promulgation as well as for enforcement of these new "persuader" regulations.[26]

ADDITIONAL READING

- John G. Malcolm, "Labor Departments' Persuader Rule Undermines Employers' Rights and Threatens the Attorney-Client Relationship," Heritage Foundation *Backgrounder* No. 2838, August 26, 2013.
- James Sherk, "Proposed Union Rules Harm Workers and Job Creation," Heritage Foundation *Backgrounder* No. 2584, July 20, 2011.

Halt Implementation of Occupational Safety and Health Administration Recordkeeping Regulations

RECOMMENDATION

Halt the Department of Labor's implementation of Occupational Safety and Health Administration (OSHA) recordkeeping regulations. This proposal will have no savings in FY 2018.

RATIONALE

OSHA has proposed to publicly report the workplace injuries that occur at major employers, identifying the employers and incidents by name. This disclosure could lead to revealing the identities of workers injured on the job and would discourage businesses from accurately reporting on-the-job injuries. Congress should deny funding for OSHA promulgation or enforcement of these recordkeeping regulations.

ADDITIONAL READING

- OSHA, "Occupational Injury and Illness Recording and Reporting Requirements – NAICS Update and Reporting Provisions," *Federal Register*, Vol. 79 (September 18, 2014), p. 56129.

Halt Implementation of New Overtime Regulations

RECOMMENDATION

Halt implementation of new overtime regulations. This proposal will have no savings in FY 2018.

RATIONALE

The Wage and Hour Division (WHD) of the Department of Labor has proposed requiring businesses to pay overtime rates to salaried employees who earn less than about $47,500 a year. Just over a week before the rule was scheduled to go into effect on December 1, 2016, a federal U.S. District Court Judge issued a nationwide, temporary injunction against the rule, stating that the Department of Labor overstepped its authority and ignored Congress' intent for the overtime rule.

Even before the rule was to go into effect, employers were implementing changes to offset the impact of the rule's higher costs, including cutting base salaries for their workforce and shifting employees to hourly pay so as to leave total pay little changed. If implemented, this rule would force employers to log salaried employees' hours. This would sharply restrict many salaried employees' ability to work remotely because businesses have difficulty logging hours worked outside the office, and it would reduce workers' flexibility in hours, making it more difficult to juggle work and family life. If the rule overcomes legal challenges, Congress should deny funding for the WHD promulgation as well as enforcement of these new overtime regulations.[27]

ADDITIONAL READING

- James Sherk, "Overtime Regulations Will Hurt Workplace Flexibility, Not Raise Wages," Heritage Foundation *Commentary*, July 10, 2015.
- James Sherk, "Salaried Overtime Requirements: Employers Will Offset Them with Lower Pay," Heritage Foundation *Backgrounder* No. 3031, July 2, 2015.
- Rachel Greszler, "3 Ways Obama's New Overtime Rule Will Hurt Employees," The Daily Signal, August 26, 2016.
- Rachel Greszler, "How a Federal Judge's Last-Minute Injunction Against the Overtime Rule Will Help Workers and Businesses," The Daily Signal, November 23, 2016.

Stop the NLRB from Using the Joint Employer Redefinition

RECOMMENDATION

Stop the NLRB from using the Joint Employer Redefinition. This proposal will have no savings in FY 2018.

RATIONALE

For decades, the NLRB held that two employers jointly employed a worker—and had to bargain with a union—if they both exercised immediate and direct control over the employee's work. The NLRB redefined that standard to determine that joint employment exists when a company has "potential," "unexercised," and "indirect" control over working conditions. This makes most businesses that hire contractors and franchised brands joint employers of their contractors' and franchisees' employees. If it survives legal scrutiny, this redefinition will gut the franchise business model. If corporate brands are legally responsible for their franchisees' hiring actions, they need to control them. They will respond by replacing locally owned franchises with corporate stores, eliminating a key source of access to small-business ownership. Congress should deny funding to the NLRB for prosecuting any unfair labor practices under its new joint-employer standards.[28]

ADDITIONAL READING

- James Sherk, "Beyond Burgers: The NLRB Ruling Is Comprehensively Awful," *National Review Online*, August 29, 2015.
- James Sherk, "How this New Government Ruling Destroys the Franchise Business Model," The Daily Signal, August 28, 2015.

Give Workers Time to Make an Informed Choice in Union Elections

RECOMMENDATION

Give workers time to make an informed choice in union elections. This proposal will have no savings in FY 2018.

RATIONALE

The NLRB recently implemented "ambush election" rules, shortening the time for union elections from six weeks to roughly three weeks.[29] Workers should have more than three weeks to consider arguments on both sides and make an informed choice.

Congress should deny the NLRB funding for implementation of the "ambush election" regulations and require the board to take at least five weeks between the election petition and final vote, unless both the union and employer agree otherwise.[30]

ADDITIONAL READING

- James Sherk and Ryan O'Donnell, "Labor Union Snap Elections Deprive Employees of Informed Choice," Heritage Foundation *WebMemo* No. 2371, March 31, 2009.

Stop Gerrymandered Bargaining Units

RECOMMENDATION

Stop gerrymandered bargaining units. This proposal will have no savings in FY 2018.

RATIONALE

Historically, unions organized bargaining units composed of workers with a community interest, such as the hourly workers under the direction of the same general manager. The NLRB has recently begun allowing unions to organize workers by job title. For example, the NLRB recently ordered a union election exclusively among the cosmetics and fragrance employees at a Macy's department store. No other workers in the store were allowed to vote in the election on union representation. This new standard allows unions to gerrymander bargaining units to exclude employees who think the risks of unionizing outweigh the benefits. If the union calls a strike, it will nonetheless affect jobs. Unions should not have the power to selectively disenfranchise workers who oppose unionizing. Congress should deny the NLRB funding with which to hold elections in micro-bargaining units, or to prosecute charges of unfair labor practice for employers refusing to recognize micro-bargaining units.[31]

ADDITIONAL READING

- James Sherk, "NLRB Heralds Labor Day with an Attack on Workers' Rights," The Daily Signal, September 2, 2011.
- James Sherk, "Proposed Union Rules Harm Workers and Job Creation," Heritage Foundation *Backgrounder* No. 2584, July 20, 2011.

Repeal the ACA's Enhanced Federal Funding for the Medicaid Expansion

RECOMMENDATION

Repeal the Affordable Care Act's (ACA's) enhanced federal funding for the Medicaid expansion. This proposal saves $102.436 billion in FY 2018.

RATIONALE

The ACA provides the option for states to expand Medicaid eligibility to all individuals earning less than 138 percent of the federal poverty level. The Congressional Budget Office projects that the expansion increases Medicaid and Children's Health Insurance Program (CHIP) costs by $847 billion between 2016 and 2025.[32] For the expansion population, which consists mostly of childless, able-bodied adults, the federal government reimburses states at no less than 90 percent. However, for the traditional Medicaid population, which consists of the disabled, elderly, children, and parents, the federal government reimburses states at much lower levels, ranging from 50 percent to 75 percent.[33] Repealing the ACA's enhanced federal funding for the Medicaid expansion would end the inequitable treatment among populations and end the incentive for states to divert limited taxpayer resources from the most vulnerable populations.

CALCULATIONS

Savings are expressed as budget authority for FY 2018 and were estimated by staff at the Heritage Foundation using the Center for Data Analysis's Health Model. All $102.436 billion in savings represents mandatory spending.

Disaggregate Medicaid Spending by Population Category and Put Federal Medicaid Spending on Budget

RECOMMENDATION

Disaggregate Medicaid spending by population category and put federal Medicaid spending on budget. This proposal saves $15.303 billion in FY 2018.

RATIONALE

The Medicaid program is on an unsustainable path in respect to enrollment as well as cost. Total annual spending on Medicaid has risen from $316 billion in 2005, to $496.3 billion in 2014, and is projected to increase even further over the next decade, reaching $920.5 billion annually in 2024.[34] Average enrollment has also surged, increasing from 46.3 million enrollees in 2005, to 64 million in 2014, and is projected to hit 77.5 million in 2024.[35] Congress should separate Medicaid enrollees into four distinct categories—(1) children and able-bodied adults, (2) the disabled, (3) low-income Medicare beneficiaries, and (4) long-term care beneficiaries—and should finance each category independently, but within an aggregate federal spending cap. This change would put Medicaid spending on a more predictable fiscal path and allow different policy and financing arrangements to better meet the diverse needs of each group. This proposal would save $15.3 billion in FY 2018.

CALCULATIONS

Savings are expressed as budget authority for FY 2018 and were estimated by staff at the Heritage Foundation using the Center for Data Analysis's Health Model. All $15.303 billion in savings represents mandatory spending.

End Provider Taxes in Medicaid

RECOMMENDATION

End Provider Taxes in Medicaid. This proposal saves $4.815 billion in FY 2018.

RATIONALE

Some states employ provider tax schemes that consist of increasing their Medicaid reimbursement rate for providers, but then "taxing back" a portion of that increased payment. Because federal match rates are based on total payment amounts, the effect of this state policy is increased federal reimbursement beyond the level the state would receive absent the provider tax. Today, states are limited to using no more than 6 percent of provider tax revenues. Congress should either eliminate this threshold altogether or drop the threshold further. This policy would stop "state gaming" of Medicaid financing, and bring greater transparency to the financing of Medicaid. This proposal would save $4.815 billion in FY 2018.

CALCULATIONS

Savings are expressed as budget authority for FY 2018 and were estimated by staff at the Heritage Foundation using the Center for Data Analysis's Health Model. All $4.815 billion in savings represents mandatory spending.

Convert the Cadillac Tax to a Cap on Employer-Sponsored Health Benefits

RECOMMENDATION

Convert the "Cadillac tax"—the ACA's 40 percent excise tax on high-cost plans—to a cap on employer-sponsored health benefits. This proposal has no savings in FY 2018.

RATIONALE

Unlike other forms of employee compensation, the current tax treatment of employer-based health care provides an unlimited tax benefit to those who receive coverage through their employer by excluding the value of this benefit from workers' taxable income. Rather than applying the ACA's 40 percent excise tax on high-cost plans,[36] Congress should cap the amount that could be sheltered on a pre-tax basis. This policy would bring health care benefits in line with other forms of employee compensation, expose the true cost of employer-based health care coverage, and discourage over-insurance.

CALCULATIONS

Although this proposal could impact tax revenues, it will not generate savings in federal spending in FY 2018.

Unify Medicare Physician and Hospital Programs

RECOMMENDATION

Unify Medicare physician and hospital programs. This proposal would save $5.665 billion in FY 2018.

RATIONALE

The Medicare program is divided into four programs: (1) Part A (hospitalization); (2) Part B (physician services); (3) Part C (comprehensive private Medicare Advantage plans); and (4) Part D (prescription drug coverage). Congress should combine Medicare Parts A and B into a single plan and streamline Medicare's cost sharing with one premium, one deductible, uniform cost-sharing, and a catastrophic limit. These changes would eliminate Medicare's outdated structure by integrating both hospital and physician services and providing true insurance for catastrophic costs.

ADDITIONAL READING

- Robert E. Moffit and Rea S. Hederman Jr., "Medicare Savings: 5 Steps to a Down Payment on Structural Reform," Heritage Foundation *Issue Brief* No. 3908, April 12, 2013.

CALCULATIONS

Savings are expressed as budget authority for FY 2018 and were estimated by staff at the Heritage Foundation using the Center for Data Analysis's Health Model as well as the CBO's November 2014 Options to Reduce the Deficit (option 74). All $5.665 billion in savings represents mandatory spending.

Update Medicare Premiums

RECOMMENDATION

Update Medicare Premiums. This policy would save $27.451 billion in FY 2018.

RATIONALE

There are several areas where Medicare premiums are out of date. When the Medicare program was enacted, beneficiaries were required to contribute 50 percent toward the premium for Medicare Part B (physician services). Over time, this amount has decreased to 25 percent, leaving taxpayers to fund the remaining 75 percent. The same is true in Medicare Part D (prescription drug coverage), where average beneficiary premiums cover only 25.5 percent of program costs and taxpayers fund the rest. Congress should slow down this trend of shifting costs to taxpayers by gradually raising the beneficiary premium obligation from 25 percent to 35 percent for Parts B and D. This change would restore a better balance between the beneficiary and the taxpayer obligations. This would save $16.881 billion in FY 2018.

In Medicare Part A (hospitalization), spending on services costs more than the hospital insurance trust fund takes in through the Medicare payroll tax. In fact, the program ran deficits from 2008 to 2015 and is projected to do so again from 2020 until the trust fund's projected depletion in 2028.[37] Instead of continuing annual deficits or imposing a greater burden on current taxpayers, Congress should add a temporary Part A premium in years with projected deficits. The annual supplemental premium would be flexible, rising or falling to cover the projected deficit and could also be based on a beneficiary's income. This would save $10.464 billion in FY 2018.

In addition, there is currently no cost-sharing requirement for beneficiaries who use home health services, which costs Medicare $17.7 billion in 2015.[38] Congress should add a modest copayment on the cost of each home health episode to incentivize proper use of the benefit. This policy would save $106 million in FY 2018.

ADDITIONAL READING

- Robert E. Moffit and Rea S. Hederman Jr., "Medicare Savings: 5 Steps to a Down Payment on Structural Reform," Heritage Foundation *Issue Brief* No. 3908, April 12, 2013.

CALCULATIONS

Savings are expressed as budget authority for FY 2018 and were estimated by staff at the Heritage Foundation using the Center for Data Analysis's Health Model. Estimates also come from savings and methodologies used in Robert E. Moffit and Rea S. Hederman Jr., "Medicare Savings: 5 Steps to a Down Payment on Structural Reform," Heritage Foundation *Issue Brief* No. 3908, April 12, 2013, and in Congressional Budget Office, "Options to Reduce the Deficit: 2017 to 2026," December 16, 2017. All $27.451 billion in savings represents mandatory spending.

Expand Current Threshold for Medicare Income-Related Subsidies

RECOMMENDATION

Expand the current threshold for Medicare income-related subsidies. This policy would save $31.102 billion in FY 2018.

RATIONALE

Today, seniors with an annual income in excess of $85,000 (couples with an annual income in excess of $170,000) pay higher Part B and Part D premiums, ranging from 35 percent to 80 percent of total Medicare premium costs. These recipients account for just 6 percent of the total Medicare population. Congress should reset these income thresholds and require seniors with an annual income in excess of $55,000 (couples with an annual income in excess of $110,000) to start paying higher premiums. By adopting this initial income threshold, Congress would increase the number of Medicare recipients who pay higher premiums to roughly 10 percent of the total Medicare population, and the wealthiest among them (about 3 percent) would pay their own way entirely. This change would ensure that limited taxpayer resources are distributed more evenly based on income, and would focus subsidies on those who need them most. This proposal would save $31.102 billion in FY 2018.

ADDITIONAL READING

- Robert E. Moffit and Rea S. Hederman Jr., "Medicare Savings: 5 Steps to a Down Payment on Structural Reform," Heritage Foundation *Issue Brief* No. 3908, April 12, 2013.

CALCULATIONS

Savings are expressed as budget authority for FY 2018 and were estimated by staff at the Heritage Foundation using the Center for Data Analysis's Health Model. All $31.102 billion in savings represents mandatory spending.

Harmonize Medicare's Age of Eligibility with Social Security's

RECOMMENDATION

Harmonize Medicare's age of eligibility with Social Security's. This proposal saves $21.390 billion in FY 2018.

RATIONALE

The average life expectancy has increased greatly since Medicare was created, but the program's age of eligibility has remained the same. When Medicare was enacted 50 years ago, the law set eligibility in line with Social Security's age of eligibility at 65 years. In 1965, the average American's life expectancy was 70.2 years. In 2015, average life expectancy reached 79.4 years, and in 2030, it is projected to reach 80.7 years. Congress should gradually increase the age of eligibility for Medicare benefits to better reflect today's life expectancy and better align Medicare eligibility with changes to Social Security eligibility.

ADDITIONAL READING

- Robert E. Moffit and Rea S. Hederman Jr., "Medicare Savings: 5 Steps to a Down Payment on Structural Reform," Heritage Foundation *Issue Brief* No. 3908, April 12, 2013.

CALCULATIONS

Savings are expressed as budget authority for FY 2018 and were estimated by staff at the Heritage Foundation using the Center for Data Analysis's Health Model. All $21.390 billion in savings represents mandatory spending.

Modify Medicare Advantage Payment System with a Competitive, Market-Based System

RECOMMENDATION

Delinking the payment system from traditional Medicare would save $1.720 billion in FY 2018.

RATIONALE

The Medicare Advantage program offers seniors comprehensive Medicare coverage through private health plans as an alternative to traditional Medicare. Over a third of all seniors chose this arrangement for Medicare. Today, payments for these arrangements are linked to the traditional Parts A and B, and private plan bids have routinely come in below traditional Medicare rates. Congress should detach Medicare Advantage's (Part C's) payment system from spending in traditional Medicare and replace it with a new benchmark payment that is based on bids submitted from regional competing private health plans to provide traditional Medicare benefits.

CALCULATIONS

Savings are expressed as budget authority for FY 2018 and were estimated by staff at the Heritage Foundation using the Center for Data Analysis's Health Model. Part of the savings are derived from the CBO's score of President Obama's proposal: Congressional Budget Office, "An Analysis of the President's 2017 Budget," March 2016, p. 8. All $1.720 billion in savings represents mandatory spending.

Eliminate Supplemental Security Income Benefits for Disabled Children

RECOMMENDATION

Eliminate Supplemental Security Income (SSI) benefits for disabled children. This proposal saves $11 billion in 2018.

RATIONALE

The original intent of SSI was to provide cash assistance to adults who are unable to support themselves because of a disability, and to the low-income elderly. However, SSI also provides cash assistance to households with children who are functionally disabled and who come from low-income homes. Today about 15 percent of SSI recipients are children. SSI should be reformed to serve its originally intended population by ending SSI for children.

Low-income parents with a disabled child are eligible for cash assistance from the Temporary Assistance for Needy Families (TANF) program, as well as for benefits from various other means-tested welfare programs, such as Medicaid and food stamps. Parents of children who are no longer receiving SSI cash benefits would continue to be eligible for these other means-tested welfare programs. Any medical expenses due to a child's disability that are not covered by another program, such as Medicaid, should be provided by SSI. This proposal would save $11 billion in FY 2018.

ADDITIONAL READING

- Robert Rector and Romina Boccia, "How the ABLE Act Would Expand the Welfare State," Heritage Foundation *Backgrounder* No. 2972, November 10, 2014.

CALCULATIONS

Estimated savings come from Congressional Budget Office, *Options for Reducing the Deficit: 2017 to 2026*, December 2016, p. 46. The option to "Eliminate Supplemental Security Benefits for Disabled Children" includes $1 billion in discretionary spending, and $10 billion in mandatory spending in FY 2018.

Adopt a More Accurate Inflation Index for Social Security and Other Mandatory Programs

RECOMMENDATION

Adopt a more accurate inflation index for Social Security and other mandatory programs. This proposal saves $2.6 billion in 2018.

RATIONALE

Federal benefits, such as Social Security, grow with the cost of living to protect the value of benefits from inflation. Several other parameters of federal benefit programs are also adjusted for inflation. Currently, Social Security and several federal programs are indexed to the consumer price index (CPI) to adjust for inflation. The current CPI is outdated and inaccurate, and it often overstates the rise in the cost of living. Under a new measure, benefit increases would more accurately reflect changes in the cost of living. The chained CPI would correct for the small sample bias and substitution bias problems that are well-known about the CPI. Adopting the chained CPI for federal benefit calculations would protect benefits from inflation while improving accuracy in cost-of-living adjustments and saving taxpayers money. This proposal saves $2.6 billion in 2018, with savings growing rapidly over time to 39.1 billion in FY 2026.[39]

ADDITIONAL READING

- Romina Boccia and Rachel Greszler, "Social Security Benefits and the Impact of the Chained CPI," Heritage Foundation *Backgrounder* No. 2799, May 21, 2014.

CALCULATIONS

Estimated savings come from Congressional Budget Office, *Options for Reducing the Deficit: 2017 to 2026*, December 2016, p. 73. The option to "Use an Alternative Measure of Inflation to Index Social Security and Other Mandatory Programs" includes $2.6 billion in mandatory spending in FY 2018.

Reduce Fraud and Marriage Penalties in the Earned Income Tax Credit, and Fraud in the Additional Child Tax Credit

RECOMMENDATION

Reduce fraud in the Earned Income Tax Credit (EITC) program and the Additional Child Tax Credit (ACTC) program, and reduce marriage penalties in the EITC. This proposal would save $15.8 billion annually.

RATIONALE

The EITC and the ACTC provide refundable tax credits to low-income households. The EITC and ACTC are designed to promote work, yet they are plagued with fraud. Other problems with the EITC and ACTC include benefits intended for parents going to non-parents, some EITC and ACTC recipients receiving excessive multi-tier means-tested welfare benefits that are not available to other similar low-income recipients, and discrimination against married couples. These problems can be addressed by requiring the IRS to verify income tax returns before issuing refundable tax credits, allowing only parents with legal custody of a child to claim benefits, not allowing families who receive subsidized housing assistance to also receive EITC and ACTC benefits, and ending marriage penalties. Furthermore, the EITC could be expanded for married couples to help decrease marriage penalties that exist across the rest of the government means-tested welfare system.

ADDITIONAL READING

- Robert Rector, "Reforming the Earned Income Tax Credit and Additional Child Tax Credit to End Waste, Fraud, and Abuse and Strengthen Marriage," Heritage Foundation *Backgrounder* No. 3162, November 16, 2016.

CALCULATIONS

Estimated savings include $19.1 billion per year in savings from reducing fraud in the EITC and ACTC, and an added cost of $3.3 billion per year for reducing marriage penalties in the EITC, for a net savings of $15.8 billion. Estimates come from Robert Rector, "Reforming the Earned Income Tax Credit and Additional Child Tax Credit to End Waste, Fraud, and Abuse and Strengthen Marriage," Heritage Foundation *Backgrounder* No. 3162, November 16, 2016. Although the estimated savings are for FY 2015, we conservatively assume a similar level of savings in FY 2018. All $15.8 billion in savings represent mandatory spending.

Strengthen Work Requirements in the Temporary Assistance for Needy Families Program

RECOMMENDATION

Strengthen work requirements in the Temporary Assistance for Needy Families (TANF) program. This proposal has no federal savings in FY 2018.

RATIONALE

Today, the majority of work-eligible TANF recipients (an average of 51.7 percent across the states) are completely idle, neither working nor preparing for work. Part of the reason for the high rates of "idleness" is that states are taking advantage of loopholes that allow them to fulfill the work requirement without actually having to move recipients into work activity. The main reason, however, is that the work-participation rate is too low. Only 50 percent of able-bodied adults are required to participate in work activities, meaning that the other 50 percent of the caseload can be completely idle and the state is still fulfilling the requirement.

Moreover, among the half of TANF recipients that fulfill the work requirements, most are simply working part time. State welfare bureaucracies have generally done little, if anything, to promote this employment but nonetheless take the credit. TANF's work requirement should be strengthened so that 75 percent of a state's non-employed TANF caseload is participating in work activities for 20 hours to 30 hours per week.

ADDITIONAL READING

- Robert Rector and Rachel Sheffield, "Setting Priorities for Welfare Reform," Heritage Foundation *Issue Brief* No. 4520, February 24, 2016.
- Rachel Sheffield, "Welfare Reform and Upward Mobility Act Can Restart Welfare Reform," Heritage Foundation *Issue Brief* No. 4619, October 28, 2016.

CALCULATIONS

Because the federal funding stream for TANF is fixed, Heritage does not include any savings for FY 2018.

Return Control and Fiscal Responsibility for Low-Income Housing to the States

RECOMMENDATION

Return control and fiscal responsibility of housing programs to the states. This proposal saves $2.1176 billion in FY 2018.

RATIONALE

The federal government currently pays for over 90 percent of the cost of subsidized housing for poor and low-income persons, at a cost of $42 billion in FY 2016. Housing needs, availability, and costs vary significantly across states and localities, as does the level of needed and available assistance. Instead of primarily federally funded programs that often provide substantial benefits for some while leaving others in similar circumstances with nothing, the federal government should begin transferring the responsibility for both the administration and costs of low-income housing programs to the states. States are better equipped to assess and meet the needs of their unique populations, given their unique economic climates and housing situations. With the fiscal responsibility of paying for their housing programs, states will have the incentive to run them much more efficiently and effectively.

Federal funding for means-tested housing programs should be phased out at a rate of 10 percent per year, reaching zero funding at the end of a decade. Each state should be allowed to determine how, and to what extent, it will replace federal housing programs with alternative programs designed and funded by state and local authorities.

ADDITIONAL READING:

- Robert Rector and Rachel Sheffield, "Setting Priorities for Welfare Reform," Heritage Foundation *Issue Brief* No. 4520, February 24, 2016.
- Rachel Sheffield, "Welfare Reform and Upward Mobility Act Can Restart Welfare Reform," Heritage Foundation *Issue Brief* No. 4619, October 28, 2016.

CALCULATIONS

Savings represent budget authority. Estimated savings are based on the FY 2016 estimated level of $42.352 billion in total spending on low-income housing assistance found in Office of Management and Budget, "Budget of the U.S. Government, Fiscal Year 2017," Appendix, 2016.

The $42.352 billion in total FY 2016 spending includes: Section 8 (Tenant-Based Rental Assistance and Project-Based Rental Assistance), the Public Housing Capital Fund, the Public Housing Operating Fund, HOPE VI, the Home Investment Partnership Program, other assisted-housing programs, the Rural Housing Insurance Fund, and the Rural Housing Service.

Absent information on FY 2017 and FY 2018 spending, Heritage assumes that these levels hold constant at the FY 2016 amount. Heritage proposes maintaining funding for the roughly 50 percent of low-income housing assistance that goes to disabled and elderly recipients, and thus we reduce only $21.176 billion of total federal housing assistance by an amount of 10 percent in FY 2018, generating estimated savings of $2.118 billion. The estimated percentage of elderly and disabled recipients comes from Congressional Budget Office, "Federal Housing Assistance for Low-Income Households," September 2015, Table 2. All $2.118 billion in savings represent mandatory spending.

ENDNOTES

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13. U.S. Government Accountability Office, "Measuring Performance: The Corporation for National and Community Service Faces Challenges Demonstrating Outcomes," February 17, 2012, http://www.gao.gov/products/GAO-12-310 (accessed January 12, 2017).
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