



*Blueprint for Balance*

A FEDERAL

# BUDGET

FOR FISCAL YEAR 2018



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FOR FISCAL YEAR 2018

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# Introduction: Blueprint for Balance

Budgeting is an essential act of governing. Everything the federal government does, it does by either taxing or spending. Even regulatory agencies are able to produce and enforce regulation only when Congress funds their activities. As such, budgeting affects every facet of the federal government and its relationship to the American people. The size and scope of America’s budget has a direct impact on how Americans are able to provide for their families, contribute to their communities, and pursue their dreams.

*Blueprint for Balance: A Federal Budget for Fiscal Year 2018*, provides detailed recommendations for the annual congressional budget. On the most fundamental level, the budget enables Congress to establish a comprehensive governing philosophy. Congress should put the budget on a path to balance, while strengthening national defense and without raising taxes, to enable economic growth to raise living standards—for all Americans.

In order for Americans to achieve better lives, Congress must take steps to allow Americans to build a stronger economy, a stronger society, and a stronger defense. The Heritage Foundation regularly assesses the strength of America’s economy, society, and defense and has found great need for improvement, as reflected in the:

- *2017 Index of Economic Freedom: Promoting Economic Opportunity and Prosperity*, ed. by Terry Miller and Anthony B. Kim (Washington: The Heritage Foundation, 2017);

- *2016 Index of Culture and Opportunity: The Social and Economic Trends that Shape America*, ed. by Jennifer A. Marshall and Christine Kim (Washington: The Heritage Foundation, 2016); and
- *2017 Index of U.S. Military Strength: Assessing America’s Ability to Provide for the Common Defense*, ed. by Dakota L. Wood (Washington: The Heritage Foundation, 2016).

Congressional adoption of the recommendations set forth in this *Blueprint* would strengthen America’s economy, society, and defense.

## A FEDERAL BUDGET FOR FISCAL YEAR 2018

The federal budget should be a reflection of the principles of the American people within the constraints of constitutional government. The budget delineates priorities, clarifies positions on fundamental issues, reflects views on the role of the government, and provides insight into Americans’ moral character. At the most basic level, a budget is a plan to collect and allocate resources. However, a budget should also illustrate a commitment to individual rights as well as to economic freedom and prosperity. As President Ronald Reagan said in 1981:

We’re not cutting the budget simply for the sake of sounder financial management. This is only a first step toward returning power to the States and communities, only a first step in reordering the relationship between citizen and government.

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We can make government again responsive to the people by cutting its size and scope and thereby ensuring that its legitimate functions are performed efficiently and justly.<sup>1</sup>

Americans have reached a critical point. The federal government has grown to an unprecedented size, has expanded its scope to virtually every part of the economy, and is on a dangerous fiscal trajectory. Taxpayers pay enormous amounts of money to the government, and the government borrows huge sums beyond the amount it takes from taxpayers. The government uses taxes and borrows money to pay for excessive spending, including many programs that benefit the well-connected or lock people into low incomes by penalizing work. As of March 2017, the national debt is approaching \$20 trillion. According to the Congressional Budget Office, if the government remains on its currently planned trajectory, it will spend at least another \$10 trillion more than it will collect over the 2017 to 2027 period, piling on even more debt.

Annual debt-service payments are expected to double within five years, and more than triple over the next 10 years, increasing from \$241 billion in 2016 to \$768 billion in 2027. That \$768 billion in interest that the government must pay in 2027 represents 52 percent of the entire amount of the discretionary spending projected for the government in that year. The country cannot and should not sustain the current course of excessive spending and borrowing.

While Congress cannot solve everything at once, it can and must take the opportunities available in the annual budget and appropriations processes to make a down payment on putting the government's finances in order. Congress can do this by immediately reducing discretionary spending and taking meaningful steps to reduce mandatory spending by reforming mandatory spending programs.

Congress should use four criteria to assess every federal program in developing the FY 2018 budget. Congress should determine whether:

1. The program's elimination would increase opportunity or reduce favoritism;
2. The program would better serve the American people if it were administered and financed by the private sector;
3. The program would be better administered by state or local governments; or

4. The program is wasteful or duplicative.

Congress should use the annual appropriations process to advance important policy objectives. The Constitution unequivocally grants Congress the exclusive power to appropriate funds for the operations of government. James Madison wrote in *Federalist* No. 58 that providing budgetary powers to Congress was a critical element in maintaining individual rights: "The power over the purse may, in fact, be regarded as the most complete and effectual weapon with which any constitution can arm the immediate representatives of the people for obtaining a redress of every grievance, and for carrying into effect every just and salutary measure."

Congress should prepare honest budgets and pass legislation that brings current law into compliance with congressional budget plans. The American people have lost trust in Washington, in part because their representatives in Congress say one thing and do another. However, for the well-connected, Washington is a finely tuned machine aimed at avoiding principled arguments and keeping the gravy train rolling for special interests.

Congress must end the practice of using budget gimmicks to mask overspending, and stop using parliamentary process to make excuses for not advancing the policies it was elected to pursue. Congress should use the budget process to promote free enterprise, limited government, individual freedom, traditional American values, and a strong national defense. By reducing debt and putting the fiscal house in order, Congress can produce a strong economy, a strong society, and a strong America.

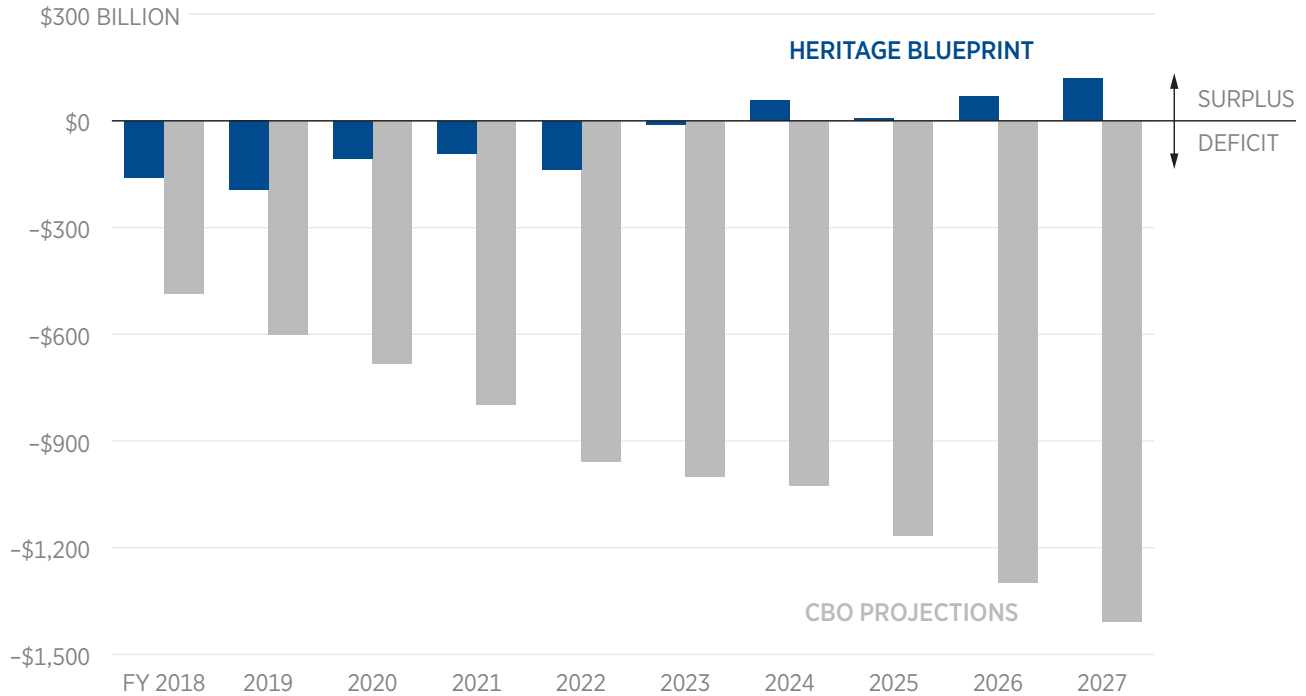
The federal budget for FY 2018 presented here will:

- **Slow the growth in spending**, while fully funding national security needs;
- **Cut taxes** by more than \$1 trillion over 10 years;
- **Balance the budget** within seven years;
- **Reduce spending** by \$10.0 trillion and cut the deficit by \$9.0 trillion over 10 years;
- **Eliminate budget gimmicks** and improve the budget process; and
- **Eliminate programs** that produce favoritism and limit opportunity.

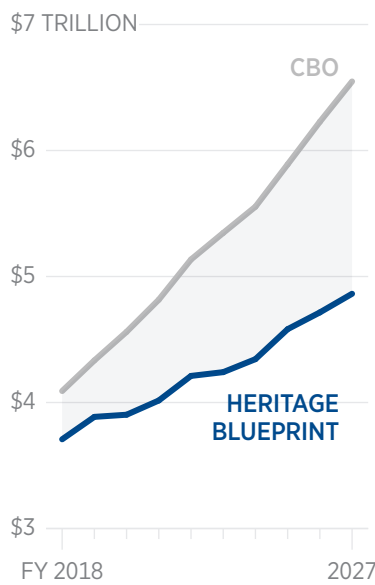
CHART 1

# Heritage Blueprint Would Save Billions Compared to CBO Projections

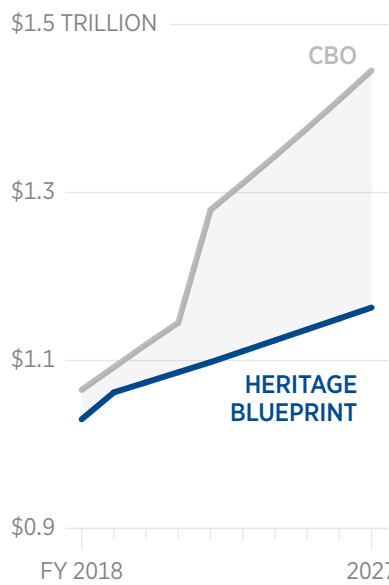
## BUDGET SURPLUS/DEFICIT



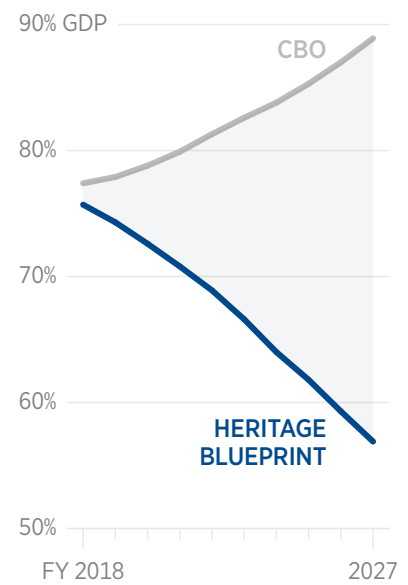
## OUTLAYS



## DISCRETIONARY SPENDING



## DEBT HELD BY THE PUBLIC



SOURCES: Congressional Budget Office, "The Budget and Economic Outlook: 2017-2027," January 24, 2017, <https://www.cbo.gov/publication/52370> (accessed February 16, 2017), and Heritage Foundation calculations.

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## ENDNOTES

1. "Our Philosophy: Address by President Ronald Reagan to the Conservative Political Action Conference," The American Conservative Union, March 20, 1981, <http://conservative.org/found-conservatism/philosophy/> (accessed January 22, 2016).



# Chapter 1: Policies for a Congressional Budget

Each year, Congress is required to pass a budget resolution that addresses the entirety of the federal budget: all spending and all taxes. While the budget resolution does not carry the force of law, it is a key tool for Congress to lay out its vision for the nation and establish policy goals for the following fiscal year and the years ahead.

The budget resolution also sets the stage for enabling Congress to follow through on its vision with separate legislation, especially budget reconciliation, which allows a bill to bring current law into compliance with the resolution to be fast-tracked in Congress, and makes it filibuster-proof in the Senate.

With nearly \$20 trillion in national debt, and an annual deficit projected to grow from a half trillion dollars to more than a trillion dollars before the end of the decade, the budget resolution presents a critical opportunity for Congress to address the key drivers of the government's financial problems: spending and debt. Sustainable budgeting is a bipartisan problem.

Congress should put the budget on a path toward balance in order to reduce debt and enable economic growth to raise living standards for all Americans, while reducing the tax burden and strengthening national defense.

Congress should repeal Obamacare and reform the major entitlement programs: Medicare, Medicaid, Social Security, and welfare. Congress should ensure that America's veterans receive quality, timely, and affordable health care that is focused on the unique needs of service-related conditions.

To strengthen civil society, Congress should protect life and conscience and defend religious liberty.

In reviving true federalism, Congress should leave matters of infrastructure, natural resource management, education, and welfare principally to states and localities and the private sector.

Congress should also review Federal Reserve policy and restrain the central bank's discretion. Reducing harmful regulations will enable entrepreneurs and businesses to expand the economy and enhance opportunity for all Americans to achieve their version of the American dream. This chapter outlines the major policy objectives that should guide the congressional budget.

**Balanced Budget.** Congress should reduce spending, cut taxes, protect the nation, and reduce the reach of special interests and the government into the lives of the American people. The proposals outlined here would balance the primary deficit (the deficit not including interest payments) within the first year of enactment. However, the annual deficit including interest payments will not reach balance until 2024 (or perhaps earlier with a dynamic calculation that would take account of economic growth sparked by reductions in federal spending and taxation). Under this proposal, debt-service payments would grow from \$293 billion in 2018 to \$513 billion in 2027 to pay for the debt accumulated before the plan is enacted. This proposal illustrates why it is so critical to reduce spending before even more debt is added to the federal balance sheet.

**Strong National Defense.** Congress should prioritize national security spending to fund critical defense needs and begin rebuilding of military capabilities after years of defense cuts. Under current

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law, the fiscal year (FY) 2018 defense budget level is below the FY 2017 level in nominal terms, and is well below what is needed to defend the country. The Heritage Foundation's *2017 Index of U.S. Military Strength* rated the U.S. military as "marginal" due to cuts to capacity, which hurt both capability and readiness.

To begin rebuilding the military will require a significant funding increase for defense. Instead of continuing to shortchange our national defense, Congress should increase defense spending to preserve military capacity, increase readiness, and make investments in modernization. Congress should work with President Donald Trump to expand and strengthen the military and improve national security. While a strong defense budget alone is not enough to keep the U.S. safe, a weak defense budget leads to a weak military and invites further provocations from America's enemies.

**Restoring Economic Freedom.** Economic freedom in the United States has declined in nine of the past 10 years. According to The Heritage Foundation's *2017 Index of Economic Freedom*, the U.S. is ranked the 17th-freest economy in the world, registering its lowest economic freedom score since the *Index* was first published in 1994. Large budget deficits and a high level of public debt have contributed to the continuing decline of economic freedom in the United States. America's competitiveness in the world, as shown by the anemic economic recovery since the Great Recession, has been undermined by the increased size and scope of the government, including soaring regulatory and tax burdens. The perception of government cronyism, elite privilege, and corruption has reduced individual and business confidence in the U.S. economy. While the U.S. is currently deeply mired in the ranks of the "mostly free"—the second-tier economic freedom status into which it dropped in 2010—Congress can make substantial progress in restoring economic freedom by adopting the proposals in this budget.

**Pro-Growth Tax Reform.** Federal taxes should exist to raise only those revenues necessary to fund the constitutionally prescribed duties of the federal government. Revenues should be collected in the least economically damaging manner. The U.S. system fails Americans on both fronts: Taxes are too high, and the tax system is much more economically destructive than it should be.

The U.S. tax code's complexity and structure harms economic growth, productivity, job creation,

and real wage increases. Fundamental tax reform would alleviate the harm caused by the tax system and thereby significantly expand the size of the economy. Stronger economic growth would substantially improve the incomes of Americans, and enhance their economic opportunities.

Fundamental tax reform should lower individual and business tax rates; establish a consumption tax base, rather than the hybrid income-consumption tax base that the current system uses; eliminate the bias against saving and investment; eliminate tax preferences; simplify the tax system; and make the U.S. tax system more transparent so that taxpayers understand how much they are paying every year to fund the federal government.

**True Federalism.** The U.S. should restore respect for the traditional role of states in this country's federal system, a federalism that has eroded steadily with the excessive growth of the federal government. Contrary to popular belief, federalism should not be in the service of the states, but in the service of the American people. States do not possess rights—people do.

Properly understood, federalism aims not only to limit power, but to create competition among the states, thereby creating incentives for them to enact policies that retain and attract citizens. Within the confines of the Constitution, states should therefore be free to enact policies that best serve the needs of their citizens.

To revive true federalism, Congress should focus on its core constitutional responsibilities and not treat the states as administrative sub-units tasked with helping to implement federal policies using federal funds. Because Congress is now involved in so many areas, Congress must propose issue-specific reforms that will restore constitutional governance in each of these areas. Congress should also stop trying to induce states to adopt its preferred policies by making state acceptance of these policies a condition of states' receiving federal funds. Rather, Congress should leave to the states those programs that do not carry out a constitutional function of the federal government, or that otherwise ought to be handled by states.

**No Hidden Taxes Through Regulation.** Federal spending and revenues constitute only one part of the total burden imposed on Americans by Washington. Rules imposed by federal regulators also impose crushing costs on the U.S. economy and society. During the Obama Administration alone, these costs increased by over \$100 billion annually.

Congress, along with the new President, must reverse this out-of-control regulatory growth. It should start by repealing the harmful and unnecessary rules that have been imposed on Americans. These range from restrictions on Internet providers to Obamacare health insurance mandates to costly limits on energy production and greenhouse gases. Next, Congress should require that every major new rule be approved by the House and Senate before taking effect. Moreover, existing rules should be subject to automatic expiration (often called “sunsetting”) if not specifically renewed after a certain time.

**Support for Entrepreneurship Through Reformed Securities Laws.** A morass of securities regulations impede capital formation, disproportionately harm small and start-up businesses, and reduce innovation and economic growth. Securities laws should focus primarily on the core mission of deterring and punishing fraud, and require reasonable, limited, scaled disclosure by widely held firms of material information required by investors to make informed investment decisions, such that larger and even more widely held firms are subject to greater disclosure requirements.

The modern securities market is generally *interstate* in character, and therefore most primary offerings, secondary markets, and broker-dealers should be subject only to the federal regulatory regime, while state securities regulation should be limited to *intra*-state offerings and anti-fraud enforcement rather than offering registration and qualification. The law should allow the development of robust secondary markets in the securities of smaller companies by improving existing secondary markets for small public companies, establishing a regulatory environment that enables venture exchanges, and reasonably regulating the secondary sales of private securities. Regulators should not engage in “merit review” or mandate particular portfolio choices; regulators should not substitute their investment or business judgment for that of investors.

**Rules-Based Monetary System.** Many take for granted that the Federal Reserve has contributed positively to economic stabilization, but the U.S. has experienced severe economic turmoil in at least four different decades since the Fed was founded. Recessions have not become less frequent or shorter in duration, output has not become less volatile, and some of the worst U.S. economic crises have occurred on the Fed’s watch. Furthermore, the Fed’s action during the 2008 financial crisis is only the latest

example of its long history of propping up failing firms—throughout its history, the Fed has operated within a purely discretionary policy framework.

Congress should reduce the Fed’s discretion in monetary policy and direct the central bank to implement rules-based policies that move the U.S. toward a truly competitive monetary system. Congress should also review the effectiveness of the Federal Reserve with a formal commission. Finally, Congress should require the Fed to announce a plan detailing how it will normalize its balance sheet and dispose of the government-sponsored enterprise (GSE) securities it bought.

**Promotion of the Freedom to Trade.** The freedom to exchange goods and services openly with others is the foundation of America’s modern economic system, which provides historically unprecedented opportunities for individuals to achieve greater economic freedom, independence, and prosperity. According to data in the annual *Index of Economic Freedom*, countries with low trade barriers are more prosperous than those that restrict trade. Open trade fuels vibrant competition, innovation, and economies of scale, allowing individuals, families, and businesses to take advantage of lower prices and increased choice.

The United States has trade agreements with 20 countries around the world that reduce most taxes on imports from these countries to zero. These agreements cover only about 36 percent of U.S. annual imports, and Congress should further eliminate trade barriers and protectionist policies to increase Americans’ economic freedom. Nearly half of U.S. imports are intermediate goods (goods that are components used in making other goods), and U.S. manufacturers rely on these imported inputs to create American jobs and to compete in the global marketplace. The government should boost manufacturing by eliminating all taxes on imports of intermediate goods. Because the government should not be in the business of picking winners and losers, policies like the sugar program, which causes the price of sugar in the U.S. to be much higher than the global average, and the maritime Jones Act, which mandates that any goods shipped by water from one point in the U.S. to another U.S. location must be transported on U.S.-built vessels, should be eliminated.

**Improving Efficacy and Accountability in Infrastructure Funding.** Federal funding makes up about one-quarter of public spending on transportation infrastructure. Expansions of the federal

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role over the last half-century have crowded out other sources of funding and led to diminution in efficiency, accountability, and fiscal responsibility of infrastructure spending. These expansive top-down decisions have led to a misallocation of resources, and poor incentives in public spending.

In surface transportation, the Highway Trust Fund has been continuously diverted to non-highway projects and has required extensive general-fund bailouts due to overspending. Discretionary grant programs administered at the federal level further create perverse incentives for states and localities to build new, unnecessary transit projects while badly needed maintenance of vital infrastructure goes unfunded. In aviation, federal airport improvement grants and prohibitive regulations siphon resources from the most important airports and distribute it to those of far less significance. The Federal Aviation Administration's Air Traffic Control continues to be run like a bureaucracy instead of a high tech business.

In order to spend more wisely on vital infrastructure that will improve both geographic and economic mobility, the federal role in funding should be restricted to a small group of issues strictly of national importance. This will leave the vast majority of funding decisions to states, localities, and the private sector, which can set priorities more effectively, identify and meet specific needs, and are more accountable to the public. Removing the federal middle man from infrastructure decisions will empower states, localities, and the private sector to build the infrastructure that best suits people's needs while restoring accountability to a system currently mired in federal mismanagement.

**Repeal of Obamacare.** Obamacare is unpopular, unaffordable, and unworkable. Congress should repeal Obamacare in its entirety. This would eliminate the nearly \$2 trillion in new spending created by the law's exchange subsidies and Medicaid expansion, as well as more than a trillion dollars in new taxes. In addition, full repeal would alleviate the burdens caused by Obamacare's costly and onerous federal insurance regulations that have caused massive disruption in the insurance market and dramatically increased costs. Repeal is essential to controlling government health care spending and to clear the way for an alternative reform that is patient-centered and market-based.

**Patient-Centered, Market-Based Health Care Reform.** Congress should put in place a framework for a health care reform alternative. This proposal should

promote a free market for health care by removing the federal regulatory and policy obstacles that discourage choice and competition, and address the major drivers in health care spending.

A replacement package should encourage personal ownership of health insurance by reforming the tax treatment of health insurance. Tax relief should be extended for individuals to purchase the coverage of their choice, and the value of the tax exclusion for employer-based health care should be capped.

**Medicaid as a True Safety Net.** A replacement package should also restore Medicaid to a true safety net. Federal Medicaid assistance for able-bodied individuals should be converted to a direct, defined contribution to facilitate participation in the private marketplace. Federal Medicaid assistance for the low-income elderly should be folded into the Medicare program to streamline seniors' health benefits. For the disabled population, payments to states should be limited to ensure fiscal control but also allow states flexibility to tailor their programs to the specific needs of their population.

**Modernize Medicare.** A replacement package should also modernize the Medicare program so that it can meet the growing demographic, fiscal, and structural challenges. Medicare should transition to a defined-contribution, premium support model. To prepare the way, smaller Medicare changes—such as raising the retirement age, reducing subsidies for wealthy seniors, and consolidating benefits—would help make the transition to premium support smoother.

**Welfare Reform.** The current U.S. welfare system has failed the poor. It fails to promote self-sufficiency, and its cost is unsustainable. Total federal and state government spending on dozens of different federal means-tested welfare programs now reaches over \$1 trillion annually. However, most policymakers, along with the American public, are not aware of the full cost of welfare. Congress should include in its annual budget an estimate of total current welfare spending, as well as 10-year projections.

There is dignity and value in work, in supporting one's self and one's dependents. Welfare reform should encourage work, a proven formula for reducing dependence and controlling costs. The food stamp program, one of the largest of the government welfare programs, would be a good place to start: Able-bodied adults receiving food stamps should be required to work, prepare for work, or look for work as a condition of receiving assistance. The work requirements of the



Temporary Assistance for Needy Families program, put into place by the 1996 welfare reform, are much too weak today and must be strengthened.

The vast majority of welfare spending is federal, even when administration of the program occurs at the state level. Because states are not fiscally responsible for welfare programs, they have little incentive to curb dependence or to rein in costs. States should gradually assume greater revenue responsibility for welfare programs; that is, they should pay for and administer the programs with state resources. A first step would be to gradually return fiscal responsibility for all subsidized housing programs to the states.

Additionally, leaders should look for ways to strengthen marriage. The absence of fathers in the home is one of the greatest drivers of child poverty, yet the welfare system penalizes marriage. Policymakers should eliminate marriage penalties in the current welfare system. A place to begin would be with the earned income tax credit (EITC). By reducing widespread fraud in the EITC, policymakers could not only restore integrity to the EITC program and reap large savings, but a portion of that savings could be put toward eliminating marriage penalties in the rest of the welfare system.

**Limit Federal Intervention and Restore State and Local Control of Education.** Since President Lyndon B. Johnson signed the Elementary and Secondary Education Act (ESEA) into law in 1965 as the keystone education component of his War on Poverty, the federal government—which represents 10 percent of all K–12 education spending—has appropriated some \$2 trillion in an effort to improve the educational outcomes of American students. Despite a more than doubling of inflation-adjusted federal per-pupil expenditures since that time, only slightly more than one-third of children in grades four and eight are proficient in reading—a figure effectively unchanged since the early 1970s. Moreover, achievement gaps among students remain, and graduation rates for disadvantaged students are stagnant.

These lackluster outcomes—and in some cases declines—in academic performance come despite continued increases in education spending. These underwhelming outcomes add to the evidence that ever-increasing government spending is not the key to improving education. In order to shift education functions from the federal government to state and local leaders, Congress should limit federal intervention in education, beginning by eliminating ineffective and duplicative programs and offering relief to

states and schools through reforms in the Academic Partnerships Lead Us to Success (A-PLUS) Act.

**Higher Education Accreditation Reform and Restraint in Federal Higher Education Subsidies.** When tax credits and deductions are included, total aid for higher education, including non-federal sources, exceed \$250 billion annually. Federal aid alone accounts for more than \$158 billion annually. Federal higher education subsidies have increased substantially over the past decade. The number of students who borrow money through federal student loans increased by 64 percent—from 5.9 million students during the 2002–2003 academic year, to some 9.7 million today. At the same time, Pell Grant funding has more than doubled in real terms; the number of recipients has nearly doubled over the same time period.

As federal subsidies have increased, so, too, have college costs. Since 1980, tuition and fees at public and private universities have grown at least twice as fast as the rate of inflation. Some 60 percent of bachelor's degree holders leave school with more than \$26,000 in student loan debt, with cumulative student loan debt now exceeding \$1.2 trillion.

To increase access to and affordability of higher education, policymakers should limit federal subsidies and spending, which have contributed to increases in costs. In order to truly drive down college costs and improve access for students, policymakers should undertake major reforms to accreditation, including decoupling federal financing from the ossified accreditation system.

**Access to Natural Resource Production, Increased Trade Opportunities, and Empowered States.** With the abundance of resources beneath U.S. soil, this land is literally a land of opportunity. America has an abundance of natural resources, including plentiful reserves of coal, natural gas, uranium, and oil. Federal government control of vast tracts of America's land and federal regulations have stymied proper management of lands and development of natural resources. Furthermore, the government has placed restrictions on trading energy that blocks opportunities to expand to new markets.

Congress should open access to natural resource development in the U.S., allow states to control the environmental review and permitting processes within their borders, and open opportunities to freely import and export energy resources and technologies.

**Elimination of All Energy Subsidies.** Over the years, Congress has implemented numerous policies

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to subsidize the production or consumption of one good over another, including through direct cash grants, special tax treatment, taxpayer-backed loans and loan guarantees, socialized risk through insurance programs, mandates to produce biofuels, tariffs, and energy sales at below-market costs. Whatever shape such favoritism takes, the results are always the same: The government delivers benefits to a small, select group and spreads the costs across the economy to families and consumers.

Subsidies significantly obstruct the long-term success and viability of the very technologies and energy sources that they intend to promote. Instead of relying on a process that rewards competition, taxpayer subsidies prevent a company from truly understanding the price point at which the technology will be economically viable. Congress should eliminate preferential treatment for every energy source and technology and let a free market in energy work to the benefit of Americans.

**Reform of Social Security, Including Disability Insurance.** Social Security's Old Age Survivors and Disability Insurance (OASDI) programs provide a false sense of security by promising more in benefits than they can pay. Combined, these programs cost \$1 trillion in 2018—about one-quarter of the federal budget—to provide benefits to 60 million beneficiaries. OASDI's combined unfunded obligation over the 75-year horizon tops \$13 trillion.

Although Congress avoided the DI program's 2016 insolvency by raiding \$150 billion from the OASI Trust Fund, the DI program remains plagued by widespread fraud and abuse, excessive structural flaws and inefficiencies, and work disincentives. To address these problems, policymakers should introduce an optional private DI component; improve work incentives; adopt a needs-based period of disability; eliminate the non-medical vocational grids that allow individuals to receive benefits based on their age, education, or skill; and instruct the Social Security Administration to improve the program's efficiency and integrity.

Within Social Security's retirement program, lawmakers should gradually and predictably increase the program's early and full retirement ages to account for increases in life expectancy, and then index both to longevity. Across both the OASI and DI programs, policymakers should transition to a flat, anti-poverty benefit focused on individuals who need it most, and immediately replace the current cost-of-living adjustment with the more accurate chained consumer price

index. More individuals should be empowered to save for retirement through private means.

**Veteran-Centered Reform of the VA Health System.** The U.S. Department of Veterans Affairs (VA) health care delivery system is in need of comprehensive reform to ensure that America's veterans receive quality, timely, and affordable health care that is consistent with the changing health care demands of the veteran population and not the institutional concerns of the VA.

First of all, the VA should immediately develop a clear and consistent strategy for ending its current access crisis by allowing VA patients who face excessive wait times or travel-related delays to receive medical care in the private sector. The decisions about when and where to receive care should be based on veteran-specific health care circumstances rather than time or distance restrictions or the arbitrary judgment of VA administrators.

In addition, the VA should resolve the current personnel and management failures by ensuring an adequate supply of highly competent clinicians and by demanding accountability from all employees, regardless of their level within the organization.

More fundamental, fiscally responsible longer-term reforms should include refocusing the use of limited resources on service-related health care needs, especially those services for which the VA has a unique expertise, such as poly-trauma, post-traumatic stress disorder (PTSD), and rehabilitation. However, if a veteran can receive better care at a non-VA facility, especially for non-service-related issues, the VA should facilitate access to those services. These reforms should be fiscally responsible, providing quality care in a cost-effective way. In addition, reforms should be based on a longer-term policy and budget window and avoid the pattern of enacting short-term fixes.

**Protection of Life and Conscience.** Since the Supreme Court's 1973 decisions in *Roe v. Wade* and *Doe v. Bolton*, inventing a right to abortion on demand, the pro-life movement has worked tirelessly to re-orient the hearts and minds of an entire generation toward the dignity and worth of every existing individual—born and unborn. Despite major pro-life victories over the past four decades, the challenges to life and conscience that inevitably stem from sanctioned abortion on demand persist.

Policymakers should return to a deeper respect for foundational American principles by protecting the freedom of conscience of individuals, medical

providers, and taxpayers, and ensuring the basic rights of liberty and life for everyone, including those still in the womb.

There is long-standing, broad consensus that federal taxpayer funds should not be used for elective abortions or for health insurance that includes coverage for elective abortions. Policymakers should close the patchwork of federal prohibitions on abortion funding by making policies, such as the annually re-enacted Hyde amendment—which prohibits the use of certain federal funds for abortion coverage—permanent across federal law, and enact permanent prohibitions on use of taxpayer funding to encourage or pay for abortions overseas, through foreign aid or otherwise.

American taxpayers simply should not be forced to subsidize the abortion industry. Policymakers should end taxpayer funding for the Planned Parenthood Federation of America affiliates and all other abortion providers, and redirect funding to centers that provide health care for women without entanglement in on-demand abortion. Policymakers should also enact permanent conscience protections for individuals, families, employers, and insurers to keep them from being forced to offer, provide, or pay for coverage that violates their conscience.

**Defense of Religious Liberty.** The freedom to earn a living, care for the poor, heal the sick, and serve the community in ways that are consistent with one's beliefs is essential for maintaining a just and

free society—and this freedom has suffered erosion in recent years. The right of Americans and institutions to exercise their religious beliefs is not confined to the private sphere, and is protected from government burden and discrimination in public life.

America must return to a more reasonable and historically accurate understanding of religious liberty, upholding religious and moral conscience as an invaluable support for healthy republican government and human flourishing. In 2015, the Supreme Court imposed a redefinition of marriage on all 50 states in the decision of *Obergefell v. Hodges*. Policymakers should promote policies that protect from discrimination those who believe that marriage is the union of one man and one woman. Congress should enact laws to prevent the government from discriminating in regard to contracts, grants, licensing, accreditation, or the award or maintenance of tax-exempt status, against any person or group on the basis of speaking or acting on the belief that marriage is the union of one man and one woman.

**A Vision for America.** The congressional budget resolution provides Congress with a critical opportunity to review federal policy in all areas and to put forth a strong vision for an America that offers opportunity for all with favoritism to none. Congress should seize this opportunity to begin to drive down federal spending to a balanced budget, while reducing taxes, freeing the economy, and maintaining a strong national defense.





# Chapter 2:

## Budget Proposals

The congressional budget process calls for an authorization to be made before appropriations are provided for federal activities. The authorization process allows for regular scrutiny and review of federal activities. When followed, this process establishes, continues, discontinues, or modifies federal agencies or programs. Yet, lawmakers rarely follow the authorization process. This evades the careful congressional scrutiny of programs and agencies that congressional rules require and federal taxpayers deserve. Congress should authorize only those programs that represent federal constitutional priorities, eliminating funding for activities that the federal government should not undertake. No funds should be provided for activities that have not been authorized.

The appropriations process calls on Congress to pass appropriations bills (currently 12 in number) each year, before the start of the government’s fiscal year on October 1. Appropriations are supposed to fund the government’s operations for that fiscal year (FY). The appropriations bills cover a number of policy areas such as defense, health, energy, and agriculture, among others. Spending on programs funded annually through appropriations bills (often referred to as “discretionary spending” as distinguished from so-called “mandatory spending” for which Congress has passed laws making permanent appropriations instead of periodic appropriations) currently makes up about one-third of the total federal budget. Two-thirds of spending goes for “mandatory spending” and payment of interest on the national debt.

Congress should review programs during the authorization and appropriation process to ensure

that they fall within the powers delegated to the United States by the Constitution, as ours is a federal government of limited powers. Congress should also use the appropriations bills, like other bills, to advance important policy objectives, within the limits of its authority. Congress can do so, for example, by adding provisions, known as “riders,” that direct or prohibit the use of funds for specified purposes.

Congress should determine whether:

1. Eliminating the program would increase opportunity or reduce favoritism;
2. The program would better serve the American people if it were administered and financed by the private sector;
3. The program would be better administered by state or local governments; or
4. The program is wasteful or duplicative.

This chapter provides proposals to reduce and reform mandatory and discretionary programs and agencies for the FY 2018 budget process. Some of the proposals produce savings in defense programs; those savings should be shifted to higher priority defense programs, to help achieve a stronger national defense. If enacted, these proposals would significantly reduce the size and scope of the federal government, reining in federal bureaucrats, to unleash the economic potential of the United States, enhance individual freedom, and strengthen civil society.



Agriculture, Rural  
Development, Food and  
Drug Administration,  
and Related Agencies

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# Repeal the USDA Catfish Inspection Program

## RECOMMENDATION

Repeal the U.S. Department of Agriculture’s (USDA’s) catfish inspection program. This proposal saves \$14 million in FY 2018.

## RATIONALE

While the Food and Drug Administration (FDA) regulates domestic and imported seafood, the 2008 farm bill created a special exception requiring the USDA to regulate catfish that is sold for human consumption. This program, which has not yet been implemented, would impose costly duplication because facilities that process seafood, including catfish, would be required to comply with both FDA *and* USDA regulations.

The evidence does not support the health justifications for the more intrusive inspection program, to which there has been wide bipartisan opposition. The Government Accountability Office (GAO) has criticized the program, publishing a 2012 report with the not-so-subtle title “Seafood Safety: Responsibility for Inspecting Catfish Should Not Be Assigned to USDA.”<sup>1</sup> Another GAO report succinctly summarized most of the problems, noting that the program “would result in duplication of federal

programs and cost taxpayers millions of dollars annually without enhancing the safety of catfish intended for human consumption.”<sup>2</sup>

The USDA catfish inspection program would also have serious trade implications. Foreign countries that want to export catfish to the U.S. would need to establish a new regulatory system equivalent to the USDA program. If these countries do not meet the USDA’s requirements, foreign exporters from countries that currently supply the United States with catfish will be blocked from doing so. This approval process could take years. Catfish-exporting countries would likely retaliate with—and win—trade disputes, since the program would be an unjustified trade barrier. The retaliation would likely be against industries other than the catfish industry, such as milk producers or meat packers. American consumers would also suffer, as this program would reduce competition.

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## ADDITIONAL READING

- Daren Bakst, “House Leadership Should Allow a Vote Against Cronyism,” *The Daily Signal*, September 19, 2016.
- Daren Bakst, “Senate Votes to End a Textbook Crony Program,” *The Daily Signal*, May 26, 2016.
- Daren Bakst, “Addressing Waste, Abuse, and Extremism in USDA Programs,” Heritage Foundation *Backgrounder* No. 2916, May 30, 2014.
- Daren Bakst, “Farm Bill: Taxpayers and Consumers Are Getting Catfished,” *The Daily Signal*, November 19, 2013.
- U.S. Government Accountability Office, “High Risk Series: An Update,” GAO-13-283, February 2013, pp. 198-199.
- U.S. Government Accountability Office, “Seafood Safety: Responsibility for Inspecting Catfish Should Not Be Assigned to USDA,” GAO-12-411, May 2012.

## CALCULATIONS

As reported in U.S. Government Accountability Office, “Seafood Safety: Responsibility for Inspecting Catfish Should Not Be Assigned to USDA,” *Report to Congressional Requesters*, GAO-12-411, May 2012, pp. 19 and 20, the proposed catfish program would cost the federal government and industry an estimated \$14 million annually, with the federal government bearing 98 percent of the cost. This GAO report notes that the reported estimate of \$14 million annually may understate the true costs of the program.

# Eliminate the Conservation Technical Assistance Program

## RECOMMENDATION

Eliminate the Conservation Technical Assistance Program. This proposal saves \$750 million in FY 2018.

## RATIONALE

The Natural Resources Conservation Service runs a costly program to offer technical assistance to landowners on natural resource management. This assistance includes help in maintaining private lands, complying with laws, enhancing recreational activities, and improving the aesthetic character of

private land. Private landowners, not government, are the best stewards of a given property. If necessary, they can seek private solutions to conservation challenges. Federal taxpayers should not be forced to subsidize advice that landowners should be paying for on their own.

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## ADDITIONAL READING

- Daren Bakst, “Addressing Waste, Abuse, and Extremism in USDA Programs,” Heritage Foundation *Backgrounder* No. 2916, May 30, 2014.

## CALCULATIONS

Savings is expressed as budget authority and was calculated using the FY 2016 estimated spending level of \$752 million as found in USDA, “FY 2017: Budget Summary and Annual Performance Plan, U.S. Department of Agriculture,” p. 63. This estimate assumes that the FY 2016 spending level holds constant in FY 2017 and decreases at the same rate as discretionary spending in FY 2018 (–0.32 percent), according to the CBO’s most recent August 2016 baseline spending projections.

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# Eliminate the Rural Business Cooperative Service

## RECOMMENDATION

Eliminate programs in the Rural Business Cooperative Service (RBCS). This proposal saves \$105 million in FY 2018.

## RATIONALE

The RBCS is an agency of the U.S. Department of Agriculture that has a wide range of financial assistance programs for rural businesses. It also has a significant focus on renewable energy and global warming, including subsidizing biofuels. Rural businesses are fully capable of running themselves, investing, and seeking assistance through private means. The fact that these businesses are in rural areas does not change the fact that they can and

should succeed on their own merits like any other business. Private capital will find its way to worthy investments. The government should not be in the business of picking winners and losers when it comes to private investments or energy sources. Instead of handing taxpayer dollars to businesses, the federal government should identify and remove the obstacles that it has created for businesses in rural communities.

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## ADDITIONAL READING

- Daren Bakst, "Addressing Waste, Abuse, and Extremism in USDA Programs," Heritage Foundation *Backgrounder* No. 2916, May 30, 2014.

## CALCULATIONS

Savings are expressed on budget authority based on the CBO's most recent August 2016 baseline spending projections. Savings include \$105 million in discretionary spending and \$68 million in mandatory spending.

# Prohibit Funding for National School Meal Standards and the Community Eligibility Provision

## RECOMMENDATION

Prohibit funding for national school meal standards and the community eligibility provision. This proposal has no savings for FY 2018.

## RATIONALE

The U.S. Department of Agriculture's school-meal standards for the Healthy, Hunger-Free Kids Act of 2010 have been a failure. These standards are a burden on schools and have resulted in many negative outcomes. A September 2015 GAO report on the school lunch program shows that since the implementation of the new standards, participation in the school lunch program has declined, and food waste remains a significant problem. As reported, some schools have dropped out of the school lunch program at least partially due to the new standards.<sup>3</sup> The new standards have also imposed greater costs on schools, such that some have even had to draw from their education funds to cover the new costs.<sup>4</sup> No funding should be directed toward implementation or enforcement of these standards. Any new standards should give states and local educational authorities much greater flexibility and respect the role of parents in helping their children make dietary decisions.

The community eligibility provision is a new policy that was implemented by the Healthy, Hunger-Free Kids Act. It expands free school meals to students regardless of family income. Under this provision, if 40 percent of students in a school, group of schools, or school district are identified as eligible for free meals because they receive benefits from another means-tested welfare program like food stamps, then all students can receive free meals. The community eligibility provision is essentially a back-door approach to universal school meals. Schools should not be providing welfare to middle-class and wealthy students. Ending the community eligibility provision would ensure that free meals are going only to students from low-income families. No further funding should be directed toward implementing this provision.

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## ADDITIONAL READING

- Daren Bakst, "Addressing Waste, Abuse, and Extremism in USDA Programs," Heritage Foundation *Backgrounder* No. 2916, May 30, 2014.
- Daren Bakst, "Michelle Obama Is Ignoring the Problems Her New School Lunch Standards Have Caused," The Daily Signal, May 30, 2014.
- Rachel Sheffield and Daren Bakst, "Child Nutrition Reauthorization: Time for Serious Reform, Not Tinkering," Heritage Foundation *Issue Brief* No. 4570, May 26, 2016.
- Daren Bakst and Rachel Sheffield, "Congress Shouldn't Push Obama's Flawed Child Nutrition Policy on Children," The Daily Signal, January 25, 2016.
- Daren Bakst and Rachel Sheffield, "Getting the Facts Straight on School Meals and Child Nutrition Reauthorization," Heritage Foundation *Issue Brief* No. 4622, November 3, 2016.
- Daren Bakst and Rachel Sheffield, "School Lunch Program: No Wealthy Child Left Behind," The Daily Signal, May 15, 2016.

## CALCULATIONS

Ending funding and enforcement for the new standards would generate savings for state and local governments. The effects of these proposals on federal spending are uncertain so Heritage does not include estimated savings for FY 2018.

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# Withhold Funding for Federal Fruit and Vegetable Supply Restrictions

## RECOMMENDATION

Withhold funding for federal fruit-supply and vegetable-supply restrictions. This proposal has no savings in FY 2018.

## RATIONALE

In June 2015, the United States Supreme Court decided *Horne v. Department of Agriculture*,<sup>5</sup> a case regarding the federal government’s authority to fine raisin growers who did not hand over part of their crop to the government. The court held that forcing growers to turn over their raisins was a taking of private property requiring just compensation. While the “raisin case” received much attention because of the outrageous nature of the government’s actions, it is far from unique. In particular, the USDA uses its power to enforce a number

of cartels through industry agreements known as marketing orders. Fruit and vegetable marketing orders<sup>6</sup> allow the federal government to authorize supply restrictions (volume controls), limiting the amounts that agricultural producers may sell. Marketing orders are bad enough, but, at a minimum, Congress should stop funding these volume controls that limit how much of their own fruits and vegetables farmers may sell, and should get the government out of the market and cartel management business.<sup>7</sup>

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## ADDITIONAL READING

- Alden Abbott, “Time to Repeal Agricultural Marketing Orders,” Heritage Foundation *Backgrounder* No. 3054 December 3, 2015.
- Daren Bakst, “The Federal Government Should Stop Limiting the Sale of Certain Fruits and Vegetables,” Heritage Foundation *Issue Brief* No. 4466, September 29, 2015.
- Elayne Allen and Daren Bakst, “How the Government Is Mandating Food Waste,” *The Daily Signal*, August 19, 2016.



# Repeal the Agricultural Risk Coverage and Price Loss Coverage Programs

## RECOMMENDATION

Repeal the Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC) programs. This proposal saves \$8.014 billion in FY 2018.

## RATIONALE

The ARC and PLC programs are two major new commodity programs that Congress added in the 2014 farm bill. Essentially, the two programs attempt to insulate farmers from market forces by guaranteeing against lower-than-expected revenue and against price changes.

The ARC program protects farmers from shallow losses (minor dips in expected revenue), providing payments when their actual revenues fall below 86 percent of the expected revenues for their crops. The PLC program provides payments to farmers when commodity prices fall below a fixed reference price established by statute. On a crop-by-crop basis, farmers can participate either in the ARC program or in the PLC program. These programs go far beyond providing a safety net for farmers. Instead, the pretext of a safety net is used to prevent many agricultural producers from competing in the market like other businesses.

The PLC program provides protection against minor dips in revenue, including those that could be attributed to normal business risk. The PLC program has such high reference prices that, even at the time of passage of the 2014 farm bill, payments were likely right from the outset for some commodities. Policymakers need to allow farmers to freely compete in the marketplace, and reap the financial reward of being more efficient and better managed than their competitors. In other words, they should be allowed to operate just like any other business.

Congress should repeal both programs because they go way beyond any concept of a safety net. At most, the taxpayer-funded safety net should only protect farmers from deep yield losses, not insulate farmers from minor dips in revenue and market forces such as prices. This proposal would save \$9.618 billion dollars in FY 2018.

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## ADDITIONAL READING

- Daren Bakst et al., "Farms and Free Enterprise: A Blueprint for Agricultural Policy," The Heritage Foundation, *Mandate for Leadership Report*, September 21, 2016.
- Daren Bakst, Josh Sewell, and Brian Wright, "Addressing Risk in Agriculture," Heritage Foundation *Special Report* No. 189, September 8, 2016.

## CALCULATIONS

Savings are expressed as budget authority as projected in the CBO's March 2016 baseline spending projections. Projections for the ARC and PLC can be found in Congressional Budget Office, "CBO's March Baseline for Farm Programs," March 24, 2016, <https://www.cbo.gov/sites/default/files/recurringdata/51317-2016-03-usda.pdf> (accessed February 6, 2017). Estimated savings of \$8.014 billion in FY 2018 include \$2.521 billion for the PLC (p. 6); \$5.42 billion for the ARC-CO (county) (p. 6); and \$66 million for the ARC-IC (individual coverage) (p. 9). All \$8.014 billion in savings represent mandatory spending.

# Include Work Requirement for Able-Bodied Adult Food Stamp Recipients

## RECOMMENDATION

Reform the food stamps program to include a work requirement for able-bodied adults. Able-bodied adults must work, prepare for work, or look for work for a minimum number of hours each month in order to receive benefits. This proposal saves \$9.7 billion in FY 2018.

## RATIONALE

The food stamp program is the nation's second-largest of the government's roughly 90 means-tested welfare programs. The number of food stamp recipients has risen dramatically from about 17.2 million in 2000 to 44.2 million in 2016. Costs have risen from \$19.8 billion in FY 2000 to \$83.0 billion in FY 2015.

Food stamp assistance should be directed to those most in need. Able-bodied adults who receive food stamps should be required to work, prepare for work, or look for work in exchange for receiving assistance. Not only do work requirements help ensure that food stamps are directed to those who need them most, a work requirement also promotes the principle of self-sufficiency by directing individuals toward work.

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## ADDITIONAL READING

- Robert Rector, Rachel Sheffield, and Kevin Dayaratna, "Maine Food Stamp Work Requirement Cuts Non-Parent Caseload by 80 Percent," Heritage Foundation *Backgrounder* No. 3091, February 8, 2016.
- Robert Rector and Rachel Sheffield, "Setting Priorities for Welfare Reform," Heritage Foundation *Issue Brief* No. 4520, February 24, 2016.

## CALCULATIONS

Savings of \$9.7 billion per year come from analysis contained in Robert Rector, Rachel Sheffield, and Kevin Dayaratna, "Maine Food Stamp Work Requirement Cuts Non-Parent Caseload by 80 Percent," Heritage Foundation *Backgrounder* No. 3091, February 8, 2016, <http://www.heritage.org/research/reports/2016/02/maine-food-stamp-work-requirement-cuts-non-parent-caseload-by-80-percent>. All \$9.7 billion in savings represent mandatory spending.

# End Broad-Based Categorical Eligibility for Food Stamps

## RECOMMENDATION

Broad-based categorical eligibility allows states to loosen income limits for potential food stamp recipients and bypass asset tests. This policy should be eliminated. This proposal saves \$1.275 billion in FY 2018.

## RATIONALE

Categorical eligibility traditionally allows individuals who receive cash welfare assistance—from programs such as Temporary Assistance for Needy Families (TANF)—to automatically enroll in food stamps. Now, a policy known as “broad-based categorical eligibility” provides a loophole that allows states to loosen income limits and bypass asset tests for potential food stamp recipients. Under broad-based categorical eligibility, individuals or families can simply receive some type of TANF “service” and become automatically categorically eligible for food stamps. A “service” can be something as simple as receiving a brochure from a TANF office. Because TANF services are available

to households with incomes higher than those eligible for TANF cash assistance, states are able to extend food stamp benefits to those with higher incomes than otherwise would be permissible.

Furthermore, broad-based categorical eligibility allows states to entirely waive asset tests. An individual with temporary low income can receive a TANF service and then become categorically eligible for food stamps, even if he has a large amount of savings. Policymakers should end broad-based categorical eligibility to ensure that food stamps are focused on helping those truly in need.

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## ADDITIONAL READING

- Rachel Sheffield, “How to Reform Food Stamps,” Heritage Foundation *Issue Brief* No. 4045, September 12, 2013.
- Daren Bakst and Rachel Sheffield, “Eight Things to Watch for in the Farm Bill,” Heritage Foundation *Issue Brief* No. 4101, December 4, 2013.

## CALCULATIONS

Savings are expressed as budget authority as estimated by the CBO in its analysis of the impact of previously proposed legislation that would enact these reforms as found in Congressional Budget Office, “Cost Estimate for H.R. 3102, the Nutrition Reform and Work Opportunity Act of 2013,” September 16, 2013, <https://www.cbo.gov/sites/default/files/113th-congress-2013-2014/costestimate/hr31020.pdf> (accessed February 6, 2017). Heritage uses the CBO’s estimated 2014 savings because these represent the first year of implementation. All \$1.275 billion in savings represent mandatory spending.

# Eliminate the “Heat and Eat” Loophole in Food Stamps

## RECOMMENDATION

Eliminate the “heat and eat” loophole in food stamps. This proposal saves \$1.450 billion in FY 2018.

## RATIONALE

A loophole known as “heat and eat” is a tactic that states have used to artificially boost a household’s food stamp benefit. The amount of food stamps a household receives is based on its “countable” income—income minus certain deductions. Households that receive benefits from the Low-Income Heat and Energy Assistance Program (LIHEAP) are eligible for a larger utility deduction. In order to make households eligible for the higher deduction—and, thus, greater food stamp benefits—states have

distributed LIHEAP checks for amounts as small as \$1 to food stamp recipients. While the 2014 farm bill tightened this loophole by requiring that a household receive greater than \$20 annually in LIHEAP payments to be eligible for the larger utility deduction and subsequently higher food stamp benefits, some states have continued to utilize the loophole by paying over \$20 per year. Policymakers should close this loophole entirely.

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## ADDITIONAL READING

- Rachel Sheffield, “How to Reform Food Stamps,” Heritage Foundation *Issue Brief* No. 4045, September 12, 2013.
- Daren Bakst and Rachel Sheffield, “Eight Things to Watch for in the Farm Bill,” Heritage Foundation *Issue Brief* No. 4101, December 4, 2013.

## CALCULATIONS

Savings are based on the estimated FY 2018 savings of \$1.450 billion reported for “Changes to SNAP Eligibility Requirements: Standard Utility Allowance,” as reported in Sequester Replacement Reconciliation Act of 2012, H.R. 5652, 112th Cong., p. 27, <https://www.gpo.gov/fdsys/pkg/CRPT-112hrpt470/pdf/CRPT-112hrpt470.pdf> (accessed February 6, 2017). All \$1.450 billion in savings represent mandatory spending.

# Eliminate the Federal Sugar Program

## RECOMMENDATION

Eliminate the federal sugar program. This proposal has no savings in FY 2018.

## RATIONALE

The federal sugar program uses price supports and marketing allotments that limit how much sugar processors can sell each year, as well as import restrictions. As a result of government intervention to limit supply, the price of American sugar is consistently higher (at times twice as high) than world prices.<sup>8</sup>

This program may benefit a small number of sugar growers and harvesters, but it does so at the expense of sugar-using industries and consumers.

An International Trade Administration report found: “For each sugar-growing and harvesting job saved through high U.S. sugar prices, nearly three confectionery manufacturing jobs are lost.”<sup>9</sup> The program is also a hidden tax on consumers. Recent studies have found that the program costs consumers as much as \$3.7 billion a year.<sup>10</sup> Such a program also has a disproportionate impact on the poor because a greater share of their income goes to food purchases than for individuals at higher income levels.

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## ADDITIONAL READING

- Daren Bakst et al., “Farms and Free Enterprise: A Blueprint for Agricultural Policy,” The Heritage Foundation, *Mandate for Leadership Report*, September 21, 2016.
- Daren Bakst, Josh Sewell, and Brian Wright, “Addressing Risk in Agriculture,” Heritage Foundation *Special Report* No. 189, September 8, 2016.

# Eliminate Revenue-Based Crop Insurance Policies

## RECOMMENDATION

Eliminate revenue-based crop-insurance policies. Although this proposal would likely save billions of dollars each year, Heritage does not include any savings for FY 2018. (See calculations below.)

## RATIONALE

Any reasonable concept of a taxpayer-funded safety net for farmers would require a significant crop loss. Unfortunately, the current safety net, including the federal taxpayer-subsidized crop-insurance program, goes way beyond providing a safety net. The program does not require a disaster or even yield losses to have occurred for farmers to receive indemnities.

There are generally two types of federal crop-insurance policies: yield-based and revenue-based. A yield-based policy protects farmers from yields that are lower than expected due to events beyond the control of farmers, such as weather and crop disease. In 1997, revenue-based insurance became an option for farmers.<sup>11</sup> By 2003, more acreage was covered by these policies than yield-based policies.<sup>12</sup> In other words, these revenue-based policies have not been around a long time, and it has been only a little over 10 years since they have been more prominent than yield-based policies.

Revenue-based policies are more popular than yield-based policies because they do not require yield losses. They accounted for 77 percent of all policies earning premiums in 2014.<sup>13</sup> Farmers can even have greater yields than expected and still receive indemnity payments if commodity prices are lower than expected. A revenue-based policy protects farmers from dips in expected revenue due to low prices, low yields, or both. The federal government should not be in the business of insuring price or revenue; agricultural producers, like other businesses, should not be insulated from market forces or guaranteed financial success at the expense of taxpayers.

This relatively new and overly generous type of taxpayer-subsidized crop insurance should be eliminated. *Farmers would still be able to purchase taxpayer-subsidized crop insurance*, but it would be limited to yield insurance as it has been in the past. Such a change would lead to major savings (likely in the billions).

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## ADDITIONAL READING

- Daren Bakst et al., “Farms and Free Enterprise: A Blueprint for Agricultural Policy,” The Heritage Foundation, *Mandate for Leadership Report*, September 21, 2016.
- Daren Bakst, Josh Sewell, and Brian Wright, “Addressing Risk in Agriculture,” Heritage Foundation *Special Report* No. 189, September 8, 2016.

## CALCULATIONS

We do not yet include any estimated savings for FY 2018 because, absent an extensive analysis, many unknown factors remain that are necessary for providing a reasonable estimate. Among other factors, savings would be contingent on which coverage, if any, agricultural producers select as a result of this change.

# Eliminate the Market Access Program

## RECOMMENDATION

Eliminate the USDA's Market Access Program (MAP). This proposal saves \$185 million in FY 2018.

## RATIONALE

MAP subsidizes trade associations, businesses, and other private entities to help them market and promote their products overseas. Under MAP, taxpayers have recently helped to fund international wine tastings, organic hair products for cats and dogs, and a reality television show in India. It is not government's role to advance the marketing interests of certain industries or businesses. Taxpayers should not be forced to subsidize the marketing that private businesses should do on their own.

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## ADDITIONAL READING

- Daren Bakst, "Addressing Waste, Abuse, and Extremism in USDA Programs," Heritage Foundation *Backgrounder* No. 2916, May 30, 2014.
- Daren Bakst, "Animated Squirrels, Prunes, and Doggie Hair Gel: Your Tax Dollars at Work," The Daily Signal, July 25, 2013.
- Senator Tom Coburn, "Treasure Map: The Market Access Program's Bounty of Waste, Loot and Spoils Plundered from Taxpayers," June 2012.

## CALCULATIONS

Savings are expressed as budget authority as projected for FY 2018 in Congressional Budget Office, "CBO's March 2016 Baseline for Farm Programs," March 24, 2016, <https://www.cbo.gov/sites/default/files/recurringdata/51317-2016-03-usda.pdf> (accessed February 6, 2017). (The CBO's more recent August 2016 baseline projections did not include estimates for MAP). All \$185 million in savings represent mandatory spending.

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## ENDNOTES

1. U.S. Government Accountability Office, "Seafood Safety: Responsibility for Inspecting Catfish Should Not Be Assigned to USDA," GAO-12-411, May 2012, <http://www.gao.gov/products/GAO-12-411> (accessed February 2, 2017).
2. U.S. Government Accountability Office, "High Risk Series: An Update," GAO-13-283, February 2013, pp. 198-199.
3. U.S. Government Accountability Office, "School Nutrition: USDA Had Efforts Underway to Help Address Ongoing Challenges Implementing Changes in Nutrition Standards," GAO-15-656, September 14, 2015, <http://gao.gov/products/GAO-15-656> (accessed February 2, 2017).
4. Erik Wasso, "Michelle's Meals Turn Off the Kids," *The Hill*, May 21, 2014, <http://thehill.com/policy/finance/206734-michelles-meals-turn-off-the-kids> (accessed February 6, 2017).
5. *Horne v. Department of Agriculture*, 135 S. Ct. 2419 (2015), [http://www.supremecourt.gov/opinions/14pdf/14-275\\_cOn2.pdf](http://www.supremecourt.gov/opinions/14pdf/14-275_cOn2.pdf) (accessed November 17, 2015).
6. These marketing orders cover fruits, vegetables, and specialty crops. See Agricultural Marketing Service, "Marketing Orders for Fruits, Vegetables, and Specialty Crops," U.S. Department of Agriculture, <http://www.ams.usda.gov/rules-regulations/moa/fv> (accessed November 17, 2015). There are also milk marketing orders, but they are different from fruit and vegetable marketing orders. See Agricultural Marketing Service, "Federal Milk Marketing Orders," U.S. Department of Agriculture, <http://www.ams.usda.gov/rules-regulations/moa/dairy> (accessed November 17, 2015).
7. Daren Bakst, "The Federal Government Should Stop Limiting the Sale of Certain Fruits and Vegetables," Heritage Foundation *Issue Brief* No. 4466, September 29, 2015, <http://www.heritage.org/research/reports/2015/09/the-federal-government-should-stop-limiting-the-sale-of-certain-fruits-and-vegetables>.
8. Agralytica, "Economic Effects of the Sugar Program Since the 2008 Farm Bill & Policy Implications for the 2013 Farm Bill," <http://sugarreform.org/wp-content/uploads/2013/06/AgralyticaEconomicEffectsPaperJune2013.pdf> (accessed August 4, 2016).
9. U.S. Department of Commerce, "Employment Changes in U.S. Food Manufacturing: The Impact of Sugar Prices," <http://trade.gov/media/Publications/pdf/sugar06.pdf> (accessed March 21, 2016).
10. Agralytica, "Economic Effects of the Sugar Program Since the 2008 Farm Bill & Policy Implications for the 2013 Farm Bill." See also John C. Beghin and Amani Elobeid, "The Impact of the U.S. Sugar Program Redux," Center for Agricultural and Rural Development at Iowa State University, May 2013, <http://www.card.iastate.edu/products/publications/synopsis/?p=1183> (accessed February 3, 2017).
11. Dennis A. Shields, "Federal Crop Insurance: Background," Congressional Research *Report to Congress*, August 13, 2015.
12. *Ibid.*, p. 10.
13. *Ibid.*



# Commerce, Justice, Science, and Related Agencies

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# Eliminate the Office of Community Oriented Policing Services

## RECOMMENDATION

Eliminate the Office of Community Oriented Policing Services (COPS). This proposal saves \$158 million in FY 2018.

## RATIONALE

Created in 1994, COPS promised to add 100,000 new state and local law enforcement officers to America's streets by 2000. COPS failed to add 100,000 additional officers, and failed at reducing crime.

State and local officials, not the federal government, are responsible for funding the staffing levels of police departments. By paying for the salaries of police officers, COPS funds the routine, day-to-day functions of police and fire departments. In *Federalist* No. 45, James Madison wrote:

The powers delegated by the proposed Constitution to the federal government are few and defined. Those which are to remain in the State governments are numerous and indefinite. The former will be exercised principally on external objects, as war, peace, negotiation, and foreign commerce; with which last the power of taxation will, for the

most part, be connected. The powers reserved to the several States will extend to all the objects which, in the ordinary course of affairs, concern the lives, liberties, and properties of the people, and the internal order, improvement, and prosperity of the State.

When Congress subsidizes local police departments in this manner, it effectively reassigns to the federal government the powers and responsibilities that fall squarely within the expertise, historical control, and constitutional authority of state and local governments. The responsibility to combat ordinary crime at the local level belongs almost wholly, if not exclusively, to state and local governments.

The COPS program has an extensive track record of poor performance and should be eliminated. COPS grants also unnecessarily fund functions that are the responsibility of state and local governments.

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## ADDITIONAL READING

- David B. Muhlhausen, "Byrne JAG and COPS Grant Funding Will Not Stimulate the Economy," Heritage Foundation *Testimony on Economy* before the Judiciary Committee, U.S. Senate, May 12, 2009.
- David B. Muhlhausen, "Impact Evaluation of COPS Grants in Large Cities," Heritage Foundation *Center for Data Analysis Report* No. 06-03, May 26, 2006.

## CALCULATIONS

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

# Eliminate Grants within the Office of Justice Programs

## RECOMMENDATION

Eliminate state and local grants administered by the Office of Justice Programs (OJP). This proposal saves \$2.119 billion in FY 2018.

## RATIONALE

The majority of the programs under the OJP umbrella deal with problems or functions that lie within the jurisdiction of state and local governments, and should therefore be handled by state and local officials. Grants from the OJP are given to state and local governments for many criminal justice purposes, including local police officer salaries, state corrections, court programs, and juvenile justice programs.

In order to address criminal activity appropriately, the federal government should limit itself to handling tasks that state and local governments cannot perform by themselves and that the Constitution commits to the federal government. The tendency to search for a solution at the national level is misguided and problematic. For example, juvenile delinquents and criminal gangs are a problem common to all states, but the crimes that they commit are almost entirely and inherently local in nature,

and are therefore regulated by state criminal law, state law enforcement, and state courts. The fact that thefts by juveniles occur in all states does not mean that these thefts are a problem requiring action by the federal government.

State and local officials, not the federal government, are responsible for funding the state and local criminal justice programs. The OJP subsidizes the routine, day-to-day functions of state and local criminal justice programs. When Congress subsidizes routine state and local criminal justice programs in this manner, it effectively reassigns to the federal government the powers and responsibilities that fall squarely within the expertise, historical control, and constitutional authority of state and local governments. The responsibility to combat ordinary crime at the local level belongs almost wholly, if not exclusively, to state and local governments.

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## ADDITIONAL READING

- David B. Muhlhausen, “Byrne JAG and COPS Grant Funding Will Not Stimulate the Economy,” statement before the Judiciary Committee, U.S. Senate, May 12, 2009.
- David B. Muhlhausen, “Drug and Veterans Treatment Courts: Budget Restraint and More Evaluations of Effectiveness Needed,” testimony before the Subcommittee on Crime and Terrorism, Committee on the Judiciary, U.S. Senate, July 19, 2011.
- David B. Muhlhausen, “Get Out of Jail Free: Taxpayer-Funded Grants Place Criminals on the Street Without Posting Bail,” Heritage Foundation *WebMemo* No. 3361, September 12, 2011.
- David B. Muhlhausen, “The Second Chance Act: Budget Restraint and More Evaluations of Effectiveness Needed,” testimony before the Subcommittee on Crime, Terrorism, and Homeland Security, Committee on the Judiciary, U.S. House of Representatives, September 29, 2010.
- David B. Muhlhausen, “Where the Justice Department Can Find \$2.6 Billion for its Anti-Terrorism Efforts,” Heritage Foundation *Background* No. 1486, October 5, 2001.
- David B. Muhlhausen, “The Youth PROMISE Act: Outside the Scope and Expertise of the Federal Government,” testimony before the Subcommittee on Crime, Terrorism, and Homeland Security, Committee on the Judiciary, U.S. House of Representatives, July 15, 2009.

## CALCULATIONS

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

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# Eliminate Violence Against Women Act Grants

## RECOMMENDATION

Eliminate Violence Against Women Act (VAWA) grants. This proposal saves \$83 million in FY 2018.

## RATIONALE

VAWA grants should be terminated because these services should be funded and implemented locally. Using federal agencies to fund the routine operations of domestic violence programs that state and local governments could provide is a misuse of federal resources and a distraction from concerns that *are* the province of the federal government. Moreover, funneling state resources back to the states through the federal government reduces the overall resources as some funds go toward unnecessary federal administration.

The principal reasons for the existence of the VAWA programs are to mitigate, reduce, or prevent

the effects and occurrence of domestic violence. Despite being created in 1994, grant programs under the VAWA have not undergone nationally representative, scientifically rigorous experimental evaluations of effectiveness.

The Government Accountability Office concluded that previous evaluations of the VAWA programs “demonstrated a variety of methodological limitations, raising concerns as to whether the evaluations will produce definitive results.” Further, the evaluations were not representative of the types of programs funded nationally by the VAWA.

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## ADDITIONAL READING

- Paul J. Larkin Jr., “Send in the Lawyers: The House Passes the Senate’s Violence Against Women Act,” *The Daily Signal*, March 1, 2013.
- David B. Muhlhausen, “Violence Against Women Act Gives Grant Money to Misleading Organizations,” *The Daily Signal*, February 13, 2013.
- David B. Muhlhausen and Christina Villegas, “Violence Against Women Act: Reauthorization Fundamentally Flawed,” *Heritage Foundation Backgrounder* No. 2673, March 29, 2012.
- U.S. Government Accountability Office, “Justice Impact Evaluations: One Byrne Evaluation was Rigorous; All Reviewed Violence Against Women Office Evaluations Were Problematic,” March 2002.

## CALCULATIONS

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

# Eliminate the Legal Services Corporation

## RECOMMENDATION

Eliminate the Legal Services Corporation (LSC). This proposal saves \$484 million in FY 2018.

## RATIONALE

The LSC was created by the Legal Services Act of 1974 as a means to provide civil legal assistance to indigent clients. It does so by distributing federal grant funds in one-year to three-year award increments to service areas throughout the United States and its territories. The annual appropriations legislation specifies the types of activities for which the funds may be used, and also restricts certain uses, such as for political activities, advocacy, demonstrations, strikes, class-action lawsuits, and cases involving abortion, partisan redistricting, and welfare reform.

LSC grants do help provide high-quality civil legal assistance to some low-income Americans. Nevertheless, the Congressional Budget Office has

repeatedly recommended that the LSC be defunded as a means of decreasing the deficit, citing that many programs receiving LSC grants already receive resources from state and local governments and private entities.

LSC also should be abolished because state and local governments, supplemented by donations from other outside sources, already provide funding for indigent legal defense and are better equipped to address the needs of those in their communities who rely on these free services. By giving local entities sole responsibility for these activities, funds can be targeted in the most efficient manner, and the burden can be removed from the federal deficit.

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## ADDITIONAL READING

- Kenneth F. Boehm and Peter T. Flaherty, “Why the Legal Services Corporation Must Be Abolished,” Heritage Foundation *Backgrounder* No. 1057, October 19, 1995.
- Congressional Budget Office, “Budget Options Volume 2,” August 6, 2009.
- National Legal and Policy Center Staff, “What the Legal Services Corporation Doesn’t Want Congress to Know,” National Legal and Policy Center, March 22, 2012.

## CALCULATIONS

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

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# Reduce Funding for the Department of Justice's Civil Rights Division

## RECOMMENDATION

Reduce funding for the Department of Justice's Civil Rights Division by 33 percent. This saves \$49 million in FY 2018.

## RATIONALE

A recent report by the Justice Department Inspector General described the Civil Rights Division as a dysfunctional division torn by “polarization and mistrust.”<sup>1</sup> It is a division that has fought election integrity and filed abusive lawsuits intended to enforce progressive social ideology in areas ranging from public hiring to public education.<sup>2</sup> At a time when there is less discrimination than we

have ever had in our society, the division is at its largest, far larger than it was in the 1960s when it was fighting crucial civil rights battles. It has far more employees than are needed to vigorously enforce civil rights and voting rights laws and its budget can be significantly cut while maintaining its efficiency and ability to protect the public from discrimination.

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## ADDITIONAL READING

- J. Christian Adams, *Injustice: Exposing the Racial Agenda of the Obama Justice Department* (Washington, DC: Regnery Publishing, 2011).
- U.S. Department of Justice Office of the Inspector General, “Review of the Operations of the Voting Section of the Civil Rights Division,” March 2013.
- John Fund and Hans von Spakovsky, *Obama's Enforcer: Eric Holder's Justice Department* (New York: HarperCollins/Broadside, 2014).

## CALCULATIONS

Savings are expressed as budget authority based on the FY 2016 enacted spending level of \$148.2 million as found in the Department of Justice's FY 2017 Congressional Budget Submission, “General Legal Activities: Civil Rights Division,” <https://www.justice.gov/jmd/file/822036/download> (accessed February 3, 2017). This estimate assumes that the FY 2016 enacted spending level holds constant in FY 2017 and decreases at the same rate as discretionary spending (-0.32 percent) in FY 2018 as projected in the CBO's most recent August 2016 baseline spending projections. Savings equal 33 percent of the estimated FY 2018 spending level.

# Reduce Funding for the Department of Justice’s Environmental and Natural Resources Division

## RECOMMENDATION

Reduce funding for the Department of Justice’s Environmental & Natural Resources (ENR) Division by 33 percent. This saves \$36 million in FY 2018.

## RATIONALE

The ENR Division of the Justice Department has suffered an embarrassing string of defeats in the courts because it has taken radical positions on environmental issues far outside the legal mainstream.<sup>3</sup> One federal court of appeals accused ENR Division lawyers of making legal arguments in court that were “so thin as to border on the frivolous.”<sup>4</sup> It has also colluded in “sue and settle”

lawsuits with extremist environmental groups that take environmental lawmaking out of the hands of Congress and put it in the hands of agencies, private interests, and federal judges.<sup>5</sup> The division’s budget should be significantly reduced so that it will concentrate on its core functions of defending the environmental laws of the United States in a reasonable and commonsense manner.

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## ADDITIONAL READING

- J. Christian Adams, *Injustice: Exposing the Racial Agenda of the Obama Justice Department* (Washington, DC: Regnery Publishing, 2011).
- U.S. Department of Justice Office of the Inspector General, “Review of the Operations of the Voting Section of the Civil Rights Division,” March 2013.
- John Fund and Hans von Spakovsky, *Obama’s Enforcer: Eric Holder’s Justice Department* (New York: HarperCollins/Broadside, 2014).

## CALCULATIONS

Savings are expressed as budget authority based on the FY 2016 enacted spending level of \$110.5 million as found in the Department of Justice’s FY 2017 Congressional Budget Submission, “General Legal Activities: Environmental and Natural Resources Division,” <https://www.justice.gov/jmd/file/822016/download> (accessed February 3, 2017). This estimate assumes that the FY 2016 enacted spending level holds constant in FY 2017 and decreases at the same rate as discretionary spending (–0.32 percent) in FY 2018 as projected in the CBO’s most recent August 2016 baseline spending projections. Savings equal 33 percent of the estimated FY 2018 spending level.

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# Eliminate the Department of Justice's Community Relations Services

## RECOMMENDATION

Eliminate the Department of Justice's Community Relations Service (CRS). This saves \$14 million in FY 2018.

## RATIONALE

The CRS budget should be entirely eliminated. Rather than fulfilling its mandate of trying to be the peacemaker in community conflicts, the CRS has raised tensions in local communities in recent incidents. In the Zimmerman case in Florida, the CRS helped organize and manage rallies and protests

against George Zimmerman.<sup>6</sup> Other employees inside the CRS have cited a culture of incompetence, political decision making, and gross mismanagement, leading the employees to send a complaint letter to the Attorney General.<sup>7</sup>

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## ADDITIONAL READING

- J. Christian Adams, *Injustice: Exposing the Racial Agenda of the Obama Justice Department* (Washington, DC: Regnery Publishing, 2011).
- U.S. Department of Justice Office of the Inspector General, "Review of the Operations of the Voting Section of the Civil Rights Division," March 2013.
- John Fund and Hans von Spakovsky, *Obama's Enforcer: Eric Holder's Justice Department* (New York: HarperCollins/Broadside, 2014).

## CALCULATIONS

Savings are expressed as budget authority as enacted for FY 2016 on p. 58 of the "Consolidated Appropriations Act, 2016 (H.R. 2029). This estimate 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. Savings equal the estimated \$14 million FY 2018 spending level.



# Reduce Funding for the Department of Justice's Bureau of Alcohol, Tobacco, Firearms and Explosives

## RECOMMENDATION

Reduce funding for the Department of Justice's Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) by 20 percent. This saves \$263 million in FY 2018.

## RATIONALE

The ATF's budget should be reduced to eliminate resources that could be used for reckless operations similar to Operation Fast & Furious. The ATF may be the most scandal-ridden agency in the federal government. The agency has, according to Representative James Sensenbrenner (R-WI), been "branded" with decades of "high profile failures."<sup>8</sup>

Representative Sensenbrenner even introduced a bill to eliminate the ATF because it is a "largely duplicative" agency that "lacks a clear mission."<sup>9</sup> Sensenbrenner believes that enforcement work should be transferred to the FBI and the Drug Enforcement Agency.

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## ADDITIONAL READING

- J. Christian Adams, *Injustice: Exposing the Racial Agenda of the Obama Justice Department* (Washington, DC: Regnery Publishing, 2011).
- U.S. Department of Justice Office of the Inspector General, "Review of the Operations of the Voting Section of the Civil Rights Division," March 2013.
- John Fund and Hans von Spakovsky, *Obama's Enforcer: Eric Holder's Justice Department* (New York: HarperCollins/Broadside, 2014).

## CALCULATIONS

Savings are expressed as budget authority as projected for FY 2018 in the CBO's most recent August 2016 baseline spending projections. Savings of \$263 million equal 20 percent of the projected \$1.316 billion in ATF spending for FY 2018.

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# Eliminate the Hollings Manufacturing Extension Partnership

## RECOMMENDATION

Eliminate the Hollings Manufacturing Extension Partnership. This proposal saves \$130 million in FY 2018.

## RATIONALE

The Hollings Manufacturing Extension Partnership is a federally funded management consulting operation directed at manufacturers. It is managed by the National Institute of Standards and Technology (NIST). The Hollings Manufacturing Extension Partnership provides subsidies to consultants, manufacturers, and business advisers with the goal

of bettering the business practices of small and medium-size businesses. The government should not be playing a role in the development of business. Federal involvement distorts market outcomes and picks winners and losers among businesses—which is corporate welfare, pure and simple, and should end.

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## CALCULATIONS

Savings are expressed as budget authority as enacted for FY 2016 on p. 50 of the 'Consolidated Appropriations Act, 2016 (H.R. 2029). This estimate assumes that FY 2016 appropriations of \$130 million 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 the International Trade Administration

## RECOMMENDATION

Eliminating the International Trade Administration (ITA) saves \$512 million in FY 2018.

## RATIONALE

The ITA serves as a sales department for certain businesses, and promotes investment in the U.S., offering taxpayer-funded subsidies for businesses that promote their products overseas. Promoting U.S. exports is also a task carried out by the Department of Agriculture and the State Department, causing large areas of government overlap. The ITA's protectionist policies, including antidumping and countervailing duty laws, interfere with free

trade and drive up costs for both consumers and businesses. One ITA program is the International Buyer Program (IBP) through which the ITA sets up a space "where foreign buyers can obtain assistance in identifying potential business partners, and meet with U.S. companies to negotiate and close deals." Private companies should facilitate their own business meetings or do so through voluntary trade associations—not on the taxpayers' dime.

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## ADDITIONAL READING

- Michael Sargent, Romina Boccia, Emily J. Goff, David B. Muhlhausen, and Hans A. von Spakovsky, "Cutting the Commerce, Justice, and Science Spending Bill by \$2.6 Billion: A Starting Point," Heritage Foundation *Issue Brief* No. 4220, May 12, 2014.

## CALCULATIONS

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

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# Eliminate the Economic Development Administration

## RECOMMENDATION

Eliminate the Economic Development Administration (EDA). This proposal saves \$262 million in FY 2018.

## RATIONALE

The EDA provides taxpayer money and technical assistance to economically distressed areas in the form of “grants” and “investments” for local projects, including the private sector. The EDA uses taxpayer dollars to target local political pet projects with a very narrow benefit—in many cases just one particular company or small segment of the

population. The EDA is just one of about 180 federal economic development programs, including the Small Business Administration’s disaster assistance loans, the Agriculture Department’s rural development programs, and others that Congress should eliminate.

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## ADDITIONAL READING

- U.S. Government Accountability Office, “Economic Development Administration: Documentation of Award Selection Decisions Could Be Improved,” GAO-14-131, February 6, 2014.

## CALCULATIONS

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

# Eliminate the Minority Business Development Agency

## RECOMMENDATION

Eliminate the Minority Business Development Agency. This proposal saves \$33 million in FY 2018.

## RATIONALE

The Minority Business Development Agency hands out grants and runs federally funded management consulting operations, called business centers, in over 40 locations. Part of the Department of Commerce, the Minority Business Development Agency reported that its business centers assisted eligible businesses with 1,108 financings and contracts worth over \$3.9 billion in FY 2011.<sup>10</sup> The agency helps businesses identify and respond to federal

procurement opportunities. By targeting certain racial and ethnic groups for special government assistance, the agency is one key component of the federal government's affirmative action approach. The federal government should not provide special assistance to businesses to procure federal contracts; neither should the federal government target such assistance based on racial or ethnic considerations.

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## CALCULATIONS

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

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# Eliminate Census Bureau Funding for the Annual Supplemental Poverty Measure Report

## RECOMMENDATION

Eliminate U.S. Census Bureau funding for the annual supplemental poverty measure (SPM) report. This proposal saves an unknown amount in FY 2018.<sup>11</sup>

## RATIONALE

The SPM is a relative poverty measure; rather than determining whether a household is poor based on its income, as the official U.S. poverty measure does, the SPM determines a household's poverty status by

comparing its income to the income of other households. The SPM undergirds a "spread-the-wealth" agenda, and it should be eliminated.<sup>12</sup>

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## ADDITIONAL READING

- Robert Rector and Rachel Sheffield, "Obama's New Poverty Measure 'Spreads the Wealth,'" *Heritage Foundation Commentary*, November 9, 2011.

## ENDNOTES

1. U.S. Department of Justice Office of the Inspector General, "A Review of the Operations of the Voting Section of the Civil Rights Division," March 2013, <https://oig.justice.gov/reports/2013/s1303.pdf> (accessed January 13, 2016).
2. John Fund and Hans von Spakovsky, *Obama's Enforcer: Eric Holder's Justice Department* (New York: HarperCollins/Broadside, 2014).
3. Kimberly A. Strassel, "Greens Gone Wild," *The Wall Street Journal*, April 9, 2013.
4. *Evans v. U.S.*, 694 F.3d 1377, 1381 (Fed. Cir. 2012).
5. Andrew M. Grossman, "Regulation Through Sham Litigation: The Sue and Settle Phenomenon," Heritage Foundation *Legal Memorandum* No. 110, February 25, 2014, <http://www.heritage.org/research/reports/2014/02/regulation-through-sham-litigation-the-sue-and-settle-phenomenon>.
6. Hans von Spakovsky, "Zimmerman Trial: The Holder Justice Department's Latest Abuse of Power," *The Daily Signal*, July 10, 2013, <http://dailysignal.com/2013/07/10/zimmerman-trial-the-holder-justice-departments-latest-abuse-of-power/>.
7. Hans von Spakovsky, "Corruption, Incompetence Scandal at DOJ's Ferguson Unit Widens," *PJ Media*, April 18, 2016.
8. News release, "Sensenbrenner Introduces the ATF Elimination Act," Congressman Jim Sensenbrenner, January 12, 2017, <http://sensenbrenner.house.gov/news/documentsingle.aspx?DocumentID=398088> (accessed February 2, 2017).
9. AWR Hawkins, "Lawmaker Proposes 'ATF Elimination Act,'" *Breitbart.com*, March 6, 2015. The bill is H.R. 1329, 114th Congress.
10. Government Accountability Office, "Federal Efforts to Assist Small Minority-Owned Businesses," GAO 12-873, September 2012, <http://www.gao.gov/assets/650/648985.pdf> (accessed January 18, 2017).
11. In FY 2016, the Census Bureau requested a total of \$66.2 million for the Current Population Survey, under which the SPM operates. See Jennifer D. Williams, "FY 2016 Appropriations for the Census Bureau and Bureau of Economic Analysis," Congressional Research Service, October 21, 2015, <https://www.fas.org/sgp/crs/misc/R44141.pdf> (accessed January 19, 2016).
12. Robert Rector and Rachel Sheffield, "Obama's New Poverty Measure 'Spreads the Wealth,'" Heritage Foundation *Commentary*, November 9, 2011, <http://www.heritage.org/research/commentary/2011/11/obamas-new-poverty-measure-spreads-the-wealth>.





Defense

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# Cut Non-Defense Spending from the Defense Department Budget

## RECOMMENDATION

Congress and various Administrations have used the Defense Department (DOD) to fund programs that are not related to military capabilities. This proposal saves \$514 million in FY 2018.

## RATIONALE

The Congressionally Directed Medical Research Programs (CDMRP) is one of the oldest and largest examples of non-defense funding inside the DOD budget. It was started by Congress in FY 1992 and \$11 billion has been appropriated by Congress since then. While some of this funding goes to medical research for issues that are relevant to the DOD, such as post-traumatic stress or orthotics, in FY 2016 alone Congress appropriated \$235 million to research non-defense medical issues including: breast, ovarian and prostate cancer; epilepsy; and autism. This funding for non-defense research should be eliminated.

Another set of non-defense programs that should be cut from defense spending are what the DOD Comptroller calls “civil military programs.” These include a DOD education program called STARBASE and the National Guard Youth Challenge Program. This category has grown from \$122 million in FY 2007 to \$196 million in FY 2016.<sup>1</sup> Eliminating civil military programs would save \$195 million in FY 2018.

Junior Reserve Officer Training Corps (JROTC) programs demonstrably help the young enrollees to mature and grow into responsible adults, but there is no evidence that the programs lead to individuals enlisting in the military at a rate higher than average. In FY 2016, the four services received \$304 million to fund JROTC programs (including \$87 million for the Navy, \$23 million for the Marines, \$175 million for the Army, and \$55 million for the Air Force).<sup>2</sup> The programs should be phased out, allowing current participants to finish, but no new ones to join. By phasing out the programs with a 25 percent reduction in year one, this proposal would save \$85 million in FY 2018.

The DOD Fresh Fruit and Vegetable Program is a partnership between the U.S. Department of Agriculture (USDA) and Defense Logistics Agency (DLA), which allows schools to use USDA entitlement dollars to buy fresh produce through the DLA. While the USDA budget provides the entitlement dollars, the DLA commits time, personnel, and resources toward the collection and delivery of approximately \$200 million in fresh produce annually. The budget documents are not clear if the DLA passes the costs of this program to the USDA, and thus no estimated savings are included for this proposal, but this is not a DOD mission and should not be part of the DOD’s budget.

Climate change and “green” energy were a high priority for the Obama Administration, but were not related to greater military strength. While an initial search of publicly available DOD contracting data shows that only \$5 million has been spent on climate-change-driven actions since 2009, this does not include the internal costs of time and attention resulting from prioritizing climate change over more pressing security concerns. However, the same data show that over \$100 million was spent over the same period on “green” or “alternative” energy projects across the DOD. Additionally, Congress has imposed a green energy mandate that requires 25 percent of electricity used by the DOD to come from renewable sources by 2025. Congress should repeal this mandate. No estimated savings are included for this proposal, as the level of savings is highly uncertain.

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## ADDITIONAL READING

- Rachel Zissimos and Katie Tubb, “The New Administration’s Policy Should Reflect that Biofuels Cannot Meet Military Needs,” Heritage Foundation *Issue Brief* No. 4643, January 4, 2017.
- Senator Tom A. Coburn, “Department of Everything,” November 2012.
- Brian Slattery and Michaela Dodge, “Biofuel Blunder: Navy Should Prioritize Fleet Modernization over Political Initiatives,” Heritage Foundation *Issue Brief* No. 4054, September 24, 2013.
- Jack Spencer, “Capability, Not Politics, Should Drive DOD Energy Research,” Heritage Foundation *WebMemo* No. 3299, June 22, 2011.

## CALCULATIONS

Savings represent budgetary authority levels and were estimated based on FY 2016 enacted spending levels. This estimate assumes that the FY 2016 enacted levels hold steady in FY 2017 and decrease slightly in FY 2018 (–0.32 percent) in accordance with discretionary spending growth, according to the CBO’s most recent August 2016 baseline spending projections. CDMRP spending levels by category can be found at Congressionally Directed Medical Research Programs, “About Us: Funding History,” <http://cdmrp.army.mil/about/fundinghistory> (accessed February 6, 2017). Civil Military Program spending can be found at Under Secretary of Defense (Comptroller), “Fiscal year 2017 President’s Budget: Civil Military Programs,” February 2016, p. CMP-22, [http://comptroller.defense.gov/Portals/45/Documents/defbudget/FY2017/budget\\_justification/pdfs/01\\_Operation\\_and\\_Maintenance/O\\_M\\_VOL\\_1\\_PART\\_1/CMP\\_OP-5.pdf](http://comptroller.defense.gov/Portals/45/Documents/defbudget/FY2017/budget_justification/pdfs/01_Operation_and_Maintenance/O_M_VOL_1_PART_1/CMP_OP-5.pdf) (accessed February 6, 2017). JROTC spending levels are found at Department of the Navy, “Fiscal Year 2017 Budget Estimates: Operation and Maintenance, Navy (OMN),” February 2016, p. 397, [http://www.secnav.navy.mil/fmc/fmb/Documents/17pres/OMN\\_Vol1\\_book.pdf](http://www.secnav.navy.mil/fmc/fmb/Documents/17pres/OMN_Vol1_book.pdf) (accessed February 6, 2017) for the Navy; Department of the Navy, “Fiscal Year 2017 Budget Estimates: Operation and Maintenance, Marine Corps,” February 2016, p. 117, [http://www.secnav.navy.mil/fmc/fmb/Documents/17pres/OMMC\\_Book.pdf](http://www.secnav.navy.mil/fmc/fmb/Documents/17pres/OMMC_Book.pdf) (accessed February 6, 2017) for the Marine Corps; Department of the Army, “Fiscal year 2017 Budget Estimates: Volume 1–Operation and Maintenance, Army,” February 2016, p. 456, <https://www.asafm.army.mil/Documents/OfficeDocuments/Budget/budgetmaterials/fy17/opmaint//oma-v1.pdf> (accessed February 6, 2017) for the Army; and Department of the Air Force, “Fiscal Year 2017 Budget Estimates: Operation and Maintenance, Air Force–Volume 1,” p. 536, <http://www.saffm.hq.af.mil/Portals/84/documents/FY17/AFD-160205-032.pdf?ver=2016-08-24-101954-513> (accessed February 6, 2017) for the Air Force. JROTC spending totals \$340 million across the four defense branches, and this spending level is reduced by 25 percent in FY 2018, generating savings of \$85 million.

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# Combine Military Exchanges and Commissaries and Reduce Commissary Subsidies

## RECOMMENDATION

The Defense Department should reduce commissary subsidies by 20 percent, and combine its exchange and commissary systems in order to provide goods more efficiently. This proposal saves \$286 million in FY 2018.

## RATIONALE

The DOD currently has an extensive and separate retail network to serve military members and their dependents. There are four different retail systems operated by the DOD. One of them, the commissaries, is a network of grocery stores, available to all branches of the military. In addition to commissaries, the military has three separate general-retail stores (exchanges), one for the Army and Air Force, one for the Navy, and another for the Marine Corps.

Commissaries and exchanges are managed differently. All three of the exchanges are self-sustaining, relying on the revenue from their sales rather than direct appropriations. Commissaries, which are run by the Defense Commissary Agency (DeCA), rely on an annual subsidy to pay for their civilian workforce. Unlike the exchanges, the commissaries do not mark up the prices enough to fully fund their operations. In FY 2016, the subsidy was \$1.435 billion.

The FY 2017 National Defense Authorization Act (NDAA) allows the Secretary of Defense to take steps toward common management of the exchanges and commissaries. Congress and the Secretary should continue this effort with the goal of providing service members affordable access to goods with few or no subsidies being provided by taxpayers. In those areas where sufficient private grocery and retail outlets operate, it is reasonable to expect that government commissaries and exchanges could be phased out completely. In order to prevent fiscal hardship for the most junior service members, a needs-based system could be employed to provide them with a pre-loaded credit card, which could be used for groceries to cushion them from the increased prices.

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## ADDITIONAL READING

- Mackenzie Eaglen and Julia Pollack, "How to Save Money, Reform Processes, and Increase Efficiency in the Defense Department," Heritage Foundation *Backgrounder* No. 2507, January 10, 2011.
- Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options," March 2011.

## CALCULATIONS

Savings are expressed as budget authority based on the FY 2016 enacted subsidy level of \$1.435 billion as found in Defense Commissary Agency, "Fiscal Year 2017 President's Budget," pp. 15 and 16, [http://comptroller.defense.gov/Portals/45/Documents/defbudget/FY2017/budget\\_justification/pdfs/06\\_Defense\\_Working\\_Capital\\_Fund/DeCA\\_FY2017\\_PB.pdf](http://comptroller.defense.gov/Portals/45/Documents/defbudget/FY2017/budget_justification/pdfs/06_Defense_Working_Capital_Fund/DeCA_FY2017_PB.pdf) (accessed February 6, 2017). This estimate assumes that the \$1.435 billion budget authority level holds steady in FY 2017, and decreases at the same rate as discretionary spending in FY 2018 (-0.32 percent) as projected in the CBO's most recent August 2016 baseline spending projections. The savings assume a 20 percent reduction of \$286 million from the estimated FY 2018 subsidy of \$1.43 billion.

# Close Domestic Dependent Elementary and Secondary Schools

## RECOMMENDATION

Close the Defense Department's Domestic Dependent Elementary and Secondary Schools (DDESS) on military bases in the continental United States. Based on a phased-in closing with a 25 percent reduction in total spending in year one, this proposal saves \$150 million in FY 2018.

## RATIONALE

The DOD currently operates over 170 schools around the world, including 62 schools in the United States. While overseas schools supporting military dependents make sense, the domestic schools are a legacy system from the years of segregation that should be re-examined. DDESS operates 62 domestic schools in seven states (Alabama, Georgia, Kentucky, New York, North Carolina, South Carolina, and Virginia), the Territory of Guam, and the Commonwealth of Puerto Rico. States with major military bases that do not have DDESS schools are Florida, Texas, and Colorado. The domestic schools cost the DOD over \$600 million in FY 2016 (versus

\$360 million in FY 2007) and have more staff per students than DOD overseas schools. The cost per student in DDESS schools is roughly double the national average.

There is no need for the military to be operating schools in these states, and the Pentagon should promptly take action to initiate the process to close the schools and transfer military dependents to local school systems. The necessary amount of Impact Aid would then be provided to the local school systems to cover the incremental cost to educate the students.

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## ADDITIONAL READING

- Fiscal Commission, "\$200 Billion in Illustrative Savings [for 2015]," November 12, 2010.
- Senator Tom A. Coburn, "Department of Everything," November 2012.

## CALCULATIONS

Savings are expressed as budget authority and are based on the FY 2016 enacted spending level of \$602 billion for DDESS, as found in Department of Defense, "Fiscal Year 2017 Budget Estimates Department of Defense Dependents Education (DoDDE)," p. DoDDE-327, [http://comptroller.defense.gov/Portals/45/Documents/defbudget/FY2017/budget\\_justification/pdfs/01\\_Operation\\_and\\_Maintenance/O\\_M\\_VOL\\_1\\_PART\\_1/DoDDE-OP-5.pdf](http://comptroller.defense.gov/Portals/45/Documents/defbudget/FY2017/budget_justification/pdfs/01_Operation_and_Maintenance/O_M_VOL_1_PART_1/DoDDE-OP-5.pdf) (accessed February 6, 2017). This estimate assumes that the FY 2016 level holds constant in FY 2017 and decreases at the same rate as discretionary spending (-0.32 percent) according to the CBO's most recent August 2016 baseline spending projections. The estimated savings assume a phased-in reduction in DDESS spending, amounting to a 25 percent cut in FY 2018.

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# Reform Military Health Care

## RECOMMENDATION

In the FY 2016 National Defense Authorization Act, Congress took a significant first step toward reforming military compensation. Congress must next reform the military's health care system by introducing a private-sector health insurance option for military family members. This proposal saves \$3.9 billion in FY 2018, but would require both authorization and appropriations changes.

## RATIONALE

Military health care costs represent a significant portion of the personnel budget, and have faced upward pressure. In FY 2016, the Defense Department spent \$32.9 billion on its Health Program and another \$6.6 billion on retiree health care accruals for Medicare-eligible service members.<sup>3</sup> The military must be able to care for the men and women in uniform, particularly when they are in combat, but much of the military health care system has evolved into providing care for military dependents. This system is both expensive and does not give military family members much choice or flexibility. Implementing a private-sector health insurance system would dramatically increase access and options for military family members while also reducing costs.

A variety of proposals exist to implement such a plan. A 2011 Heritage Foundation report proposed moving service members and their dependents to the system currently used by civilian federal employees, which would save \$1.4 billion in the first year and significantly more in future years.<sup>4</sup>

In January 2015, the congressionally chartered Military Compensation and Retirement Modernization Commission (MCRMC) issued its final report and included a recommendation to allow military dependents to choose from a selection of commercial health insurance plans. The MCRMC estimated that this would save \$3.9 billion in the first year and more in the future.

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## ADDITIONAL READING

- Baker Spring, "Saving the American Dream: Improving Health Care and Retirement for Military Service Members and Their Families," Heritage Foundation *Backgrounder* No. 2621, November 17, 2011.
- Military Compensation and Retirement Modernization Commission, *Report of the Military Compensation and Retirement Modernization Commission: Final Report*, January 2015, Appendix D, p. 262.

## CALCULATIONS

Savings are based on the implementation of the MCRMC's Recommendation 6 as outlined in its final report. The commission estimates that this proposal would save \$3.9 billion in the first year, and more than \$6 billion per year once fully implemented.

# Increase Use of Performance-Based Logistics

## RECOMMENDATION

The Department of Defense should increase the use of the performance-based-logistics (PBL) method in weapon-systems maintenance and sustainment. This proposal saves \$9 billion in FY 2018 but requires changes in both authorization and appropriations bills.

## RATIONALE

To operate a weapon system, the DOD must pay for the full life-cycle cost of the equipment, which includes the development and procurement of the system, as well as the far more costly maintenance and sustainment of the weapon system. The DOD spends about \$90 billion on maintenance and sustainment of weapon systems each year.<sup>5</sup>

PBL is a proven method used for sustainment work that enhances the military capability and availability of weapon systems at a lower cost. Rather than measuring stovepipe metrics, such as number of aircraft repaired or the quantity of repair parts acquired, the PBL approach uses metrics that measure whether the system is meeting the capability requirements for the warfighters. In other words,

the PBL method emphasizes the readiness of the platform as the desired outcome.

The benefits of PBL have been known in the Pentagon for a while, and are even listed as the preferred practice in DOD acquisition regulations. A DOD report has also verified that PBL practices, when implemented correctly, lead to both cost savings and improved system performance.<sup>6</sup> That being said, PBL is not appropriate for all systems and should be applied judiciously. Furthermore, existing barriers and cultural biases against PBL would make a universal application unfeasible. For those reasons, cost savings for the effort vary from \$9 billion a year to \$32 billion a year.<sup>7</sup>

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## ADDITIONAL READING

- Baker Spring, “Performance-Based Logistics: Making the Military More Efficient,” Heritage Foundation *Backgrounder* No. 2411, May 6, 2010.
- Mackenzie Eaglen and Julia Pollack, “How to Save Money, Reform Processes, and Increase Efficiency in the Defense Department,” Heritage Foundation *Backgrounder* No. 2507, January 10, 2011.

## CALCULATIONS

Savings are expressed as budget authority and were calculated based on a range of estimated savings from two reports: John Boyce and Allan Banghart, “Performance Based Logistics and Project Proof Point,” *Defense AT&L: Product Support Issue* (March–April 2012), [http://www.dau.mil/pubscats/ATL%20Docs/Mar\\_Apr\\_2012/Boyce\\_Banghart.pdf](http://www.dau.mil/pubscats/ATL%20Docs/Mar_Apr_2012/Boyce_Banghart.pdf) (accessed February 6, 2017), and Aerospace Industries Association, “Modernizing Defense Logistics,” June 25, 2009, [https://www.aia-aerospace.org/assets/paper\\_v1\\_0\\_6\\_25\\_09\\_rr.pdf](https://www.aia-aerospace.org/assets/paper_v1_0_6_25_09_rr.pdf) (accessed February 6, 2017). The estimates of cost savings range from a notably conservative, or low, level of \$9 billion per year to \$32 billion per year. Heritage conservatively assumes that the DOD would initially realize the lowest range of these savings, at \$9 billion per year in FY 2018, with that figure growing to \$32 billion per year over the 10-year period (growing at an annual rate of 15.1 percent).

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# Return Defense Agencies to 2011 Levels

## RECOMMENDATION

Return “Fourth Estate” defense agencies’ spending to 2011 levels. This proposal saves \$102 million in FY 2018.

## RATIONALE

The DOD Fourth Estate, which consists of entities that are not part of military departments of the combatant commands, has grown significantly over the past decade. While some of this growth may be legitimately mission-driven, some of the growth can likely be curtailed and produce modest savings.

The bulk of the military’s fighting capability and budget is located within the DOD’s three military departments (Army, Navy, and Air Force). Defense agencies and some joint capabilities are funded through “defense-wide” budget accounts. Defense-wide funding has increased from \$75 billion in FY 2007 to a peak of \$103 billion in FY 2012. After

sequestration, it fell to a low of \$94 billion before growing back to \$100 billion in FY 2016.

Unless there is a clear military necessity, Fourth Estate defense agencies should return to FY 2011 levels. Some defense agencies have reduced their spending levels since 2011, and they should be held constant. At least four defense-wide accounts should return to FY 2011 levels: Defense Contract Audit Agency, Defense Contract Management Agency, Defense Legal Services Agency, and Washington Headquarters Service. This would save \$103 million in FY 2018.

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## CALCULATIONS

Savings represent budget authority and were based on FY 2016 enacted spending levels. This estimate assumes that the FY 2016 level holds constant in FY 2017 and decreases at the same rate as discretionary spending (-0.32 percent) according to the CBO’s most recent August 2016 baseline spending projections. FY 2016 spending levels can be found in multiple budget documents all contained in the U.S. Defense Department, “FY 2017 Budget Justification,” [http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2017/FY2017\\_Budget\\_Request\\_Overview\\_Book.pdf](http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2017/FY2017_Budget_Request_Overview_Book.pdf) (accessed February 6, 2017). Heritage compared these FY 2018 projected levels to the FY 2011 enacted levels, increased for inflation to reflect real, 2018 dollars. The savings equal the difference between projected FY 2018 levels and the levels that would exist if spending were held constant in real terms at 2011 levels.



# Reduce Excess Base Infrastructure

## RECOMMENDATION

Reduce excess base infrastructure. Heritage does not include any estimated savings in FY 2018, but this proposal will produce up to \$2 billion in savings annually once implemented.

## RATIONALE

Since the end of the Cold War, the Department of Defense has tried to reduce its physical infrastructure (bases and facilities) to match current military needs. Today, the U.S. military needs to grow in size, but the infrastructure supporting the military should be thoroughly re-examined. According to recent DOD estimates, the military has approximately 22 percent excess capacity, ranging from 7 percent in the Navy to 33 percent in the Army.<sup>8</sup> As the military grows, it is unlikely to need the same types of facilities it needed in the 1980s. While some excess infrastructure may be worth keeping, as a hedge against future needs, the DOD cannot even thoroughly analyze the issue today due to congressional restrictions.

Congress routinely blocks DOD efforts to right-size their infrastructure. The last time the DOD was able to do this was during the 2005 Base Realignment and Closure (BRAC) process. Since 2012, the DOD has asked for BRAC authority every year, and every year Congress has rejected it. At the same time that Congress works to expand the military, Congress should allow the DOD to conduct a rigorous and transparent review of its current and future infrastructure needs, including closing bases and facilities as appropriate. While this process will come with an up-front cost, DOD estimates that once fully implemented it could save \$2 billion annually.

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## ADDITIONAL READING

- Michaela Dodge, "Beyond BRAC: Global Defense Infrastructure for the 21st Century," Heritage Foundation *Background* No. 2791, May 3, 2013.
- Joe Gould and Aaron Mehta, "Pentagon to Congress: We Need Base Closures," *Defense News*, April 15, 2016.
- William D. Hartung, "A New BRAC Round Would Boost Readiness, Save Billions," *The Hill*, May 21, 2014.

## CALCULATIONS

Although Heritage does not include any savings from this proposal for FY 2018, the Department of Defense estimates that once fully implemented, a BRAC would save \$2 billion annually. FY 2017 Defense Budget Overview, pp. 2–4, [http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2017/FY2017\\_Budget\\_Request\\_Overview\\_Book.pdf](http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2017/FY2017_Budget_Request_Overview_Book.pdf) (accessed February 6, 2017).

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# Reform the Basic Allowance for Housing

## RECOMMENDATION

Reform the Basic Allowance for Housing (BAH) to better match actual housing spending. This proposal saves \$116 million in FY 2018.

## RATIONALE

The DOD spent over \$5.8 billion in Basic Allowance for Housing (BAH).<sup>9</sup> This allowance is designed to help service members pay for housing. This is not military compensation. Housing allowances should be based on the amount of money that service members must pay to obtain adequate housing. Service members are not entitled to, nor should they have any expectation, that money above what they pay for housing can be retained as “extra compensation.” In the consideration of the FY 2017 NDAA, Congress attempted to return to validated housing costs, but ultimately retreated in the face of opposition from members of the House of Representatives and others. Opponents of the change claim that it is “taking money out of the pockets of service members.” This is a mischaracterization of the purpose of the BAH. It is solely designed to defray the costs

of housing. Yet, a U.S. Army Audit Agency report estimated that married service members receive \$200 million more in BAH than their actual housing costs.

In the FY 2017 NDAA, Congress considered returning the BAH to an allowance based on evidentiary proof (a lease or mortgage) of the amount of money that service members spend on housing. Additionally, Congress proposed an allowance for married service members based on what they actually spend, as opposed to a double allowance. These changes would reduce costs and are completely appropriate. Congress should phase in more accurate housing allowances beginning with the FY 2018 NDAA. This would save an estimated \$116 million in FY 2018.

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## ADDITIONAL READING

- Senate Armed Services Committee Report, “National Defense Authorization Act for Fiscal Year 2017,” p. 163, [http://www.dtic.mil/congressional\\_budget/pdfs/FY2017\\_pdfs/SASC/SASC\\_Report-CRPT-114srpt255.pdf](http://www.dtic.mil/congressional_budget/pdfs/FY2017_pdfs/SASC/SASC_Report-CRPT-114srpt255.pdf) (accessed February 2, 2017).

## CALCULATIONS

While the exact level of savings is uncertain (and more accurate allowances could change behaviors and affect actual housing costs), Heritage estimates that a phased-in approach would reduce BAH costs by 2 percent in FY 2018, rising to 8 percent in FY 2021. In FY 2016, the DOD spent \$5.826 billion on BAH. This estimate assumes that this level holds 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. Two percent of the estimated FY 2018 level of \$5.809 billion equals \$116 million.

# End Renewable Energy Mandates in the Department of Defense

## RECOMMENDATION

End renewable energy mandates in the Department of Defense. This proposal has uncertain savings and thus none are included for FY 2018.

## RATIONALE

Such mandates undermine the incentive for producers of renewable energy to develop competitively priced products, thereby *impeding* marketplace diversity. In particular, under Section 2911(e) of Title 10 of the United States Code, the Defense Department is obligated to produce or procure 25 percent of the energy consumed in DOD facilities from renewable sources by 2025. This mandate, which is forcing the Pentagon to expend ever more resources on renewable energy rather than on military capability, should be ended immediately.<sup>10</sup>

In regard to operational energy initiatives, all programs should be driven by their contribution to military capability or their cost-saving potential. Accordingly, Congress should remove grandfather clauses that circumvent requirements that all federal energy investments be “the most cost effective, expedient, and practical alternative method for

meeting the need.”<sup>11</sup> Under the Obama Administration, the Departments of Defense, Energy, and Agriculture used funds through the Defense Production Act and Commodity Credit Corporation to fund purchases of expensive, uncompetitive biofuels while hiding true costs from taxpayers. Congress has also unnecessarily constrained possible fueling options with a greenhouse gas emissions cap in the Energy Independence and Security Act of 2007 by forbidding alternative fuels with lifecycle greenhouse gas emissions that exceed those of conventional petroleum.

Fuel is as much an asset as it is a point of vulnerability for the military. In order to protect taxpayers from undue energy expense by the DOD, Congress should remove technology-specific and fuel-specific mandates from the military.

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## ADDITIONAL READING

- Brian Slattery and Michaela Dodge, “Biofuel Blunder: Navy Should Prioritize Fleet Modernization over Political Initiatives,” Heritage Foundation *Issue Brief* No. 4054, September 24, 2013.
- Jack Spencer, “Capability, Not Politics, Should Drive DOD Energy Research,” Heritage Foundation *WebMemo* No. 3299, June 22, 2011.

## CALCULATIONS

While this proposal will almost certainly improve efficiency and generate significant cost savings, Heritage does not have a reliable estimate of the costs of the Defense Department’s recent renewable energy mandates, and does not include any estimated savings here.

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## ENDNOTES

1. Department of Defense, "Fiscal Year 2017 President's Budget, Civil Military Programs," February 2016, [http://comptroller.defense.gov/Portals/45/Documents/defbudget/FY2017/budget\\_justification/pdfs/01\\_Operation\\_and\\_Maintenance/O\\_M\\_VOL\\_1\\_PART\\_1/CMP\\_OP-5.pdf](http://comptroller.defense.gov/Portals/45/Documents/defbudget/FY2017/budget_justification/pdfs/01_Operation_and_Maintenance/O_M_VOL_1_PART_1/CMP_OP-5.pdf) (accessed February 2, 2017).
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7. Baker Spring, "Performance-Based Logistics: Making the Military More Efficient," Heritage Foundation *Backgrounder* No. 2411, May 6, 2010, <http://www.heritage.org/research/reports/2010/05/performance-based-logistics-making-the-military-more-efficient>, and Boyce and Banghart, "Performance Based Logistics and Project Proof Point."
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# Energy and Water Development and Related Agencies

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# Focus the Department of Energy's National Nuclear Security Administration Spending on Weapons Programs

## RECOMMENDATION

Halt growth in Department of Energy (DOE) National Nuclear Security Administration (NNSA) programs that do not directly contribute to the country's nuclear weapons programs. This proposal saves \$466 million in FY 2018.

## RATIONALE

The DOE is responsible for the nuclear reactors and weapons that are operated by the Defense Department. Each year, the DOE is allotted roughly between \$16 billion and \$17 billion to fund defense-related activities. The recent negative review of U.S. nuclear forces drove the Obama Administration to increase spending in the coming years. While this increase for nuclear weapons programs is entirely necessary, an increase for non-weapons programs and support is not. Congress should cancel the Minority Serving Institution Partnership Program, with a savings of \$15 million in FY 2018, and return the following

programs to their FY 2014 budget levels (in nominal dollars):

- Secure Transportation Asset (Saves \$72 million.)
- Information Technology and Cyber Security (Saves \$12 million.)
- Warhead Dismantlement and Fissile Materials Transparency (now under "Nuclear Verification") (Saves \$1 million.)
- Nuclear Safeguards and Security Programs (Saves \$2 million.)
- Defense Environmental Clean-Up (Saves \$365 million.)<sup>1</sup>

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## ADDITIONAL READING

- Michaela Dodge and Baker Spring, "Bait and Switch on Nuclear Modernization Must Stop," Heritage Foundation *Backgrounder* No. 2755, January 4, 2013.

## CALCULATIONS

Savings are expressed as budget authority and were calculated based on estimated spending levels from the Department of Energy's "FY 2017 Statistical Table by Appropriation." Heritage assumes that the FY 2016 levels hold steady in FY 2017 and decrease at the same rate as discretionary spending (-0.32 percent) as projected in the CBO's most recent August 2016 baseline spending projections. Savings of \$466 million equals the combined total of placing a hard cap on FY 2014 funding levels for five budget components, plus cancelling the Minority Serving Institution Partnership Program.

# Return Funding for the DOE Office of Nuclear Physics to FY 2008 Levels

## RECOMMENDATION

Reduce funding for the DOE Office of Nuclear Physics to FY 2008 levels. This proposal saves \$128 million in FY 2018.

## RATIONALE

Under the Office of Science, the Office of Nuclear Physics supports theoretical and experimental research in the composition of and interactions within nuclear matter. The DOE and the National Science Foundation conduct nearly all basic nuclear physics research in the country: The DOE provides over 90 percent of the nuclear science research funding in the U.S., which is employed at

universities and federally sponsored research facilities (also called user facilities).<sup>2</sup> Funding for the Nuclear Physics program has become unaffordable in tight fiscal conditions. Program funding should be returned to the inflation-indexed FY 2008 amount of \$487 million in FY 2018 (actual FY 2008 spending was \$424 million)—a \$128 million reduction from its projected FY 2018 level of \$615 million.

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## ADDITIONAL READING

- Nicolas D. Loris, “Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus,” Heritage Foundation *Backgrounder* No. 2668, March 23, 2012.
- James Jay Carafano, Jack Spencer, Bridget Mudd, and Katie Tubb, “Science Policy: Priorities and Reforms for the 45th President,” Heritage Foundation *Backgrounder* No. 3128, June 13, 2016.

## CALCULATIONS

Savings are expressed as budget authority and were calculated by comparing current spending levels to estimated levels assuming that FY 2008 spending had increased for inflation only, based on the personal consumer expenditures (PCE) measure and as projected for FY 2017 and 2018 by the CBO. The FY 2016 enacted level of \$617.1 million can be found in U.S. Department of Energy, “FY 2017 Statistical Table by Appropriation,” p. 7, [https://energy.gov/sites/prod/files/2016/02/f29/FY2017BudgetStatisticalTablebyAppropriation\\_0.pdf](https://energy.gov/sites/prod/files/2016/02/f29/FY2017BudgetStatisticalTablebyAppropriation_0.pdf) (accessed February 7, 2017). Heritage assumes that the FY 2016 level holds steady in FY 2017 and decreases at the same rate as discretionary spending (–0.32 percent) according to the CBO’s most recent August 2016 baseline spending projections (a projected \$615.1 million appropriation level for 2018). The FY 2008 spending level of \$423.7 million equals \$486.6 million in 2018 dollars.

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# Return Advanced Scientific Computing Research to FY 2008 Levels

## RECOMMENDATION

Reduce DOE Advanced Scientific Computing Research spending to FY 2008 levels. This proposal saves \$216 million in FY 2018.

## RATIONALE

This program under the Office of Sciences conducts computer modeling, simulations, and testing to advance the DOE's mission through applied mathematics, computer science, and integrated network environments. These models can lay the foundation for scientific breakthroughs and are arguably some of the most important aspects of basic Energy

Department research—but this program has also been the beneficiary of a consistently expanding budget, and in order to live within today's fiscal constraints, funding should be returned to the inflation-indexed FY 2008 levels of \$403 million (actual 2008 spending was \$351 million).

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## ADDITIONAL READING

- Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2669, March 23, 2012.
- James Jay Carafano, Jack Spencer, Bridget Mudd, and Katie Tubb, "Science Policy: Priorities and Reforms for the 45th President," Heritage Foundation *Backgrounder* No. 3128, June 13, 2016.

## CALCULATIONS

Savings are expressed as budget authority and were calculated by comparing current spending levels to estimated levels assuming that FY 2008 spending had increased for inflation only, based on the PCE measure and as projected for FY 2017 and 2018 by the CBO. The FY 2016 enacted level of \$621 million can be found in U.S. Department of Energy, "FY 2017 Statistical Table by Appropriation," p. 7, [https://energy.gov/sites/prod/files/2016/02/f29/FY2017BudgetStatisticalTablebyAppropriation\\_0.pdf](https://energy.gov/sites/prod/files/2016/02/f29/FY2017BudgetStatisticalTablebyAppropriation_0.pdf) (accessed February 7, 2017). Heritage assumes that the FY 2016 level holds steady in FY 2017 and decreases at the same rate as discretionary spending (-0.32 percent) according to the CBO's most recent August 2016 baseline spending projections (a projected \$619 million appropriation level for 2018). The FY 2008 spending level of \$351.2 million equals \$403.4 million in 2018 dollars.



# Eliminate the DOE Advanced Research Projects Agency–Energy Program

## RECOMMENDATION

Eliminate the Advanced Research Projects Agency–Energy (ARPA-E) program. This proposal saves \$302 million in FY 2018.

## RATIONALE

ARPA-E is a federal program designed in 2007 to fund high-risk, high-reward projects on which the private sector would not embark on its own. ARPA-E also has the goal of reducing energy imports, increasing energy efficiency, and reducing energy-related emissions, including greenhouse gases.

ARPA-E does not always seem to follow its own clear goals: The federal government has awarded several ARPA-E grants to companies and projects that are neither high-risk nor something that private industry cannot support. These problems with ARPA-E were identified by the Government Accountability Office (GAO), the Department of Energy’s Inspector General (DOE IG), and the House Science, Space, and Technology Committee staff. Of the 44 small and medium-sized companies that received an ARPA-E award, the GAO found that 18 had previously received private-sector investment for a similar technology. The GAO found that 12 of those 18 companies planned to use ARPA-E funding to either advance or accelerate already funded work.<sup>3</sup>

Federal scientific research and development funding must be rationalized to cut waste and reign in federal spending to either meet specific government objectives or contribute to basic research where the private sector is not already working. In 2013, the DOE had the fourth-largest research-and-development (R&D) budget in the federal government.<sup>4</sup> Government projects that have become commercial successes—the Internet, computer chips, the global positioning system (GPS)—were not initially intended to meet a commercial demand but were developed for national security needs. Entrepreneurs saw an opportunity in these defense technologies and created the commercially viable products available today. The DOE should conduct research to meet government objectives that the private sector does not undertake. Further, policies should be put in place that remove bureaucratic obstacles and invite the private sector, using private funds, to access that research and commercialize it.

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## ADDITIONAL READING

- Nicolas D. Loris, “Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus,” Heritage Foundation *Backgrounder* No. 2668, March 23, 2012.
- Matthew Stepp, Sean Pool, Jack Spencer, and Nicolas D. Loris, “Turning the Page: Reimagining the National Labs in the 21st Century Innovation Economy,” The Information Technology & Innovation Foundation, June 19, 2013.
- James Jay Carafano, Jack Spencer, Bridget Mudd, and Katie Tubb, “Science Policy: Priorities and Reforms for the 45th President,” Heritage Foundation *Backgrounder* No. 3128, June 13, 2016.

## CALCULATIONS

Savings are expressed as budget authority according to the CBO’s most recent August 2016 baseline spending projections.

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# Drastically Cut or Eliminate the DOE Biological and Environmental Research Program and Shift Remaining Programs to Office of Science

## RECOMMENDATION

Drastically cut or eliminate the DOE Biological and Environmental Research (BER) program. This proposal saves \$592 million in FY 2018.

## RATIONALE

The Office of Science’s BER program funds research for a variety of energy-related subjects, including biology, radiochemistry, climate science, and subsurface biogeochemistry. At a basic research-and-development level, the funding for some of the research endeavors is valid. However, much of the research conducted does not support the mission of the DOE, including research on global warming. Furthermore, the BER program also supports activities that inappropriately move beyond basic research. For example, research is conducted on the “redesign of microbes and plants for sustainable biofuels production, improved carbon storage, and controlled biological transformation of materials such as nutrients and contaminants in the environment.”<sup>5</sup>

Many BER programs should be cut drastically and moved to the Office of Science, or eliminated entirely, because they are activities better suited to the private sector, duplicative of other research, or do not align with the Energy Department’s mission.

Cuts should be made to the:

- The Climate and Environmental Science program,
- The Biological Systems Facilities and Infrastructure program,
- The Bioenergy Research Centers program,
- The Genomic Science program, and
- Climate and Environmental Facilities and Infrastructure.

One BER program that should receive *increased* funding is the Low-Dose Radiation Research (LDRR) program, which was created to understand the radiobiological effects of low levels of radiation exposure. Such research is critical because the federal government is engaged in regulating low-dose levels it does not adequately understand yet, and the vast majority of the average Americans’ exposure to radiation is at very low, chronic doses, and government responsibilities like cleanup of the remaining nuclear weapons complex could be improved with more accurate knowledge of radiation risks. The Obama Administration gradually decreased funding for the LDRR program, ultimately requesting no funds in its final budget request and stating only that “activities are completed.”<sup>6</sup> LDRR program activities apparently were considered complete because the “EPA has indicated that they do not require additional research information that would cause them to overturn their current regulatory limits, which are based on the extremely conservative Linear No Threshold (LNT) theory,” according to DOE e-mails obtained by the House Committee on Science, Space, and Technology.<sup>7</sup> In fact, research on low-dose radiation is far from complete.

Congress should reconstitute the LDRR program to 2008 levels of funding over the next two years, beginning with 75 percent funding in FY 2018 and 100 percent in FY 2019.

## ADDITIONAL READING

- Nicolas D. Loris, “Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus,” Heritage Foundation *Backgrounder* No. 2668, March 23, 2012.
- James Jay Carafano, Jack Spencer, Bridget Mudd, and Katie Tubb, “Science Policy: Priorities and Reforms for the 45th President,” Heritage Foundation *Backgrounder* No. 3128, June 13, 2016.

## CALCULATIONS

Savings are expressed as budget authority and were calculated by using the FY 2016 requested spending level of \$609 million for BER as found in U.S. Department of Energy, “FY 2017 Congressional Budget Request: FY 2017 Statistical Table by Appropriation,” p. 7, [https://energy.gov/sites/prod/files/2016/02/f29/FY2017BudgetStatisticalTablebyAppropriation\\_0.pdf](https://energy.gov/sites/prod/files/2016/02/f29/FY2017BudgetStatisticalTablebyAppropriation_0.pdf) (accessed January 5, 2017). 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. This saves \$607 million in FY 2018. Additional funding for the LDRR would add \$15 million in FY 2018. The FY 2008 spending level was \$17.6 million as reported in U.S. Department of Energy, *FY 2009 Congressional Budget Request: Science*, Vol. 4, February 2008, p. 201, <https://energy.gov/sites/prod/files/FY09Volume4.pdf> (accessed February 4, 2017). In inflation-adjusted dollars, this amounts to \$20 million in FY 2018. Heritage proposes a 75 percent funding level in FY 2018. Combined, this proposal saves \$592 million in FY 2018.

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# Reduce Funding for the DOE Basic Energy Sciences Program

## RECOMMENDATION

Reduce funding for the DOE Basic Energy Sciences (BES) program. This proposal saves \$345 million in FY 2018.

## RATIONALE

The BES is a legitimate program that investigates “fundamental research to understand, predict, and ultimately control matter and energy at the electronic, atomic, and molecular levels in order to provide the foundations for new energy technologies and to support the DOE mission in energy, environment, and national security.”<sup>8</sup> The problem is that many of the BES subprograms stray from fundamental research into commercialization. The government should eliminate such aspects of these programs, since private companies are capable of fulfilling these roles, whether through their own laboratories or by funding university research. Government funding has simply become unaffordable. The proposed cuts would eliminate some subprograms and return others close to FY 2008 levels.

Federal scientific R&D funding must be rationalized to cut waste and rein in federal spending to either meet a specific government objective or contribute to basic research where the private sector is not already working. In 2013, the DOE had the fourth-largest R&D budget in the federal government.<sup>9</sup> Government projects that have become commercial successes—the Internet, computer chips, GPS—were not initially intended to meet a commercial demand but were developed for national security needs. Entrepreneurs saw an opportunity in these defense technologies and created the commercially viable products available today. The DOE should conduct research to meet government objectives that the private sector does not undertake. Further, policies should be put in place that remove bureaucratic obstacles and invite the private sector, using private funds, to access that research and commercialize it.

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## ADDITIONAL READING

- Nicolas D. Loris, “Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus,” Heritage Foundation *Background* No. 2668, March 23, 2012.
- James Jay Carafano, Jack Spencer, Bridget Mudd, and Katie Tubb, “Science Policy: Priorities and Reforms for the 45th President,” Heritage Foundation *Background* No. 3128, June 13, 2016.

## CALCULATIONS

Savings are based on the recommended \$287.6 million in FY 2013 spending cuts for Basic Energy Sciences as found in Nicolas D. Loris, “Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus,” Heritage Foundation *Background* No. 2668, March 23, 2012. These cuts would have brought FY 2013 spending to a level of \$1.402 billion. The FY 2016 enacted level of \$1.849 billion is found in U.S. Department of Energy, “FY 2017 Congressional Budget Request: FY 2017 Statistical Table by Appropriation,” p. 7. Heritage assumes that the FY 2016 enacted level holds steady in FY 2017 and decreases 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 (declining slightly to \$1.843 billion). The estimated savings of \$345 million for FY 2018 equal the difference between growing the recommended FY 2013 level (\$1.402 billion) by inflation according to the PCE, to an estimated FY 2018 level of \$1.498 billion, and the projected FY 2018 level of \$1.843 billion based on FY 2016 enacted spending.

# Eliminate DOE Energy Innovation Hubs

## RECOMMENDATION

Eliminate funding for DOE Energy Innovation Hubs. This proposal saves \$39 million in FY 2018.

## RATIONALE

The DOE has four Energy Innovation Hubs (multidisciplinary teams) to overcome obstacles in energy technologies: (1) the Fuels from Sunlight Hub, (2) the Batteries and Energy Storage Hub, (3) the Nuclear Energy Modeling and Simulation Hub, and (4) the Critical Materials Institute. Regardless of the merits of such endeavors, the problem with the Energy Innovation Hubs is that they focus on promoting specific energy sources and technology developments rather than basic research.

Federal scientific R&D funding must be rationalized to cut waste and rein in federal spending to either meet a specific government objective or contribute to basic research where the private sector

is not already working. In 2013, the DOE had the fourth-largest R&D budget in the federal government.<sup>10</sup> Government projects that have become commercial successes—the Internet, computer chips, GPS—were not initially intended to meet a commercial demand but were developed for national security needs. Entrepreneurs saw an opportunity in these defense technologies and created the commercially viable products available today. The DOE should conduct research to meet government objectives that the private sector does not undertake. Further, policies should be put in place that remove bureaucratic obstacles and invite the private sector, using private funds, to access that research and commercialize it.

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## ADDITIONAL READING

- Nicolas D. Loris, “Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus,” Heritage Foundation *Backgrounder* No. 2668, March 23, 2012.
- James Jay Carafano, Jack Spencer, Bridget Mudd, and Katie Tubb, “Science Policy: Priorities and Reforms for the 45th President,” Heritage Foundation *Backgrounder* No. 3128, June 13, 2016.

## CALCULATIONS

Savings are expressed as budget authority and were calculated by using the FY 2016 enacted spending levels of \$24.3 million for energy information hubs batteries and storage and \$15 million for the hubs’ fuels for sunlight as found in U.S. Department of Energy, *FY 2017 Congressional Budget Request*, Vol. 4, p. 53, <https://energy.gov/sites/prod/files/2016/02/f29/FY2017BudgetVolume%204.pdf> (accessed February 7, 2017). Heritage assumes that the FY 2016 enacted level holds steady in FY 2017 and decreases at the same rate as discretionary spending for 2018 (−0.32 percent), according to the CBO’s most recent August 2016 baseline spending projections.

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# Eliminate the DOE Office of Electricity Deliverability and Energy Reliability

## RECOMMENDATION

Eliminate the DOE Office of Electricity Deliverability and Energy Reliability (OE). This proposal saves \$214 million in FY 2018.

## RATIONALE

The Office of Electricity Deliverability and Energy Reliability pursues activities to modernize the nation's power grid to "ensure a resilient, reliable, and flexible electricity system."<sup>11</sup> Under the Obama Administration, much of the funding went to promoting electric vehicles and renewable energy. OE focuses on advanced grid technology R&D, transmission permitting and assistance for states and tribes, infrastructure security, and cybersecurity research and development.

While upgrading the nation's electricity grid has merit, it should be accomplished at the private,

local, state, and regional levels. OE's role is redundant with the Federal Energy Regulatory Commission (FERC), the North American Electric Reliability Corporation (NERC), regional independent system operators (ISOs), and the private sector. Rather than subsidizing advanced renewable energy resources or smart-grid technology, the federal government's role should be to reduce unnecessary regulatory burden on grid siting and upgrades. National security concerns, for example in cybersecurity or for a cooperative public-private role for grid protection, could very well fall under the Department of Homeland Security's purview.

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## ADDITIONAL READING

- Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Background* No. 2668, March 23, 2012.
- Jonathan Lesser, "America's Electricity Grid: Outdated or Underrated?" Heritage Foundation *Background* No. 2959, October 29, 2014.

## CALCULATIONS

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

# Eliminate the DOE Office of Energy Efficiency and Renewable Energy

## RECOMMENDATION

Eliminate the DOE Office of Energy Efficiency and Renewable Energy (EERE). This proposal saves \$2.149 billion in FY 2018.

## RATIONALE

EERE funds research and development “to create and sustain American leadership in the transition to a global clean energy economy” as the government defines clean-energy technologies.<sup>12</sup> Under the Obama Administration, funding went to projects such as “drop-in” biofuels, improving engine efficiency, vehicle weight reduction, home energy efficiency, and renewables. Promoting these technologies is not an investment in basic research, but outright commercialization. Congress should eliminate EERE.

All of this spending is for activities that the private sector should undertake if companies believe it is in their economic interest to do so. The reality is that the market opportunity for clean-energy investments already exists. Americans spent roughly \$456 billion on gasoline in 2014. Both the electricity and the transportation-fuels markets are multi-trillion-dollar markets. The global market for energy totals \$6 trillion. There is a robust, consistent, and growing demand for energy technology and services independent of any government efforts to subsidize it.

Federal scientific research and development funding must be rationalized to cut waste and rein in federal spending to either meet a specific government objective or contribute to basic research where the private sector is not already working. In 2013, the DOE had the fourth-largest R&D budget in the federal government.<sup>13</sup> Government projects that have become commercial successes—the Internet, computer chips, GPS—were not initially intended to meet a commercial demand but were developed for national security needs. Entrepreneurs saw an opportunity in these defense technologies and created the commercially viable products available today. The DOE should conduct research to meet government objectives that the private sector does not undertake. Further, policies should be put in place that remove bureaucratic obstacles and invite the private sector, using private funds, to access that research and commercialize it.

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## ADDITIONAL READING

- Nicolas D. Loris, “Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus,” Heritage Foundation *Backgrounder* No. 2668, March 23, 2012.
- James Jay Carafano, Jack Spencer, Bridget Mudd, and Katie Tubb, “Science Policy: Priorities and Reforms for the 45th President,” Heritage Foundation *Backgrounder* No. 3128, June 13, 2016.

## CALCULATIONS

Savings are expressed as budget authority according to the CBO’s most recent August 2016 baseline spending projections.

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# Eliminate the DOE Office of Fossil Energy

## RECOMMENDATION

Eliminate the DOE Office of Fossil Energy (FE). This proposal saves \$898 million in FY 2018.

## RATIONALE

Under the Obama Administration, most of the funding for fossil-energy research and development focuses on technologies that will reduce CO<sub>2</sub> emissions and are activities that the private sector should carry out. FE spends money on a clean-coal power initiative, fuels and power systems to reduce fossil power plant emissions, innovations for existing plants, integrated-gasification-combined-cycle (IGCC) research, advanced turbines, carbon sequestration, and natural gas technologies. Part of the DOE's strategic plan is to bring down the cost and increase the scalability of carbon and capture sequestration.

FE also authorizes imports and exports of natural gas. However, this is an outdated and unnecessary function that unnecessarily restricts energy markets. Until Congress acts, the Office of Fossil Energy should approval all natural gas trade.

Other funding has gone to managing the government-controlled stockpile of oil, the Strategic Petroleum Reserve (SPR). The SPR has been used more for politics than responding to oil supply shocks, and ignores the private sector's abilities to unload abundant inventories in such an event. Over

time, Congress should sell all the oil in the SPR and use the revenue exclusively for deficit reduction. It should decommission or sell storage facilities used for the SPR. Eliminating spending for fossil energy projects and selling off government reserves of stockpiled resources eliminates the need for an Office of Fossil Energy.

Federal scientific R&D funding must be rationalized to cut waste and rein in federal spending to either meet a specific government objective or contribute to basic research where the private sector is not already working. In 2013, the DOE had the fourth-largest R&D budget in the federal government.<sup>14</sup> By attempting to force government-developed technologies into the market, the government diminishes the role of the entrepreneur, and crowds out private-sector investment. This practice of the government picking winners and losers denies energy technologies the opportunity to compete in the marketplace, which is the only proven way to develop market-viable products. When the government attempts to drive technological commercialization, it circumvents this critical process. Thus, almost without exception, it fails in some way.

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## ADDITIONAL READING

- Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2668, March 23, 2012.

## CALCULATIONS

Savings are expressed as budget authority according to the CBO's most recent August 2016 baseline spending projections. Savings include spending on Fossil Energy Research and Development, Naval Petroleum & Oil Shale Reserves, and Strategic Petroleum Reserves.



# Eliminate the DOE Office of Nuclear Energy and Shift Remaining Activities to Offices of Science and Civilian Radioactive Waste Management

## RECOMMENDATION

Eliminate the DOE Office of Nuclear Energy and shift funding for some of its programs to the Office of Science and Civilian Radioactive Waste Material. This proposal saves \$350 million in FY 2018.

## RATIONALE

The Office of Nuclear Energy aims to advance nuclear power in the U.S. and address technical, cost, safety, security, and regulatory issues. Like spending with conventional fuels and renewables, it is not an appropriate function of the federal government to spend taxes on nuclear projects that should be conducted by the private sector. For example, the Office of Nuclear Energy includes tens of millions of dollars for small modular reactor (SMR) licensing and support programs. While SMRs have great potential, commercialization must be shouldered by the private sector. Government funding should be redirected to the Nuclear Regulatory Commission for SMR-licensing preparation.

Work that clearly falls under basic R&D should be moved to the Office of Science. For example, the President's Nuclear Energy Enabling Technologies (NEET) program is charged with investigating the crosscutting of technologies. Cuts to the NEET budget should include eliminating the unnecessary modeling and simulation hub, and tens of millions from the National Scientific User Facility, which supports work that should be funded by the Science budget, if at all. That still leaves approximately \$19 million for NEET projects.

Fuel-cycle R&D should also be decreased by \$103.8 million while reprogramming remaining spending to reconstitute the statutorily required Office of Civilian Radioactive Waste Management (OCRWM) and support the Nuclear Regulatory Commission's license review of Yucca Mountain. Before the Obama Administration eliminated OCRWM, the office was responsible for overseeing the DOE's activities for storage of nuclear waste from commercial nuclear power plants. In particular, OCRWM managed the permit application for a deep geologic repository at Yucca Mountain. Despite the Obama Administration's refusal to support the program, the 1982 Nuclear Waste Policy Act, as amended, legally mandates that the DOE carry out a licensing process for a repository at Yucca Mountain in Nevada. Regardless of the ultimate fate of Yucca Mountain, completing the review makes all of the information available for Congress, the President, the state of Nevada, industry, and others to make wise decisions about what to do next.

Congress should provide \$50 million each to the DOE and the Nuclear Regulatory Commission (NRC) for FY 2017 to start up the program, and re-evaluate concrete funding needs in FY 2018. No funds should be used for the DOE's consent-based siting initiative established under the Obama Administration without direction from Congress.

## ADDITIONAL READING

- Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2668, March 23, 2012.
- Katie Tubb and Jack Spencer, "Real Consent for Nuclear Waste Management Starts with a Free Market," Heritage Foundation *Backgrounder* No.3107, March 22, 2016.

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## CALCULATIONS

Savings are based on the recommended \$178 million in FY 2013 spending cuts for nuclear energy as found in Nicolas D. Loris, “Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus,” Heritage Foundation *Backgrounder* No. 2668, March 23, 2012. These cuts would have brought FY 2013 spending to a level of \$592 million, instead of the actual \$770 million. The estimated savings for FY 2018 equal the difference between growing the recommended \$592 million FY 2013 level by inflation according to the PCE (an estimated FY 2018 level of \$633 million) and the projected FY 2018 appropriation of \$983 million (a difference of \$350 million), calculated by holding steady the FY 2016 enacted level of \$986.2 million in FY 2017 and decreasing it slightly in FY 2018 by the projected decline (–0.32 percent) in discretionary spending, according to the CBO’s most recent August 2016 baseline spending projections. The FY 2016 enacted level of \$986.2 million is found in U.S. Department of Energy, “FY 2017 Congressional Budget Request: FY 2017 Statistical Table by Appropriation,” p. 1.

# Eliminate DOE Funding for Small Business Innovation Research and Small Business Technology Transfer Programs

## RECOMMENDATION

Eliminate Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs. This proposal saves \$197 million in FY 2018.

## RATIONALE

The DOE Office of Science includes SBIR and STTR programs with the original intent to “increase private sector commercialization of innovations derived from Federal R&D, thereby increasing competition, productivity, and economic growth.”<sup>15</sup>

The SBIR and STTR programs stress that the goal of the programs today is to place more emphasis on commercialization, “[a]ccepting greater risk in support of agency missions.” Using taxpayer dollars to offset higher risk is no way to promote economic development. It ensures that the public pays for the failures, as they have with failed government energy investments, while the private sector reaps the benefits of any successes. Congress should eliminate all SBIR and STTR funding in the DOE budget.

Federal scientific R&D funding must be rationalized to cut waste and rein in federal spending to either meet a specific government objective or contribute to basic research where the private sector is not already working. In 2013, the DOE had the fourth-largest R&D budget in the federal government.<sup>16</sup> Government projects that have become commercial successes—the Internet, computer chips, GPS—were not initially intended to meet a commercial demand but were developed for national security needs. Entrepreneurs saw an opportunity in these defense technologies and created the commercially viable products available today. The Department of Energy should conduct research to meet government objectives that the private sector does not undertake. Further, policies should be put in place that remove bureaucratic obstacles and invite the private sector, using private funds, to access that research and commercialize it.

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## ADDITIONAL READING

- Nicolas D. Loris, “Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus,” Heritage Foundation *Backgrounder* No. 2668, March 23, 2012.
- James Jay Carafano, Jack Spencer, Bridget Mudd, and Katie Tubb, “Science Policy: Priorities and Reforms for the 45th President,” Heritage Foundation *Backgrounder* No. 3128, June 13, 2016.

## CALCULATIONS

The Department of Energy received \$174 million in SBIR awards and \$24 million in STTR awards in 2015. SBIR and STTR award information is found in U.S. Department of Energy, *FY 2017 Congressional Budget Request*, Vol. 4, p. 369, <https://energy.gov/sites/prod/files/2016/02/f29/FY2017BudgetVolume%204.pdf> (accessed February 7, 2017). The budget request does not provide enacted levels for FY 2016, so Heritage assumes that the FY 2015 spending level remains unchanged through FY 2017 and then decreases at the same rate as discretionary spending (–0.32 percent) according to the CBO’s most recent August 2016 baseline spending projections.

# Liquidate the Strategic Petroleum Reserve and the Northeastern Home Heating and Gasoline Supply Reserves

## RECOMMENDATION

Liquidate the Strategic Petroleum Reserve (SPR) and the Northeastern Home Heating and Gasoline Supply Reserves, using the revenues solely for deficit reduction. This proposal saves \$27.789 billion in FY 2018.

## RATIONALE

The SPR has been used more for politics than responding to oil supply shocks, and ignores the private sector's abilities to unload abundant inventories in such an event. Private inventories and reserves are abundant, and open markets will respond more efficiently to supply shocks than federally controlled government stockpiles can. Congress should authorize the DOE to completely liquidate these reserves and sell or decommission the supporting infrastructure. So as not to disrupt oil markets, the DOE should sell the SPR oil by periodically auctioning an amount not exceeding 10 percent of the country's previous month's total crude production until the reserve is completely depleted. The DOE should then decommission the storage space or sell it to private companies. This would save \$27.573 billion in FY 2018.

The DOE should also liquidate or privatize the Northeast Home Heating Oil Reserve and the Gasoline Supply Reserves. These reserves were established by the Energy Policy and Conservation Act and are held by the DOE. They contain 1 million gallons of diesel and 1 million gallons of refined gasoline to protect against supply disruptions for homes and businesses in the northeast heated by oil, to be used at the President's discretion. Private companies respond to prices and market scenarios by building up inventories and unloading them much more efficiently than government-controlled stockpiles. This saves \$216 million in FY 2018.

## ADDITIONAL READING

- Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2668, March 23, 2012.
- Nicolas D. Loris, "Why Congress Should Pull the Plug on the Strategic Petroleum Reserve," Heritage Foundation *Backgrounder* No. 3046, August 20, 2015.

## CALCULATIONS

Savings from selling off the SPR are based on the most recently available data on the SPR's inventory, including 266.1 million of barrels (MMB) of West Texas Intermediary sweet crude oil and 429 MMB of Brent sour crude oil, for a total of 695.1 MMB. As of January 26, the market price for oil was \$53.76 for sweet and \$56.16 for sour. Heritage assumes that inventory and prices remain constant through the beginning of FY 2018 and that 10 percent of the previous month's inventory is sold each month, resulting in a sale of 499 MMB (191 sweet and 308 sour) in FY 2018. Although prices will certainly fluctuate, the direction of those changes is unknown, so Heritage assumes that the most recent selling prices hold constant throughout. This results in total sales of \$27.553 billion. Heritage subtracts \$200 million from this amount as the CBO projects the SPR will sell off \$200 million worth of oil in FY 2018. Thus, the one-time savings equal \$27.353 billion in FY 2018 (the SPR would have about 196 MMB remaining at the end of FY 2018—an amount equal to about \$10.8 billion with January 2017 oil prices) as well as \$220 million in discretionary spending savings. One-time savings in FY 2018 from selling the Northeast Reserves equal \$208 million. Both reserves hold 1 million barrels and the current price per gallon for home heating oil is \$2.63 (U.S. Energy Information Administration, "Petroleum & Other Liquids: Weekly Heating Oil and Propane Prices (October–March)," January 2, 2017, [https://www.eia.gov/dnav/pet/pet\\_pri\\_wfr\\_a\\_EPD2F\\_prs\\_dpgal\\_w.htm](https://www.eia.gov/dnav/pet/pet_pri_wfr_a_EPD2F_prs_dpgal_w.htm)), while the price for gasoline is \$2.32 (U.S. Energy Information Administration, "Petroleum & Other Liquids: Gasoline and Diesel Fuel Update," January 30, 2017, <http://www.eia.gov/petroleum/gasdiesel/>). Heritage assumes that these prices hold constant until the reserves are sold. This proposal also includes \$228 million in discretionary savings. Combined, selling off the SPR and Northeast Reserves saves \$27.789 billion in FY 2018, including \$27.561 billion in one-time savings and \$228 million in discretionary savings.

# Auction Off the Tennessee Valley Authority

## RECOMMENDATION

Auction off all Tennessee Valley Authority (TVA) assets. This proposal saves \$30.032 billion in FY 2018.

## RATIONALE

The TVA's original purpose of providing navigation infrastructure, flood control, power generation, reforestation, and economic development in a region encompassing nine states, especially in Tennessee, Alabama, Mississippi, and Kentucky, has long been accomplished. Its continuance as a government corporation is an outmoded means of providing rural areas with electricity that enables tremendous special privileges that interfere with market competition. The TVA has had no effective oversight from either the government or the private sector, which has resulted in costly decisions, environmental damage, excessive expenses, high

electricity rates, and growing liabilities for all U.S. taxpayers. Americans serviced by the TVA pay some of the highest electricity prices in the region. Despite three major debt-reduction efforts in recent history, the TVA has still not reduced its taxpayer-backed and ratepayer-backed debt.

The most effective way to restore efficiency to the TVA is to sell its assets via a competitive auction that honors existing contracts and continues service for existing customers. Any proceeds should be used solely to pay down the national debt.

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## ADDITIONAL READING

- Ken G. Glozer, "Time for the Sun to Set on the Tennessee Valley Authority," Heritage Foundation *Backgrounder* No. 2904, May 6, 2014.

## CALCULATIONS

It is hard to know the TVA's market value, but comparable assets in the Southeast suggest that the TVA's value is between \$30 billion and \$40 billion. For an assessment of the TVA's value, see Ken G. Glozer, "Time for the Sun to Set on the Tennessee Valley Authority," Heritage Foundation *Backgrounder* No. 2904, May 6, 2014, <http://www.heritage.org/research/reports/2014/05/time-for-the-sun-to-set-on-the-tennessee-valley-authority>. Heritage uses the lower end of this estimate, with a one-time savings of \$30 billion in FY 2018. Auctioning off the TVA would also generate \$32 million in mandatory savings in FY 2018 from contributions to the TVA fund, as estimated by the CBO in its most recent August 2016 baseline spending projections. Thus, total FY 2018 savings from auctioning the TVA equal \$30.032 billion.

# Auction Off the Four Remaining Power Marketing Administrations

## RECOMMENDATION

Auction off all assets of the four remaining Power Marketing Administrations (PMAs): (1) the Bonneville Power Administration, (2) the Western Area Power Administration, (3) the Southeastern Power Administration, and (4) the Southwestern Power Administration. This proposal saves \$34.031 billion in FY 2018.

## RATIONALE

Electricity production and distribution is primarily a private and local function. The federal government should not be in the business of managing and selling power. The PMAs were organized in the 1930s as part of the New Deal to maintain power generation, dams, reservoirs, and locks. The PMAs sell electricity in the South and West at subsidized prices. They do not pay taxes and enjoy low-interest loans subsidized by taxpayers. Originally intended to pay off federal irrigation and dam construction and to provide subsidized power to poor communities, the PMAs now supply such areas as

Los Angeles, Vail, and Las Vegas. Generating and distributing commercial electricity should not be a centralized, government-managed activity; neither should taxpayers be forced to subsidize the electricity bills of a select group of Americans.

Both the Reagan and Clinton Administrations proposed privatizing the PMAs. The Alaska Power Administration was successfully sold off to its customers. The remaining PMAs should similarly be sold under competitive bidding.

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## ADDITIONAL READING

- Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2668, March 23, 2012.
- Ken G. Glozer, "Time for the Sun to Set on the Tennessee Valley Authority," Heritage Foundation *Backgrounder* No. 2904, May 6, 2014.

## CALCULATIONS

It is difficult to estimate the market value of these administrations, but the CBO valued them between \$23 billion and \$31 billion in FY 1997. See Congressional Budget Office, "A CBO Study: Should the Federal Government Sell Electricity?" November 1997, p. 15, <https://www.cbo.gov/sites/default/files/105th-congress-1997-1998/reports/electric.pdf> (accessed February 7, 2017). In inflation-adjusted terms, the CBO's FY 1997 estimates translate into a range of \$33.3 billion to \$44.9 billion in estimated FY 2018 dollars. Heritage assumes the low-end of this estimate at \$33.323 billion in FY 2018. This \$33.323 billion represents a one-time savings. In addition, auctioning off these PMAs would generate savings from the annual operation and maintenance costs which are projected to total \$487 million in FY 2018, as well as \$221 million in mandatory savings from the funds contributed to these PMAs, as estimated by the CBO in its most recent August 2016 baseline spending projections. Thus, total savings equal \$34.031 billion in FY 2018, including \$33.323 billion in one-time savings, \$487 million in discretionary savings, and \$221 million in mandatory savings.

## ENDNOTES

1. Totals may not add due to rounding.
2. U.S. Department of Energy, *FY 2017 Budget Justification*, Vol. 4, February 2016, p. 239, <http://energy.gov/cfo/downloads/fy-2017-budget-justification> (accessed December 1, 2016).
3. Government Accountability Office, "Department of Energy: Advanced Research Projects Agency–Energy Could Benefit from Information on Applicants' Prior Funding," January 2012, <http://www.gao.gov/assets/590/587667.pdf> (accessed October 9, 2015), and U.S. Department of Energy, Office of Inspector General, Office of Audits and Inspections, "The Advanced Research Projects Agency–Energy," Audit Report, August 2011, <http://science.house.gov/sites/republicans.science.house.gov/files/documents/hearings/2011%2008%20DOE%20IG%20ARPA-E%20Audit.pdf> (accessed October 9, 2015).
4. James Jay Carafano, Jack Spencer, Bridget Mudd, and Katie Tubb, "Science Policy: Priorities and Reforms for the 45th President," Heritage Foundation *Backgrounder* No. 3128, June 13, 2016.
5. U.S. Department of Energy, *FY 2017 Congressional Budget Request: Science*, February 2016, p. 111, <http://energy.gov/cfo/downloads/fy-2017-budget-justification> (accessed December 1, 2016).
6. U.S. Department of Energy, *FY 2017 Congressional Budget Request*, Vol. 4, p. 122.
7. Committee on Science, Space, and Technology, "U.S. Department of Energy Misconduct Related to the Low Dose Radiation Research Program," *Majority Staff Report*, December 20, 2016, pp. 7 and 13, <https://science.house.gov/majority-staff-report-department-energy-misconduct> (accessed February 4, 2017).
8. Office of Science, "Basic Energy Sciences (BES)," U.S. Department of Energy, <http://science.energy.gov/bes/> (accessed December 1, 2016).
9. Carafano, Spencer, Mudd, and Tubb, "Science Policy: Priorities and Reforms for the 45th President."
10. Carafano, Spencer, Mudd, and Tubb, "Science Policy: Priorities and Reforms for the 45th President."
11. Office of Electricity Delivery and Energy Reliability, "Mission," <http://energy.gov/oe/mission> (accessed December 1, 2016).
12. Office of Energy Efficiency and Renewable Energy, "About the Office of Energy Efficiency and Renewable Energy," <http://energy.gov/eere/about-office-energy-efficiency-and-renewable-energy> (accessed December 1, 2016).
13. Carafano, Spencer, Mudd, and Tubb, "Science Policy: Priorities and Reforms for the 45th President."
14. Carafano, Spencer, Mudd, and Tubb, "Science Policy: Priorities and Reforms for the 45th President."
15. U.S. Department of Energy, "Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR)," <http://science.energy.gov/sbir/about/> (accessed October 9, 2015).
16. Carafano, Spencer, Mudd, and Tubb, "Science Policy: Priorities and Reforms for the 45th President."





# Financial Services and General Government

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# Eliminate the Small Business Administration's Disaster Loans Program

## RECOMMENDATION

Eliminate the Small Business Administration's (SBA's) Disaster Loans Program (DLP). This proposal saves \$198 million in FY 2018.

## RATIONALE

After federally declared disasters, SBA disaster loans offer taxpayer-funded direct loans to assist businesses, nonprofit organizations, homeowners, and renters in repairing damaged, and replacing destroyed, property. Unfortunately, the generous federal disaster relief offered by the DLP creates a "moral hazard" by discouraging individuals and businesses from purchasing insurance for natural catastrophes. Currently, SBA disaster loans are awarded regardless of whether the beneficiaries previously took steps to reduce their exposure to losses from natural disasters.

While SBA disaster loans are intended to help applicants return their property to the same condition as before the disaster, the unintended consequence of this requirement is that borrowers are forced to rebuild in disaster-prone locations. For example, instead of moving from a town located in a major flood zone, applicants are required to rebuild in the exact same location. Thus, applicants are still located in a high-risk area. In many cases, the loans fail to offer a long-term solution.

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## ADDITIONAL READING

- David B. Muhlhausen, "Business Disaster Reform Act of 2013: Review of Impact and Effectiveness," testimony before the Committee on Small Business and Entrepreneurship, U.S. Senate, March 14, 2013.

## CALCULATIONS

Savings are expressed as budget authority for FY 2018 according to the CBO's most recent August 2016 baseline spending projections. Actual savings could be significantly higher, as spending amounts vary significantly based on the number of declared disasters. For example, budget authority for the DLP totaled \$887 million in FY 2013.

# Reform the Securities and Exchange Commission

## RECOMMENDATION

Freeze the Securities and Exchange Commission (SEC) budget in real, inflation-adjusted terms. This proposal saves at least \$26 million in FY 2018.

## RATIONALE

The mission of the SEC is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation. These are important goals. However, over the past 10 years, the SEC's budget has increased by 92 percent—almost two times faster than government as a whole, and more than four times as fast as inflation. In FY 2016, the SEC received \$1.605 billion, an 8.9 percent increase over the FY 2015 spending level of \$1.479 billion. The SEC budget should be frozen at its real, FY 2015 level (an amount equal to \$1.574 billion in 2018 dollars). This would likely generate significantly more than the reported \$26 million in FY 2018 savings, but Heritage maintains a consistently conservative

method of estimating savings across proposals. (See calculations section below.)

There is no reason to believe that the previous flood of resources has improved the SEC's performance or effectiveness. In fact, the SEC has become sclerotic and moribund. It has too many layers of middle management, too many offices, and too many layers of review. It needs to be reformed and streamlined. It needs to focus on its core enforcement mission of preventing fraud and ensuring compliance with disclosure laws. What it does not need is more taxpayer money.

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## ADDITIONAL READING

- David Burton, "Lack of Resources Is Not the Reason for SEC Tardiness," *The Daily Signal*, December 10, 2013.

## CALCULATIONS

Savings are expressed as budget authority. Estimated appropriations for FY 2018 are based on the FY 2016 authorized level of \$1.605 billion found in the Consolidated Appropriations Act, 2016, Public Law 114-113, p. 220. Heritage assumes that the FY 2016 level holds constant in FY 2017 based on the continuing resolution passed by Congress in December 2016, and then decreases by 0.32 percent for FY 2018 in accordance with CBO's projection for overall discretionary spending in FY 2018 as reported in the CBO's most recent August 2016 baseline spending projections. This projected level of spending is compared to the FY 2015 enacted level, increased by inflation to FY 2018 dollars. This results in very small savings. However, if the SEC budget continues to rise at the rate it has in recent years, savings would be many times the level estimated here.

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# Eliminate the Community Development Financial Institutions Fund

## RECOMMENDATION

Eliminate the Community Development Financial Institutions (CDFI) Fund. This proposal saves \$243 million in FY 2018.

## RATIONALE

The CDFI Fund is administered by the U.S. Department of the Treasury, and it provides grants to CDFIs, Community Development Entities (CDEs), and other private financial institutions. The stated objective of the fund is to improve the ability of private financial firms to provide credit, capital, and various financial services to underserved communities.<sup>1</sup>

The fund supports these institutions primarily through four programs: (1) the CDFI Program,

(2) the Bank Enterprise Award Program, (3) the Native American CDFI Assistance Program, and (4) the New Markets Tax Credit Program.<sup>2</sup> From 2010 to 2015, more than \$15 billion in taxpayer dollars has been disbursed through these programs (combined). The CDFI Fund should be shut down because it amounts to corporate welfare. Furthermore, the grants hinder competition and distort private markets, ultimately leading to higher consumer prices and further justification for increased federal spending.

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## CALCULATIONS

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

# Eliminate the Export–Import Bank

## RECOMMENDATION

Revoke the charter of the Export–Import Bank (Ex–Im) and eliminate bank authorizations. This proposal saves about \$160 million in FY 2018.

## RATIONALE

Ex–Im provides subsidized financing to foreign firms and foreign governments for the purchase of American exports. The program primarily benefits very large corporations, and puts unsubsidized American firms at a competitive disadvantage and taxpayers at risk.

Those risks are ignored in reported budget figures, which assume that incoming fee collections will fully offset Ex–Im costs. This assumption fails to account for default risks. A better, fair-value accounting method that prevails in the private sector reveals an estimated 10-year cost of \$1.6 billion for Ex–Im, according to the Congressional Budget Office. In the CBO’s analysis of the Ex–Im program, then–CBO Director Douglas Elmendorf stated that “fair-value estimates provide a more comprehensive measure of the costs of federal credit programs, and CBO has provided fair-value estimates for many programs to help lawmakers more fully understand the trade-offs between certain policies.”<sup>3</sup>

The bank’s charter was reauthorized through 2019 as a rider to a bloated multibillion dollar transportation measure passed by the House and Senate on December 4, 2015. However, the reauthorization did not return the bank back to business as usual—that is, financing foreign deals for some of America’s most successful conglomerates—because of vacancies on the board of directors.

With few exceptions, all financing that exceeds \$10 million must be approved by the bank’s board of directors. Under the bylaws, board action requires at least three directors. Currently, there are three vacancies on the five-member board, which means that the industrial titans that ordinarily benefited most from Ex–Im subsidies have been shut out, including the likes of Boeing, Caterpillar, General Electric, and John Deere. But Ex–Im does not need a quorum to assist the smaller exporters, who—as the U.S. Chamber of Commerce and the National Association of Manufacturers have long maintained—are their primary concern.

Ex–Im was capitalized with \$1 billion in taxpayer dollars, and its financing is backed by the full faith and credit of the United States—which means that taxpayers are on the hook for any losses that the bank fails to cover with reserves.

Ex–Im’s direct costs do not reflect the detrimental impact on American firms of subsidizing overseas competitors. The subsidies also distort the allocation of credit and labor. For example, job losses to domestic companies have been caused by export financing of coal mining in Colombia, copper excavation in Mexico, and airplanes for India.

There is no shortage of private financing, and Ex–Im subsidies are not needed to maintain strong levels of exports.

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## ADDITIONAL READING

- Diane Katz, “Export–Import Bank: Cronyism Threatens American Jobs,” Heritage Foundation *Issue Brief* No. 4231, June 2, 2014.
- Diane Katz, “The Export–Import Bank: A Government Outfit Mired in Mismanagement,” Heritage Foundation *Issue Brief* No. 4208, April 29, 2014.

## CALCULATIONS

The CBO estimates that, under fair-value accounting, eliminating the Export–Import Bank would have resulted in savings of \$1.6 billion over the 2015–2024 period (\$160 million per year) as shown in Congressional Budget Office, “Testimony on Estimates of the Cost of the Credit Programs of the Export–Import Bank,” June 25, 2014, p. 6.

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# Eliminate Funding for the Multi-State Plan Program

## RECOMMENDATION

Eliminate funding for the Multi-State Plan (MSP) program. This proposal saves \$1.1 million in FY 2018.

## RATIONALE

Under Section 1334 of the Affordable Care Act (ACA), Congress created the MSP program, to be administered by the Office of Personnel Management (OPM). OPM was to contract with at least two insurance companies to, eventually, compete with all other private health plans in the health insurance exchanges in every state.<sup>4</sup>

In 2014, OPM contracted with only one large insurer, the Blue Cross and Blue Shield Association. In 2015, OPM added the so-called co-op plans to its roster of plans, even though these plans were financially unstable and about half have since collapsed. By 2017, the plans are to be available in all 50 states, but today there are plans in only 32 states, as well as the District of Columbia. The MSP enrollment is only 440,000 persons, or about 4 percent of total exchange enrollment.<sup>5</sup>

The MSP is not expanding market competition. In fact, the program sets standards designed to limit

plan entry, and may decrease competition and further increase consolidation in the health insurance market.<sup>6</sup> Moreover, some MSPs are allowed to provide coverage of elective abortion under the ACA, while remaining eligible for government subsidies. This is a significant departure from the widely accepted and long-standing policy that taxpayer money should not pay for elective abortions.<sup>7</sup> The MSP, like the co-op program, was a substitute for the “robust” public option, a government health plan to compete with private insurance, a key feature of the original version of health reform legislation championed by the Obama Administration.

There is no need for the federal government to sponsor special health plans to compete against private health plans; the markets are already less competitive than they were before enactment of the law, and government-sponsored plans threaten to further accelerate that consolidation.

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## ADDITIONAL READING

- Robert E. Moffit and Neil R. Meredith, “Multistate Health Plans: Agents for Competition or Consolidation?” *Mercatus Center Working Paper*, January 2015.
- The Honorable Linda Springer et al. “The Office of Personnel Management: A Power Player in America’s Health Insurance Markets?” *Heritage Foundation Lecture* No. 1145, February 19, 2010.

## CALCULATIONS

Savings are expressed as budget authority based on the Office of Personnel and Management’s estimated administrative expenses of \$1.1 million annually for the Multi-State Plan as provided in Office of Personnel Management, “Congressional Budget Justification Fiscal Year 2017,” February 2016, pp. 113 and 114, <https://www.opm.gov/about-us/budget-performance/budgets/congressional-budget-justification-fy2017.pdf> (accessed February 9, 2017).

# Protect Freedom of Conscience in the District of Columbia

## RECOMMENDATION

Protect freedom of conscience in the District of Columbia. This proposal has no budgetary impact in FY 2018.

## RATIONALE

Exercising authority Congress delegated by law to the District of Columbia government, in 2015 the DC Council passed two acts that could potentially interfere with religious liberty and exercise of conscience in the District. The Reproductive Health Non-Discrimination Act (RHNDA) specifically prohibits employers from discriminating in “compensation, terms, conditions or privileges of employment” on the basis of an individual’s “reproductive health decision making,” including the “termination of a pregnancy.” RHNDA could force pro-life organizations to violate their organizational mission and hire individuals who advocate for abortion.

Likewise, the Human Rights Amendment Act (HRAA) repealed the Nation’s Capital Religious Liberty and Academic Freedom Act, popularly known as the Armstrong Amendment. Passed by Congress in 1989, the Armstrong Amendment has protected religious schools in DC from being coerced by the government into “promoting, encouraging, or condoning any homosexual act,

lifestyle, orientation, or belief” if it violates their beliefs about human sexuality.

Congress should ensure that the repeal of the Armstrong Amendment does not have the effect of prohibiting religiously affiliated private schools from acting in accordance with the tenets of their faith regarding beliefs about human sexuality when performing their religious educational mission.

Congress has a special responsibility to protect the freedom of the people of the District of Columbia because of the power delegated to Congress by the U.S. Constitution (Article I, Section 8) to “exercise exclusive Legislation in all Cases whatsoever over such District.”

Congress should, therefore, displace the effects of RHNDA and HRAA by appropriate provisions in the federal DC Appropriations Act to the extent necessary to protect religious liberty and the exercise of conscience.

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## ADDITIONAL READING

- Ryan T. Anderson and Sarah Torre, “Congress Should Protect Religious Freedom in the District of Columbia,” *Heritage Foundation Issue Brief* No. 4364, March 9, 2015.

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# Expand the DC Opportunity Scholarship Program

## RECOMMENDATION

Expand school choice in the nation’s capital through shifting funds in a budget-neutral manner. Specifically, expand the DC Opportunity Scholarship Program (OSP). This proposal has no savings for FY 2018.

## RATIONALE

Policymakers can advance the goal of increasing school choice by expanding access to the OSP through existing funding authorized by the DC School Choice Incentive Act (most recently reauthorized as the Students for Opportunity and Results (SOAR) Act). These bills created and continued the OSP, which provides scholarships to children from low-income families in Washington, DC, to attend a private school of the parents’ choice.

When the OSP was created in 2003, Members of Congress funded the new school choice option through what is known as the “three-sector” approach: \$20 million in funding for the OSP, \$20 million in supplemental funding for DC’s public charter schools, and an *additional* \$20 million for the DC public school system. Federal policymakers should shift a portion of the additional federal funding provided to traditional public schools

in the three-sector approach to fund additional scholarships for students to attend a private school of choice.

Since the District of Columbia falls under the jurisdiction of Congress, it is appropriate for the federal government to fund the OSP. Moreover, 91 percent of students who used a voucher to attend a private school of choice graduated high school, according to a study by the U.S. Department of Education—a rate 21 percentage points higher than a control group of peers who were awarded, but did not use, a scholarship.<sup>8</sup> At the same time, federal policymakers are in a unique position to transition the OSP from a voucher model to an education-savings-account model, enabling parents to direct their funds to multiple education-related services, products, and providers.

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## ADDITIONAL READING

- Jason Bedrick and Lindsey M. Burke, “The Next Step in School Choice,” *National Affairs*, No. 22 (Winter 2015).
- Lindsey M. Burke, “The Value of Parental Choice in Education: A Look at the Research,” Heritage Foundation *Issue Brief* No. 4173, March 18, 2014.
- Patrick Wolf et al., “Evaluation of the DC Opportunity Scholarship Program: Final Report,” U.S. Department of Education, NCEE 2010-4018, June 2010.

## CALCULATIONS

The proposal shifts funding within the District of Columbia’s education budget, making it a budget-neutral recommendation.



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## ENDNOTES

1. Community Development Financial Institutions Fund, "New Markets Tax Credit CDE Certification Application," May 2009, [https://www.novoco.com/sites/default/files/atoms/files/cde\\_certification\\_application\\_0509.pdf](https://www.novoco.com/sites/default/files/atoms/files/cde_certification_application_0509.pdf) (accessed December 21, 2016).
2. In 2008, the Housing and Economic Recovery Act (HERA) created a new CDFI program called the Capital Magnet Fund (CMF). As of this writing, only \$80 million (in 2010) has been disbursed from the CMF. See Norbert J. Michel and John L. Ligon, "GSE Reform: Trust Funds or Slush Funds?" Heritage Foundation Issue Brief No. 4080, November 7, 2013, <http://www.heritage.org/research/reports/2013/11/gse-reform-affordable-housing-trust-funds-or-slush-funds/>; Norbert J. Michel and John L. Ligon, "Fannie and Freddie Will Finance a New Source for Affordable Housing Funds," The Daily Signal, March 3, 2015, <http://dailysignal.com/2015/03/03/fannie-freddie-will-finance-new-source-affordable-housing-funds/>; and U.S. Department of Treasury, "Capital Magnet Fund: Interim Impact Assessment," March 2014, [https://www.cdfifund.gov/Documents/CMF\\_Impact\\_Assessment.pdf](https://www.cdfifund.gov/Documents/CMF_Impact_Assessment.pdf) (accessed December 21, 2016).
3. Congressional Budget Office, "Testimony on Estimates of the Cost of the Credit Programs of the Export-Import Bank," June 25, 2014, <http://www.cbo.gov/publication/45468> (accessed January 11, 2016).
4. The Honorable Linda Springer et al., "The Office of Personnel Management: A Power Player in America's Health Insurance Markets?" Heritage Foundation Lecture No. 1145, February 19, 2010, <http://www.heritage.org/research/lecture/the-office-of-personnel-management-a-power-player-in-americas-health-insurance-markets>.
5. Rachana Pradhan and Paul Demko, "Another Piece of Obamacare Falls Short," *Politico*, September 7, 2016, <http://www.politico.com/story/2016/09/obamacare-falls-short-227854> (accessed February 9, 2017).
6. Robert E. Moffit and Neil R. Meredith, "Multistate Health Plans: Agents for Competition or Consolidation?" Mercatus Center Working Paper, January 13, 2015, <http://mercatus.org/publication/health-insurance-multi-state-plan-program-competition> (accessed November 17, 2015).
7. Sarah Torre, "Obamacare's Many Loopholes: Forcing Individuals and Taxpayers to Fund Elective Abortion Coverage," Heritage Foundation Backgrounder No. 2872, January 13, 2014, <http://www.heritage.org/research/reports/2014/01/obamacares-many-loopholes-forcing-individuals-and-taxpayers-to-fund-elective-abortion-coverage>.
8. Patrick Wolf et al., "Evaluation of the DC Opportunity Scholarship Program: Final Report," U.S. Department of Education, NCEE 2010-4018, June 2010, <https://ies.ed.gov/ncee/pubs/20104018/pdf/20104018.pdf> (accessed February 9, 2017).



# Homeland Security

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# Eliminate Fire Grants

## RECOMMENDATION

Eliminate the fire grant program administered by the Federal Emergency Management Agency (FEMA). This proposal saves \$715 million in FY 2018.

## RATIONALE

Fire grants encompass a number of programs: The Assistance to Firefighters Grant (AFG) program subsidizes the routine activities of local fire departments and emergency management organizations; the Fire Prevention and Safety (FP&S) grants fund projects to improve the safety of firefighters and protect the public from fire and related hazards; and the Staffing for Adequate Fire and Emergency Response (SAFER) grants are intended to increase staffing levels by funding the salaries of career firefighters and paying for the recruitment activities of volunteer fire departments.

The Heritage Foundation's Center for Data Analysis evaluated the effectiveness of fire grants by matching fire grant award data to the National Fire Incident Reporting System, an incident-based database of fire-related emergencies reported by

fire departments. Using panel data from 1999 to 2006 for more than 10,000 fire departments, the evaluation assessed the impact of fire grants on four different measures of fire casualties: (1) firefighter deaths, (2) firefighter injuries, (3) civilian deaths, and (4) civilian injuries. The evaluation compared fire departments that received grants to fire departments that did not receive grants. In addition, the evaluation compared the impact of the grants before and after grant-funded fire departments received federal assistance.

The evaluation showed that AFG, FP&S, and SAFER grants failed to reduce firefighter deaths, firefighter injuries, civilian deaths, and civilian injuries. Without receiving fire grants, comparison fire departments were just as successful at preventing fire casualties as grant-funded fire departments.

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## ADDITIONAL READING

- David B. Muhlhausen, "Do DHS Fire Grants Reduce Fire Casualties?" Heritage Foundation *Center for Data Analysis Report* No. 09-05, September 23, 2009.
- David B. Muhlhausen, "Fire Grants: Do Not Reauthorize an Ineffective Program," Heritage Foundation *Issue Brief* No. 3788, November 29, 2012.

## CALCULATIONS

Savings are expressed as budget authority as projected for FY 2018 in the Congressional Budget Office's (CBO's) August 2016 baseline spending projections.

# Reduce Funding for FEMA's Disaster Relief Fund

## RECOMMENDATION

Reduce funding for FEMA's Disaster Relief Fund (DRF). This proposal saves \$2 billion in FY 2018.

## RATIONALE

Throughout most of U.S. history, state and local governments were responsible for responding to nearly all disasters, regardless of the cause. Under President Ronald Reagan, FEMA averaged 28 federal disaster declarations a year. After the passage of the amended Stafford Act in 1988, this number dramatically changed, with federal disaster declarations rising significantly, so that under President George W. Bush the U.S. averaged around 130 federal disaster declarations a year, and under President Obama around 120 disasters a year.

The Stafford Act has two provisions that are to blame: one that shifts most of the costs of a federalized disaster to the federal government, and another that makes it relatively easy for a regional or localized disaster to qualify as a federal disaster. This combination of easy-to-acquire federal assistance and the substantial monetary benefit from federal involvement puts FEMA in high demand, leaving it unprepared—in terms of readiness and money—for truly catastrophic disasters where it is most needed.

In FY 2016, FEMA's DRF received \$7.375 billion in budget authority. This spending can be reduced by at least \$2 billion by reforming the Stafford Act to return more responsibility for disasters to state and local governments. First, Congress should increase the Stafford Act threshold to require \$3 per capita in damages with a \$5 million minimum threshold (under which a federal disaster is never declared), and a \$50 million maximum threshold (over which a disaster declaration is usually issued).

Second, the FEMA cost share should be reduced from between 75 percent and 100 percent to 25 percent, with a greater cost share for large catastrophes. This system of funding will require states to take responsibility for more localized disasters. It will also ensure that FEMA is able to respond to disasters more effectively, and that it can save funds for catastrophic disasters. For disasters that top \$5 billion, the cost-share provision should gradually increase as the cost of the disaster increases. This gradual increase in cost sharing should be capped at 75 percent once a disaster tops \$20 billion.

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## ADDITIONAL READING

- David Inserra, "FEMA Reform Needed: Congress Must Act," Heritage Foundation *Issue Brief* No. 4342, February 4, 2015.

## CALCULATIONS

Savings represent an estimate of potential savings based on current programs and their budget authority as authorized and found in the Consolidated Appropriations Act, 2016, Public Law 114-113, pp. 263-268.

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# Refocus Science and Technology on Meeting DHS Needs and Using Private-Sector Developments

## RECOMMENDATION

Refocus the Science & Technology Directorate (S&T) on meeting Department of Homeland Security (DHS) needs and using private-sector developments. This proposal saves \$34 million in FY 2018.

## RATIONALE

According to the Government Accountability Office, DHS components that were surveyed “consistently said they were aware of few or no products that S&T had transitioned from one of S&T’s R&D projects to their respective components.”<sup>1</sup> Poor coordination of research activities not only harms the usefulness of end products in meeting mission needs, but also “makes it difficult to oversee activities across the department” and to appropriately allocate resources.<sup>2</sup>

S&T must do more to ensure that it does not duplicate the work of the private sector. The U.S. private sector is constantly striving to develop new products that are of interest to DHS personnel or state and local officials. From private cybersecurity and technology innovations to disaster response equipment, the U.S. private sector is the most powerful

force for innovation in the world. S&T, however, may not always know of technologies or products available in the private sector that could meet DHS’s general needs or specific requirements. As a result, S&T’s office of Research and Development Partnerships has begun focusing on what it calls “technology foraging,” which seeks out existing or emerging technologies that could be adapted to meet DHS needs. This effort should be expanded as it costs the government less and will likely be faster than brand-new research and development. Together with the expansion of the SAFETY Act, DHS can make greater use of private-sector R&D to meet mission needs. Congress should trim S&T to about \$750 million and mandate that it refocus its efforts on delivering technologies needed by DHS components.

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## ADDITIONAL READING

- David Inserra, “Congress Must Re-Set Department of Homeland Security Priorities: American Lives Depend on It,” Heritage Foundation *Special Report* No. 175, January 3, 2017.

## CALCULATIONS

Savings are based on budget authority of \$787 million for FY 2016 as authorized and found in the Consolidated Appropriations Act, 2016, Public Law 114-113, p. 269. Heritage assumes that the FY 2017 spending holds steady at its FY 2016 level and then decreases at the same rate as discretionary spending in FY 2018 (–0.32 percent) as projected by the CBO in its most recent August 2016 baseline spending projections. Savings equal the difference of this estimated FY 2018 figure (\$784 million) and the proposed \$750 million level.

# Streamline FEMA Grant Programs

## RECOMMENDATION

Streamline FEMA grant programs. This proposal saves \$300 million in FY 2018.

## RATIONALE

While federal grants to state and local partners may be of value in some cases, the current structure does not adequately prioritize grants based on the risks they are trying to reduce. To the Obama Administration's credit, it recommended consolidating many of these grants into a new National Preparedness Grant Program that would allot grants in a more risk-based fashion.

Congress should revisit grant consolidation and expand it to cover more grant programs. Grants that meet the greatest need in areas of high risk should be prioritized. These grant dollars should not be viewed as another entitlement to send back to each congressional district, but as limited homeland security funding that will alleviate the greatest

risks. Failure to prioritize grants weakens security and preparedness, and continues waste and abuse. In this process of moving DHS grants to a more risk-based allocation system, the grant programs must be evaluated to see which needs they are meeting and how well they are doing so.

Grant programs that are found to be ineffective or unnecessary should be cancelled, such as the SAFER and Fire Prevention and Safety (FP&S) grants, as well as the Assistance to Firefighter Grants (AFG), mentioned under "Eliminate Fire Grants" in this section. Applying similar prioritization and elimination to other grant programs could save around \$300 million in FY 2018.

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## ADDITIONAL READING

- David Inserra, "Congress Must Re-Set Department of Homeland Security Priorities: American Lives Depend on It," Heritage Foundation *Special Report* No. 175, January 3, 2017.

## CALCULATIONS

Savings are based on estimated spending reductions that would result from implementing a risk-based system to prioritize grants based on national preparedness needs. Compared to the current system that grants significant amounts to unnecessary and ineffective programs, this proposal could save about \$300 million per year (on top of savings from eliminating already listed grant programs).

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## ENDNOTES

1. Senator Tom Coburn, "A Review of the Department of Homeland Security's Missions and Performance," Committee on Homeland Security and Governmental Affairs, U.S. Senate, January 2015, p. 137.
2. "Strategy and Mission of the DHS Science and Technology Directorate," joint hearing before the Subcommittee on Cybersecurity, Infrastructure Protection, and Security Technologies, Committee on Homeland Security, U.S. House of Representatives, and Subcommittee on Research and Technology, Committee on Science, Space, and Technology, U.S. House of Representatives, 113th Cong., 2nd Sess., September 9, 2014, p. 22, <http://www.gpo.gov/fdsys/pkg/CHRG-113hrg92900/pdf/CHRG-113hrg92900.pdf> (accessed February 8, 2017).



# Interior, Environment, and Related Agencies

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# Eliminate Nine Climate Programs

## RECOMMENDATION

Eliminate nine climate-related programs. This proposal saves \$3.566 billion in FY 2018.

## RATIONALE

When the Clean Air Act was passed in 1963, Congress never intended or envisioned that carbon dioxide (CO<sub>2</sub>), an invisible and odorless gas required for life on earth, would be covered under the law. The economic implications of CO<sub>2</sub> regulation are staggering, and its effect on everyday life could be unprecedented, without offering any measurable environmental benefit. For these reasons, Congress, and not the Environmental Protection Agency (EPA) or other federal agencies, should decide whether carbon dioxide should be regulated or considered in environmental permit reviews. Congress should expressly prohibit agency regulation of CO<sub>2</sub> and other so-called greenhouse gases (GHGs), deny funding of agency efforts to reduce GHGs, and repeal any agency actions that serve either directly or indirectly to develop CO<sub>2</sub> regulations, such as the EPA's endangerment finding.

Whether carbon dioxide and other GHG emissions have or have not affected climate, the actual climate data do not indicate that the earth is heading toward catastrophic warming with dire consequences for human health and public welfare. Nor do the data indicate that the dominant driving force

behind climate change is human-induced greenhouse gas emissions. Theories about catastrophic warming fail to account for the major inconsistencies in climate models that underlie regulations. There is no need for the EPA to impose costly and onerous regulations intended to limit Americans' energy use.

Congress should eliminate funding for:

- Regulation of GHG emissions from vehicles (as well as non-road equipment, locomotives, aircraft, and transportation fuels);
- Regulation of CO<sub>2</sub> emissions from power plants, factory boilers, and other stationary sources;
- The Greenhouse Gas Reporting Program;
- The Global Methane Initiative;
- The Climate Resilience Fund;
- The Climate Resilience Evaluation Awareness Tool;
- The Green Infrastructure Program;
- The Climate Ready Water Utilities Initiative; and
- Climate research funding for the Office of Research and Development.

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## ADDITIONAL READING

- Kevin D. Dayaratna, Nicolas Loris, and David W. Kreutzer, "Consequences of Paris Protocol: Devastating Economic Costs, Essentially Zero Environmental Benefits," Heritage Foundation *Backgrounder* No. 3080, April 13, 2016.
- David W. Kreutzer, Nicolas Loris, Katie Tubb, and Kevin D. Dayaratna, "The State of Climate Science: No Justification for Extreme Policies," Heritage Foundation *Backgrounder* No. 3119, April 22, 2016.

## CALCULATIONS

Savings are expressed as budget authority for FY 2018, including the categories of "Science and Technology" (\$775 million) and "Environmental Programs and Management" (\$2.791 billion) according to the Congressional Budget Office's (CBO's) most recent August 2016 baseline spending projections.

# Eliminate Funding for Two EPA Research Programs

## RECOMMENDATION

Eliminate funding for two EPA research programs. This proposal saves \$245 million in FY 2018.

## RATIONALE

- The Air, Climate, and Energy research program has repeatedly violated data-quality standards, and has relied on deeply flawed research to craft global warming regulations. This proposal saves \$92 million in FY 2018.
- The Sustainable and Healthy Communities research program does not address environmental priorities, and it is inappropriate for the federal government to control local projects. This proposal saves \$153 million in FY 2017.

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## ADDITIONAL READING

- The Heritage Foundation, “Eight Principles of the American Conservation Ethic,” 2012.
- Diane Katz, “An Environmental Policy Primer for the Next President,” Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.
- Nicolas Loris, “EPA Is Desperately in Need of Budget Cuts. Here’s a Few Places to Start,” The Daily Signal, July 10, 2014.

## CALCULATIONS

Savings estimates are based on FY 2016 enacted budget authority as found in U.S. Environmental Protection Agency, “Fiscal Year 2017 Justification of Appropriation Estimates for the Committee on Appropriations,” February 2017, pp. 1094 and 1100, <https://www.epa.gov/planandbudget/fy-2017-justification-appropriation-estimates-committee-appropriations> (accessed February 3, 2017). This estimate assumes that the FY 2016 spending levels will hold constant in FY 2017 and will then decrease at the same rate as discretionary spending growth (–0.32 percent) for FY 2018, according to the CBO’s most recent August 2016 baseline spending projections.

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# Reduce EPA Infrastructure Needs

## RECOMMENDATION

Reduce EPA facilities and IT operation needs. Estimated savings are \$49 million in FY 2018.

## RATIONALE

Congress should reduce by 10 percent the estimated \$489 million in FY 2018 funding for the EPA's Facilities Infrastructure and Operations (savings of \$49 million). Reductions in agency programs and responsibilities should lower overhead costs.

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## ADDITIONAL READING

- Diane Katz, "An Environmental Policy Primer for the Next President," Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.
- Nicolas D. Loris, "EPA Is Desperately in Need of Budget Cuts. Here's a Few Places to Start," *The Daily Signal*, July 10, 2014.

## CALCULATIONS

Savings are based on FY 2016 enacted budget authority as found in U.S. Environmental Protection Agency, "Fiscal Year 2017 Justification of Appropriation Estimates for the Committee on Appropriations," February 2016, pp. 1094–1100, <https://www.epa.gov/planandbudget/fy-2017-justification-appropriation-estimates-committee-appropriations> (accessed December 20, 2016). This estimate assumes that the enacted FY 2016 spending level of \$491 million for Facilities and Infrastructure Operations will 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 August 2016 baseline spending projections. A 10 percent reduction equals \$49 million in savings for FY 2018.

# Eliminate Six Redundant EPA Programs

## RECOMMENDATION

Eliminate the (1) National Estuary/Coastal Waterways, (2) Integrated Environmental Strategies, (3) Pollution Prevention, (4) Surface Water Protection, (5) Federal Vehicle and Fuels Standards and Certification, and (6) Waste Minimization and Recycling programs. This proposal saves \$353 million in FY 2018.<sup>1</sup>

## RATIONALE

Congress should eliminate:

- The National Estuary/Coastal Waterways program. Restoration and protection of estuaries and coastal areas are best managed by states and private property owners, not the federal government. (Saves \$27 million.)
- Integrated Environmental Strategies programs. Promoting “sustainability,” “smart growth,” and similar social engineering is not a proper function of the federal government. (Saves \$11 million.)
- The Pollution Prevention program. This program does not contribute to remediation of existing pollution problems, and engages in activities that are better carried out by the private sector. (Saves \$13 million.)
- The Surface Water Protection program. States, not the federal government, should manage bodies of water that fall within their boundaries (lakes, rivers, streams). State management would increase accountability, transparency, and efficiency. (Saves \$200 million.)
- The Federal Vehicle and Fuels Standards and Certification program. Government-mandated emissions standards are unnecessary in light of consumer demand for fuel efficiency. The Renewable Fuel Standard unnecessarily increases food and energy prices in order to benefit a small set of special interests. (Saves \$93 million.)
- Waste Minimization and Recycling programs under the EPA-developed Resource Conservation and Recovery Act. These programs do not contribute to actual cleanup of hazardous waste, and instead focus on promoting recycling and other unnecessary activities. (Saves \$9 million.)

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## ADDITIONAL READING

- The Heritage Foundation, “Eight Principles of the American Conservation Ethic,” 2012.
- Diane Katz, “An Environmental Policy Primer for the Next President,” Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.
- Nicolas Loris, “EPA Is Desperately in Need of Budget Cuts. Here’s a Few Places to Start,” The Daily Signal, July 10, 2014.

## CALCULATIONS

Savings are based on enacted budget authority for FY 2016 as found in U.S. Environmental Protection Agency, “Fiscal Year 2017 Justification of Appropriation Estimates for the Committee on Appropriations,” February 2016, pp. 1093–1102, <https://www.epa.gov/sites/production/files/2016-02/documents/fy17-congressional-justification.pdf> (accessed January 31, 2017). The requested FY 2016 levels were assumed to hold constant in FY 2017 and to decline slightly (–0.32 percent) in FY 2018 in accordance with an overall projected decline in discretionary spending according to the CBO’s most recent August 2016 baseline spending projections.

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# Reduce Funding for the EPA's Civil Enforcement Program

## RECOMMENDATION

Reduce funding for the Civil Enforcement program by 30 percent. This proposal saves \$52 million in FY 2018.

## RATIONALE

Congress should reduce the \$174 million in estimated FY 2018 funding for the Civil Enforcement program by 30 percent. The program litigates and settles administrative and civil judicial cases against serious violators of environmental laws. However, the EPA engages in unnecessary and excessive legal actions. Therefore, a reduction in funding should impose an element of discipline to force the agency

to be more careful about inviting legal challenges to regulatory and enforcement activities. The EPA should also be prohibited from using resources to garnish wages without a court order to collect fines or other penalties, and from referring such cases to the Treasury Department for wage garnishment without a court order.

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## ADDITIONAL READING

- Robert Gordon and Andrew Kloster, "Wage Garnishment Without a Court Order: Not a Good Idea," Heritage Foundation *Issue Brief* No. 4275, September 29, 2014.
- John G. Malcolm, "Civil Asset Forfeiture: A System in Need of Reform," Heritage Foundation *Testimony on Legal Issues* before the Oklahoma State Senate, September 28, 2015.
- Diane Katz, "An Environmental Policy Primer for the Next President," Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.

## CALCULATIONS

Savings are based on the FY 2016 enacted budget authority of \$174 million as found in U.S. Environmental Protection Agency, "Fiscal Year 2017 Justification of Appropriation Estimates for the Committee on Appropriations," February 2016, p. 725. This estimate assumes that the enacted spending level for FY 2016 will hold constant in FY 2017, and decrease at the same rate (-0.32 percent) as discretionary spending growth in FY 2018, according to CBO's most recent August 2016 baseline spending projections. A 30 percent cut in that funding equals \$52 million.

# Reduce Funding for the EPA's External Civil Rights Compliance Office/Title VI

## RECOMMENDATION

Reduce Funding for the EPA's External Civil Rights Compliance Office (ECRCO)/Title VI. This proposal saves \$5 million in FY 2018.

## RATIONALE

Congress should reduce the \$10 million in estimated FY 2018 funding for the Civil Rights/Title VI Compliance Office by 50 percent. The program provides the agency policy direction and guidance

on civil rights and equal opportunity in employment. However, the office also undertakes a variety of other "outreach" and non-essential functions.

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## ADDITIONAL READING

- The Heritage Foundation, "Eight Principles of the American Conservation Ethic," 2012.
- Diane Katz, "An Environmental Policy Primer for the Next President," Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.
- Nicolas Loris, "EPA Is Desperately in Need of Budget Cuts. Here's a Few Places to Start," The Daily Signal, July 10, 2014.

## CALCULATIONS

Savings are based on the FY 2016 enacted budget authority of \$10.1 million found in U.S. Environmental Protection Agency, "Fiscal Year 2017 Justification of Appropriation Estimates for the Committee on Appropriations," February 2016, p. 408, <https://www.epa.gov/sites/production/files/2016-02/documents/fy17-congressional-justification.pdf> (accessed February 3, 2017). This estimate assumes the FY 2016 appropriation will hold steady in FY 2017 and will decrease at the same rate (-0.32 percent) as discretionary spending growth in FY 2018, according to the CBO's most recent August 2016 baseline spending projections.

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# Reduce the EPA's Legal Advice on Environmental Programs

## RECOMMENDATION

Reduce the EPA's legal advice programs by 50 percent. This proposal saves \$25 million in FY 2018.

## RATIONALE

Congress should reduce the \$49 million in estimated FY 2018 funding for the EPA's legal advice on environmental programs by 50 percent. This program provides legal representational services, legal counseling, and legal support for all of the EPA's

environmental activities. A significant amount of the agency's regulatory activity is excessive. Therefore, a reduction in funding for legal representation should impose discipline on the agency's regulatory and enforcement activities.

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## ADDITIONAL READING

- Robert Gordon and Andrew Kloster, "Wage Garnishment Without a Court Order: Not a Good Idea," Heritage Foundation *Issue Brief* No. 4275, September 29, 2014.
- John G. Malcolm, "Civil Asset Forfeiture: A System in Need of Reform," Heritage Foundation *Testimony on Legal Issues* before the Oklahoma State Senate, September 28, 2015.
- Diane Katz, "An Environmental Policy Primer for the Next President," Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.

## CALCULATIONS

Savings are based on the FY 2016 enacted budget authority level of \$49 million as found in U.S. Environmental Protection Agency, "Fiscal Year 2017 Justification of Appropriation Estimates for the Committee on Appropriations," February 2016, p. 414, <https://www.epa.gov/sites/production/files/2016-02/documents/fy17-congressional-justification.pdf> (accessed February 3, 2017). This estimate assumes the FY 2016 spending level will hold steady in FY 2017 and will decrease at the same rate (-0.32 percent) as discretionary spending growth in FY 2018, according to the CBO's most recent August 2016 baseline spending projections. A 50 percent reduction in estimated FY 2018 spending of \$49 million equals \$24.49 million.



# Eliminate the EPA's Stratospheric Ozone Multilateral Fund

## RECOMMENDATION

Eliminate the EPA's Stratospheric Ozone Multilateral Fund. This proposal saves \$9 million in FY 2018.

## RATIONALE

Congress should eliminate the estimated \$9 million in FY 2018 funding for the Stratospheric Ozone Multilateral Fund. The fund was created by parties to the 1987 Montreal Protocol to support efforts by developing countries to phase out the use of stratospheric ozone-depleting substances. The current

evidence shows that ozone depletion was an exaggerated threat; no ecosystem or species were ever shown to be seriously harmed by ozone depletion. As it is, the U.S. has long paid a disproportionate share of the funding.

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## ADDITIONAL READING

- The Heritage Foundation, "Eight Principles of the American Conservation Ethic," 2012.
- Ben Lieberman, "Ozone: The Hole Truth," Heritage Foundation *Commentary*, September 14, 2007.
- Diane Katz, "An Environmental Policy Primer for the Next President," Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.

## CALCULATIONS

Savings are based on the FY 2016 enacted budget authority of \$8.9 million as found in U.S. Environmental Protection Agency, "Fiscal Year 2017 Justification of Appropriation Estimates for the Committee on Appropriations," February 2016, p. 247, <https://www.epa.gov/sites/production/files/2016-02/documents/fy17-congressional-justification.pdf> (accessed February 3, 2017). This estimate assumes the FY 2016 spending level will hold steady in FY 2017 and will decrease at the same rate (-0.32 percent) as discretionary spending growth in FY 2018, according to the CBO's most recent August 2016 baseline spending projections.

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# Eliminate the EPA's Information Exchange/Outreach Programs

## RECOMMENDATION

Eliminate the EPA's information exchange/outreach programs. This proposal saves \$126 million in FY 2018.

## RATIONALE

The EPA has allocated taxpayer money to projects that educate and increase awareness of stewardship, children's health, and environmental education (EE) through grants, curricula, and other materials for public education. Grants go to nonprofit groups, schools, and government agencies with the most popular topics being biodiversity, water issues, and general "environmental literacy." EE has also produced controversial classroom material on

global warming that ignores the broader scientific debate about the nature of climate change. Since 1992, the EPA has granted more than \$68.7 million to these programs.<sup>2</sup> While some of these projects might be worthwhile, they are far beyond the appropriate scope of the federal government. Such projects should be funded at the local level or by private companies.

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## ADDITIONAL READING

- The Heritage Foundation, "Eight Principles of the American Conservation Ethic," 2012.
- Diane Katz, "An Environmental Policy Primer for the Next President," Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.
- Nicolas Loris, "EPA Is Desperately in Need of Budget Cuts. Here's a Few Places to Start," The Daily Signal, July 10, 2014.

## CALCULATIONS

Savings are expressed as budget authority and were calculated by using the FY 2016 enacted level of \$126 million as found in U.S. Environmental Protection Agency, "Fiscal Year 2017: Justification of Appropriation Estimates for the Committee on Appropriations," February 2016, p. 1096, <https://www.epa.gov/sites/production/files/2016-02/documents/fy17-congressional-justification.pdf> (accessed February 3, 2017). This estimate assumes that the requested FY 2016 spending level will hold constant in FY 2017 and will decrease at the same rate (-0.32 percent) as discretionary spending growth in FY 2018, according to the CBO's most recent August 2016 baseline spending projections.

# Eliminate the Land and Water Conservation Fund

## RECOMMENDATION

Allow the Land and Water Conservation Fund (LWCF) to expire permanently. This proposal saves \$20.5 billion in FY 2018.

## RATIONALE

Congress enacted the LWCF in 1965, to allow the federal government to use royalties from offshore energy development to purchase private land and turn it into public parks and other public recreation areas. Of the \$38.0 billion credited to the fund, less than half—\$17.5 billion—has been spent, leaving a credit of \$20.5 billion.<sup>3</sup> Congress should rescind the remaining balance, generating a one-time savings of \$20.5 billion in FY 2018.

The federal government owns some 640 million acres of land throughout the country—nearly 30 percent of the entire country, and nearly half of the western United States. The LWCF is the primary vehicle for land purchases by the four major federal land-management agencies: (1) the Forest Service

(FS), (2) the Bureau of Land Management (BLM), (3) the Fish and Wildlife Service (FWS), and the (4) National Park Service (NPS). Congress also uses the fund for a matching state grant program, though it has become a minor part of the LWCF, which now chiefly funds federal objectives. This massive amount of federal ownership has resulted in land mismanagement, stifled opportunities for recreation and resource production, and poor environmental management. Rather than placing more decisions under Washington's control, Congress should empower the states and local communities to protect their environments, maximize the value of the land, and create new opportunities for economic development.

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## ADDITIONAL READING

- Katie Tubb and Nicolas D. Loris, "Five Reasons to Sunset the Land and Water Conservation Fund," Heritage Foundation *Backgrounder* No. 3165, November 16, 2016.

## CALCULATIONS

Savings equal the remaining LWCF balance of \$20.5 billion as reported in Carol Hardy Vincent, "Land and Water Conservation Fund: Appropriations for 'Other Purposes,'" September 1, 2016.

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# Eliminate the National Clean Diesel Campaign

## RECOMMENDATION

Eliminate the National Clean Diesel Campaign (NCDC), commonly called the Diesel Emissions Reduction Act (DERA) grant program. This proposal saves \$50 million in FY 2018.

## RATIONALE

The government has spent hundreds of millions of taxpayer dollars over the years to develop more than 60,000 pieces of clean diesel technology, such as “emissions and idle control devices, aerodynamic equipment, engine and vehicle replacements, and alternative fuel options.”<sup>4</sup> Diesel Emissions Reduction Act grants have been used to pay for new or retrofitted tractors and cherry pickers in Utah, electrified parking spaces at a Delaware truck stop,

a new engine and generators for a 1950s locomotive in Pennsylvania, school buses in San Diego County, and new equipment engines for farmers in the San Joaquin Valley.<sup>5</sup>

Federal taxpayers should not have to pay for projects that should be undertaken by private investors or state and local groups.

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## ADDITIONAL READING

- The Heritage Foundation, “Eight Principles of the American Conservation Ethic,” 2012.
- Nicolas Loris, “EPA Is Desperately in Need of Budget Cuts. Here’s a Few Places to Start,” The Daily Signal, July 10, 2014
- Katrina Trinko, “Heritage Experts Weigh in on Massive Omnibus Spending Bill,” The Daily Signal, January 13, 2014.

## CALCULATIONS

Savings are expressed as budget authority and were calculated by using the FY 2016 enacted level of \$50 million as found in U.S. Environmental Protection Agency, “Fiscal Year 2017: Justification of Appropriation Estimates for the Committee on Appropriations,” February 2016, p. 860, <https://www.epa.gov/sites/production/files/2016-02/documents/fy17-congressional-justification.pdf> (accessed February 3, 2017). This estimate assumes that the FY 2016 spending level holds 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 Environmental Justice Programs

## RECOMMENDATION

Eliminate all “environmental justice” programs. This proposal saves \$7 million in FY 2018.

## RATIONALE

The EPA’s “environmental justice” programs were originally designed to protect low-income communities from environmental harm. However, the EPA now too often goes beyond this purpose to prevent job-creating businesses from developing in low-income communities, thus blocking the very economic opportunity that the communities need.

Further, environmental justice programs have expanded to subsidize state and local projects that federal taxpayers should not be forced to fund. For

example, the Environmental Justice Small Grants Program has funded neighborhood litter cleanups; education on urban gardening, composting, and the negative effects of urban sprawl and automobile dependence; and a pilot program to reach California’s nail salon community in order to increase “knowledge of healthy/green nail salon concepts and practices.”<sup>6</sup> Congress should eliminate these programs, which have been co-opted by political agendas and do not merit taxpayer resources.

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## ADDITIONAL READING

- The Heritage Foundation, “Eight Principles of the American Conservation Ethic,” 2012.
- Nicolas Loris, “EPA Is Desperately in Need of Budget Cuts. Here’s a Few Places to Start,” *The Daily Signal*, July 10, 2014.
- James Rust, “‘Environmental Justice’ Injustice (EPA Elitism, Exploitation),” *Master Resource*, August 13, 2014.

## CALCULATIONS

Savings are expressed as budget authority and were calculated using the FY 2016 enacted level of \$6.7 million as found on page 1,095 of U.S. Environmental Protection Agency, “Fiscal Year 2017: Justification of Appropriation Estimates for the Committee on Appropriations,” February 2016, p. 1095, <https://www.epa.gov/sites/production/files/2016-02/documents/fy17-congressional-justification.pdf> (accessed February 3, 2017). This estimate assumes that FY 2016 spending holds steady in FY 2017 and decreases at the same rate (–0.32 percent) as discretionary spending for FY 2018, according to the CBO’s most recent August 2016 baseline spending projections.

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# Eliminate the National Endowment for the Humanities

## RECOMMENDATION

Eliminate federal funding for the National Endowment for the Humanities (NEH). This proposal saves \$154 million in FY 2018.<sup>7</sup>

## RATIONALE

The NEH was created on September 29, 1965, by President Lyndon Johnson through the National Foundation on the Arts and the Humanities Act. The agency is subject to the annual appropriations process, and it is up to Congress to determine if it is worthy of continued funding.

Private individuals and organizations should be able to donate at their own discretion to humanities organizations and programs as they wish; government should not use its coercive power of taxation to compel taxpayers to support cultural organizations and activities.

The NEH received a \$147.9 million appropriation for FY 2017.<sup>8</sup> The NEH has awarded “more than 63,000 grants totaling \$5.3 billion, and leveraged an additional \$2.5 billion in matching funds.”<sup>9</sup> These funds dwarf private giving.

Americans gave \$373.3 billion in charitable contributions in 2015, an increase of 4 percent from 2014. Charitable giving as a whole increased 4 percent from 2014, and giving for arts, culture, and the humanities experienced an increase of 6.8 percent from 2014.<sup>10</sup> The NEH is neither a necessary nor proper activity of the federal government.

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## CALCULATIONS

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

# Eliminate the National Endowment for the Arts

## RECOMMENDATION

Eliminate federal funding for the National Endowment for the Arts (NEA). This proposal saves \$154 million in FY 2018.<sup>11</sup>

## RATIONALE

The NEA was created on September 29, 1965, by President Lyndon Johnson through the National Foundation on the Arts and the Humanities Act. Since its founding, the NEA has awarded more than \$5 billion for arts participation.<sup>12</sup> Taxpayer assistance of the arts is neither necessary nor prudent.

The NEA received a \$148 million appropriation in FY 2016.<sup>13</sup> However, private contributions to the arts and humanities vastly exceed the amount provided by the NEA. Americans made \$373.3 *billion* in charitable contributions in 2015.<sup>14</sup> Arts, culture, and the humanities experienced a substantial increase, receiving 6.8 percent more than the previous year.

Further, federally funded arts programs are susceptible to cultural cronyism, where special interests promoting a social agenda receive government favor to promote their causes.<sup>15</sup> It is just as concerning when art funding promotes politically correct art.

Taxpayers should not be forced to pay for plays, paintings, pageants, and scholarly journals, regardless of the works' attraction or merit. In the words of Citizens Against Government Waste, "actors, artists, and academics are no more deserving of subsidies than their counterparts in other fields; the federal government should refrain from funding all of them."<sup>16</sup>

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## CALCULATIONS

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

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# Eliminate Funding for Woodrow Wilson International Center for Scholars

## RECOMMENDATION

Eliminate funding for Woodrow Wilson International Center for Scholars. This proposal will save \$12 million in FY 2018.

## RATIONALE

The Wilson Center was founded by the Woodrow Wilson Memorial Act of 1968. The Wilson Center serves as both the official memorial to President Woodrow Wilson and as a non-partisan policy forum. The Wilson Center regularly publishes research about global policy and hosts events to facilitate “open dialogue” about “actionable ideas.”

In FY 2016, the Wilson center received a \$10.5 million appropriation from Congress to carry out the Woodrow Wilson Memorial Act of 1968.<sup>17</sup>

Funding for the Wilson center should be eliminated because it is not the proper role for government to

pay for independent research when there is currently a breadth of organizations that do this with private funding.

Additionally, the Wilson Center has a plan, readily available on its website, for how the organization would continue to be funded without appropriations: “If there is a lapse in Federal funding as a result of failure to pass an appropriation bill, the Wilson Center will not close.”<sup>18</sup> The Wilson Center can operate without federal funds and the federal government should not spend taxpayer dollars supporting an institution that, by its own admission, does not need assistance.

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## CALCULATIONS

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



# Rein in the EPA’s Ozone Standard

## RECOMMENDATION

Rein in the EPA’s ozone standard. There are no estimated savings included for this proposal.

## RATIONALE

The EPA finalized a new ozone standard of 70 parts per billion (ppb) in October 2015. The standard is currently being litigated in the U.S. Court of Appeals for the District of Columbia Circuit. This drastic action by the EPA is premature. States are just now starting to meet the current 75 ppb standard set in 2008. According to the Congressional Research Service, 123 million people live in areas that have not attained the current standards. In fact, 105 million people live in areas that are still at “nonattainment” for the less-stringent 1997 ozone standard. When nearly 40 percent of the nation’s population lives in areas that have not met the current standard, adopting an even more stringent standard is—at best—premature.<sup>19</sup>

The ozone standard has only become more controversial as it becomes increasingly expensive to meet tighter standards with smaller margins of tangible benefits. The EPA is increasingly setting American *economic* policy as it sets *environmental* policy, enjoying nearly unfettered power to set ozone standards and, indirectly, economic activity and land use. This has restricted opportunity, and compliance costs are passed on to Americans, impacting the poor the most. Far from being a question of whether or not to have clean, healthy air, the new standard goes well beyond what Congress intended in the Clean Air Act.

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## ADDITIONAL READING

- Daren Bakst, “Statement Regarding Proposed Ozone Standards,” testimony before the U.S. Environmental Protection Agency, January 29, 2015.
- Diane Katz, “An Environmental Policy Primer for the Next President,” Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.

## CALCULATIONS

Although this proposal will almost certainly generate significant savings both for the federal government as well as individuals and businesses, there are no reliable estimates for those savings and thus no specific savings are included here.

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# Allow Development of Natural Resources

## RECOMMENDATION

Allow natural resource development. Although this proposal would likely generate savings, the level of savings depends on a number of unknown factors. We do not include any estimated savings for FY 2018.

## RATIONALE

Congress should open all federal waters and all non-wilderness, non-federal-monument lands to exploration and production of America's natural resources. Congress should require the Department of the Interior to conduct lease sales if a commercial interest exists (whether for offshore oil or for offshore wind), and to use its flexibility under its current authority (whether streamlining of red tape or lower royalties) to attract interest to federal lands.

A Heritage Foundation analysis of opening access to oil and gas resources on federal lands would have profoundly positive economic impacts. Modeling shows that by 2035, the average American family would enjoy a total gain of more than \$40,000 in personal income. In terms of aggregate GDP, these gains translate into almost \$3.7 trillion of increased aggregate GDP through 2035.

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## ADDITIONAL READING

- Nicolas D. Loris, "Free Markets Supply Affordable Energy and a Clean Environment," Heritage Foundation *Backgrounder* No. 2966, October 31, 2014.
- Kevin D. Dayaratna, David W. Kreutzer, and Nicolas Loris, "Time to Unlock America's Vast Oil and Gas Resources," Heritage Foundation *Backgrounder* No. 3148, September 1, 2016.

# Prohibit a Net Increase of Federal Lands

## RECOMMENDATION

Prohibit a net increase of federal lands. While this recommendation does not save money, it prevents additional strain on the federal budget.

## RATIONALE

The federal estate is massive, consisting of some 640 million acres. The effective footprint is even larger because limitations on federal lands often affect the use of adjacent state and private lands, since government agencies lock up lands through informal designations and study areas. Regulatory pushes threaten to put almost all of the United States under some form of federal jurisdiction. Federal ownership and federal regulation of public

lands restrict economic activity, and, in many instances, have created environmental problems due to mismanaged lands and lack of a proper incentive structure to maintain the properties.<sup>20</sup> The Department of Interior estimates a backlog of deferred maintenance totaling \$16.13 billion. Rather than acquiring more lands which the federal government cannot afford or maintain, Congress should prohibit any federal land acquisition.

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## ADDITIONAL READING

- Katie Tubb and Nicholas D. Loris, "The Federal Lands Freedom Act: Empowering States to Control Their Own Energy Futures," Heritage Foundation *Backgrounder* No. 2992, February 18, 2015.
- U.S. House of Representatives Committee on Natural Resources, "Federal Footprint Map," 2015.

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# Eliminate Funding for the John F. Kennedy Center for the Performing Arts

## RECOMMENDATION

Eliminate funding for the operations and maintenance, and capital repair and restoration, of the John F. Kennedy Center for the Performing Arts. This will save the \$39 million dollars in FY 2018.<sup>21</sup>

## RATIONALE

The Kennedy Center was conceptualized in 1958 as a National Cultural Center. After opening in 1971, it has served as both the National Center for Performing Arts and the federal memorial to President John F. Kennedy.<sup>22</sup>

In 2016, Congress appropriated \$21.6 million dollars for the operation and maintenance of the John F. Kennedy Center for the Performing Arts. Lawmakers also appropriated an additional \$14.7 million for capital repair and restoration of the arts center.<sup>23</sup>

Even after receiving funds from the federal government, subscriptions for Kennedy Center

performances cost \$120 to \$500.<sup>24</sup> Private donations to the arts, culture, and humanities increased by 6.8 percent from 2014 to 2015.<sup>25</sup> The Kennedy Center could be funded by these private donations and the robust ticket sales rather than with taxpayer dollars of everyday Americans who may never experience the music and theater for which they are paying.

The federal government does not have a responsibility to provide cultural experiences for citizens. Spending taxpayer dollars to fund performing arts is outside the scope of federal government obligations.

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## CALCULATIONS

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

## ENDNOTES

1. Totals below may not add due to rounding.
2. U.S. Environmental Protection Agency, "Education: Environmental Education (EE) Grants," <https://www.epa.gov/education/environmental-education-ee-grants> (accessed December 20, 2016).
3. Carol Hardy Vincent, "Land and Water Conservation Fund: Appropriations for "Other Purposes,"" Congressional Research Service, September 1, 2016, <https://www.fas.org/sgp/crs/misc/R44121.pdf> (accessed January 13, 2016).
4. Metropolitan Energy Center, "Clean Cities: Grants & Rebates," <http://www.metroenergy.org/index.php/clean-transportation/transportation-grants/> (accessed November 20, 2015).
5. Environmental Protection Agency, "Clean Diesel: Clean Diesel National Grants, Awarded Grants (2012–2015)," <https://www.epa.gov/cleandiesel/clean-diesel-national-grants> (accessed December 20, 2016).
6. Environmental Protection Agency Office of Enforcement and Compliance Assurance, "Environmental Justice Small Grants; FY2013 Summaries by Region," September 11, 2013, <http://www.epa.gov/compliance/environmentaljustice/resources/publications/grants/ejsmgrants-recipients-2013.pdf> (accessed December 11, 2014).
7. Congressional Budget Office, "An Update to the Budget and Economic Outlook: 2016 to 2026," August 23, 2016, <https://www.cbo.gov/publication/51908> (accessed February 1, 2017).
8. Consolidated Appropriations Act, 2016, H.R. 2029.
9. National Endowment for the Humanities, *Annual Report 2015*, [https://www.neh.gov/files/neh\\_2015\\_annual\\_report\\_final.pdf](https://www.neh.gov/files/neh_2015_annual_report_final.pdf) (accessed December 4, 2016).
10. Giving USA, "Giving USA: 2015 Was America's Most Generous Year Ever," June 13, 2016, <https://givingusa.org/giving-usa-2016/> (accessed March 7, 2017).
11. Congressional Budget Office, "An Update to the Budget and Economic Outlook: 2016 to 2026."
12. National Endowment for the Arts, *2015 Annual Report*, <https://www.arts.gov/sites/default/files/2015%20Annual%20Report.pdf> (accessed December 4, 2016).
13. Consolidated Appropriations Act, 2016, H.R. 2029.
14. Giving USA, "Giving USA: 2015 Was America's Most Generous Year Ever."
15. "The National Endowment for the Arts Funds Political Propaganda," *The Federalist*, February 23, 2016, <http://thefederalist.com/2016/02/23/the-national-endowment-of-the-arts-funds-political-propaganda/> (accessed December 5, 2016).
16. Citizens Against Government Waste, "Prime Cuts Summary," 2015, <http://cagw.org/sites/default/files/PrimeCuts2015.pdf> (accessed January 11, 2016).
17. Consolidated Appropriations Act, 2016, H.R. 2029.
18. "Plan for Possible Lapse in Federal Appropriations," August, 2015, [https://www.wilsoncenter.org/sites/default/files/wilson\\_center\\_plan\\_for\\_possible\\_lapse\\_in\\_federal\\_appropriation\\_revised\\_august\\_2015.pdf](https://www.wilsoncenter.org/sites/default/files/wilson_center_plan_for_possible_lapse_in_federal_appropriation_revised_august_2015.pdf) (accessed, December 6, 2016).
19. Daren Bakst, "Statement Regarding Proposed Ozone Standards," testimony before the Environmental Protection Agency, January 29, 2015, <http://www.scribd.com/doc/255666438/Bakst-Testimony-Ozone-Standards> (accessed November 17, 2015).
20. Katie Tubb and Nicholas D. Loris, "The Federal Lands Freedom Act: Empowering States to Control Their Own Energy Futures," Heritage Foundation *Backgrounder* No. 2992, February 18, 2015, <http://www.heritage.org/research/reports/2015/02/the-federal-lands-freedom-act-empowering-states-to-control-their-own-energy-futures>.
21. Congressional Budget Office, "An Update to the Budget and Economic Outlook: 2016 to 2026."
22. "Kennedy Center Plan for Federal Government Shutdown," September 23, 2013, [http://www.kennedy-center.org/legal/130927\\_fed\\_govt\\_shutdown.pdf](http://www.kennedy-center.org/legal/130927_fed_govt_shutdown.pdf) (accessed December 6, 2016).
23. Consolidated Appropriations Act, 2016, H.R. 2029.
24. Michael Gaynor, "How to see Hamilton in DC," *The Washingtonian*, July 7 2017, <https://www.washingtonian.com/2016/07/07/hamilton-tickets-kennedy-center-how-to-see-hamilton-in-dc/> (accessed December 7, 2016).
25. Giving USA, "Giving USA: 2015 Was America's Most Generous Year Ever."



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

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# 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.<sup>1</sup>

## 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.<sup>2</sup> Of those appropriations, nearly \$300 million was allocated to Public Television,<sup>3</sup> 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.<sup>4</sup> 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.

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## 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.

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## 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.

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# 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.<sup>5</sup>

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.<sup>6</sup>

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.

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# 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.<sup>7</sup>

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.

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## 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.<sup>8</sup> 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.

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## 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.

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# 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.<sup>9</sup>

## 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.<sup>10</sup> 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.<sup>11</sup> Senior Corps provides stipends and insurance for participants. Volunteering is valuable when genuine service to those in need creates feelings of fulfillment.<sup>12</sup> 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.<sup>13</sup> In a separate study, the CBO found that state-run and locally run programs are more attuned to the needs of the community.<sup>14</sup>

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.

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## 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.

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## 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.

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# 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.

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## 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).<sup>15</sup> 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.<sup>16</sup> 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.

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## 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).

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# 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.<sup>17</sup> 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.<sup>18</sup> 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.

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## 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.

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## 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.

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# 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.<sup>19</sup> 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.<sup>20</sup> 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.

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## 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.

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## 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.

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# 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.<sup>21</sup> 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.<sup>22</sup> 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.

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## 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.

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# 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.”<sup>23</sup> 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.<sup>24</sup>

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.<sup>25</sup> 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.

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## 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.

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## 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.

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# 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.

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## 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.<sup>26</sup>

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## 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.

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# 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.

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## 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.<sup>27</sup>

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## 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.

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# 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.<sup>28</sup>

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## 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.<sup>29</sup> 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.<sup>30</sup>

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## 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.

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# 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.<sup>31</sup>

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## 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 Backgrounders* 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.<sup>32</sup> 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.<sup>33</sup> 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.

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## 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.

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# 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.<sup>34</sup> 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.<sup>35</sup> 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.

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## 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.

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## 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,<sup>36</sup> 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.

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## 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.

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## 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.<sup>37</sup> 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.<sup>38</sup> 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.

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## 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.

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## 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.

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# 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.

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## 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.

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## 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.

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## 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.<sup>39</sup>

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## 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.

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## 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.

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## 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.

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## 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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5. U.S. Department of Labor, "U.S. Department of Labor Evaluation Policy," November 2013, <https://www.dol.gov/asp/evaluation/EvaluationPolicy.htm> (accessed January 3, 2017).
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9. Calculations based on FY 2017 enacted levels. Corporation for National and Community Service, FY 2017, [https://www.nationalservice.gov/sites/default/files/documents/CBJ\\_Report\\_FY2017\\_1.pdf](https://www.nationalservice.gov/sites/default/files/documents/CBJ_Report_FY2017_1.pdf) (accessed February 16, 2018).
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# Legislative Branch

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# Eliminate Funding for Special Congressional Subsidies for the ACA's Health Insurance Exchange

## RECOMMENDATION

Eliminate funding for special congressional subsidies for health insurance purchased through the Affordable Care Act's (ACA's) health insurance exchange. This proposal saves \$50 million in FY 2018.

## RATIONALE

Under Section 1312 (d)(3)(D) of the ACA, Congress voted to end its participation in the Federal Employees Health Benefits Program (FEHBP) and instead required Members and staff to obtain their health coverage through the ACA's health insurance exchange.<sup>1</sup> This change meant that Members and staff would no longer receive the employer contribution toward the cost of their health insurance. However, on August 7, 2013, the Office of Personnel Management (OPM) reversed this change

through a ruling allowing Members of Congress and staff, even though they are no longer enrolled in the FEHBP, to continue to receive the employer contribution for coverage in the exchanges. The Administration took this regulatory action without statutory authority under either the ACA or Title 5 of the U.S. Code, the law that governs the FEHBP.<sup>2</sup> Congress should restore the original intent of the statute and end this special contribution.

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## ADDITIONAL READING

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- Robert E. Moffit, Edmund F. Haislmaier, and Joseph A. Morris, "Congress in the Obamacare Trap: No Easy Escape," Heritage Foundation *Backgrounder* No. 2831, August 2, 2013.

## CALCULATIONS

Savings are based on calculating the total cost of the government's FEHBP premium contribution for congressional Members and staff, based on the average premium for a 31-year-old (the average age of a congressional staffer) purchasing a gold plan on the DC Small Business Health Options Program (SHOP) marketplace. The average annual premiums are \$3,767 for an individual, and \$9,228 for a family. The average federal contribution, which is 75 percent of the premiums, is \$2,825 for individuals, and \$6,921 for families. These data are compiled from public releases of premium data and age, adjusted according to the designated age curve. For SHOP data, see [HealthCare.gov](http://HealthCare.gov), "January 2017 rates for Health Products to be sold in DC health Link." To calculate the total cost, Heritage analysts multiplied the health insurance subsidy costs by the number of congressional staffers receiving those subsidies. Heritage assumes about 11,400 congressional staff members (in addition to the 535 congressional members), based on 2010 data available at "Vital Statistics on Congress," Brookings Institution, July 11, 2013. Heritage further assumes that 90 percent of Members of Congress and staff members elect employer-provided health insurance, of whom 90 percent are not eligible for exchange subsidies and therefore receive the FEHB-equivalent premium subsidy. Finally, Heritage assumes that 50 percent of employees who receive the subsidy have self-only coverage and 50 percent have family coverage. This results in a FY 2017 estimated cost of \$50.0 million. Although this cost will likely rise with health care costs, Heritage conservatively assumes it holds steady in FY 2018.

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# Reduce Funding for the U.S. Capitol Police

## RECOMMENDATION

Reduce funding for the U.S. Capitol Police (USCP) by 10 percent. This proposal saves \$37.4 million in FY 2018.

## RATIONALE

The USCP is a federal law enforcement agency charged with protecting Congress, the Capitol complex, employees, and visitors. With an estimated 2,266 sworn officers and civilian employees, there is one USCP officer or employee for every five staffers or Members of Congress. The force is nearly one-third the size of the entire U.S. Secret Service.

Funding for the USCP should be frozen at current levels, which would save \$34.6 million in FY 2018

compared to the department's FY 2017 request. The Capitol Police force is one of the highest paid federal law enforcement agencies. The USCP minimum starting salary is \$57,598 plus benefits. FBI agents, in comparison, have a starting salary of \$47,158. The high USCP officer base salary does not account for the more than \$35 million in estimated overtime pay allowable for 2017—nearly 10 percent of the USCP operating budget.

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## ADDITIONAL READING

- Justin Bogie, "Congress Should Look Toward Legislative Branch Appropriations Bill as a Starting Point for Spending Cuts," Heritage Foundation *Issue Brief* No. 4573, June 8, 2016.

## CALCULATIONS

Savings are based on the FY 2016 enacted budget authority of \$375 million as found in the Consolidated Appropriations Act, 2016, pp. 421–422. This estimate assumes that the enacted spending level for FY 2016 will hold constant in FY 2017 and decrease at the same rate (–0.32 percent) as discretionary spending growth in FY 2018, according to the CBO's most recent August 2016 baseline spending projections. A 10 percent cut in that funding equals \$37.4 million.

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# Eliminate Funding for the John Stennis Center

## RECOMMENDATION

Eliminate funding for the John Stennis Center. This proposal saves \$0.5 million in FY 2018.

## RATIONALE

The John Stennis Center is a legislative program intended as a living tribute to John Stennis's (D-MS) career as a Senator. The Stennis Center aims to attract young people to careers in public service, promote leadership skills, and provide training and development opportunities to Members of Congress, congressional staff, and others in public service.

Given that budget deficits are projected to top \$1 trillion by 2023, Congress needs to focus on spending priorities. There are numerous private entities providing services similar to those of the Stennis Center. The Young Leaders program at The Heritage Foundation is one example. Past budgets and appropriations bills have called for its elimination, and Congress should act to do so now.

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## ADDITIONAL READING

- Justin Bogie, "Congress Should Look Toward Legislative Branch Appropriations Bill as a Starting Point for Spending Cuts," Heritage Foundation *Issue Brief* No. 4573, June 8, 2016.

## CALCULATIONS

Savings are based on eliminating the \$430,000 in funding received by the John Stennis Center in the Consolidated Appropriations Act of 2016.

## ENDNOTES

1. Edmund F. Haislmaier, "Administration Disregards the Law and Gives Special Obamacare Deal to Congress," *The Daily Signal*, August 7, 2013, <http://dailysignal.com/2013/08/07/administration-disregards-the-law-and-gives-special-obamacare-deal-to-congress/>, and Robert E. Moffit, "Congress and Obamacare: A Big Double Standard," *Human Events*, November 11, 2013, <http://humanevents.com/2013/11/11/congress-and-obamacare-a-big-double-standard/> (accessed November 17, 2015).
2. Robert E. Moffit, Edmund F. Haislmaier, and Joseph A. Morris, "Congress in the Obamacare Trap: No Easy Escape," Heritage Foundation *Backgrounders* No. 2831, August 2, 2013, <http://www.heritage.org/research/reports/2013/08/congress-in-the-obamacare-trap-no-easy-escape>.



# Military Construction, Veterans Affairs, and Related Agencies

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# End Enrollment in VA Medical Care for Veterans in Priority Groups 7 and 8

## RECOMMENDATION

End enrollment in VA medical care for veterans in Priority Groups 7 and 8. This proposal saves \$5.4 billion in FY 2018.<sup>1</sup>

## RATIONALE

The Department of Veterans Affairs (VA) should focus on the unique needs of military medicine. A 2014 Congressional Research Service fact sheet revealed that more than one of every 10 VA patients is not a veteran, and the number of non-veterans using the VA's health care services has increased faster in recent years than has the number of veteran patients.<sup>2</sup> VA resources should be used solely to provide health care to veterans. The VA ranks veterans who seek medical care on a scale of one to eight, with the lower numbers being the highest priority. The groups are defined based on factors such

as income and disability status. Veterans in Priority Groups (PG) 7 and 8 do not have compensable service-connected disabilities, and their incomes tend to exceed the VA's national income threshold as well as its geographic income threshold. More than 2 million veterans with priority seven or eight are enrolled in the veterans' health care system.<sup>3</sup> The Department should not be providing benefits for veterans in PGs 7 and 8. Scarce VA health care dollars must be spent first on veterans with the most severe disabilities.

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## ADDITIONAL READING

- Justin Bogie, "Congress Should Exercise Restraint in Veterans Affairs Funding Bill," Heritage Foundation *Issue Brief* No. 4548, May 17, 2016, <http://www.heritage.org/research/reports/2016/05/congress-should-exercise-restraint-in-veterans-affairs-funding-bill>.
- John S. O'Shea, "Reforming Veterans Health Care: Now and for the Future," Heritage Foundation *Issue Brief* No. 4585, June 24, 2016, <http://www.heritage.org/research/reports/2016/06/reforming-veterans-health-care-now-and-for-the-future>.

## CALCULATIONS

Savings are expressed as budget authority as estimated for FY 2018 by the Congressional Budget Office: Congressional Budget Office, "Options for Reducing the Deficit: 2017 to 2026," December 8, 2016, p. 265, <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/52142-budgetoptions2.pdf> (accessed January 23, 2017).



# Eliminate Concurrent Receipt of Retirement Pay and Disability Compensation for Veterans

## RECOMMENDATION

Eliminate concurrent receipt of retirement pay and disability compensation for veterans. This proposal saves \$9.0 billion in FY 2018.

## RATIONALE

Until 2003, military retirees were prohibited from collecting full Defense Department retirement and VA disability benefits simultaneously. Military retirees eligible for VA disability benefits lost \$1 in Defense Department retirement benefits for every \$1 in VA disability benefits they collected. The rationale for this offset policy was that concurrent receipt of retirement and disability payments was compensating veterans for the same service twice. Disability payments are meant to compensate workers when they cannot work due to a disability, whereas retirement payments are intended for people who are no longer working.

Policy changes in 2004 allowed Defense Department retirees to collect benefits from both programs simultaneously. Since enactment of the concurrent-receipt policy, the share of military retirees who also receive VA disability benefits rose from 33

percent in 2005 to just over 50 percent in 2015.<sup>4</sup> A 2013 report by the U.S. Government Accountability Office (GAO) revealed that nearly 60,000 veterans received cash benefits from three different federal programs simultaneously (retirement pay from the Department of Defense, disability compensation from the VA, and Social Security Disability Insurance (SSDI)). More than 2,300 veterans received \$100,000 or more in annual benefits each, and the highest annual benefit amounted to more than \$200,000.<sup>5</sup> The U.S. government should honor its promise to the men and women who serve without generating excessive benefit payouts. Simply returning to the long-standing pre-2004 policy, where veteran disability payments offset retirement pay, would reduce excessive benefits and save taxpayers \$9 billion in 2018, and \$139 billion between 2017 and 2026.

## ADDITIONAL READING

- Romina Boccia, "Triple-Dipping: Thousands of Veterans Receive More than \$100,000 in Benefits Every Year," Heritage Foundation *Issue Brief* No. 4295, November 6, 2014, <http://www.heritage.org/research/reports/2014/11/triple-dipping-thousands-of-veterans-receive-more-than-100000-in-benefits-every-year>.

## CALCULATIONS

Estimated savings come from: Congressional Budget Office, "Options for Reducing the Deficit: 2017 to 2026," December 8, 2016, p. 34, <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/52142-budgetoptions2.pdf> (accessed January 31, 2017). The option to "Eliminate Concurrent Receipt of Retirement Pay and Disability Compensation for Disabled Veterans" includes \$9.0 billion in mandatory spending in FY 2018.

# Narrow Eligibility for Veterans' Disability Compensation by Excluding Certain Disabilities Unrelated to Military Duties

## RECOMMENDATION

Narrow eligibility for veterans' disability compensation by excluding certain disabilities that are unrelated to military duties. This proposal saves \$2 billion in 2018.

## RATIONALE

Disability compensation for veterans should focus on service-related conditions. Veterans are eligible for disability compensation from the VA for medical conditions or injuries that occurred or worsened during active-duty military service, as well as for conditions that were not necessarily incurred or worsened due to military service. The GAO has identified seven conditions that are unlikely to be caused or worsened by military service:<sup>6</sup> (1)

arteriosclerotic heart disease, (2) chronic obstructive pulmonary disease, (3) Crohn's disease, (4) hemorrhoids, (5) multiple sclerosis, (6) osteoarthritis, and (7) uterine fibroids. This proposal would cease veterans' disability compensation for those non-service-related conditions identified by the GAO. This proposal saves \$2 billion in 2018, and \$25.7 billion from 2017 to 2026.

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## ADDITIONAL READING

- John S. O'Shea, "Reforming Veterans Health Care: Now and for the Future," Heritage Foundation *Issue Brief* No. 4585, June 24, 2016, <http://www.heritage.org/research/reports/2016/06/reforming-veterans-health-care-now-and-for-the-future>.

## CALCULATIONS

Estimated savings come from: Congressional Budget Office, "Options for Reducing the Deficit: 2017 to 2026," December 8, 2016, p. 59, <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/52142-budgetoptions2.pdf> (accessed January 31, 2017). The option to "Narrow Eligibility for Veterans' Disability Compensation by Excluding Certain Disabilities Unrelated to Military Duties" includes \$2.0 billion in mandatory spending in FY 2018.

## ENDNOTES

1. The \$5.4 billion in savings represent discretionary budget authority. This proposal would also affect mandatory spending outlays, which are not included here.
2. Erin Bagalman, "The Number of Veterans that Use VA Health Care Service: A Fact Sheet," Congressional Research Service *Report for Congress* No. 43579, June 3, 2014, <http://fas.org/sgp/crs/misc/R43579.pdf> (accessed April 14, 2016).
3. Congressional Budget Office, "End Enrollment in VA Medical Care for Veterans in Priority Groups 7 and 8," Options for Reducing the Deficit 2017–2026, December 8, 2016, <https://www.cbo.gov/publication/52142> (accessed January 3, 2017).
4. Congressional Budget Office, "Eliminate Concurrent Receipt of Retirement Pay and Disability Compensation for Disabled Veterans," Options for Reducing the Deficit 2017–2026, December 8, 2016, <https://www.cbo.gov/publication/52142> (accessed January 3, 2017).
5. Government Accountability Office, "Disability Compensation: Review of Concurrent Receipt of Department of Defense Retirement, Department of Veterans Affairs Disability Compensation, and Social Security Disability Insurance," letter to Senator Tom Coburn (R-OK), September 30, 2014, <http://www.gao.gov/assets/670/666267.pdf> (accessed September 31, 2014).
6. Government Accountability Office, "Law Allows Compensation for Disabilities Unrelated to Military Service," HRD–89–60, July 31, 1989, <http://www.gao.gov/products/GAO/HRD-89-60> (accessed on January 3, 2017).



# Multiple Subcommittees

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# Stop Paying Federal Employees Who Work for Outside Organizations on the Clock

## RECOMMENDATION

Congress should stop allowing federal employees to work for labor unions while on the clock as federal employees, and should charge unions for space they use within federal buildings. This proposal saves \$156 million in FY 2018.

## RATIONALE

Federal law requires federal agencies to negotiate “official time” with federal labor unions. This allows federal employees to work for their labor union while on the clock as a federal employee. Taxpayers pay for federal unions to negotiate collective bargaining agreements, file grievances, and to lobby the federal government. Most agencies also provide unions with free “official space” in federal buildings to conduct union work. These practices provide no

public benefit and directly subsidize the operations of government unions

The government should require union officers to clock out when they are doing union work. The government should also charge unions fair-market value for the office space they use. These changes would save over \$150 million a year.

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## ADDITIONAL READING

- James Sherk, “Official Time: Good Value for the Taxpayer?” testimony before the Oversight and Government Reform Committee, U.S. House of Representatives, June 3, 2011.

## CALCULATIONS

The Office of Personnel Management estimates that the federal government gave federal unions \$156 million in official time in 2012, the most recent year for which data are available. Office of Personnel Management, “Labor–Management Relations in the Executive Branch,” October 2014. Absent more recent data, Heritage assumes the same figure of \$156 million for FY 2018. Although charging unions for their use of federal office space would generate savings, Heritage does not have any reliable estimates of those savings and thus does not include any in this proposal.

# Repeal the Davis–Bacon Act

## RECOMMENDATION

Congress should repeal the Davis–Bacon Act and prevent states from imposing prevailing-wage restrictions on federally funded construction projects. This proposal saves \$7.791 billion in FY 2018.

## RATIONALE

The Davis–Bacon Act requires federally financed construction projects to pay “prevailing wages.” In theory, these should reflect going market rates for construction labor in that area. However, the GAO and Inspector General have repeatedly criticized the Labor Department for using self-selected statistically unrepresentative samples to calculate the prevailing-wage rates. Consequently, actual Davis–Bacon rates usually reflect union rates that average 22 percent above actual market wages.

The Davis–Bacon Act requires taxpayers to overpay for construction labor. Construction unions lobby heavily to maintain this restriction—it reduces the cost advantage of their non-union competitors. But

it needlessly inflates the total cost of building infrastructure and other federally funded construction by 10 percent.

The CBO has estimated that the Davis–Bacon Act applies to a third of all government construction—many state and local projects are partially or wholly funded with federal dollars. Without prevailing-wage restrictions, these projects would cost substantially less. Congress should repeal the Davis–Bacon Act and prohibit states from imposing separate prevailing-wage restrictions on federally funded construction projects. Doing so would save taxpayers billions of dollars every year.

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## ADDITIONAL READING

- James Sherk, “Examining the Department of Labor’s Implementation of the Davis–Bacon Act,” testimony before the Committee on Education and the Workforce, U.S. House of Representatives, April 14, 2011.
- James Sherk, “Labor Department Can Create Jobs by Calculating Davis–Bacon Rates More Accurately,” Heritage Foundation *Backgrounder* No. 3185, January 21, 2017.

## CALCULATIONS

Savings are expressed as budget authority and were calculated by comparing current public construction spending of \$270.3 billion annually (as found in U.S. Census Bureau, “Construction Spending: Value of Construction Put in Place at a Glance September 2016”) to spending levels in the absence of Davis–Bacon. Davis–Bacon increases construction costs by 9.9 percent, as documented in Sarah Glassman et al., “The Federal Davis–Bacon Act: The Prevailing Mismeasure of Wages,” The Beacon Hill Institute, February 2008. The CBO estimates that Davis–Bacon covers 32 percent of all public construction spending—\$86.496 billion in 2016. In the absence of Davis–Bacon’s 9.9 percent increase in costs, that spending would cost only \$78.704 billion. Assuming that public construction spending remains constant between 2016 and FY 2018, and federal taxpayers capture all the value of the savings from eliminating Davis–Bacon, this proposal saves \$7.791 billion in FY 2018.

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# Maintain Existing Definition of “Fill Material” and “Discharge of Fill Material” Under Clean Water Act Regulations

## RECOMMENDATION

Congress should maintain the existing definition of “fill material” and “discharge of fill material” under Clean Water Act (CWA) regulations. This proposal has no savings in FY 2018.

## RATIONALE

Under the CWA, permits may be required for certain activities that could impact waters across the United States. The Army Corps of Engineers and the Environmental Protection Agency may redefine “fill material” and “discharge of fill material” in a manner that would require mining companies to secure Section 402 permits (as opposed to Section 404 permits) for various mining activities.<sup>1</sup> While there are certainly obstacles to securing Section

404 permits, Section 402 permits are even more stringent, and industry groups have argued that they would effectively prohibit numerous mining activities.<sup>2</sup> Existing regulations provide ample environmental protection without imposing unnecessary restrictions that could harm the mining industry and the communities that benefit from mining operations.<sup>3</sup>

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## ADDITIONAL READING

- Robert Gordon and Diane Katz, *Environmental Policy Guide: 167 Recommendations for Environmental Policy Reform* (Washington, DC: The Heritage Foundation, 2015).
- John Gray, Nicolas Loris, and Daren Bakst, “FY 2016 House Interior and Environment Appropriations Bill: Right on Regulations, Wrong on Spending,” Heritage Foundation *Issue Brief* No. 4226, June 26, 2015.



# Limit Application of the Recapture Provision for Dredge-and-Fill Permits

## RECOMMENDATION

Congress should limit application of the recapture provision for dredge-and-fill permits. This proposal has no savings in FY 2018.

## RATIONALE

Under the CWA, Section 404 permits are not required for normal farming activities, construction of stock ponds, and other related activities. However, there are exceptions, including under what is referred to as the “recapture” provision.<sup>4</sup> In recent testimony, a member of the American Farm Bureau Federation explained this provision:

[W]here discharges of dredged or fill material are used to bring land into a new use (e.g. making wetlands amenable to farming) and *impair the reach*

*or reduce the scope of jurisdictional waters*, those discharges are not exempt. The Agencies have broadly interpreted the “recapture” provision to apply even when the “new use” is simply a change from one crop to another crop.<sup>5</sup>

By limiting the application of the recapture provision, Congress can help to prevent the weakening of the exemptions that are critical for farmers and ranchers.

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## ADDITIONAL READING

- Robert Gordon and Diane Katz, *Environmental Policy Guide: 167 Recommendations for Environmental Policy Reform* (Washington, DC: The Heritage Foundation, 2015).
- John Gray, Nicolas Loris, and Daren Bakst, “FY 2016 House Interior and Environment Appropriations Bill: Right on Regulations, Wrong on Spending,” Heritage Foundation *Issue Brief* No. 4226, June 26, 2015.

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# Eliminate Federal Funding for Sanctuary Cities

## RECOMMENDATION

Congress should eliminate federal funding to sanctuary cities. Although this proposal could generate budgetary savings, those savings are uncertain and Heritage does not include any savings for FY 2018.

## RATIONALE

Congress should prohibit the Department of Homeland Security and the Department of Justice from providing grant money to sanctuary cities—cities that resist the enforcement of immigration law. Federalism gives local governments some latitude in choosing to oppose federal government policies on

immigration, but the federal government does not have to reward or pay for the results of such policies. 8 U.S. Code §1373 prohibits state or local governments from restricting city officials from exchanging information with the federal government on the citizenship status of any individual.

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## ADDITIONAL READING

- Hans A. von Spakovsky, “Sanctuary Cities Put Law-Abiding Citizens at Risk,” Heritage Foundation *Commentary*, December 9, 2015.

# Prohibit Government Discrimination in Tax Policy, Grants, Contracting, and Accreditation

## RECOMMENDATION

Congress should prohibit government discrimination against any person or group in tax policy, grants, contracting, and accreditation, simply because they speak or act on the belief that marriage is the union of one man and one woman. This proposal has no savings in FY 2018.

## RATIONALE

In June 2015, the Supreme Court redefined marriage throughout America by mandating government entities to treat same-sex relationships as marriages. The court, however, did not say that private schools, charities, businesses, or individuals must also do so. Indeed, there is no justification for the government to force these entities or people to violate beliefs about marriage that, as even Justice Anthony Kennedy noted in his majority opinion recognizing gay marriage, are held “in good faith by reasonable and sincere people here and throughout the world.”

Already state and local governments have penalized counselors, adoption agencies, doctors, and small-business owners who declined to act against their convictions concerning sex and marriage. There are signs that the federal government will do the same: In oral arguments before the Supreme Court in *Obergefell* (the case redefining marriage), Justice Samuel Alito asked Solicitor General Donald Verrilli whether a university or college might lose its nonprofit tax status because of its conviction that marriage is the union of one man and one woman. Verrilli’s response: “It’s certainly going to be an issue.”

The Sunday after the Supreme Court’s ruling in *Obergefell*, *New York Times* religion columnist Mark Oppenheimer wrote a column for *Time* magazine headlined: “Now’s the Time to End Tax Exemptions for Religious Institutions.” Oppenheimer argued, “Rather than try to rescue tax-exempt status for organizations that dissent from settled public policy on matters of race or sexuality, we need to take

a more radical step. It’s time to abolish, or greatly diminish, their tax-exempt statuses.” As Americans have long understood, the power to tax is the power to destroy.

Respect for freedom after the Supreme Court’s ruling takes several forms. Charities, schools, and other organizations that interact with the government should be held to the same standards of competence as everyone else, but their view that marriage is the union of a man and a woman should never disqualify them from government programs.

Educational institutions, for example, should be eligible for government contracts, student loans, and other forms of support as long as they meet the relevant *educational* criteria. Adoption and foster care organizations that meet the substantive requirements of child welfare agencies should be eligible for government contracts without having to abandon the religious values that led them to help orphaned children in the first place.

Congress should prohibit government discrimination in tax policy, grants, contracts, licensing, or accreditation based on an individual’s or group’s belief that marriage is the union of one man and one woman, or that sexual relations are reserved for such a marriage.<sup>6</sup>

This proposal has no savings in FY 2018, but will ensure that otherwise well-qualified organizations are not penalized because of their beliefs about marriage.

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## ADDITIONAL READING

- Ryan T. Anderson, “First Amendment Defense Act Protects Freedom and Pluralism after Marriage Redefinition,” Heritage Foundation *Issue Brief* No. 4490, November 25, 2015.
- “People of Faith Deserve Protection from Government Discrimination in the Marriage Debate,” Heritage Foundation *Factsheet* No. 160, July 2, 2015.

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# Prohibit Any Agency from Regulating Greenhouse Gas Emissions

## RECOMMENDATION

Congress should prohibit any agency from regulating greenhouse gas emissions. This proposal has no estimated savings in FY 2018.

## RATIONALE

The Obama Administration has proposed and implemented a series of climate change regulations, pushing to reduce greenhouse gas emissions from vehicles, heavy-duty trucks, airplanes, hydraulic fracturing, and new and existing power plants. More than 80 percent of America’s energy needs are met through conventional carbon-based fuels.

Restricting opportunities for Americans to use such an abundant, affordable energy source will only bring economic pain to households and businesses—with no climate or environmental benefit to show for it. The cumulative economic loss will be hundreds of thousands of jobs and trillions of dollars of gross domestic product.

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## ADDITIONAL READING

- Nicolas D. Loris, “Congress Should Stop Regulations of Greenhouse Gases,” Heritage Foundation *Issue Brief* No. 4053, September 23, 2013.
- Nicolas D. Loris, “The Many Problems of the EPA’s Clean Power Plan and Climate Regulations: A Primer,” Heritage Foundation *Background* No. 3025, July 7, 2015.
- Nicolas D. Loris, “Methane Regulations Add to the Price Tag of the Administration’s Climate Plan,” Heritage Foundation *Issue Brief* No. 4341, February 3, 2015.

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# Prohibit Funding for the “Waters of the United States” (WOTUS) Rule

## RECOMMENDATION

Congress should prohibit funding for the “Waters of the United States” (WOTUS) rule. This proposal has no savings in FY 2018.

## RATIONALE

The EPA and Army Corps’ controversial WOTUS rule would greatly expand the types of waters that could be covered under the Clean Water Act—from certain man-made ditches to so-called waters that are dry land most of the time. Absent congressional action, this attack on property rights and state

power could soon move forward. Fortunately, the Sixth Circuit Court issued a stay,<sup>7</sup> blocking implementation of the rule, but this stay is only temporary. If the rule overcomes legal battles, Congress should block funding for its implementation.

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## ADDITIONAL READING

- Daren Bakst, “EPA and the Corps Ignoring Sound Science on Critical Clean Water Act Regulations,” Heritage Foundation *Issue Brief* No. 4122, January 8, 2014.
- Daren Bakst, “The EPA’s Water Power Grab: Lawmakers Can Use the Appropriations Process to Stop It,” The Daily Signal, December 4, 2015.
- Daren Bakst, “What You Need to Know About the EPA/Corps Water Rule: It’s a Power Grab and an Attack on Property Rights,” Heritage Foundation *Background* No. 3012, April 29, 2015.

# Enforce Data-Quality Standards

## RECOMMENDATION

Congress should pass laws to enforce data-quality standards. This proposal has no savings in FY 2018.

## RATIONALE

No funds should be used for any grant for which the recipient does not agree to make all data produced under the grant publicly available in a manner consistent with the Data Access Act (Title III, OMB, of Public Law 105–277), as well as in compliance with the standards of the Information Quality Act (44 U.S. Code 3516 note). The Data Access Act requires federal agencies to ensure that data produced under grants to and agreements with universities, hospitals, and nonprofit organizations are available to the public. The Information Quality Act requires the Office of Management and Budget with respect to

agencies to “issue guidelines ensuring and maximizing the quality, objectivity, utility, and integrity of information (including statistical information) disseminated by the agency.”<sup>8</sup>

However, the Office of Management and Budget has unduly restricted the Data Access Act, and there is little accountability that could ensure agency compliance with the Information Quality Act. Credible science and transparency are necessary elements of sound policy.<sup>9</sup> Standards must be codified—guidelines are insufficient.

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## ADDITIONAL READING

- Robert Gordon and Diane Katz, *Environmental Policy Guide: 167 Recommendations for Environmental Policy Reform* (Washington, DC: The Heritage Foundation, 2015).
- Diane Katz, “An Environmental Policy Primer for the Next President,” Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.

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# Withhold Grants for Seizure of Private Property

## RECOMMENDATION

Congress should withhold grants for seizure of private property. Although this proposal could generate savings, those savings are unknown and Heritage does not include any estimated savings for FY 2018.

## RATIONALE

On June 23, 2005, the United States Supreme Court held in *Kelo v. City of New London* that the government may seize private property and transfer it to another private party for economic development. This type of taking was deemed to be for a “public use” and allowed under the Fifth Amendment of the United States Constitution. Congress has failed to take meaningful action in the decade since this landmark decision and should, to the extent it is within the power of Congress, provide property owners in all states necessary protection from economic development and closely related takings, such as blight-related takings.

Since there is a subjective element to determining whether a taking is for economic development, the condemnor should be required to establish that a

taking would not have occurred but for the economic-development reason. Local governments often use broad definitions of “blight” to seize private property, including seizing non-blighted property that is located in an allegedly blighted area. Only property that itself is legitimately blighted, such as posing a concrete harm to health and safety, should be allowed to be seized. Congress should withhold grants for infrastructure development to states or other jurisdictions that invoke eminent domain to (1) seize private property for economic development, unless the condemnor can demonstrate that the taking would have occurred but for economic development and is for a public use, or (2) address blight, unless the property itself poses a concrete harm to health and safety.<sup>10</sup>

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## ADDITIONAL READING

- Daren Bakst, “A Decade After *Kelo*: Time for Congress to Protect American Property Owners,” Heritage Foundation *Backgrounder* No. 3026, June 22, 2015.



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## ENDNOTES

1. Laura Barron-Lopez, "COP Omnibus Rider Keeps Administration from Tightening Mining Rule," *The Hill*, January 16, 2014, <http://thehill.com/policy/energy-environment/195621-gop-rider-in-omnibus-bill-would-tighten-rules-on-waste> (accessed April 28, 2015). See also Kate Sheppard, "Appropriations Bill Would Block New Mountain Removal Fill Rules," *The Huffington Post*, January 14, 2014, [http://www.huffingtonpost.com/2014/01/14/omnibus-coal-mining\\_n\\_4598628.html](http://www.huffingtonpost.com/2014/01/14/omnibus-coal-mining_n_4598628.html) (accessed April 28, 2015).
2. Claudia Copeland, "Controversies over Redefining 'Fill Material' Under the Clean Water Act," Congressional Research Service *Report for Congress*, August 21, 2013, <http://www.fas.org/sgp/crs/misc/RL31411.pdf> (accessed April 28, 2015).
3. Robert Gordon and Diane Katz, *Environmental Policy Guide: 167 Recommendations for Environmental Policy Reform* (Washington, DC: The Heritage Foundation, 2015).
4. Specifically: "Any discharge of dredged or fill material into the navigable waters incidental to any activity having as its purpose bringing an area of the navigable waters into a use to which it was not previously subject, where the flow or circulation of navigable waters may be impaired or the reach of such waters be reduced." 33 U.S. Code § 1344 (f)(2), <https://www.law.cornell.edu/uscode/text/33/1344> (accessed April 30, 2015).
5. Ellen Steen, "Statement of the American Farm Bureau Federation Regarding: The Definition of 'Waters of the United States' Proposed Rule and Its Impact on Rural America," testimony before the Subcommittee on Conservation, Energy, and Forestry, Committee on Agriculture, U.S. House of Representatives, March 3, 2015, <http://agriculture.house.gov/sites/republicans.agriculture.house.gov/files/images/Steen%20Testimony.pdf> (accessed April 29, 2015). (Emphasis in original.)
6. "People of Faith Deserve Protection from Government Discrimination in the Marriage Debate," Heritage Foundation *Factsheet* No. 160, July 2, 2015, <http://www.heritage.org/research/reports/2015/07/people-of-faith-deserve-protection-from-government-discrimination-in-the-marriage-debate>.
7. *State of Ohio et al. v. U.S. Army Corps of Eng'rs et al.*, Nos. 15-3799/3822/3853/3887, Order of Stay (6th Cir. 2015), <http://www.ca6.uscourts.gov/opinions.pdf/15a0246p-06.pdf> (accessed November 18, 2015).
8. Consolidated Appropriations Act of 2001, Public Law 106-554, §515.
9. Gordon and Katz, *Environmental Policy Guide: 167 Recommendations for Environmental Policy Reform*.
10. Daren Bakst, "A Decade After *Kelo*: Time for Congress to Protect American Property Owners," Heritage Foundation *Backgrounder* No. 3026, June 22, 2015, [http://www.heritage.org/research/reports/2015/06/a-decade-after-keelo-time-for-congress-to-protect-american-propertyowners#\\_ftn1](http://www.heritage.org/research/reports/2015/06/a-decade-after-keelo-time-for-congress-to-protect-american-propertyowners#_ftn1).



# State, Foreign Operations, and Related Programs

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# End Funding for the United Nations Development Program

## RECOMMENDATION

End U.S. contributions to the United Nations Development Program (UNDP). This proposal saves \$113 million in FY 2018.

## RATIONALE

The UNDP conducts projects in more than 170 countries around the world and aspires to be the premier anti-poverty agency of the U.N. system. The organization spends billions of dollars every year on anti-poverty programs, but the impact of this assistance is unclear. For instance, according to 2012 report commissioned by the UNDP, the organization spent over \$8 billion on anti-poverty activities between 2004 and 2011, but the report found that this focus was lost at the country level:

Poverty reduction remains the UNDP's core focus area, and the principal objective of its work. At the strategic planning level and at the executive board level, poverty reduction is accorded top priority. By the time the issue reaches the country level, however, the focus on poverty reduction often becomes diluted. So, even though the overriding UNDP priority is poverty reduction, a large part of the activities it undertakes at the country level, and the manner in which it undertakes them, does not conform to this priority. Many of its activities have only remote connections with poverty, if at all.<sup>1</sup>

Moreover, UNDP aid meant to assist suffering populations in many authoritarian countries inadvertently helps perpetuate that very suffering. In the past, the UNDP has funded inappropriate activities

in Iran, North Korea, Venezuela, and Zimbabwe.<sup>2</sup> The UNDP has also stifled warnings of a cholera outbreak in Zimbabwe in order to maintain good relations with the government, and continued to work with the Syrian government long after evidence of atrocities was established.<sup>3</sup>

In addition, UNDP oversight of resources has been revealed as weak where independent auditing has been available. A 2011 audit by the U.S. Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) identified numerous management and oversight failings and concluded: "Until these oversight and monitoring issues are addressed, there will continue to be concerns about the value of UNDP's services needed to provide the expected quantity, quality, and timeliness of progress in establishing and maintaining a viable police force."<sup>4</sup> Correspondence in 2014 between SIGAR and the UNDP indicate that these deficiencies remain and, more worryingly, the UNDP "appears to downplay UNDP's responsibility for overseeing LOTFA [Law and Order Trust Fund for Afghanistan] and fails to acknowledge the problems that continue to plague this program."<sup>5</sup> In July 2016, the Israeli government arrested a UNDP contractor and accused him of diverting resources and material to the terrorist organization Hamas in the Gaza Strip.<sup>6</sup>

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## ADDITIONAL READING

- Ambassador Terry Miller, "The United Nations and Development: Grand Aims, Modest Results," Heritage Foundation *Special Report* No. 86, September 22, 2010.
- Brett D. Schaefer, "Why Does UNDP Continue to Aid Repressive Regimes?" *The Daily Signal*, August 27, 2010.
- Brett D. Schaefer and Steven Groves, "Congress Should Withhold Funds from the U.N. Development Program," Heritage Foundation *WebMemo* No. 1783, January 26, 2008.
- Special Inspector General for Afghanistan Reconstruction, "2011 SIGAR Review of the Law and Order Trust Fund for Afghanistan," April 25, 2011.

## CALCULATIONS

Savings are estimated based on the reported FY 2016 obligations of \$113.6 million as listed in U.S. Department of State, “United States Contributions to International Organizations,” Sixty-Fifth Annual Report to the Congress Fiscal Year 2016, p. 9, <https://www.state.gov/documents/organization/267550.pdf> (accessed February 7, 2017). Heritage assumes that spending holds steady in FY 2017 and decreases at the same rate as discretionary spending for FY 2018 (–0.32 percent), according to the CBO’s most recent August 2016 baseline spending projections.

# Eliminate the Overseas Private Investment Corporation

## RECOMMENDATION

Eliminate the Overseas Private Investment Corporation (OPIC). While this recommendation is estimated to cost the government money, because OPIC generates more revenue than its operating costs, eliminating OPIC is consistent with the important goal of reducing the size and scope of government. This proposal *increases* net spending by \$118 million in FY 2018.

## RATIONALE

OPIC was created in 1969 at the request of the Nixon Administration to promote investment in developing countries. OPIC provides loans and loan guarantees; subsidizes risk insurance against losses resulting from political disruption, such as coups and terrorism; and capitalizes investment funds.

While there may have been legitimate need for government services of this kind in 1969, in today's global economy, many private firms in the developed and developing world offer investment loans and political-risk insurance. OPIC displaces these private options by offering lower-cost services using the faith and credit of the U.S. government (that is, the taxpayers). Indeed, OPIC products may actually undermine development by accepting customers who might otherwise use financial institutions in middle-income countries, such as Brazil and India, which have reasonably sound domestic financial institutions. Moreover, OPIC's subsidized prices do not fully account for risk. By putting the taxpayer on the hook for this exposure, OPIC puts the profits in private hands while putting the risk on the taxpayer.

Worse, OPIC rewards bad economic policies. Countries that have the best investment climates are most likely to attract foreign investors. When OPIC guarantees investments in risky foreign environments, those countries have less reason to adopt policies that are friendly to foreign investors. Companies that want to invest in emerging markets should be free to do so, but they are not entitled to taxpayer support. Investors should base their decisions not on whether a U.S. government agency will cover the risks, but on whether investment in a country makes economic sense.

In addition, OPIC directs only a small share of its portfolio to least-developed countries even though OPIC was established to “contribute to the economic and social progress of developing nations” that lack access to private investment, which today are overwhelmingly the least-developed countries. Further undermining the basis for OPIC's continuation, the need for OPIC even in least-developed countries is decreasing, as private capital investment has been increasing in those countries.

Finally, it is far from clear that OPIC projects directly support U.S. economic security or interests. OPIC claims of support for U.S. jobs are dubious and, even if valid, cost hundreds of thousands of dollars per job “supported.” Thus, even if OPIC supports U.S. jobs, it is massively inefficient. Specific examples of projects OPIC supports should raise questions in Congress:

- \$85 million in loans for a major hotel and apartment complex in Afghanistan that were not properly overseen and never completed. “As a result, the \$85 million in loans is gone, the buildings were never completed and are uninhabitable, and the U.S. Embassy is now forced to provide security for the site at additional cost to U.S. taxpayers.”<sup>7</sup>
- \$67 million to finance 13 projects in the Palestinian territories while a unity government was formed with Hamas.
- Financing for Papa John's pizza franchises in Russia.
- \$50 million of financing for a Ritz-Carlton hotel in Istanbul, Turkey.

- According to the Competitive Enterprise Institute, “In recent years, OPIC has increasingly emphasized environmental factors in its investment decisions. In 2014, more than 40 percent of its resources went to renewable energy projects.”<sup>8</sup> These projects include \$46 million in insurance for an unnamed “Eligible U.S. Investor” for a Kenyan wind power project.

Milton Friedman criticized the agency in 1996 as follows: “I cannot see any redeeming aspect in the existence of OPIC. It is special interest legislation of the worst kind, legislation that makes the problem it is intended to deal with worse rather than better.... OPIC has no business existing.”

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## ADDITIONAL READING

- Bryan Riley and Brett D. Schaefer, “Time to Privatize OPIC,” Heritage Foundation *Issue Brief* No. 4224, May 19, 2014.
- Brett D. Schaefer and Bryan Riley, “8 Reasons Congress Should End Taxpayer Support for the Overseas Private Investment Corporation,” The Daily Signal, September 30, 2015.
- Ryan Young, “The Case against the Overseas Private Investment Corporation: OPIC Is Obsolete, Ineffective, and Harms the Poor,” Competitive Enterprise Institute *On Point* No. 208, September 24, 2015.

## CALCULATIONS

Savings are expressed as budget authority for FY 2018 as estimated by the CBO in its most recent August 2016 baseline spending projections. Savings, which in this case are negative, include \$261 million in discretionary revenue losses, partially offset by \$143 million in mandatory spending savings, for a total *increase* in spending of \$118 million in FY 2018.

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# Eliminate Funding for the United Nations Population Fund

## RECOMMENDATION

Eliminate funding for the United Nations Population Fund (UNFPA). This proposal saves \$68 million in FY 2018.

## RATIONALE

For years, the U.S. withheld funding to the UNFPA under the Kemp–Kasten amendment, which prohibits U.S. international aid from supporting coercive abortion procedures or involuntary sterilization.<sup>9</sup> In 2009, President Obama announced he would allow funding to be reinstated to the

organization, and the U.S. has since sent tens of millions of taxpayer dollars to the UNFPA, with the most recent allocation providing \$68 million to the organization in FY 2016. Congress should eliminate all federal funding to the UNFPA.

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## ADDITIONAL READING

- Brett D. Schaefer, “Congress Should Renew the Report Requirement on U.S. Contributions to the U.N. and Reverse Record-Setting Contributions to the U.N.,” Heritage Foundation *WebMemo* No. 3324, July 22, 2011.
- Olivia Enos, Sarah Torre, and William T. Wilson, “An Economic and Humanitarian Case for Pressing China to Rescind the Two-Child Policy,” Heritage Foundation *Backgrounder* No. 3146, November 18, 2016.

## CALCULATIONS

Savings are estimated based on the reported FY 2016 obligations of \$67.9 million as listed in U.S. Department of State, “United States Contributions to International Organizations,” Sixty-Fifth Annual Report to the Congress Fiscal Year 2016, p. 9, <https://www.state.gov/documents/organization/267550.pdf> (accessed February 7, 2017). Heritage assumes that spending holds steady in FY 2017 and decreases at the same rate as discretionary spending for FY 2018 (–0.32 percent), according to the CBO’s most recent August 2016 baseline spending projections.



# Enforce Cap on United Nations Peacekeeping Assessments

## RECOMMENDATION

Enforce the 25 percent cap on U.N. peacekeeping assessments. This proposal saves \$270 million in FY 2018.

## RATIONALE

Current U.S. law caps U.S. payments for U.N. peacekeeping at 25 percent of the budget, but the U.N. will assess the U.S. at 28.434 percent in 2018.<sup>10</sup> The U.S. has adopted appropriations bills allowing payments above the 25 percent cap in order to avoid arrears. Congress should end this practice. Assuming the current \$7.874 billion U.N. peacekeeping budget (July 1, 2016, to June 30, 2017) holds relatively steady in FY 2018, enforcing the cap would result in approximately \$270 million in annual savings.<sup>11</sup>

Peacekeeping expenses were originally paid through the regular budget. However, disputes in the early 1960s over peacekeeping expenses and sharp political differences led a number of countries to withhold U.N. funding, and instigated an ad hoc peacekeeping-funding arrangement through special accounts in addition to the regular budget with discounts for developing countries subsidized through higher assessments for permanent Security Council members.

When a peacekeeping surge in the late 1980s and early 1990s resulted in unprecedented U.S. payments to the U.N., the U.S. demanded that the ad hoc arrangement for peacekeeping be changed to reduce its share of peacekeeping expenses. As President Bill Clinton stated before the General Assembly in 1993, the “U.N.’s operations must not only be adequately funded, but also fairly funded.... [O]ur rates should be reduced to reflect the rise of other nations that can now bear more of the financial burden.”

In 1994, President Clinton signed Public Law 103–236, which capped U.S. contributions to U.N. peacekeeping at 25 percent. The discrepancy between this cap and the amount that the U.N. assessed to the U.S. for peacekeeping led to a rapid

accumulation of “arrears” (that is, amounts the U.N. expected to receive from the U.S., but did not) in the 1990s. This financial stress forced the U.N. and the other member states to agree to establish a formal peacekeeping assessment and, as testified by Ambassador Richard Holbrooke to the Senate, agree to a formula that would lower the U.S. peacekeeping assessment to 25 percent in exchange for payment of U.S. arrears.

Congress accepted these assurances in good faith and approved payment of the arrears. While Congress maintained the 25 percent cap as an incentive for the U.N. to follow through on its promise, it approved gradually diminishing increases in the cap to avoid accumulating arrears while the U.N. lowered the U.S. assessment to 25 percent. With the threat of the U.S. peacekeeping cap as an incentive, the U.N. began reducing the U.S. peacekeeping assessment, albeit not as rapidly as originally agreed, reaching 25.9624 percent in 2008 and 2009.

In 2010, however, the U.S. assessment rose sharply, costing taxpayers hundreds of millions of dollars. To avoid arrears, Congress and the Administration adopted temporary increases in the cap. The other U.N. member states interpreted this action as a weakening in U.S. resolve to lower its peacekeeping assessment and, unsurprisingly, have adopted increases in the U.S. assessment (in three-year increments) for the 2010–2012, 2013–2015, and 2016–2018 periods.

The U.S. should resume pressure on the U.N. to fulfill its commitment to lower the U.S. peacekeeping assessment to 25 percent by enforcing the 25 percent cap.

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## ADDITIONAL READING

- Brett D. Schaefer, “Key Issues of U.S. Concern at the United Nations,” testimony before the Subcommittee on Multilateral International Development, Multilateral Institutions, and International Economic, Energy, and Environmental Policy, Committee on Foreign Relations, U.S. Senate, May 6, 2015.
- Brett D. Schaefer, “U.S. Must Enforce Peacekeeping Cap to Lower America’s U.N. Assessment,” Heritage Foundation *Backgrounder* No. 2762, January 25, 2013.
- Brett D. Schaefer, “The U.S. Should Push for Fundamental Changes to the United Nations Scale of Assessments,” Heritage Foundation *Backgrounder* No. 3023, June 11, 2015.

## CALCULATIONS

The \$270 million in savings are the result of reducing the U.S. share from 28.434 percent in FY 2018 to 25 percent. The approved U.N. Peacekeeping budget was \$7.874 billion for July 1, 2016, to June 30, 2017, as found in United Nations General Assembly, “Approved Resources for Peacekeeping Operations for the Period from 1 July 2016 to 30 June 2017,” A/C.5/70/24, [http://www.un.org/en/ga/search/view\\_doc.asp?symbol=A/C.5/70/24](http://www.un.org/en/ga/search/view_doc.asp?symbol=A/C.5/70/24) (accessed February 8, 2017). The projected shares come from Report of the Secretary-General, “Implementation of General Assembly Resolutions 55/235 and 55/236,” A/70/331/Add.1, December 28, 2015, [http://www.un.org/en/ga/search/view\\_doc.asp?symbol=A/70/331/Add.1](http://www.un.org/en/ga/search/view_doc.asp?symbol=A/70/331/Add.1) (accessed February 8, 2017). Heritage assumes that the FY 2017 budget holds constant in FY 2018. Reducing the U.S. share from 28.434 percent to 25 percent saves \$270 million in FY 2018.

# Return the United Nations Relief and Works Agency for Palestine Refugees in the Near East to Its Original Purpose

## RECOMMENDATION

Returning the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) to its original purpose saves \$179 million in FY 2018.

## RATIONALE

The UNRWA was established more than 60 years ago as a temporary initiative to address the needs of Palestinian refugees and to facilitate their resettlement or repatriation. It has become a permanent institution providing services to multiple generations of Palestinians, of whom a large majority live outside refugee camps, enjoy citizenship in other countries, or reside in the Palestinian-governed territories. Despite the presence of and activities funded through the UNRWA, the Palestinian refugee problem has only grown larger, in part due to the UNRWA's ever-expanding definition of refugee.

The UNRWA abandoned its original mission of resolving the Palestinian refugee crisis decades ago. It too frequently violates the neutral comportment expected of international organizations. Its policies

and actions have exacerbated the Israeli–Palestinian conflict. The U.S. could advance the long-term prospects for peace by fundamentally shifting U.S. policy to encourage winding down UNRWA to facilitate its original purpose: ending the refugee status of Palestinians and facilitating their integration as citizens of their host states, where most were born and raised, or resettling them in the West Bank and Gaza, where the Palestinian government can assume responsibility for their needs. The few remaining first-generation Palestinian refugees and those more recently displaced, such as those fleeing conflict in Syria, should be placed under the responsibility of the U.N. High Commissioner for Refugees (UNHCR) as is the case for other refugee populations within the U.N. system.

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## ADDITIONAL READING

- Brett D. Schaefer and James Phillips, “Time to Reconsider U.S. Support of UNRWA,” Heritage Foundation *Background* No. 2997, March 5, 2015.

## CALCULATIONS

Savings are estimated based on the reported FY 2016 obligations of \$359.5 million as listed in U.S. Department of State, “United States Contributions to International Organizations,” Sixty-Fifth Annual Report to the Congress Fiscal Year 2016, p. 10, <https://www.state.gov/documents/organization/267550.pdf> (accessed February 8, 2017). We assume spending holds steady in FY 2017 and decreases at the same rate as discretionary spending for FY 2018 (–0.32 percent) according to the CBO's most recent August 2016 baseline spending projections. Savings are based on reducing spending by 50 percent in FY 2018 to draw down the agency's funding.

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# Eliminate Funding for the Paris Climate Change Agreement

## RECOMMENDATION

Eliminate funding for the Paris Climate Change Agreement, also known as the Climate Investment Funds (CIF). This proposal saves \$220 million in FY 2018.

## RATIONALE

The CIF is intended “to initiate transformational change towards low-carbon and climate-resilient development” using grants, near-zero interest credit, and some competitive funding opportunities.<sup>12</sup>

Financing is managed by the Multilateral Development Banks, including the World Bank, which fund projects through two programs, the Clean Technology Fund and the Strategic Climate Fund (which itself manages the Forest Investment Fund, the Pilot Program for Climate Resilience, and the Program for Scaling Up Renewable Energy in Low Income Countries). These programs were begun as

a stopgap measure until an agreement was made under the Paris Climate Change Agreement.

On principle, the U.S. should withdraw from the U.N. Framework Convention on Climate Change underlying the Paris Protocol. The U.S. should commit to free-market principles that will provide affordable, reliable energy instead of government-picked technologies and energy sources. Free-market principles have a greater and longer-lasting impact on alleviating poverty and creating opportunity for impoverished communities.

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## ADDITIONAL READING

- Nicolas D. Loris, Brett D. Schaefer, and Steven Groves, “The U.S. Should Withdraw from the United Nations Framework Convention on Climate Change,” Heritage Foundation *Backgrounder* No. 3130, June 9, 2016.
- David W. Kreutzer, “A Cure Worse than the Disease: Global Economic Impact of Global Warming Policy,” Heritage Foundation *Backgrounder* No. 2802, May 28, 2013.
- Nicholas D. Loris and Steven Groves, “The Pathway Out of Paris,” The Daily Signal, November 17, 2016.

## CALCULATIONS

Savings are expressed as budget authority and were calculated by using the FY 2016 enacted spending levels for the Clean Technology Fund (\$170.7 million) and the Strategic Climate Fund (\$49.9 million) as found in the Consolidated Appropriations Act, 2016 (H.R. 2029), p. 488. 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 Funding for the Global Environment Facility

## RECOMMENDATION

Eliminate funding for the Global Environment Facility (GEF). This proposal saves \$168 million in FY 2018.

## RATIONALE

The GEF manages the Special Climate Change Fund and the Least Developed Countries Fund, with a heavy emphasis on global-warming-adaptation projects through grants and financing. For instance, GEF funds were used to place glacier monitoring stations in the Andes to inform agricultural adaptation practices and to develop water resources in China's agricultural Huang-Huai-Hai basin, allegedly threatened by global warming.<sup>13</sup>

Since its inception by the World Bank and U.N. in 1991, the GEF has been designated as the financial mechanism for a number of problematic international agreements, including the U.N. Convention

on Biological Diversity, the U.N. Framework Convention on Climate Change, the Stockholm Convention on Persistent Organic Pollutants, the U.N. Convention to Combat Desertification, the Minamata Convention on Mercury, the Montreal Protocol on Substances that Deplete the Ozone Layer, and a number of international waters agreements, such as the U.N. Convention on the Law of the Sea.<sup>14</sup>

The U.S. should not use taxpayer dollars to fund energy and international climate-change projects. The U.S. should commit to free-market principles that will provide affordable, reliable energy, not government-selected technologies and energy sources.

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## ADDITIONAL READING

- David W. Kreutzer, "A Cure Worse than the Disease: Global Economic Impact of Global Warming Policy," Heritage Foundation *Background* No. 2802, May 28, 2013.
- Nicolas D. Loris, "Economic Freedom, Energy, and Development," in *2015 Index of Economic Freedom* (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2015), chap. 5.

## CALCULATIONS

Savings are expressed as budget authority and were calculated by using the FY 2016 enacted spending level of \$168.3 million as found in the Consolidated Appropriations Act, 2016 (H.R. 2029), p. 487. 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.

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# End Funding for the United Nations Intergovernmental Panel on Climate Change

## RECOMMENDATION

End contributions to the U.N. Intergovernmental Panel on Climate Change (IPCC). This proposal saves \$10 million in FY 2018.

## RATIONALE

The IPCC is charged with the “preparation of comprehensive Assessment Reports about the state of scientific, technical and socio-economic knowledge on climate change, its causes, potential impacts and response strategies.”<sup>15</sup> The IPCC also produces *Special Reports*, which are an assessment on a specific issue, and *Methodology Reports*, which provide practical guidelines for the preparation of greenhouse gas inventories.

These studies have been subject to bias, manipulation, and poor data. The IPCC has also been instrumental in confining global-warming research and debate to a narrow, politically correct version of the issue, namely that manmade greenhouse gas emissions are the primary drivers of catastrophic, accelerating global warming. IPCC data and analysis should not be relied upon or disseminated unless they first meet the standards that Congress has set as a measure for the U.S. government in the Information Quality Act.

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## ADDITIONAL READING

- David W. Kreutzer, “A Cure Worse than the Disease: Global Economic Impact of Global Warming Policy,” Heritage Foundation *Backgrounder* No. 2802, May 28, 2013.
- David W. Kreutzer, “If IPCC Sea Level Numbers Aren’t Bad Enough, Try Tripling Them,” The Daily Signal, July 22, 2011.
- Brett D. Schaefer and Nicolas D. Loris, “U.S. Should Put U.N. Climate Conferences on Ice,” Heritage Foundation *Issue Brief* No. 3792, December 5, 2012.

## CALCULATIONS

Savings are expressed as budget authority and were calculated by using the FY 2016 requested spending level of \$10 million as found in the Consolidated Appropriations Act, 2016 (H.R. 2029), p. 487. 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 the U.S. Trade and Development Agency

## RECOMMENDATION

End funding for the U.S. Trade and Development Agency (USTDA). This proposal saves \$62 million in FY 2018.

## RATIONALE

The USTDA is intended to help

companies create U.S. jobs through the export of U.S. goods and services for priority development projects in emerging economies. The USTDA links U.S. businesses to export opportunities by funding project planning activities, pilot projects, and reverse trade missions while creating sustainable infrastructure and economic growth in partner countries.<sup>16</sup>

These activities more properly belong to the private sector. The best way to promote trade and development is to reduce trade barriers. Another way is to reduce the federal budget deficit and thereby federal borrowing from abroad, freeing more foreign dollars to be spent on U.S. exports instead of federal treasury bonds. A dollar borrowed from abroad by the government is a dollar not available to buy U.S. exports or invest in the private sector of the U.S. economy.<sup>17</sup>

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## ADDITIONAL READING

- Patrick Louis Knudsen, “\$150 Billion in Spending Cuts to Offset Defense Sequestration,” Heritage Foundation *Backgrounder* No. 2744, November 15, 2012.
- Republican Study Committee Sunset Caucus, “Eliminate the U.S. Trade and Development Agency,” July 21, 2010.
- Brian M. Riedl, “How to Cut \$343 Billion from the Federal Budget,” Heritage Foundation *Backgrounder* No. 2483, October 28, 2010.

## CALCULATIONS

Savings are expressed as budget authority as estimated for FY 2018 by the CBO in its most recent August 2016 baseline spending projections.

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# Enforce Funding Prohibition for the United Nations Educational, Scientific, and Cultural Organization

## RECOMMENDATION

In observance of U.S. law, the U.S. should provide no more funding to the United Nations Educational, Scientific, and Cultural Organization (UNESCO). Under current law, this proposal has no savings, but reversal of the current policy could result in \$543 million of arrears payments and an annual assessment of \$72 million based on the current UNESCO budget. Heritage does not include any savings for FY 2018.

## RATIONALE

Two U.S. laws enacted in the early 1990s (both set out as a note under 22 U.S. Code 287e) prohibit U.S. funding of any U.N. organization that “accords the Palestine Liberation Organization the same standing as member states” or “grants full membership as a state to any organization or group that does not have the internationally recognized attributes of statehood.”<sup>18</sup> These prohibitions have no waiver provision, and the U.S. suspended all funding to UNESCO in 2011 after the Palestinians were granted membership. The total amount of unpaid dues was \$470.8 million as of August 2016.<sup>19</sup> Because the U.S. remains a member, UNESCO continues to charge the U.S. a portion of its budget each year—\$71.8 million in 2016—so U.S. arrears continue to climb annually. If the U.S. changes its law to permit UNESCO funding, it will owe \$543 million in arrears (assuming a charge of \$71.8 million in FY 2017) plus the amount assessed for 2018.

This funding prohibition has created financial stress in UNESCO, and the organization and the Obama Administration have repeatedly sought to change the law to allow renewed U.S. funding of UNESCO on the dubious justification that UNESCO activities are central to U.S. interests. In fact, UNESCO is principally a facilitator, not an implementer. UNESCO’s draft budget for 2016–2017 devoted 64 percent of all resources to staff costs, while a minority of the budget was dedicated to actual projects on the ground.<sup>20</sup> Moreover, examination of examples offered by UNESCO of projects critical to U.S. interests reveals that they are often superfluous or merely convenient rather than critical.<sup>21</sup>

Worse, there is evidence that UNESCO has performed poorly and has had a number of judgment lapses beyond granting membership to the Palestinians, including electing Syria to the organization’s

human rights committee in 2011 despite evidence that it was slaughtering its own citizens. UNESCO also has a history of anti-Israel bias, including approving a Palestinian request to add the Church of the Nativity in Bethlehem and the Pilgrimage Route to the Palestinian World Heritage List and adopting a resolution condemning Israel on its policies regarding Jerusalem, and deliberately downplays the Jewish history of the Temple Mount and the Western Wall. These actions were approved over the objections of the U.S. and Israel.

Representatives Ileana Ros-Lehtinen (R-FL) and Brad Sherman (D-CA) co-authored a bipartisan letter correctly opposing efforts to waive or amend U.S. law prohibiting U.S. payments to U.N. organizations granting full membership to the Palestinians because it is

vital in successfully derailing attempts...to seek de facto recognition of a Palestinian state from the UN via the granting of membership to “Palestine” in UN agencies.... A UN body that acts so irresponsibly—a UN body that admits states that do not exist—renders itself unworthy of U.S. taxpayer dollars.... Weakening U.S. law, on the other hand, would undermine our interests and our ally Israel by providing a green light for other UN bodies to admit “Palestine” as a member.<sup>22</sup>

America’s interest in supporting UNESCO is not critical, as President Reagan recognized when he decided in 1984 to withdraw from UNESCO because of its poor management and hostility to the “basic institutions of a free society, especially a free market and a free press.” The U.S. rejoined UNESCO in 2003 in recognition of reforms implemented to address some of those criticisms (not because of any perceived damage to U.S. interests from



non-participation in UNESCO). UNESCO's decision to grant membership to the Palestinians outweighs the U.S. reasons for rejoining.

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#### ADDITIONAL READING

- Brett D. Schaefer, "Congress Should Challenge the Administration's UNESCO and U.N. Peacekeeping Budget Request," Heritage Foundation *Issue Brief* No. 3914, April 17, 2013.
- Brett D. Schaefer, "The U.S. Should Withdraw from UNESCO," Heritage Foundation *Issue Brief* No. 3760, October 19, 2012.
- Brett D. Schaefer, "What Palestinian Membership Means for UNESCO and the Rest of the United Nations," Heritage Foundation *Background* No. 2633, December 13, 2011.
- Brett D. Schaefer and James Phillips, "Provocative Palestinian U.N. Actions Require Strong U.S. Response," Heritage Foundation *Issue Brief* No. 4329, January 12, 2015.

#### CALCULATIONS

Heritage does not include any savings for this proposal because, under current law, the U.S. is not contributing to UNESCO. However, reversal of the current policy could result in \$543 million in arrears payments and an annual assessment of about \$72 million. As of August 2016, UNESCO had charged the U.S. \$470.8 million in arrears payments. Heritage assumes that the FY 2017 and FY 2018 charges remain similar to UNESCO's 2016 charge to the U.S. of \$71.8 million.

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# Maintain the Prohibition on Funding United Nations Organizations that Grant Full Membership to the Palestinian Territories

## RECOMMENDATION

Maintain the prohibition on funding U.N. organizations that grant full membership to the Palestinian territories. This proposal would apply to UNESCO as discussed above, but should also apply to the U.N. Framework Convention on Climate Change (UNFCCC), which has also granted the Palestinians full membership. This proposal would save \$7 million FY 2018.

## RATIONALE

Current law prohibits U.S. funds from going to international organizations that grant full membership to the Palestinian territories.<sup>23</sup> The U.S. currently applies this prohibition to UNESCO, which granted the Palestinians full membership in 2011.

On December 18, 2015, the Palestinian Authority deposited its instrument of accession to the UNFCCC. In accordance with Article 23(2) of the treaty, the Palestinians officially became the 197th party to the UNFCCC on March 17, 2016—ninety days after depositing their instrument of accession.<sup>24</sup> As was the case when the Palestinians joined UNESCO in 2011, this event should trigger a U.S. law prohibiting any future U.S. funding to the UNFCCC.

The Obama Administration, however, continued funding based on the tortured argument that the UNFCCC is a treaty, not an international organization. In fact, the UNFCCC is a treaty-based international organization, just like the United Nations and its specialized agencies. The Framework Convention is the founding legal document upon which the organization and its structure are based. The organization has an executive secretary, employs around 500 people according to its website, and has permanent subsidiary bodies.

As with UNESCO, the U.S. should enforce this law for the UNFCCC and for any other organization that grants full membership to the Palestinian territories in the future.

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## ADDITIONAL READING

- Nicolas Loris, Brett D. Schaefer, and Steven Groves, “The U.S. Should Withdraw from the United Nations Framework Convention on Climate Change,” Heritage Foundation *Backgrounder* No. 3130, June 9, 2016.
- Brett D. Schaefer and James Phillips, “Provocative Palestinian U.N. Actions Require Strong U.S. Response,” Heritage Foundation *Issue Brief* No. 4329, January 12, 2015.

## CALCULATIONS

Savings are estimated based on the reported FY 2016 obligations of \$6.9 million as listed in U.S. Department of State, “United States Contributions to International Organizations,” Sixty-Fifth Annual Report to the Congress Fiscal Year 2016, p. 9, <https://www.state.gov/documents/organization/267550.pdf> (accessed February 8, 2017). Heritage assumes that spending holds steady in FY 2017 and decreases at the same rate as discretionary spending for FY 2018 (–0.32 percent), according to the CBO’s most recent August 2016 baseline spending projections. Savings are based on reducing spending by 50 percent in FY 2018 to draw down the agency’s funding.

# Oppose Bailouts for the International Monetary Fund and Insist on Rules-Based Lending

## RECOMMENDATION

Insist that rules-based lending, and not morally hazardous loan programs that lead only to more taxpayer-funded bailouts, become the International Monetary Fund's (IMF's) default setting for policy advice to all IMF member countries. This proposal has no estimated savings in FY 2018.

## RATIONALE

The IMF's "Exceptional Access Framework" was reinstated at the insistence of Congress in exchange for its 2015 approval of the IMF Reform Package. The framework re-imposes a rule that prohibits new IMF lending to a country that has unsustainable debt and no realistic plan to get out of it. Its abandonment by the IMF in 2010, at the beginning of the Greek debt crisis, cleared the way for a fresh round of morally hazardous loans that bailed out big European banks but left Greece even further in debt and still in need of debt restructuring and fundamental economic and political reforms.

The Trump Administration and the 115th U.S. Congress should insist that this rules-based "Framework" approach be strengthened and expanded. It should become the IMF's default setting for policy advice to all IMF member countries.

The market is far more effective in enforcing conditions, promoting reform, and minimizing the risk of a crisis spreading in the near term or far into the future. For example, the presence in a country of developed-country private banks—and their best practices—is the best way to instill those practices in the local banks that have to compete with them.

The United States government should encourage other major IMF donor nations to join it in sending strong and unwavering signals to the world that the IMF's resources are not, in fact, unlimited. The IMF should be viewed by its developing country members as a firebreak to support and stabilize the economy in the short term, not the ultimate solution for financial crises—and definitely not as a "first responder." To prevent those future crises from arising and spinning out of control, Congress and the next Administration should push the IMF bureaucracy—hard—to follow rules-based prescriptions.

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## ADDITIONAL READING

- The Heritage Foundation, *2017 Global Agenda for Economic Freedom*, August 30, 2016.

## CALCULATIONS

Although this proposal would likely lead to reduced costs from failed loans and taxpayer bailouts, there is no way of knowing the level of those future savings and Heritage therefore does not include any estimated savings for FY 2018.

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# Increase Oversight of International Organizations

## RECOMMENDATION

Increase oversight of international organizations. This proposal has no savings in FY 2018.

## RATIONALE

United Nations system revenues nearly tripled between 2002 and 2012, and the U.N. received a total of more than \$312 billion over that period. The U.S. has been and remains the U.N. system's largest contributor, providing an average of about one-fifth of total contributions annually over that period—totaling approximately \$60 billion in eight years. Congress should demand that the Administration

conduct a cost-benefit analysis of U.S. participation in all international organizations, enact a permanent annual reporting requirement for all U.S. contributions to the U.N. system to be conducted by the Office of Management and Budget, and establish a dedicated unit for international-organization issues in the Office of Inspector General for the Department of State.<sup>25</sup>

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## ADDITIONAL READING

- Brett D. Schaefer, "U.S. Should Demand Increased Transparency and Accountability as U.N. Revenues Rise," Heritage Foundation *Issue Brief* No. 4154, February 26, 2014.

## ENDNOTES

1. George Russell, "UN's \$5.7B Anti-Poverty Agency Doesn't Do Much to Reduce Poverty, According to Its Own Assessment," FoxNews, January 14, 2013, <http://www.foxnews.com/world/2013/01/14/uns-55b-anti-poverty-agency-doesnt-do-much-to-reduce-poverty-according-to-its/> (accessed December 28, 2015).
2. Brett D. Schaefer, "Why Does UNDP Continue to Aid Repressive Regimes?" The Daily Signal, August 27, 2010, <http://dailysignal.com/2010/08/27/why-does-undp-continue-to-aid-repressive-regimes/>.
3. Elizabeth Dickinson, "Case Raises Questions About U.N.'s Role in Zimbabwe," *Foreign Policy*, February 22, 2010, <http://foreignpolicy.com/2010/02/22/case-raises-questions-about-u-n-s-role-in-zimbabwe/> (accessed February 9, 2017), and George Russell, "Exclusive: UN Still Has Ties that Bind with Bloody Assad Regime," FoxNews, September 11, 2012, <http://www.foxnews.com/world/2012/09/11/exclusive-un-still-has-ties-that-bind-with-bloody-assad-regime.html> (accessed February 9, 2017).
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5. Special Inspector General for Afghanistan Reconstruction, letter from John F. Sopko, Special Inspector General for Afghan Reconstruction, to Helen Clark, UNDP Administrator, September 12, 2014, <http://www.sigar.mil/pdf/special%20projects/SIGAR-14-98-SP.pdf> (accessed January 26, 2016).
6. Daa Hadid, "Israel Accuses U.N. Worker of Aiding Hamas in Gaza," *The New York Times*, August 9, 2016, [http://www.nytimes.com/2016/08/10/world/middleeast/israel-accuses-un-worker-of-aiding-hamas-in-gaza.html?\\_r=0](http://www.nytimes.com/2016/08/10/world/middleeast/israel-accuses-un-worker-of-aiding-hamas-in-gaza.html?_r=0) (accessed February 7, 2017).
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22. Committee on Foreign Affairs, U.S. House of Representatives, letter to Secretary Hillary Rodham Clinton, <http://freebeacon.com/wp-content/uploads/2012/02/UNESCOletter.pdf> (accessed January 12, 2016).

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23. U.S. Code Title 22, Section 287e states: "The United States shall not make any voluntary or assessed contribution: (1) to any affiliated organization of the United Nations which grants full membership as a state to any organization or group that does not have the internationally recognized attributes of statehood, or (2) to the United Nations, if the United Nations grants full membership as a state in the United Nations to any organization or group that does not have the internationally recognized attributes of statehood, during any period in which such membership is effective."
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Transportation, Housing  
and Urban Development,  
and Related Agencies

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# Eliminate the Essential Air Service Program

## RECOMMENDATION

Eliminate the Essential Air Service (EAS) program. This proposal saves \$299 million in FY 2018.

## RATIONALE

The EAS was established in 1978 as a temporary program to provide subsidies to rural airports following the deregulation of the airline industry. Despite its original intention as a temporary program, the EAS continues to provide millions of dollars in subsidies to these airports. Indeed, spending on the EAS has increased by 600 percent since 1996 in constant dollar terms. This is despite the fact that commuters on subsidized routes could be served by other, existing, modes of transportation, such as intercity buses.

The EAS squanders federal funds on flights that are often empty: EAS flights typically are only half

full, and nearly one-third of the routes fly planes that are at least two-thirds empty. For example, the EAS provides \$2.5 million annually to continue near-empty daily flights in and out of Lancaster, Pennsylvania, even though travelers have access to a major airport (Harrisburg) just 40 miles away. To remain on the dole, airports served by the EAS must serve no more than an average of 10 passengers per day. The federal government should not engage in market-distorting and wasteful activities, such as the EAS. If certain routes are to be subsidized, they should be overseen by state or local authorities, not the federal government.

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## ADDITIONAL READING

- Justin Bogie, Norbert J. Michel, and Michael Sargent, "Senate Bill Should Cut Wasteful Programs and Provide Long-Term Sustainability for Highway Programs," Heritage Foundation *Issue Brief* No. 4566, May 18, 2016.
- Eli Lehrer, "EAS a Complete Waste of Taxpayer Money," The Heartland Institute, undated.

## CALCULATIONS

Savings are expressed as budget authority as found in the CBO's most recent August 2016 baseline spending projections. These savings include \$181 million in discretionary spending from eliminating "payments to air carriers," and \$118 million in mandatory spending from eliminating payments to the EAS and rural airport improvement fund.



# Eliminate the Appalachian Regional Commission

## RECOMMENDATION

Eliminate the duplicative Appalachian Regional Commission. This proposal saves \$154 million in FY 2018.

## RATIONALE

The Appalachian Regional Commission was established in 1965 as part of Lyndon B. Johnson's Great Society agenda. The commission duplicates highway and infrastructure construction under the Department of Transportation's highway program, as well as diverting federal funding to projects of questionable merit, such as those meant to support "Heritage tourism and crafts industries."<sup>1</sup> The

program directs federal funding to a concentrated group of 13 states where funds are further earmarked for specific projects at the community level. If states and localities see the need for increased spending in these areas, they should be responsible for funding it. This duplicative carve-out should be eliminated.

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## ADDITIONAL READING

- Justin Bogie, Norbert J. Michel, and Michael Sargent, "Senate Bill Should Cut Wasteful Programs and Provide Long-Term Sustainability for Highway Programs," Heritage Foundation *Issue Brief* No. 4566, May 18, 2016.

## CALCULATIONS

Savings are expressed as budget authority as found in the CBO's most recent August 2016 baseline spending projections. Savings include \$151 million in discretionary spending and \$3 million in mandatory spending.

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# Eliminate Subsidies for the Washington Metropolitan Area Transit Authority

## RECOMMENDATION

Eliminate the subsidies for the Washington Metropolitan Area Transit Authority (WMATA). This proposal saves \$155 million in FY 2018.

## RATIONALE

The WMATA, Washington, DC's local transit authority, is the only transit authority to receive direct appropriations from Congress. These grants come in addition to Federal Transit Administration formula funds and generous transit benefits to federal employees, which pad the system's revenues. Even with billions in federal and local subsidies, the low-performing agency has been plagued by increasingly poor service and financial instability.

Federal subsidies for the WMATA decrease incentives for the transit agency to control costs, optimize service routes, and set proper priorities for maintenance and updates. Indeed, Metro rail ridership has plummeted every year since 2009 and has declined 11 percent in the one-year period from 2015 to 2016. Even Metro has acknowledged that "Metrorail is also struggling to provide reliable service to customers,"<sup>2</sup> and has faced safety concerns that have had negative impact on ridership.

These ridership and safety issues come as Metro's financial picture looks increasingly grim. The agency's budget projection shows a \$290 million shortfall for 2017, even after receiving huge local and federal subsidies. This is largely due to Metro's exorbitant costs: The rail system is the most expensive to operate per passenger mile of any of the major urban rail systems, and it furnishes more employees than any other system when adjusted for ridership.

Federal subsidies for the WMATA have masked Metro's shortcomings and allowed it to reach its current dilapidated state with little consequence. Instead of fixing its manifold issues, the WMATA's strategy has been to demand more money from federal taxpayers who will likely never use the system. Congress should eliminate subsidies to the WMATA, furthering market incentives to turn the WMATA into a more effective transit agency.

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## ADDITIONAL READING

- Michael Sargent, "Death Spiral or Not, Washington's Metro Is a Total Disaster," *National Interest*, November 4, 2016.
- Randal O'Toole, "The Nation's Worst-Managed Transit Agency," Cato Institute *At Liberty*, October 1, 2015.
- Ronald Utt, "Washington Metro Needs Reform, Not a Federal Bailout," Heritage Foundation *WebMemo* No. 1665, October 16, 2007.

## CALCULATIONS

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

# Eliminate Grants to the National Rail Passenger Service Corporation (Amtrak)

## RECOMMENDATION

Eliminate Amtrak's federal operating subsidy and phase out the capital programs over five years. This proposal saves \$526 million in FY 2018.

## RATIONALE

The National Railroad Passenger Corporation, now known as Amtrak, was created by the federal government to take over bankrupt private passenger rail companies. It began service on May 4, 1971. In FY 2016, it received an operating grant of \$289 million and a capital and debt-service grant of \$1.1 billion. Since its inception, Amtrak has received about \$71 billion (in 2016 dollars) in taxpayer-funded federal grants.

Amtrak is characterized by an unsustainable financial situation and management that is feckless at improving its performance and service for customers due to hamstringing by unions and federal restrictions. Amtrak has a monopoly on passenger rail service, which stifles competition that could otherwise lower costs for taxpayers and passengers. Labor costs, driven by the generous wages and benefits required by union labor agreements, constitute half of Amtrak's operating costs. Amtrak trains are also notoriously behind schedule, evidenced by

Amtrak's poor on-time performance rates. Amtrak trains were on time only 78.5 percent of the time in FY 2016. The railroad's long-distance lines fared substantially worse, arriving on time less than 50 percent of the time.

Congress should eliminate Amtrak's operating subsidies immediately in FY 2018 and phase out its capital subsidies over five years to give Amtrak's management time to modify business plans, work more closely with the private sector, reduce labor costs, and eliminate money-losing lines. Simultaneously, the Secretary of Transportation should generate a proposal to privatize Amtrak's profitable routes and turn over responsibilities for state-supported routes to the states. During this phase-out, Congress should repeal Amtrak's monopoly on passenger rail service, allowing private companies to enter the market and provide passenger rail service where they see a viable commercial market.

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## ADDITIONAL READING

- Tad DeHaven, "Downsizing the Federal Government: Privatizing Amtrak," Cato Institute, June 2010.
- Ronald D. Utt, "Chairman Mica's New Amtrak Proposal Would Use the Private Sector to Reform Passenger Rail," Heritage Foundation *WebMemo* No. 3290, June 13, 2011.

## CALCULATIONS

Savings are expressed as budget authority as found in the CBO's August 2016 baseline. Savings include \$299 million in operating subsidies and \$227 million in reduced capital grants (representing a 20 percent reduction in the projected level of \$1.137 billion).

# Close Down the Maritime Administration and Repeal the Maritime Jones Act

## RECOMMENDATION

Eliminate the Maritime Administration (MARAD) and repeal the maritime Jones Act. Eliminating MARAD saves \$416 million in FY 2018. No savings are included for repeal of the maritime Jones Act.

## RATIONALE

Created in 1950, MARAD's purpose is to maintain a maritime fleet to be used during a national emergency. Decades later, it continues to oversee and implement duplicative and crony laws for the benefit of special interests.

MARAD and the laws it implements are steeped in protectionism and subsidies. For example, taxpayers continue to directly subsidize small shipyards, a handout to politically favored firms that may not be efficient or competitive. MARAD further provides taxpayer-backed loan guarantees for companies to hire U.S. shipbuilders under its Maritime Guaranteed Loan (Title XI) Program—another handout to politically connected entities. Finally, the maritime

Jones Act—established in 1920—requires unreasonable and overly burdensome standards: Any cargo (or persons) shipped between two U.S. cities must be on a U.S.-built and U.S.-flagged vessel with at least 75 percent of its crew from the U.S.

Congress should close down the Maritime Administration, transferring its international regulatory roles to another agency. The federal government should sell the government-owned ships in the Defense Ready Reserve Fleet and transfer funding for this program to the Department of Defense. Simultaneously, Congress should repeal the maritime Jones Act and MARAD's wasteful subsidy programs.

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## ADDITIONAL READING

- Wendell Cox and Ronald D. Utt, "How to Close Down the Department of Transportation," Heritage Foundation *Background* No. 1048, August 17, 1995.
- Brian Slattery, Bryan Riley, and Nicolas Loris, "Sink the Jones Act: Restoring America's Competitive Advantage in Maritime-Related Industries," Heritage Foundation *Background* No. 2886, May 22, 2014.

## CALCULATIONS

Only the savings from closing down MARAD are included. Savings are expressed as budget authority as found in the CBO's most recent August 2016 baseline spending projections. Savings include \$415 million in discretionary spending and \$1 million in mandatory spending.

# Eliminate Capital Investment Grants

## RECOMMENDATION

Eliminate Capital Investment Grants, also known as the New Starts Transit Program. This proposal saves \$2.229 billion in FY 2018.

## RATIONALE

Capital Investment Grants were created in 1991 as part of the Intermodal Surface Transportation Efficiency Act, with the purpose of giving transit agencies grants for building new transit projects. Because New Starts is a competitive grant program that only funds novel transit projects (not maintenance of existing systems) it gives localities the incentive to build costly and unnecessary transit systems they can ill afford to operate and maintain. This comes at the expense of maintaining existing infrastructure, exacerbating the already large maintenance backlogs in many major cities.

Criteria for eligible projects include “congestion relief,” “environmental benefits,” and “economic development effects,” but—tellingly—no longer include “operating efficiencies.”<sup>3</sup> In some cases, such as when a streetcar receives a Capital Investment

Grant, the project will *increase* traffic congestion by blocking a lane and slowing down cars using the road. These projects are perennially over budget, further straining local and federal taxpayers alike. A review of federal studies examining the last 15 projects that were completed shows that the projects were over budget by nearly 30 percent on average. Worse, the costs for these expensive rail projects tend to detract funding from more practical services, such as buses needed by low-income residents.

Congress should terminate funding for Capital Investment Grants. Such a reform should be a part of ending the federal transit program and allowing the states and private sector to manage and fund transit systems where they are truly effective.

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## ADDITIONAL READING

- Randal O’Toole, “Paint Is Cheaper than Rails: Why Congress Should Abolish New Starts,” Cato Institute *Policy Analysis* No. 727, June 19, 2013.
- Randal O’Toole, Cato Institute, testimony before the Subcommittee on Highways and Transit, Transportation and Infrastructure Committee, U.S. House of Representatives, December 11, 2013.

## CALCULATIONS

Savings are expressed as budget authority as found in the CBO’s most recent August 2016 baseline spending projections.

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# Privatize the Saint Lawrence Seaway Development Corporation

## RECOMMENDATION

Privatize the Saint Lawrence Seaway Development Corporation (SLSDC). This proposal saves \$29 million in FY 2018.

## RATIONALE

Created through the Wiley–Dondero Act of 1954, the SLSDC is a government-owned entity charged with maintaining and operating the part of the Saint Lawrence Seaway that is within United States territory. The seaway opened in 1959.

Canada, which also borders the seaway, privatized its agency equivalent in 1998, eliminating any future taxpayer funding for its maintenance and operation activities. Privatization of this kind in the U.S. would encourage productivity and competitiveness and reduce the burden on taxpayers. Congress should follow Canada’s example and privatize the SLSDC.

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## ADDITIONAL READING

- Chris Edwards, “Downsizing the Federal Government: Department of Transportation, Timeline of Growth,” Cato Institute, undated.
- Justin Bogie, Norbert J. Michel, and Michael Sargent, “Senate Bill Should Cut Wasteful Programs and Provide Long-Term Sustainability for Highway Programs,” Heritage Foundation *Issue Brief* No. 4566, May 18, 2016.

## CALCULATIONS

Savings are expressed as budget authority as found in the CBO’s most recent August 2016 baseline spending projections.

# Eliminate the National Infrastructure Investment Program

## RECOMMENDATION

Eliminate the National Infrastructure Investment Program, formerly known as the Transportation Investment Generating Economic Recovery (TIGER) grant program. This proposal saves \$518 million in FY 2018.

## RATIONALE

The National Infrastructure Investment Program provides competitive grants administered by the U.S. Department of Transportation. It began as part of the 2009 stimulus bill and was intended to be a temporary program that funded road, rail, transit, and port projects in the national interest.

Eight years later, this “temporary” program has proven too tempting a spending opportunity for Congress and the Administration to give up, and has remained a permanent fixture.

Through TIGER, Washington sends federal dollars to pay for projects that clearly fall under the purview of local government and serve no stated federal objective. Past projects include a \$16 million, six-mile pedestrian mall in Fresno, California; a \$14.5 million “Downtown Promenade” in Akron, Ohio; and a \$27.5 million streetcar in Detroit, Michigan.

Moreover, TIGER grants amount to “administrative earmarks,” because federal bureaucrats (produced by powerful Members of Congress) choose the criteria that a project must meet, and in turn decide which projects will receive grants. That gives cities perverse incentives to pander to Washington, asking for federal money for a project they may not need just to keep another city or state from receiving the funds.

The TIGER grant program creates perverse incentives for localities, duplicates programs at state and local transportation agencies, and squanders federal resources on local projects that have little to do with interstate commerce.

These projects would be more appropriately funded by the local communities that benefit from them. Congress should eliminate the TIGER program.

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## ADDITIONAL READING

- Baruch Feigenbaum, “Evaluating and Improving TIGER Grants,” Reason Foundation *Policy Brief* No. 99, April 2012.

## CALCULATIONS

Savings are expressed as budget authority as found in the CBO’s most recent August 2016 baseline spending projections.

# Eliminate the Airport Improvement Program and Reform Airport Funding

## RECOMMENDATION

Eliminate the Airport Improvement Program (AIP) and reform airport funding. This proposal saves \$3.350 billion in FY 2018.

## RATIONALE

The AIP provides federal grants for capital improvements at public-use airports. The grants are funded primarily by federal taxes on passenger airline tickets, as well as other aviation activities. AIP grants can only be used for certain types of “airside” capital improvements, such as runways and taxiways, and are tied to strict regulations that govern how airports can operate. The AIP functions as a middle-man scheme that redistributes fliers’ resources from the most significant airports to those of far less significance. For example, the 60 largest airports in the U.S. serve nearly 90 percent of air travelers. Though these large airports have the greatest need for capital investment, they receive only 27 percent of AIP grants. Non-commercial

airports—which serve less than 1 percent of commercial fliers and thus contribute a trivial share of revenue—receive about 30 percent of AIP grants.

Instead of continuing this redistributive scheme, Congress should eliminate the AIP, reduce passenger ticket taxes, and reform federal regulations that prohibit airports from charging market prices for their services. These reforms would eradicate the inefficient and inequitable distribution of flier resources and would allow airports to fund capital improvements in a local, self-reliant, and free-market manner. This proposal would reduce spending by \$3.35 billion in 2018.

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## ADDITIONAL READING

- Michael Sargent, “End of the Runway: Rethinking the Airport Improvement Program and the Federal Role in Airport Funding,” Heritage Foundation *Backgrounder* No. 3170, November 23, 2016.

## CALCULATIONS

Savings are expressed as contract authority (listed as “grants-in-aid for airports”) as found in the CBO’s most recent August 2016 baseline spending projections. All \$3.350 billion in savings represent mandatory spending.



# Phase Out the Federal Transit Administration

## RECOMMENDATION

Phase out the Federal Transit Administration (FTA) by putting the agency and its funding level on a five-year phase-out plan. This proposal saves \$2.170 billion in FY 2018.

## RATIONALE

Called the Urban Mass Transit Administration when created in 1964, the agency now known as the Federal Transit Administration provides grants to state and local governments and transit authorities to operate, maintain, and improve transit systems (such as for buses and subways).

The federal government has subsidized mass transit since the 1960s, and it began using federal gas taxes (user fees) paid by drivers into the Highway Trust Fund (HTF) to pay for transit in 1983. The transit diversion within the HTF marks the largest such diversion, accounting for nearly one-fifth of HTF spending. The reasons for funding transit were to offer mobility to low-income citizens in metropolitan areas, reduce greenhouse gas emissions from cars, and relieve traffic congestion. Yet transit has largely failed in all of these areas despite billions of dollars in subsidies. Transit use is concentrated in just six cities: Boston, Chicago, New York, Philadelphia, San Francisco, and Washington, DC.

The FTA, a federal agency, has been subsidizing purely local or regional activities when it issues grants for streetcars, subways, and buses. Transit is inherently local in nature, and it would be more appropriately funded at the local or regional level. Motorists in Montana or Texas should not have to see the gas tax dollars they send to Washington diverted to buses and subways when these funds should be dedicated to interstate road and bridge improvements.

Transit should not be a federal priority, particularly given current federal budget constraints. The federal government should phase out the Federal Transit Administration over five years by reducing federal transit funding by one-fifth per year, and simultaneously reducing the FTA's operating budget by the same proportion. Phasing out the program would allow state and local governments time to evaluate the appropriate role of transit in their jurisdictions. It would also give them the much-needed incentive to adopt policy changes that improve their transit systems' cost-effectiveness and performance.

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## ADDITIONAL READING

- Wendell Cox, "Transit Policy in an Era of the Shrinking Federal Dollar," Heritage Foundation *Backgrounder* No. 2763, January 31, 2013.

## CALCULATIONS

Savings are expressed as budget authority (for discretionary spending) and contract authority (for mandatory spending) as projected for FY 2018 by the CBO's most recent August 2016 baseline spending projections. Savings represent a 20 percent reduction in projected budget or contract authority, based on a five-year phase-out beginning in 2018. Savings include \$23 million in discretionary spending for the FTA's administrative expenses, and \$2.147 billion in mandatory spending for the FTA's transit formula grants, for a total of \$2.170 billion in FY 2018.

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## ENDNOTES

1. Appalachian Regional Commission, "ARC Project Guidelines," 2011, <http://www.arc.gov/images/newsroom/publications/guidelines/ARCProjectGuidelines.pdf> (accessed January 12, 2016).
2. WMATA, "FY 2017: Ridership and Revenue," October 8, 2015, [http://www.wmata.com/about\\_metro/board\\_of\\_directors/board\\_docs/100815\\_4BFY2017BudgetRidershipandRevenue.pdf](http://www.wmata.com/about_metro/board_of_directors/board_docs/100815_4BFY2017BudgetRidershipandRevenue.pdf) (accessed January 12, 2016).
3. Randal O'Toole, "Paint Is Cheaper than Rails: Why Congress Should Abolish New Starts," Cato Institute *Policy Analysis* No. 727, June 19, 2013, <http://www.cato.org/publications/policy-analysis/paint-cheaper-rails-why-congress-should-abolish-new-starts> (accessed December 8, 2015).

# Chapter 3:

## The Budget Process

### BUDGET PROCESS REFORMS

The budget process provides the framework for regular and orderly debate of fiscal issues with the goal of guiding legislative action. The budget process determines the steps that are necessary for adopting a budget and for adopting or changing legislation. A well-functioning budget process would encourage debate on fiscal issues and set in motion negotiations over the trade-offs and considerations for congressional spending and taxing.

For too many years, congressional budgets have served as party platforms without implementing legislation. The budget process should serve its original intent of driving congressional decision making toward achieving fiscal sustainability. Congress should immediately adopt several key reforms to enforce budget discipline and to increase transparency and accountability in congressional budgeting:

**Enact a Statutory Spending Cap Enforced by Sequestration.** Congress should enforce fiscal discipline with spending caps. Spending caps motivate Congress to prioritize among competing demands for resources. Designed properly, spending caps curb excessive spending growth over the long run. Congress should adopt a statutory spending cap that encompasses all non-interest outlays and achieves budget balance—given current projections about the economy, revenues, and interest costs—by the end of the decade, or before.

Spending-cap enforcement by sequestration promises to spur negotiations to avoid automatic spending reductions in favor of a more deliberate approach. In the absence of legislative agreement, sequestration

ensures that spending reductions take place regardless of the adoption of targeted reforms. This process should spur fiscal reforms to limit the growth in government and achieve budget balance.

Once the budget balances, spending should be capped at a level that maintains balance, allowing for certain annual adjustments. In the long run, during periods of normal economic activity, and absent exigent national security demands, the spending cap should grow no faster than the U.S. population and inflation. The cap should bind more stringently when debt or deficits exceed specific targets.

**Move Toward a Balanced Budget Amendment.** One limitation of the value of a statutory law imposing an aggregate cap on non-interest spending is that a future Congress can amend the law. Deficit spending almost always favors the current generation over future generations, who will pay for the spending of today. Ultimately, then, a balanced budget amendment will be necessary to constrain future attempts at eliminating the spending cap and abandoning fiscal discipline.

The balanced budget amendment is not a mechanism for achieving balance, and should not be viewed by Congress as a substitute for making necessary reforms to federal programs nor as an excuse for avoiding the tough decisions that are necessary to balance the budget. Rather, a balanced budget amendment should be used to guarantee that the hard work of reforming programs cannot be easily undone in the future.

A balanced budget amendment to the U.S. Constitution is important because it can help to bring

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long-term fiscal responsibility to America's future. America should not raise taxes to continue its overspending because tax hikes reduce people's ability to spend their own money as they see fit, shrink the economy, and expand government. America should not borrow more to continue overspending because borrowing puts an enormous financial burden on younger generations and expands the size and scope of the federal government. Americans need their government to spend *less*—because less government spending will advance the interests of the American people through limited government, individual freedom, civil society, and free enterprise.

The balanced budget amendment must control spending, taxation, and borrowing; ensure the defense of America; and enforce the requirement to balance the budget. The constitutional-amendment-ratification process may take time: The fastest ratification took less than four months (the Twenty-Sixth Amendment on the voting age of 18), and the slowest took 202 years (the Twenty-Seventh Amendment on congressional pay raises). Thus, House and Senate passage of a balanced budget amendment must be in addition to, not an excuse to avoid, current hard work to cap and cut federal spending, balance the federal budget through congressional self-discipline, and reform and reduce taxation.

**Eliminate the Use of CHIMPs to Evade Discretionary Spending Limits.** In an effort to circumvent discretionary spending limits, appropriations bills often include provisions that reduce mandatory budget authority without actually reducing spending. These provisions, called changes in mandatory programs (CHIMPs), typically affect programs where the agency has been granted spending authority, but there are few recipients for the program and therefore no spending would take place. However, including these provisions in appropriations bills allows Congress to redistribute the spending authority to programs that will spend money, therefore increasing actual spending. When used in this way, these provisions are budget gimmicks that allow Congress to evade limits on discretionary spending.

Claiming false savings reduces accountability and transparency in congressional budgeting and drives up spending. The fiscal year (FY) 2016 Conference Budget Resolution took a first step in limiting false CHIMP savings by placing a limit on the amount that could be used in each of the next four years, and then phasing out such CHIMPs entirely. However, budget resolutions are not binding, and it is possible that this

prohibition on CHIMPs could be waived or reversed in future sessions of Congress. Congress and the Administration should enact legislation immediately that permanently eliminates the use of CHIMPs that generate no real budgetary savings. Such CHIMPs are budget gimmicks that allow unchecked growth in government spending.

**Discontinue Spending on Unauthorized Appropriations.** House and Senate rules require that an authorization for a federal activity precede the appropriation that allows agencies to obligate federal funds for that activity. When appropriation bills provide new budget authority for activities whose statutory authorization (the legal authority for the program to continue) has expired, or which were never previously authorized, this is known as an unauthorized appropriation. In FY 2016, lawmakers appropriated about \$310 billion for programs and activities whose authorizations of appropriations had expired.<sup>1</sup> This practice is a violation of congressional rules and evades prudent deliberation of federal funding priorities.

Lawmakers should discontinue funding for unauthorized appropriations, as such funding evades the careful congressional scrutiny of programs required by the authorization process. Congress should authorize only those programs that represent federal constitutional priorities—and should eliminate funding for activities that the federal government should not undertake. The authorization process helps Congress identify the programs that deserve renewed federal funding and those that should be eliminated or reformed.

Congress should reduce the discretionary spending limits provided by the Budget Control Act of 2011 by the amount of current unauthorized appropriations. Congress should then provide for a cap adjustment up to 90 percent of the previous year's funding level if the program is re-authorized. Instead of cutting re-authorizations across the board, Congress may prioritize among re-authorizations as it deems appropriate. If adopted, this policy would discourage Congress from appropriating money for unauthorized programs, since Congress would be forced to cut funding for authorized programs to provide an appropriation.

**Modify Scorekeeping Rules for Trust Funds.** Under current scorekeeping rules, it is assumed that benefits that derive their spending authority from federal trust funds, such as Social Security and Medicare Part A, will continue to be paid at the scheduled rate,

regardless of the ability of the trust funds to pay them. This practice is inconsistent with most other areas of the federal budget, where budget rules show what will happen when current policies expire. Instead, for trust funds, the baseline assumes that lawmakers will make changes (that is, transfer additional funds to shore up insolvent programs) so that future payments can continue to be made fully. Current scorekeeping practices allow these transfers into trust funds to be made without being scored as a spending increase.

The current scorekeeping rules reduce the perceived severity of the impending insolvencies that the Social Security and Medicare trust funds are facing. By assuming that these benefits will continue to be paid in full, current rules ignore the fact that, at some point in the not-too-distant future, these trust funds will face an imbalance that will require cuts to benefit payments, or tax increases, or both. If Congress wishes to infuse additional funds into the trust funds, the scorekeeping rules should reflect the full cost of doing so, and those costs should have to be offset by other spending cuts to prevent further increasing the already ballooning federal debt. Congress should act immediately to repair this scorekeeping convention.

**Put the GSEs on Budget—Toward Their Elimination.** Until their elimination, putting government-sponsored enterprises (GSEs) on budget, immediately, to account for the risks that taxpayers face—and bailouts they fund—from Fannie Mae’s and Freddie Mac’s involvement in the mortgage market is an important first step. The federal budget should reflect the net impacts of the programs administered by Fannie Mae and Freddie Mac.

The Office of Management and Budget treats the GSEs as off-budget entities because they are considered separate private entities under *temporary* federal conservatorship.

According to the 1967 Commission on Budget Concepts, inclusion of an entity’s assets and liabilities in the federal budget depends on three basic factors: ownership, control, and permanence. The Treasury largely owns and controls the GSEs after taking Fannie Mae and Freddie Mac under conservatorship in 2008 after the market crash. This arrangement will continue for the indefinite future, as the agreement lacks an exit clause beyond the vague guidance of “until the firms reach a sound and solvent condition.”<sup>22</sup>

The most likely scenario suggests that Fannie and Freddie will remain under government control until Congress changes their status. Therefore, the

arrangement between Treasury and the GSEs should be considered permanent for budgetary purposes.

Putting the GSEs on budget would enhance budgetary accountability and transparency by eliminating the billions of dollars in seeming windfall payments that the Treasury is receiving from Fannie Mae and Freddie Mac, and by confronting Congress with the risks of default of GSE-backed loans. Given the GSEs’ current treatment, any profits are counted as offsetting receipts and reduce the reported budget deficit, while any estimated losses are ignored. This encourages higher spending. Establishing the GSEs as on-budget entities would subject them to the Federal Credit Reform Act of 1990, as is the case for most other federal credit programs.

**Use Fair-Value Accounting for Federal Credit Programs.** Congress should update the budgetary accounting for federal credit programs, governed by the Federal Credit Reform Act (FCRA) of 1990, to incorporate market risk. The FCRA specifies that the estimated net costs of federal credit programs on an accrual basis be used for scorekeeping purposes, instead of the annual cash flows that happen during the period of a loan term. For those loans for which the government expects to incur a loss, a subsidy cost is used to identify the budgetary impact. Reversely, programs that are expected to incur a gain for the government offset other spending.

How the government estimates whether it will incur a loss or a gain from a certain federal credit program matters. Currently, the government assumes that federal credit programs are just as safe and reliable as the payout on U.S. Treasury bonds. This underestimates the real market risk associated with certain loans, which is especially true and worrying during economic downturns. The fact that private firms and individuals seek loans and loan guarantees from the government demonstrates that they face higher capital costs in private markets due to the risk involved in some of their endeavors. Taxpayers should not be on the hook for private borrowing, but as long as they are, the federal government should at least account for such borrowing accurately.

Congress should adopt fair-value accounting to increase transparency and accountability in the congressional budget. Fair-value accounting more accurately confronts Congress with the risks it assumes and the subsidies it provides through credit programs. This information is crucial for lawmakers when considering whether a certain program is in the public’s interest. Since incorporating market risk in estimates

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of federal credit programs' budgetary impact would increase reported spending, Congress may adjust the Budget Control Act's discretionary spending cap to better reflect the cost of federal credit programs to taxpayers without necessitating additional cuts in spending.

#### A FIRST STEP

The near-complete breakdown of congressional budgeting—at a time when fiscal discipline is growing ever more important, and as automatic spending on entitlement programs threatens to overwhelm the federal budget and the U.S. economy—shows the need for a fundamental reform of the budget process.

Congress can begin this important journey toward a regular and deliberate budgetary order and greater fiscal discipline by implementing a few key reforms right away: a spending cap limiting the federal budget, enforced by sequestration; a balanced budget amendment; the elimination of unauthorized appropriations; the elimination of changes in mandatory programs as budget gimmicks; the revision of current scorekeeping rules to account for the true costs of trust fund transfers; and the adoption of more accurate accounting for federal credit programs, including for student loans and the operations of Fannie Mae and Freddie Mac.

## ENDNOTES

1. Congressional Budget Office, "Unauthorized Appropriations and Expiring Authorizations," January 15, 2016, <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51131-uaea-appropriations2.pdf> (accessed January 30, 2017).
2. Mark Jickling, "Fannie Mae and Freddie Mac in Conservatorship," Congressional Research Service *Report for Congress*, September 15, 2008, p. 3, <http://fpc.state.gov/documents/organization/110097.pdf> (accessed January 5, 2016).





# Summary Table of Recommendations

TABLE 1

## Savings from Recommendations (Page 1 of 5)

SUBCOMMITTEE	PROPOSAL	SAVINGS (millions)
<b>Agriculture, Rural Development, Food and Drug Administration, and Related Agencies</b>	Repeal the USDA Catfish Inspection Program	\$14.0
	Eliminate the Conservation Technical Assistance Program	\$749.6
	Eliminate the Rural Business Cooperative Service	\$105.0
	Eliminate the Rural Business Cooperative Service (M)	\$68.0
	Prohibit Funding for National School Meal Standards and the Community Eligibility Provision	\$0
	Withhold Funding for Federal Fruit and Vegetable Supply Restrictions	\$0
	Repeal the Agricultural Risk Coverage and Price Loss Coverage Programs	\$8,014.0
	Include Work Requirement for Able-bodied Adult Food Stamp Recipients	\$9,700.0
	End Broad-Based Categorical Eligibility for Food Stamps	\$1,275.0
	Eliminate the “Heat and Eat” Loophole in Food Stamps	\$1,450.0
	Eliminate the Federal Sugar Program	\$0
	Eliminate Revenue Based Crop Insurance Policies	\$0
	Eliminate the Market Access Program	\$185.0
<b>Commerce, Justice, Science, and Related Agencies</b>	Eliminate the Office of Community Oriented Policing Services	\$158.0
	Eliminate Grants within the Office of Justice Programs	\$2,119.0
	Eliminate Violence Against Women Act Grants	\$83.0
	Eliminate the Legal Services Corporation	\$484.0
	Reduce Funding for the Department of Justice’s Civil Rights Division	\$48.7
	Reduce Funding for the Department of Justice’s Environmental and Natural Resources Division	\$36.3
	Eliminate the Department of Justice’s Community Relations Services	\$14.4
	Reduce Funding for the Department of Justice’s Bureau of Alcohol, Tobacco, Firearms and Explosives	\$263.2
	Eliminate the Hollings Manufacturing Extension Partnership	\$129.6
	Eliminate the International Trade Administration	\$512.0
	Eliminate the Economic Development Administration	\$262.0
	Eliminate the Minority Business Development Agency	\$33.0
	Eliminate Census Bureau Funding for the Annual Supplemental Poverty Measure Report	\$0
<b>Defense</b>	Cut Non-Defense Spending from the Defense Department	\$514.0
	Combine Military Exchanges and Commissaries and Reduce Commissary Subsidies	\$286.1
	Close Domestic Dependent Elementary and Secondary Schools	\$150.0
	Reform Military Healthcare	\$3,900.0
	Increase Use of Performance-Based Logistics	\$9,000.0
	Return Defense Agencies to 2011 Levels	\$102.3
	Reduce Excess Base Infrastructure	\$0
	Reform the Basic Allowance for Housing	\$116.1
	End Renewable Energy Mandates in the Department of Defense	\$0
<b>Energy and Water Development and Related Agencies</b>	Focus the Department of Energy’s National Nuclear Security Administration Spending on Weapons Programs	\$466.3
	Return Funding for the DOE Office of Nuclear Physics to FY 2008 Levels	\$128.5
	Return Advanced Scientific Computing Research to FY 2008 Levels	\$215.6
	Eliminate the DOE Advanced Research Projects Agency–Energy Program	\$302.0
	Drastically Cut or Eliminate the DOE Biological and Environmental Research Program and Shift Remaining Programs to Office of Science	\$591.9
	Reduce Funding for the DOE Basic Energy Sciences Program	\$344.7
	Eliminate DOE Energy Innovation Hubs	\$39.0

For proposals with multiple levels of savings: (O) One-time savings (M) Mandatory

TABLE 1

**Savings from Recommendations (Page 2 of 5)**

<b>SUBCOMMITTEE</b>	<b>PROPOSAL</b>	<b>SAVINGS (millions)</b>
<b>Energy and Water Development and Related Agencies (cont.)</b>	Eliminate the DOE Office of Electricity Deliverability and Energy Reliability	\$214.0
	Eliminate the DOE Office of Energy Efficiency and Renewable Energy	\$2,149.0
	Eliminate the DOE Office of Fossil Energy	\$898.0
	Eliminate the DOE Office of Nuclear Energy and Shift Remaining Activities to Offices of Science and Civilian Radioactive Waste Management	\$350.3
	Eliminate DOE Funding for Small Business Innovation Research and Small Business Technology Transfer Programs	\$197.4
	Liquidate the Strategic Petroleum Reserve and the Northeastern Home Heating and Gasoline Supply Reserves	\$228.0
	Liquidate the Strategic Petroleum Reserve and the Northeastern Home Heating and Gasoline Supply Reserves (O)	\$27,561.3
	Auction Off the Tennessee Valley Authority (M)	\$32.0
	Auction Off the Tennessee Valley Authority (O)	\$30,000.0
	Auction Off the Four Remaining Power Marketing Administrations	\$487.0
	Auction Off the Four Remaining Power Marketing Administrations (M)	\$221.0
	Auction Off the Four Remaining Power Marketing Administrations (O)	\$33,323.5
	<b>Financial Services and General Government</b>	Eliminate the Small Business Administration Disaster Loans Program
Reform the Securities and Exchange Commission		\$25.9
Eliminate the Community Development Financial Institutions Fund		\$243.0
Eliminate the Export-Import Bank		\$160.0
Eliminate the Funding for the Multi-State Plan Program		\$1.1
Protect Freedom of Conscience in the District of Columbia		\$0
Expand the D.C. Opportunity Scholarship Program		\$0
<b>Homeland Security</b>	Eliminate Fire Grants	\$715.0
	Reduce Funding for FEMA's Disaster Relief Fund	\$2,000.0
	Refocus Science and Technology on Meeting DHS Needs and Using Private Sector Developments	\$34.4
	Streamline FEMA Grant Programs	\$300.0
<b>Interior, Environment, and Related Agencies</b>	Eliminate Nine Climate Programs	\$3,566.0
	Eliminate Funding for Two EPA Research Programs	\$245.1
	Reduce EPA Infrastructure Needs	\$48.9
	Eliminate Six Redundant EPA Programs	\$352.5
	Reduce Funding for the EPA's Civil Enforcement Program	\$52.2
	Reduce Funding for the EPA's External Civil Rights Compliance Office/Title VI	\$5.0
	Reduce the EPA's Legal Advice on Environmental Programs	\$24.5
	Eliminate the EPA's Stratospheric Ozone Multilateral Fund	\$8.9
	Eliminate the EPA's Information Exchange/Outreach Programs	\$126.1
	Eliminate the Land and Water Conservation Fund	\$20,500.0
	Eliminate the National Clean Diesel Campaign	\$49.8
	Eliminate Environmental Justice Programs	\$6.7
	Eliminate the National Endowment for the Humanities	\$154.0
	Eliminate the National Endowment for the Arts	\$154.0
	Eliminate Funding for Woodrow Wilson International Center for Scholars	\$12.0
	Rein in the EPA's Ozone Standard	\$0
	Allow Development of Natural Resources	\$0
	Prohibit a Net Increase of Federal Lands	\$0
	Eliminate Funding for the John F. Kennedy Center for the Performing Arts	\$39.0

For proposals with multiple levels of savings: (O) One-time savings (M) Mandatory

TABLE 1

## Savings from Recommendations (Page 3 of 5)

SUBCOMMITTEE	PROPOSAL	SAVINGS (millions)
Labor, Health and Human Services, Education, and Related Agencies	Privatize the Corporation for Public Broadcasting	\$486.0
	Eliminate Job Corps	\$1,755.0
	Eliminate Workforce Innovation and Opportunity Act Job-Training Programs	\$3,424.0
	Let Trade Adjustment Assistance Expire	\$858.2
	Eliminate Susan Harwood Training Grants	\$10.5
	Eliminate the Corporation for National and Community Service	\$1,164.0
	Bring National Labor Relations Board Funding in Line with Caseload	\$146.5
	Sunset Head Start to Make Way for Better State and Local Alternatives	\$913.8
	Eliminate Competitive and Project Grant Programs and Reduce Spending on Formula Grants	\$3,678.0
	Reduce Funding for the Department of Education Office for Civil Rights	\$57.0
	Eliminate Redundant Department of Labor Agencies	\$171.2
	Eliminate Funding for the Institute of Museum and Library Services	\$227.1
	Redirect Funding from Planned Parenthood to Health Centers Not Entangled with Abortion Services	\$0
	Continue to Restrict the ACA Risk-Corridor Program Funding	\$0
	Direct the Department of Education to Rescind the “Gainful Employment” Regulations Promulgated on For-Profit Higher Education Institutions	\$0
	Protect Freedom of Conscience in Health Care	\$0
	Stipulate the Use of Fair-Value Accounting	\$0
	Allow K-12 Education Costs as Qualified Expenses Under 529 College Savings Plans	\$0
	Halt Implementation of the Union-Persuader Regulations	\$0
	Halt Implementation of Occupational Safety and Health Administration Recordkeeping Regulations	\$0
	Halt Implementation of New Overtime Regulations	\$0
	Stop the NLRB from Using the Joint Employer Redefinition	\$0
	Give Workers Time to Make an Informed Choice in Union Elections	\$0
	Stop Gerrymandered Bargaining Units	\$0
	Repeal the ACA's Enhanced Federal Funding for the Medicaid Expansion	\$102,436.1
	Disaggregate Medicaid Spending by Population Category and Put Federal Medicaid Spending on Budget	\$15,303.0
	End Provider Taxes in Medicaid	\$4,814.9
	Convert the Cadillac Tax to a Cap on Employer-Sponsored Health Benefits	\$0
	Unify Medicare Physician and Hospital Programs	\$5,665.5
	Update Medicare Premiums	\$27,450.7
	Expand Current Threshold for Medicare Income-Related Subsidies	\$31,102.4
	Harmonize Medicare's Age of Eligibility with Social Security's	\$21,390.1
	Modify Medicare Advantage Payment System with a Competitive, Market-Based System	\$1,720.0
	Eliminate Supplemental Security Income Benefits for Disabled Children	\$1,000.0
	Eliminate Supplemental Security Income Benefits for Disabled Children (M)	\$10,000.0
	Adopt a More Accurate Inflation Index for Social Security and Other Mandatory Programs	\$2,600.0
	Reduce Fraud and Marriage Penalties in the Earned Income Tax Credit, and Fraud in the Additional Child Tax Credit	\$15,800.0
	Strengthen Work Requirements in the Temporary Assistance for Needy Families Program	\$0
	Return Control and Fiscal Responsibility for Low-Income Housing to the States	\$2,117.6

For proposals with multiple levels of savings: (O) One-time savings (M) Mandatory

TABLE 1

## Savings from Recommendations (Page 4 of 5)

SUBCOMMITTEE	PROPOSAL	SAVINGS (millions)
<b>Legislative Branch</b>	Eliminate Funding for Special Congressional Subsidies for the ACA's Health Insurance Exchange	\$50.0
	Reduce Funding for the U.S. Capitol Police	\$37.4
	Eliminate Funding for the John Stennis Center	\$0.4
<b>Military Construction, Veterans Affairs, and Related Agencies</b>	End Enrollment in VA Medical Care for Veterans in Priority Groups 7 and 8	\$5,400.0
	Eliminate Concurrent Receipt of Retirement Pay and Disability Compensation for Veterans	\$9,000.0
	Narrow Eligibility for Veterans' Disability Compensation by Excluding Certain Disabilities Unrelated to Military Duties	\$2,000.0
<b>Multiple Subcommittees</b>	Stop Paying Federal Employees Who Work for Outside Organizations on the Clock	\$156.0
	Repeal the Davis-Bacon Act	\$7,791.7
	Maintain Existing Definition of "Fill Material" and "Discharge of Fill Material" Under Clean Water Act Regulations	\$0
	Limit Application of the Recapture Provision for Dredge-and-Fill Permits	\$0
	Eliminate Federal Funding for Sanctuary Cities	\$0
	Prohibit Government Discrimination in Tax Policy, Grants, Contracting, and Accreditation	\$0
	Prohibit Any Agency from Regulating Greenhouse Gas Emissions	\$0
	Prohibit Funding for the "Waters of the United States" (WOTUS) Rule	\$0
	Enforce Data-Quality Standards	\$0
	Withhold Grants for Seizure of Private Property	\$0
<b>State, Foreign Operations, and Related Programs</b>	End Funding for the United Nations Development Program	\$113.2
	Eliminate the Overseas Private Investment Corporation	-\$261.00
	Eliminate the Overseas Private Investment Corporation (M)	\$143.0
	Eliminate Funding for the United Nations Population Fund	\$67.7
	Enforce Cap on United Nations Peacekeeping Assessments	\$270.4
	Return the United Nations Relief and Works Agency for Palestine Refugees in the Near East to Its Original Purpose	\$179.2
	Eliminate Funding for the Paris Climate Change Agreement	\$219.9
	Eliminate Funding for the Global Environment Facility	\$167.8
	End Funding for the United Nations Intergovernmental Panel on Climate Change	\$10.0
	Eliminate the U.S. Trade and Development Agency	\$62.0
	Enforce Funding Prohibition for the United Nations Educational, Scientific, and Cultural Organization	\$0
	Maintain the Prohibition on Funding United Nations Organizations that Grant Full Membership to the Palestinian Territories	\$6.9
	Oppose Bailouts for the International Monetary Fund and Insist on Rules-Based Lending	\$0
Increase Oversight of International Organizations	\$0	
<b>Transportation, Housing and Urban Development, and Related Agencies</b>	Eliminate the Essential Air Service Program	\$181.0
	Eliminate the Essential Air Service Program (M)	\$118.0
	Eliminate the Appalachian Regional Commission	\$151.0
	Eliminate the Appalachian Regional Commission (M)	\$3.0
	Eliminate Subsidies to the Washington Metropolitan Area Transit Authority	\$155.0
	Eliminate Grants to the National Rail Passenger Service Corporation (Amtrak)	\$526.4

For proposals with multiple levels of savings: (O) One-time savings (M) Mandatory

TABLE 1

## Savings from Recommendations (Page 5 of 5)

SUBCOMMITTEE	PROPOSAL	SAVINGS (millions)
<b>Transportation, Housing and Urban Development, and Related Agencies (cont.)</b>	Close Down the Maritime Administration and Repeal the Maritime Jones Act	\$415.0
	Close Down the Maritime Administration and Repeal the Maritime Jones Act (M)	\$1.0
	Eliminate Capital Investment Grants	\$2,229.0
	Privatize the Saint Lawrence Seaway Development Corporation	\$29.0
	Eliminate the National Infrastructure Investment Program	\$518.0
	Eliminate the Airport Improvement Program and Reform Airport Funding	\$3,350.0
	Phase Out the Federal Transit Administration	\$23.0
	Phase Out the Federal Transit Administration (M)	\$2,146.8

For proposals with multiple levels of savings: (O) One-time savings (M) Mandatory

**SOURCE:** Heritage Foundation calculations using data from various governmental agencies and the Office of Management and Budget.

 [heritage.org](https://www.heritage.org)

# Appendix

## How Heritage Blueprint for Balance Compares to CBO Projections

### HERITAGE BLUEPRINT—OUTLAYS BY MAJOR CATEGORY (BILLIONS)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2027
Social Security	981	1,033	1,090	1,148	1,211	1,273	1,339	1,406	1,474	1,540	12,495
Medicare	548	614	606	639	706	661	676	794	807	846	6,897
Medicaid and Other Mandatory	774	819	757	740	763	747	740	770	797	819	7,725
Discretionary (Base)	1,047	1,047	1,057	1,069	1,081	1,093	1,106	1,119	1,132	1,145	10,896
Defense*	597	635	656	672	687	700	713	726	739	752	6,877
Non-Defense	449	412	401	397	394	393	393	393	393	393	4,019
Global War on Terrorism	65	49	35	26	25	13	10	3	0	0	226
Net Interest	293	324	359	394	425	454	473	490	505	513	4,230
Total Outlays	3,708	3,886	3,903	4,016	4,211	4,241	4,344	4,582	4,715	4,863	42,469

### HERITAGE BLUEPRINT—DEBT HELD BY THE PUBLIC

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2027
Debt Held by the Public (in Billions of Dollars)	15,087	15,357	15,531	15,685	15,878	15,944	15,942	15,989	15,975	15,910	n/a
Debt Held by the Public (as Percentage of Gross Domestic Product)	75.7%	74.3%	72.6%	70.8%	68.9%	66.6%	64.0%	61.8%	59.3%	56.9%	n/a

### HERITAGE BLUEPRINT—PROJECTED DEFICITS (BILLIONS)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2027
Outlays	3,708	3,886	3,903	4,016	4,211	4,241	4,344	4,582	4,715	4,863	42,469
Revenue	3,549	3,692	3,798	3,925	4,074	4,230	4,401	4,588	4,785	4,983	42,026
Deficit/Surplus	159	194	106	91	137	11	-57	-7	-70	-120	443

### HERITAGE BLUEPRINT VS. CBO DEFICITS (BILLIONS)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2027
Outlays	-383	-448	-658	-800	-924	-1,105	-1,210	-1,308	-1,513	-1,685	-10,035
Revenue	-55	-41	-81	-94	-102	-116	-126	-136	-147	-157	-1,053
Deficit/Surplus	-328	-408	-578	-706	-823	-990	-1,084	-1,172	-1,367	-1,528	-8,983

### HERITAGE BLUEPRINT VS. CBO: DEBT HELD BY THE PUBLIC

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2027
Debt Held by the Public (in Billions of Dollars)	-328	-736	-1,314	-2,019	-2,842	-3,832	-4,916	-6,088	-7,455	-8,983	n/a
Debt Held by the Public (as Percentage of Gross Domestic Product)	-1.6%	-3.6%	-6.1%	-9.1%	-12.3%	-16.0%	-19.7%	-23.5%	-27.7%	-32.1%	n/a

\* Fully funding defense is a top priority. The FY 2018 numbers reflect base defense budget authority after accounting for savings proposed within the Blueprint for Balance, which will go toward defense modernization and readiness. In the absence of realizing the savings proposed by this budget, Congress may be required to provide supplemental appropriations to make up those amounts.



## NOTES:

**Social Security.** This blueprint recommends increasing the eligibility age for Social Security's retirement program and then indexing it for longevity; transitioning the payment to a flat, anti-poverty benefit focused on individuals who need it most; and replacing the current cost-of-living adjustment with the more accurate chained consumer price index. Also included are implementing a flat, anti-poverty benefit for Social Security's Disability Insurance (SSDI) program; eliminating Supplemental Security Income (SSI) benefits for children; and enacting SSDI reforms that will improve the program's efficiency and integrity. We expect these policies to generate savings of approximately \$670 billion over the FY 2018–FY 2027 period. To achieve a similar level of savings to the flat benefit, policymakers could also adopt progressive price indexing of the primary-insurance-amount (PIA) factors, beginning with newly eligible beneficiaries, and reduce benefits for individuals with significant modified adjusted gross incomes from non-Social Security sources.

**Medicare.** The Medicare estimates assume a two-stage approach to fixing the program's financing. The first stage involves adding catastrophic protection to Medicare coverage, reforming Medicare's cost-sharing arrangements, creating a new temporary premium for Medicare Part A, increasing the beneficiaries' share of the premium for Medicare Parts B and D from 25 percent to 35 percent, and phasing out taxpayer subsidies completely for individual seniors with significant modified adjusted gross incomes. The first stage includes indexing the eligibility age. The second stage of the Medicare proposal involves transitioning to premium support over a five-year period.

**Medicaid and Other Mandatory.** All other mandatory spending falls under the aggregate spending cap, which is estimated by assuming that spending on the major mandatory programs is consistent with their level over the past business cycle adjusted for population growth.

**Net Interest.** Total net interest is based on changes in the primary deficit relative to the CBO's January 2017 baseline as well as interest rates under the CBO's January 2017 baseline. Figures may not sum to totals due to rounding. Source: Heritage Foundation calculations based on data from the Congressional Budget Office's January 2017 baseline. Figures are for fiscal years.

**Discretionary (Base).** The proposal assumes that the separate spending caps for defense and non-defense discretionary spending are replaced with an aggregate spending cap. However, defense spending is assumed to grow at an accelerated level from FY 2018–2019 and then by inflation each year from a base level of \$600 billion in FY 2017 (total budget authority for defense in FY 2018 is \$632 billion, outlays are \$597). Non-defense discretionary spending is adjusted for the savings provided in the proposals found in Chapter 2 of this book as well as budget process reforms identified in Chapter 3, based on levels from the Budget Control Act prior to its 2015 amendment.

**Global War on Terrorism.** The Overseas Contingency Operations (OCO) funds for FY 2018 are based on the FY 2017 level from the Bipartisan Budget Act of 2015, while OCO funds for the rest of the period assume that spending will be phased out over several years and funded within the base defense budget.

**Revenues.** We use the Congressional Budget Office's most recent baseline revenue projections with the exclusion of approximately \$1.05 trillion in revenues associated with the Affordable Care Act. Our budget estimates are on a static basis and do not take into account the positive economic effects that would likely occur as a result of the reductions in federal spending and taxation. On a dynamic basis, it is likely that these positive feedback effects would result in a balanced budget sooner than 2024.

**SOURCES:** Heritage Foundation calculations based on data from the Congressional Budget Office's January 2017 baseline. Figures are for fiscal years.

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