The Heritage Foundation

Blueprint for Balance

A FEDERAL BUDGET FOR FISCAL YEAR 2020

The Heritage Foundation

Blueprint for Balance

A FEDERAL BUDGET FOR FISCAL YEAR 2020

© 2019 by The Heritage Foundation
214 Massachusetts Ave., NE
Washington, DC 20002
(202) 546-4400 | heritage.org

All rights reserved.

ISBN: 978-0-89195-169-8

Contents

PREFACE

Building an Environment for American Economic Growth

Kay Coles James

The Heritage Foundation works every day to build a free and prosperous nation where all Americans have the opportunity to achieve their version of the American Dream, reaching their full potential and creating the financial security to provide for themselves, their families, and their communities.

The federal budget is at the core of our political system. Everything the federal government does, from taxing, to regulating, to providing services, to protecting our very freedoms, it does through the federal budget.

Despite promises to the contrary, however, Congress continues to pass bills that spend more than the government takes in each year, adding trillions of dollars of debt and putting our entire economy in peril. This constant financial mismanagement is bankrupting the country and robbing future generations of Americans to pay for it.

This is why The Heritage Foundation produces the *Blueprint for Balance*: to demonstrate to the American people and our elected leaders an approach to the federal budget that reins in out-of-control spending, ensures that the government is funding its constitutionally mandated duties, and provides an environment where our prosperity as individuals and as a country grows.

In the *Blueprint*, Heritage scholars dig deep into the federal budget to offer detailed solutions to reduce federal spending and eventually bring the annual budget into balance. They identify where there is waste, duplication of services, and fraud. They separate proper functions of the federal government, such as providing for our national defense and national infrastructure, from those areas where government has overstepped its bounds. Our nation thrives most when the federal government is focused on core national priorities while states and localities are empowered to address issues that are closest to the people who will be affected by those policies.

Additionally, the tax reform and deregulation of the past few years have brought tremendous economic gains—especially for lower-income Americans. Unemployment is the lowest it has been in 50 years, and wages for the lowest-income workers are growing faster than wages of any other level. The *Blueprint* paves the way to cement these successful policies to ensure that all Americans, including lower-wage workers, young people, women, minorities, and individuals with disabilities, will continue to share in the prosperity of a healthy economy.

Recognizing that America will be strong only if she is on financially sound footing, our experts recommend important reforms to the biggest government programs in the budget, from Social Security to health care, to protect the most vulnerable, deliver better services at lower cost, and return control of personal decisions from the Washington bureaucracy to the American people.

Finally, we believe that Washington should work as the rest of us do: When our income goes up, our spending can too, and when our income shrinks, we have to make do with less. The total amount the federal government spends in a given year should be directly linked by law to a fixed percentage of the nation's wealth: our gross domestic product. The only way the government could spend more is if the economy grew faster than government spending over the long run. Such a rule should be smart, allowing for deficits during an economic downturn and ensuring that the government has to cut back on spending when the private sector is strong.

These and many other ideas for bringing fiscal restraint to Washington are presented in great detail in this book. *Blueprint for Balance* presents Heritage's extensive research that, when implemented, can lead to a freer, more prosperous America with opportunity for all.

It's not too late to save the incredible promise that is America, but first, we have to get our leaders to make economic growth, job creation, and an end to runaway spending and debt their highest priorities.

Kay Coles James
President
The Heritage Foundation
May 2019

Acknowledgments

The *Blueprint for Balance* is the product of intense collaboration among Heritage Foundation staff, relying on various data sources developed by Heritage experts and provided by government agencies and private organizations. Their assistance is vital to the success of this product and greatly appreciated.

The Heritage Foundation's Grover M. Hermann Center for the Federal Budget leads the *Blueprint* production effort. Research Associate David Ditch played an integral part in the coordination, production, and expansion of the FY 2020 *Blueprint for Balance*. We are deeply grateful both for his initiative and for his dedication to reducing federal spending. We are particularly grateful for the assistance of Justin Bogie, who serves as Senior Policy Analyst in Fiscal Affairs, for contributing substantially to the current edition of the *Blueprint* by authoring several of the policy chapters and proposals and for scoring the discretionary savings proposals, as well as his leadership in calculating the cumulative fiscal impact of our budget proposals to achieve balance in fewer than 10 years. We are also particularly grateful to Rachel Greszler, who serves as Research Fellow in Economics, Budget, and Entitlements and who scored mandatory and one-time proposals in addition to authoring and facilitating co-authorship on the essential new chapter focused on reforming the major entitlement programs: Social Security and the major federal health care programs. Adam Michel, Senior Policy Analyst in Fiscal Policy, authored the tax chapter and calculated the *Blueprint* revenue baseline. Drew Gonshorowski, Senior Policy Analyst for Simulations, and Jamie Bryan Hall, Senior Policy Analyst for Empirical Studies, provided original data analysis of Social Security, health care, and education proposals, and Parker Sheppard provided a dynamic score of the *Blueprint*'s fiscal and economic impact, using Heritage Foundation Center for Data Analysis models and resources. Heritage Foundation domestic and foreign policy experts contributed chapters and budget proposals. They are recognized as chapter authors and proposal contacts in an appendix. Without their expertise and cooperation, this *Blueprint* would not be possible.

Senior Editor William T. Poole refined the language we employed and greatly assisted in the detection and correction of what might otherwise have been embarrassing errors and omissions. Manager of Data Graphics Services John Fleming and Data Graphics Specialist and Editorial Associate Luke Karnick created the helpful charts and tables that appear throughout the book. Therese Pennefather, Director of Research Editors, played a key role in managing the editorial process, keeping the production on schedule. Jay Simon, Senior Designer, Research Projects, was responsible for the design and layout of the *Blueprint*. Transformation of the *Blueprint* into electronic formats is made possible by the efforts of Director of Digital Maria Sousa.

We owe a great debt to Jack Spencer, Vice President for the Institute for Economic Freedom, and Paul Winfree, Director of the Thomas A Roe Institute for Economic Policy Studies, in whose minds the *Blueprint* originated and whose vision continues to guide production. We also wish to acknowledge our

enduring debt to Chairman Barb Van Andel-Gaby and The Heritage Foundation Board of Trustees, Heritage Foundation President Kay Coles James, The Heritage Foundation's founder and former President Dr. Edwin J. Feulner, and Heritage Foundation Senior Advisor Phil Truluck and Executive Vice President Dr. Kim R. Holmes for their support. None of the work at Heritage, and certainly this *Blueprint for Balance*, would be possible without the generous support of our dedicated donors. We thank them for all they do for The Heritage Foundation and for America.

Romina Boccia
Director Grover M. Hermann
Center for the Federal Budget
The Heritage Foundation
May 2019

INTRODUCTION

A Blueprint for Balance

Romina Boccia

The *Blueprint for Balance: A Federal Budget for Fiscal Year 2020* is The Heritage Foundation's budget proposal to guide Congress in its constitutional exercise of the power of the purse.[1] Specifically, the *Blueprint*:

- **Balances** the budget in 10 years on a static basis;
- **Balances** the budget in six years on a dynamic basis;
- **Reduces** spending by $10.8 trillion over 10 years;
- **Reduces** deficits by $9.9 trillion over 10 years;
- **Reduces** revenues by $850 billion over 10 years;
- **Reduces** publicly held debt as a percentage of GDP to 61 percent;
- **Strengthens** national defense, the federal government's core constitutional function;
- **Reforms** entitlement programs, the main drivers of spending and debt;
- **Makes** the Tax Cuts and Jobs Act's reforms permanent, eliminates tax credit subsidies that distort markets, and further advances pro-growth tax policy;
- **Eliminates** budget gimmicks and reforms the federal budget process;
- **Right-sizes** federal spending by eliminating programs that fall outside the federal government's constitutional role, produce favoritism, and limit opportunity; and
- **Protects** religious liberty and strengthens civil society.

Budgeting is an essential act of governance. Everything the federal government does, including regulating and enforcing laws, it does by either spending or taxing. The federal budget affects every aspect of federal governance and offers a direct reflection of the government's relationship to the American people.

Because of its size and scope, the federal budget has a direct and significant impact on Americans' ability to realize their potential, engage in economic transactions, exercise their religious freedom, provide for their families, contribute to their communities, and pursue their version of the American Dream.

The Heritage *Blueprint* paves a clear path to balancing the federal budget with detailed and specific recommendations across all budget categories, from right-sizing annual appropriations to reforming entitlement programs and privatizing certain federal assets. In addition, important legislative policy riders provide specific proposals by which Congress can leverage the annual appropriations process to advance conservative policy objectives.

Chapter One presents the current fiscal outlook, based on the Congressional Budget Office's most recent *Budget and Economic Outlook*.[2] It explains what is driving today's and tomorrow's high deficits and debt and what it will take to change course. It also articulates the threats from debts and deficits that are too high and rising and their severe impact on the American people and the state of the Union.

Chapter Two addresses the key drivers of growing federal spending and debt head on. It discusses the primary drivers of spending growth in Social Security and the major federal health care programs—Medicare, Medicaid, and Obamacare—and how current program design is making many Americans worse off while threatening younger generations with undue tax and debt burdens. It offers concrete reforms focused on protecting the most vulnerable while giving individuals and families greater control and ownership of their health care and financial well-being.

Chapter Three explains the congressional budget process and why it is important for Congress to follow the budget law and engage actively and regularly in authorizing, reviewing, and exercising oversight of federal spending and taxing. It articulates the critical importance of placing limits on federal spending and provides specific recommendations to improve transparency, accountability, and enforcement in the federal budget process.

Chapter Four addresses America's tax code by reviewing the successes of the Tax Cuts and Jobs Act and highlighting areas for further improvement, including making the existing tax cuts permanent and expanding on them with pro-growth policy reforms to enable Americans to flourish and attain financial security in a strong economy that thrives on investment and job creation. It also highlights tax credits that in reality are narrowly targeted subsidies that distort both the tax code and the economy and recommends their repeal.

Chapter Five presents concise summary statements of conservative policy priorities and key reforms to accomplish them. This chapter deals with policy issues as far-reaching as improving transparency and accountability in the federal government, restoring federalism, reducing the Federal Reserve's discretion in monetary policy, eliminating trade barriers, and ensuring that America's vital infrastructure needs are met, among many others.

Chapter Six offers specific discretionary, mandatory, and one-time savings proposals that range from programmatic spending reductions, to recommending the elimination of various activities that are better suited for the private sector and state and local levels of government, to privatizing certain federal assets. The chapter is organized by appropriations subcommittees because that is how Congress organizes itself.

Congress should follow the law and pursue a budget resolution in FY 2020, including reconciliation instructions that pave the way to balance, with reforms that enhance freedom and opportunity, strengthen national defense, and allow civil society to flourish. We hope Congress will find the *Blueprint for Balance* to be an essential guide in accomplishing this task, and we hope the American people will find the *Blueprint* to be equally essential in helping them to hold their elected officials accountable for their action (or lack of action) to correct the nation's currently unsustainable fiscal course.

ENDNOTES

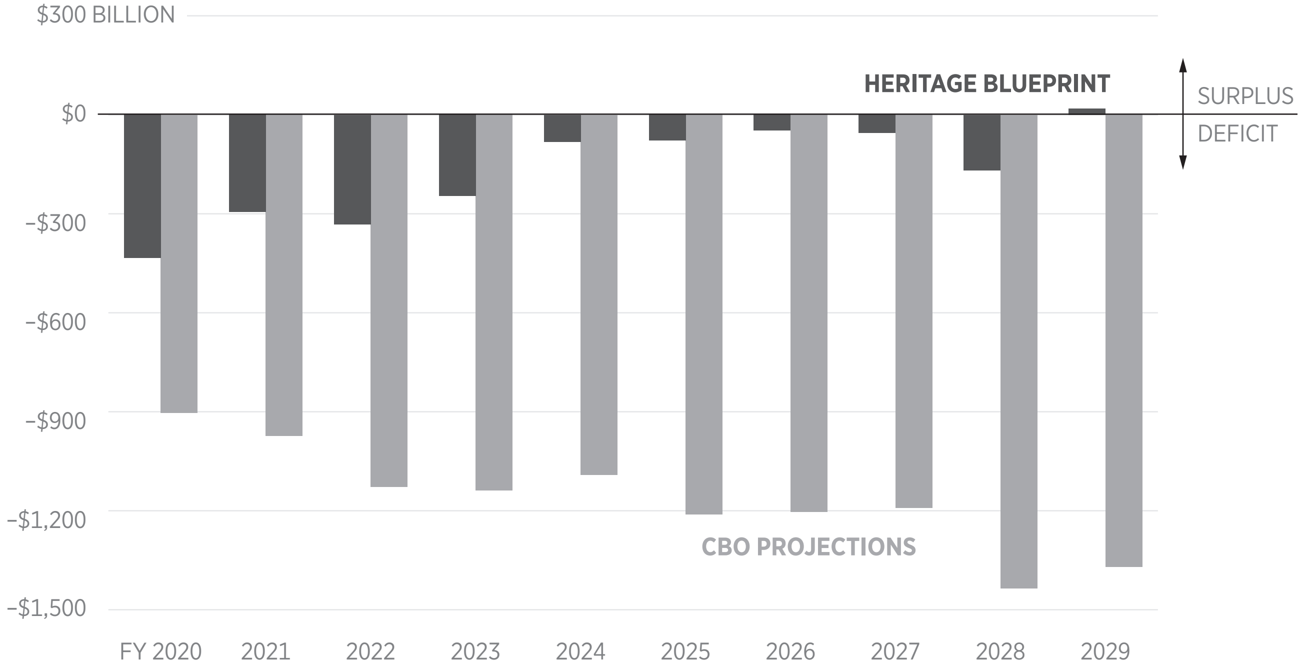
1. Constitution of the United States, Article I, Section 9.
2. Congressional Budget Office, *The Budget and Economic Outlook: 2019 to 2029*, January 2019, https://www.cbo.gov/publication/54918 (accessed April 14, 2019).

Achieving Balance in Tables and Charts

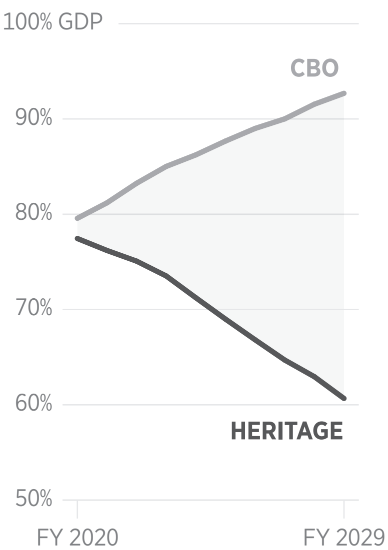
CHART 1

Heritage Blueprint Would Save Trillions Compared to CBO Projections

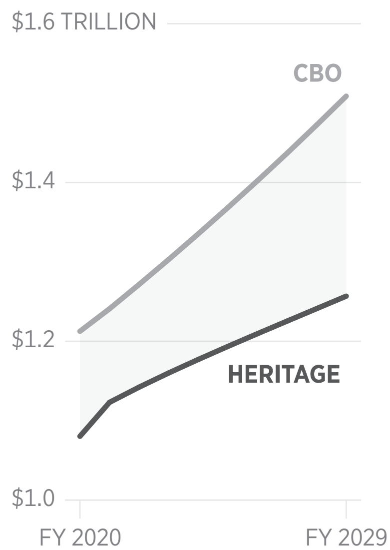
BUDGET SURPLUS/DEFICIT



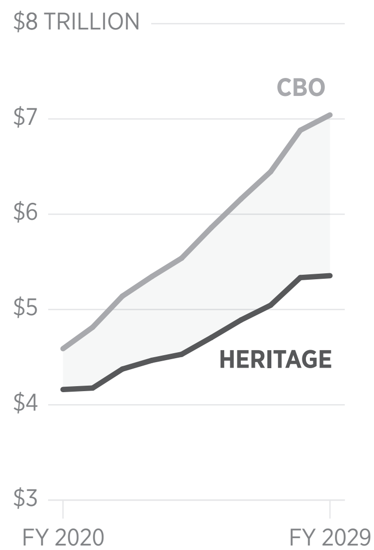
DEBT HELD BY THE PUBLIC



DISCRETIONARY SPENDING



TOTAL OUTLAYS



SOURCES: Congressional Budget Office, "The Budget and Economic Outlook: 2019 to 2029," January 28, 2019, https://www.cbo.gov/publication/54918 (accessed April 5, 2019), and Heritage Foundation calculations.

heritage.org

TABLE 1

How *Blueprint for Balance* Compares to CBO Projections

OUTLAYS BY MAJOR CATEGORY (BILLIONS)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020–2029
Social Security	1,040	1,086	1,135	1,182	1,230	1,278	1,327	1,374	1,424	1,467	12,543
Medicare	635	673	704	742	784	837	892	952	1,025	1,107	8,351
Medicaid and Other Mandatory	821	786	866	831	775	834	886	905	1,039	909	8,653
Discretionary (Base)	1,142	1,118	1,127	1,143	1,157	1,172	1,189	1,205	1,221	1,236	11,710
Defense	671	705	727	743	758	772	786	800	815	829	7,606
Non–Defense	470	413	401	400	399	400	403	405	406	407	4,103
Overseas Contingency Operations	69	20	20	20	20	7	3	0	0	0	159
Net Interest	454	493	524	549	565	576	592	609	626	636	5,623
Total Outlays	4,161	4,176	4,375	4,467	4,530	4,705	4,890	5,045	5,335	5,355	47,039

DEBT HELD BY THE PUBLIC

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020–2029
Debt Held by the Public (in Billions of Dollars)	17,132	17,479	17,852	18,139	18,266	18,391	18,488	18,593	18,798	18,810	n/a
Debt Held by the Public (as Percentage of Gross Domestic Product)	77.5%	76.2%	75.1%	73.5%	71.2%	69.0%	66.8%	64.7%	62.9%	60.7%	n/a

PROJECTED DEFICITS (BILLIONS)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020–2029
Outlays	4,161	4,176	4,375	4,467	4,530	4,705	4,890	5,045	5,335	5,355	47,039
Revenue	3,727	3,881	4,043	4,221	4,448	4,628	4,842	4,989	5,167	5,374	45,321
Deficit (+) or Surplus (–)	434	295	332	246	82	77	48	56	168	–19	1,718

***BLUEPRINT FOR BALANCE* VS. CBO: DEFICITS (BILLIONS)**

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020–2029
Outlays	–428	–638	–765	–880	–1,009	–1,154	–1,270	–1,401	–1,546	–1,687	–10,778
Revenue	41	40	31	13	0	–19	–114	–265	–279	–298	–849
Difference	–469	–678	–796	–893	–1,009	–1,135	–1,156	–1,136	–1,267	–1,389	–9,929

***BLUEPRINT FOR BALANCE* VS. CBO: DEBT HELD BY THE PUBLIC**

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020–2029
Debt Held by the Public (in Billions of Dollars)	–469	–1,147	–1,943	–2,837	–3,846	–4,981	–6,137	–7,273	–8,540	–9,929	n/a
Debt Held by the Public (as Percentage of Gross Domestic Product)	–2.1%	–5.0%	–8.2%	–11.5%	–15.0%	–18.7%	–22.2%	–25.3%	–28.6%	–32.0%	n/a

NOTES:

Social Security. For Social Security Old-Age and Survivors Insurance (OASI), the FY 2020 *Blueprint for Balance* recommends increasing the eligibility age and then indexing it for longevity, transitioning the payment to a flat anti-poverty benefit focused on individuals who need it most, replacing the current cost-of-living adjustment with the more accurate chained consumer price index, and modernizing the spousal benefit. For Social Security Disability Insurance (SSDI), the *Blueprint* recommends implementing a flat anti-poverty benefit, providing a needs-based benefit period, eliminating the GRID factors, providing an optional private DI component, ending direct payment of SSDI representatives, correcting unintended payments, and multiple proposals to improve the program's integrity and efficiency.

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, but the associated savings are not included in our overall Medicare cost estimates.

Medicaid and Other Mandatory. This table incorporates the Medicaid reforms specified in Chapter 2 of this book. 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.

Revenues. The FY 2020 *Blueprint for Balance* revenue baseline uses an augmented version of the alternative fiscal scenario produced by the Congressional Budget Office (CBO). Beginning with the CBO's January 2019 current-law revenue baseline, we lowered projected revenues using the CBO's estimated budgetary effects of extending the individual and business provisions in the Tax Cuts and Jobs Act and repeal of the three yet-to-be-implemented Obamacare taxes. The Heritage *Blueprint* baseline also accounts for the additional revenue from repealing the tax credits outlined in Chapter 4.

Net Interest. Total net interest is based on changes in the primary deficit relative to the CBO's January 2019 baseline as well as interest rates under the CBO's January 2019 baseline. Figures may not sum to totals due to rounding.

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 2020–FY 2021 and then by inflation each year from a base level of $647 billion in FY 2019. (Total base budget authority for defense in FY 2020 is $697 billion, and outlays are $671 billion.) Non-defense discretionary spending is adjusted for the savings provided in the proposals found in Chapter 6 of this book as well as budget process reforms identified in Chapter 3, based on levels from the Budget Control Act of 2011.

Global War on Terrorism. Assumes $45 billion in Overseas Contingency Operations (OCO) funds (budget authority) for FY 2020. 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.

SOURCE: Heritage Foundation calculations based on data from the Congressional Budget Office's January 2019 baseline. Figures are for fiscal years.

heritage.org

Dynamic Estimates of the *Blueprint for Balance*

Parker Sheppard, PhD

The Heritage Foundation's *Blueprint for Balance* calls for reduced federal spending. Lower expenditures directly reduce the budget deficit, but they also have indirect effects on the federal budget through their effects on the economy. Incorporating these macroeconomic effects into a dynamic budget score provides a richer picture of how the *Blueprint* would balance the budget and increase economic output.

Accounting for these economic effects, the changes recommended in the *Blueprint* would balance the federal budget approximately four years sooner than estimated by the standard procedure that omits macroeconomic effects. Real GDP growth under the *Blueprint* is about 0.1 percent per year higher, resulting in a nominal GDP that is 1.0 percent higher at the end of the budget window than the model's estimate of baseline policy.

The macroeconomic effects were modeled using a variant of the Solow growth model,[1] a standard tool for explaining how capital accumulation affects economic output over time. Capital markets in the model match saving from both the private and public sectors with domestic investment and net international capital flows. The interest rate adjusts to bring the capital market into equilibrium, in which every dollar saved is matched with a dollar invested.

When the federal government runs a budget deficit, it reduces the total amount of saving in the economy. Larger deficits cause interest rates to rise, which reduces investment, a phenomenon known as "crowding out." Reducing the deficit or even running a surplus has the opposite effect. More public saving lowers interest rates and increases investment. The *Blueprint* reduces crowding out so that gross private domestic investment is about 5.3 percent higher than the baseline at the end of the 10-year window and GDP is about 1.0 percent higher.

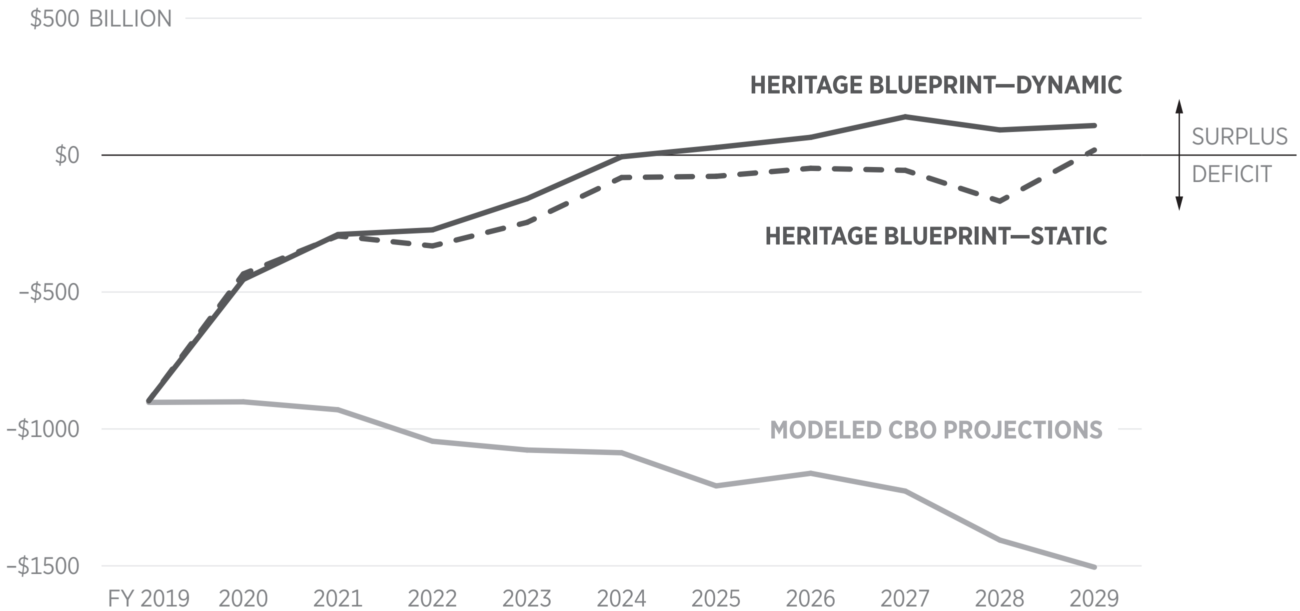
The lower interest rates produce substantial second-order effects on federal outlays. Balancing the budget has a double effect on reducing expenditures, both by reducing the amount of debt on which interest is owed and by reducing the amount of interest owed on any remaining debt. The model estimates that interest rates on federal debt under the *Blueprint* are about 75 basis points lower than in the baseline at the end of the 10-year window.

Chart 2 shows the difference in the federal budget deficit for both static and dynamic modeled versions of the *Blueprint* budget, relative to the CBO baseline. The line labeled "MODELED CBO PROJECTIONS" is the modeled estimate based on the CBO budget deficit projections as reported in the CBO's January *2019 Budget and Economic Outlook*.[2] The lines labeled "HERITAGE BLUEPRINT" are the traditional (static) estimate of the *Blueprint* and the dynamic estimate of the *Blueprint*.

Table 2 shows that the *Blueprint* balances the budget entirely with static changes in receipts and outlays. The dynamic effects of smaller deficits and pro-growth tax policy provide modest increases in receipts and decreases in outlays, shifting the date at which the *Blueprint* reaches budgetary surplus forward by four years. Under the dynamic score, the *Blueprint* balances in 2025.

CHART 2

Dynamic Analysis Shows Heritage Blueprint Would Produce Budget Surplus by 2025



SOURCES: Congressional Budget Office, "The Budget and Economic Outlook: 2019 to 2029," January 28, 2019, https://www.cbo.gov/publication/54918 (accessed April 5, 2019), and Heritage Foundation calculations. For more information on the dynamic analysis, see the appendix.

heritage.org

Table 2 shows the modeled output for the baseline and *Blueprint* converted to dollar figures. The reason for the slight differences between the modeled figures and other published figures is that the model abstracts from a significant amount of detail to summarize the macro effects of the deficit on capital markets. Comparing the modeled output of the two budgets provides an estimate of the economic effects of adopting the *Blueprint for Balance*, most notably a substantial reduction in debt held by the public and an increase in gross domestic product.

ENDNOTES

1. For additional detail about the modeling methodology, see Appendix, "Methodology," in Kevin Dayaratna, Parker Sheppard, and Adam N. Michel, "Tax Cuts in Every Congressional District in Every State," Heritage Foundation *Backgrounder* No. 3333, July 23, 2018, https://www.heritage.org/taxes/report/tax-cuts-every-congressional-district-every-state, and Parker Sheppard, "A Dynamic Estimate of the FY 2020 *Blueprint for Balance*," Heritage Foundation *Backgrounder*, forthcoming.
2. Congressional Budget Office, *The Budget and Economic Outlook: 2019 to 2029*, January 2019, https://www.cbo.gov/publication/54918 (accessed April 14, 2019).

TABLE 2

Dynamic Model: CBO Baseline Projections vs. *Blueprint for Balance*

CBO BASELINE	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Receipts	$3,462	$3,612	$3,768	$3,935	$4,104	$4,278	$4,464	$4,799	$5,003	$5,222	$5,447
Outlays	4,365	4,513	4,698	4,979	5,180	5,364	5,671	5,961	6,230	6,628	6,952
Surplus/deficit	–903	–901	–930	–1,045	–1,077	–1,087	–1,208	–1,162	–1,227	–1,406	–1,505
GDP	21,227	22,126	23,067	24,050	25,072	26,139	27,255	28,387	29,597	30,855	32,160
Debt	16,284	17,290	18,296	19,334	20,489	21,679	22,881	24,208	25,493	26,847	28,383
Debt as % GDP	77%	78%	79%	80%	82%	83%	84%	85%	86%	87%	88%

BLUEPRINT FOR BALANCE	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Receipts	$3,467	$3,605	$3,754	$3,920	$4,088	$4,262	$4,450	$4,646	$4,848	$5,066	$5,290
Outlays	4,364	4,059	4,044	4,194	4,247	4,268	4,422	4,582	4,708	4,974	5,182
Surplus/deficit	–897	–454	–290	–273	–159	–6	28	65	140	92	108
GDP	21,227	22,127	23,083	24,088	25,138	26,236	27,386	28,586	29,837	31,140	32,497
Debt	16,280	17,280	17,839	18,236	18,618	18,888	19,009	19,098	19,153	19,136	19,170
Debt as % GDP	77%	78%	77%	76%	74%	72%	69%	67%	64%	61%	59%

NOTE: Figures are in billions of dollars except those labeled as debt as a percentage of GDP.
SOURCES: Congressional Budget Office, "The Budget and Economic Outlook: 2019 to 2029," January 28, 2019, https://www.cbo.gov/publication/54918 (accessed April 5, 2019), and Heritage Foundation calculations. For more information on the dynamic analysis, see the appendix.

heritage.org

CHAPTER ONE

The Fiscal Outlook

Justin Bogie

The Congressional Budget Office's *Budget and Economic Outlook* provides the CBO's projections of spending, revenue, deficit, and debt levels for the coming decade as prescribed by law. It is the starting point used both for The Heritage Foundation's *Blueprint for Balance* and for congressional budget resolutions.

The CBO's most recent publication paints a dire picture of a looming debt crisis driven by unsustainable spending. The country's gross debt exceeds $22 trillion, and the CBO projects that:

- Without reforms, debt could rise by another $13 trillion in just 10 years.[1]
- Debt held by the public (debt that the government has borrowed in credit markets) as a share of GDP will rise to more than 90 percent by the end of the 10-year budget window.[2]
- By 2029, assuming that "current policies were continued," debt held by the public "would rise to 105 percent of GDP."[3]

Such rapid debt growth is particularly alarming when one considers that the U.S. is experiencing a period of healthy economic growth and is not engaged in any large-scale military conflicts.[4]

The CBO has warned for years that high levels of deficit and debt will eventually lead to an economic breakdown. The impact will be felt by all Americans. Economic research shows that countries carrying such high levels of debt, especially if the debt is on an upward trajectory, experience slower economic growth.[5] When debt rises above 90 percent of GDP, economic growth slows by as much as 1.3 percent annually compared to countries with lower debt.[6] Slower growth means less take-home pay for workers and fewer opportunities for Americans to improve their economic well-being and attain financial security.[7]

High and rising debt also entails a real risk of higher interest rates and inflation. Americans would feel this impact directly through higher prices on everyday goods and services. Higher interest rates would also make obtaining a loan to start a business, purchase a car, or buy a house more expensive, putting dreams of homeownership and becoming their own boss out of reach for many Americans.[8]

In other words, high levels of debt could stifle economic opportunity and prosperity, making it harder for many Americans to live their version of the American dream.

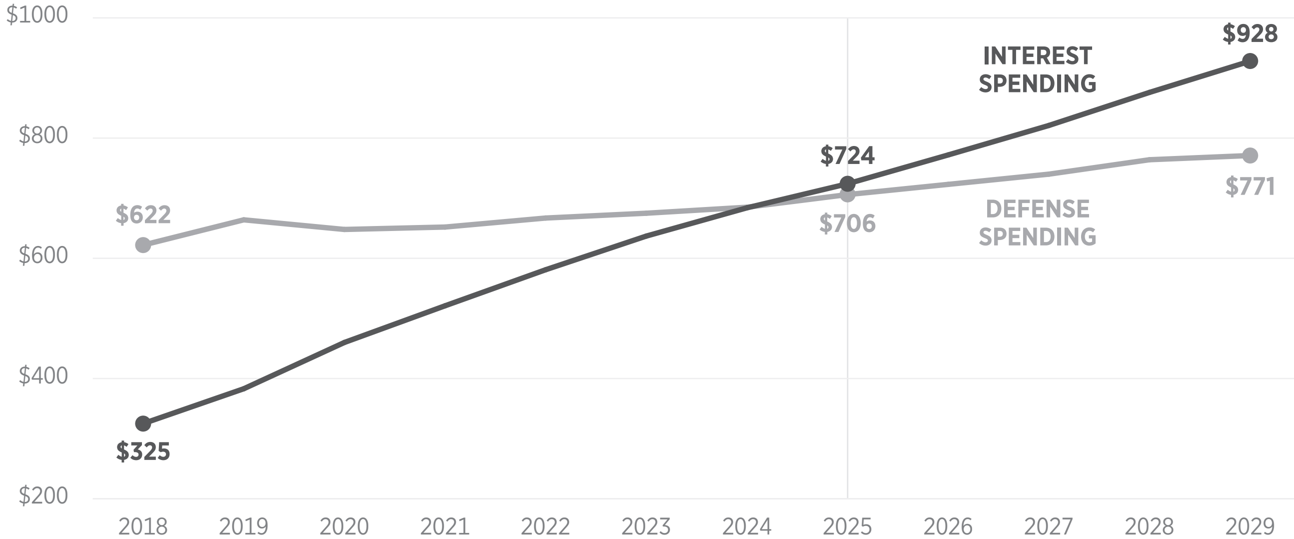
Moreover, borrowing so much money does not come cheaply. CBO data indicate that interest payments on the debt will climb by a staggering 186 percent in the next decade. By 2025, the government could be spending more on interest payments than it does on national defense.[9]

There is also the real possibility that at some point, creditors may stop buying U.S. debt altogether or may demand excessively high interest rates to continue lending money to the U.S. Concern over the U.S. government's irresponsible spending practices could lead

CHART 3

Interest Costs Will Soon Surpass Defense Spending

OUTLAYS, IN BILLIONS OF DOLLARS



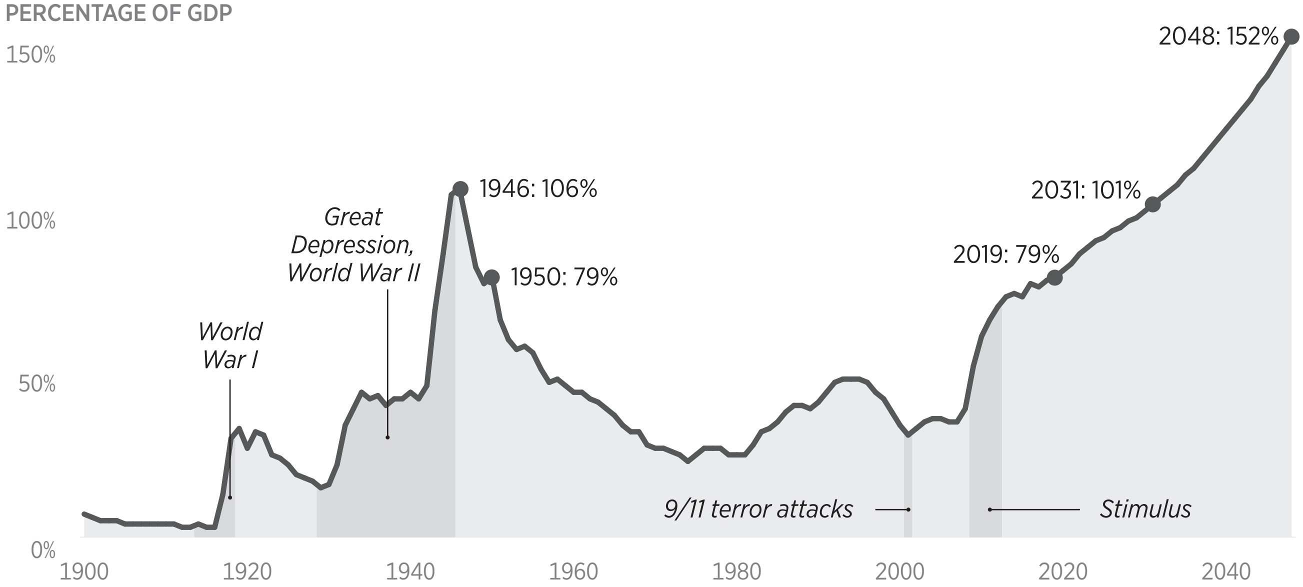
SOURCE: Congressional Budget Office, "The Budget and Economic Outlook: 2019 to 2029," https://www.cbo.gov/publication/54918 (accessed March 5, 2019).

heritage.org

CHART 4

Public Debt at 67-Year High

PERCENTAGE OF GDP

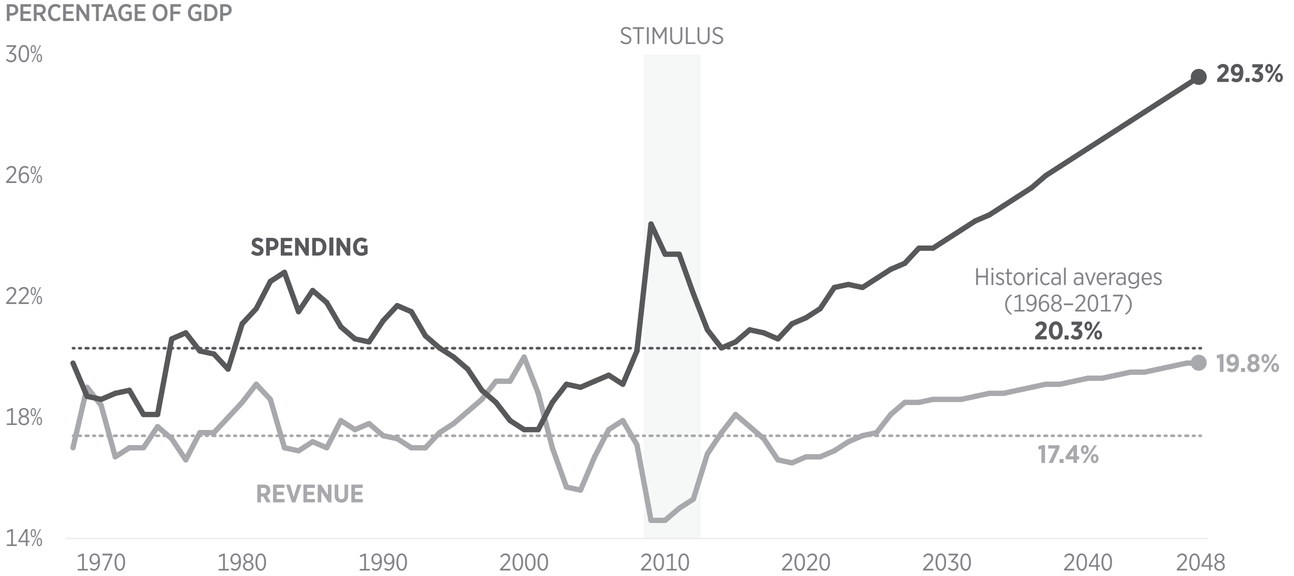


SOURCE: Congressional Budget Office, "The 2018 Long-Term Budget Outlook," https://www.cbo.gov/publication/53919 (accessed March 5, 2019).

heritage.org

CHART 5

Spending Greatly Exceeds Revenues



SOURCE: Congressional Budget Office, "The 2018 Long-Term Budget Outlook," https://www.cbo.gov/publication/53919 (accessed March 5, 2019).

heritage.org

foreign governments such as China and Japan, two of America's biggest lenders today, to invest their money elsewhere. Unless other lenders increase their purchases of U.S. debt, options for borrowing money as freely and cheaply could become severely limited and entail a much higher interest cost. This would result in higher interest payments and lower long-term economic growth.[10]

What is driving the nation's suffocating debt level ever higher?

Some are quick to blame the Tax Cuts and Jobs Act of 2017 (TCJA), the first comprehensive tax reform package since the 1980s, but the evidence does not support that conclusion. The national debt increased by nearly $9 trillion during the eight years that President Barack Obama was in office.[11] Through the first two years of the Trump Administration, the debt increased by $2 trillion, a comparable rate.[12] The long-run debt problem is not driven by a lack of revenue. CBO data indicate that over the next 10 years, revenues will be above the 50-year average.[13]

Only one of the past 10 years was affected by tax reform, while debt has been on a steep trajectory since the Great Recession and the economy soared, in part due to the TCJA. According to U.S. Department of Commerce data, economic growth averaged 3.8 percent over the second and third quarters of 2018[14] and is on pace for the fastest annual growth in 13 years.[15] The TCJA has also helped to drive the unemployment rate to its lowest level in 50 years.[16]

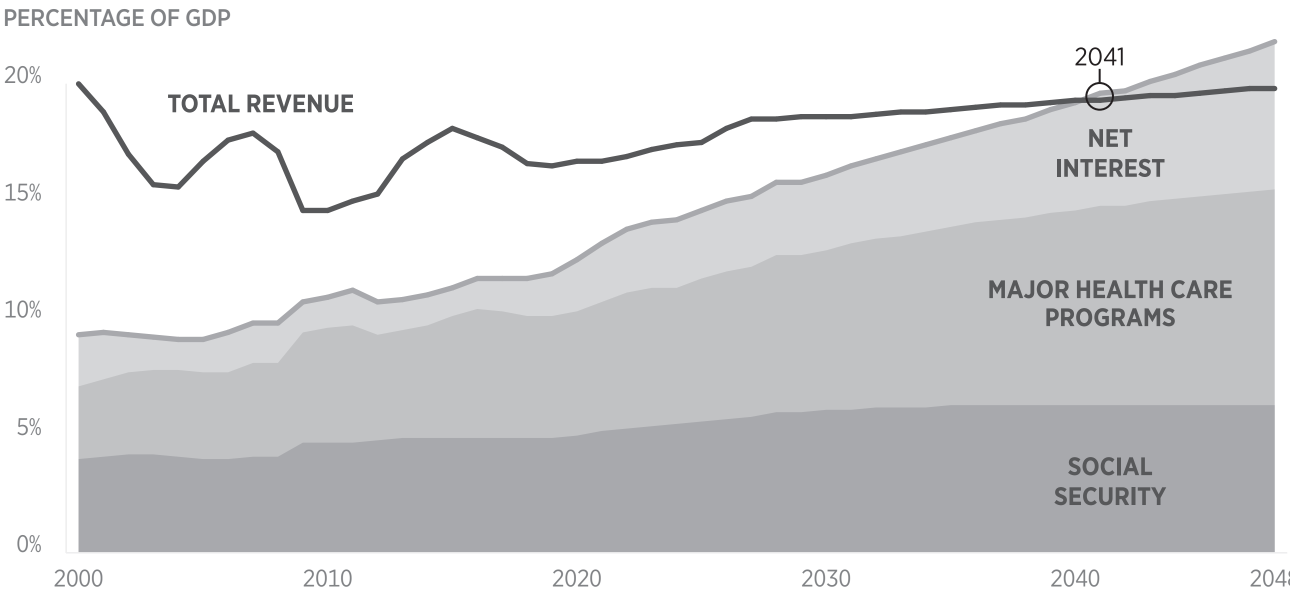
The TCJA's biggest flaw was that the tax cuts were not accompanied by spending cuts. The economic potential of the tax cuts will never be fully realized if spending continues to grow unchecked.[17]

The long-term debt crisis facing America is a problem of spending. The reason that the country continues to rack up another trillion dollars in debt each year is that better-than-average revenues cannot keep up with out-of-control spending. The CBO projects that by fiscal year (FY) 2029, nominal federal spending will rise by almost $3 trillion compared to 2018, outpacing above-average revenues by 4.4 percent of GDP.[18] That gap is projected to widen to 9.5 percent of GDP within 30 years.[19]

The long-term spending increase can be attributed to two things: soaring entitlement spending and interest payments on the growing national debt. Social Security, Medicaid, Medicare, and interest payments

CHART 6

Entitlement Spending and Interest Payments Devouring our Taxes



SOURCE: Congressional Budget Office, "The 2018 Long-Term Budget Outlook," https://www.cbo.gov/publication/53919 (accessed March 5, 2019).

heritage.org

on the debt together consumed 72 percent of all federal revenues in FY 2018. CBO data indicate that this percentage will rise to 88 percent by 2029.[20] In just over 20 years, spending on Social Security, health care, and debt service is projected to overtake all federal revenues.[21]

The largest portion of the federal government's unsustainability is driven by spending on Social Security and health care programs, and this spending is projected to be nearly 55 percent of gross federal spending over the next 10 years. These programs are projected to grow by an average of 6 percent each year, while the CBO projects that economic growth will average less than 2 percent each year through 2029.[22] When entitlement programs are designed to grow faster than the economy, it is impossible to keep up with any revenue generation system that the government could design.[23]

While these autopilot programs and debt are certainly a big part of the problem, Congress's addiction to spending has contributed to the short-term surge in deficits and debt as well. The primary portion of the budget over which Congress has year-to-year direct control is discretionary spending, about one-third of the total federal budget. In 2011, Congress enacted the Budget Control Act of 2011 (BCA), which placed caps on discretionary spending from 2012–2021.[24]

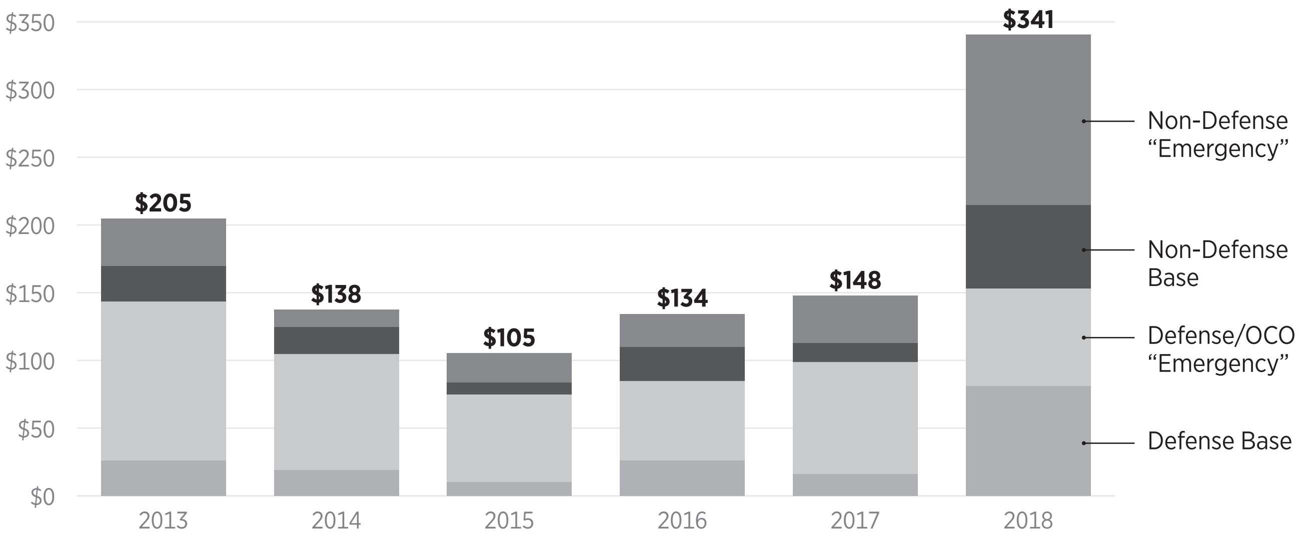
The goal of the BCA was to slow the growth of discretionary spending, and it did work initially. However, Congress's desire for more spending quickly reasserted itself. Specifically, Congress has acted to amend the caps in six of the eight years since passage of the BCA, increasing spending by $440 billion. The most recent budget deal, the Bipartisan Budget Act of 2018, increased spending by $296 billion over two years, with actual funding accounting for only a fraction of the increase. The real debt impact is even worse: The Committee for a Responsible Federal Budget has estimated that the 2018 deal could increase the debt by as much as $2.1 trillion over 10 years.[25]

Nor is abandonment of the BCA caps the only reason for the increase in discretionary spending. Since passage of the BCA, uncapped disaster and emergency spending has been on the rise. In 2018, Congress spent an additional $125 billion on emergency designated disaster relief. In total, lawmakers have made over $270 billion worth of nondefense budget cap adjustments since 2013.[26]

CHART 7

Federal Spending Surges Past Budget Caps

SPENDING INCREASES RELATIVE TO ORIGINAL BCA LEVELS, IN BILLIONS



SOURCE: Office of Management and Budget, "OMB Final Sequestration Report to the President and Congress for Fiscal Year 2018," April 6, 2018, https://www.whitehouse.gov/wp-content/uploads/2018/04/2018_final_sequestration_report_april_2018_potus.pdf (accessed December 10, 2018).

heritage.org

Obviously, natural disaster and emergencies do happen, but much of the money spent by Congress did not go to direct response and recovery efforts. Rather, it went to fund unrelated government grant programs, to provide business subsidies, and to bail out the troubled National Flood Insurance Program. None of these are legitimate emergency purposes. Even when the money is going toward legitimate needs, Congress should still find ways to pay for it and not drive the country further into debt.[27]

The CBO *Budget and Economic Outlook* highlights why reforming the federal budget and putting spending on a sustainable path is so important. The good news is that the CBO's projections do not have to become a reality. There is still time for Congress to act and choose a different direction.

The Heritage Foundation's *Blueprint for Balance: A Federal Budget for Fiscal Year 2020* gives lawmakers the tools they need to do just that. The *Blueprint* reforms the major entitlements (Social Security and health care programs); refocuses the federal government on constitutional core functions; right-sizes federal spending by eliminating duplicative, wasteful, and inappropriate federal activities that should be handled by the private sector or by state and local governments; and advances pro-growth tax reform—all while respecting religious liberty and enabling civil society to flourish.

These policies will grow the economy and create more opportunity for American job creators and workers, stabilize the national debt, and put the budget on a path to balance. Congress can take our recommendations directly from this *Blueprint* to develop a budget resolution and reconciliation instructions this year and begin to tackle unsustainable spending and the growing national debt in earnest.

ENDNOTES

1. Congressional Budget Office, *The Budget and Economic Outlook: 2019 to 2029*, January 2019, p. 2, https://www.cbo.gov/system/files/2019-03/54918-Outlook-3.pdf (accessed April 2, 2019).
2. Ibid.
3. Ibid., p. 5.
4. David Ditch, "America's $22T Debt Problem: With a Booming Economy, Now Is the Time to Fix It," Fox Business, February 15, 2019, https://www.foxbusiness.com/politics/americas-22t-debt-problem-heres-your-share (accessed March 1, 2019).
5. Romina Boccia, "How the United States' High Debt Will Weaken the Economy and Hurt Americans," Heritage Foundation *Backgrounder* No. 2768, February 12, 2013, https://www.heritage.org/budget-and-spending/report/how-the-united-states-high-debt-will-weaken-the-economy-and-hurt.
6. Salim Furth, "High Debt Is a Real Drag," Heritage Foundation *Issue Brief* No. 3859, February 22, 2013, https://www.heritage.org/debt/report/high-debt-real-drag.
7. Committee for a Responsible Federal Budget, "CBO: Consequences of a Growing National Debt," July 21, 2014, http://www.crfb.org/blogs/cbo-consequences-growing-national-debt (accessed March 2, 2019).
8. Justin Bogie, "In Boom Times, Unsustainable Debt Levels Threaten Prosperity," *The Washington Times*, October 1, 2018, https://www.washingtontimes.com/news/2018/oct/1/in-boom-times-unsustainable-debt-levels-threaten-p/ (accessed March 2, 2019).
9. Author's calculation based on data in Congressional Budget Office, *The Budget and Economic Outlook: 2019 to 2029*.
10. Gordon G. Chang, "What If China Stops Buying U.S. Government Debt?" *Forbes*, October 6, 2013, https://www.forbes.com/sites/gordonchang/2013/10/06/what-if-china-stops-buying-u-s-government-debt/#598855a962c4 (accessed March 2, 2019).
11. Bob Bryan, "Here's How Much Debt the US government Added Under President Obama," *Business Insider*, January 20, 2017, https://www.businessinsider.com/national-debt-deficit-added-under-president-barack-obama-2017-1 (accessed March 2, 2019).
12. Andrew Buncombe, "US National Debt Has Increased $2 Trillion Since Donald Trump Took Office, New Data Shows," *The Independent*, January 4, 2019, https://www.independent.co.uk/news/world/americas/us-politics/us-national-debt-2-trillion-donald-trump-presidency-deficit-treasury-congressional-budget-office-a8710546.html (accessed March 2, 2019).
13. Author's calculation based on data in Congressional Budget Office, *The Budget and Economic Outlook: 2019 to 2029*.
14. Table, "2018Q3 (Third Estimate) Comparisons—Percent Change from Preceding Period in Real Gross Domestic Product and Related Measures," in U.S. Department of Commerce, Bureau of Economic Analysis, "U.S. Economy at a Glance," December 21, 2018, https://www.bea.gov/news/glance (accessed April 2, 2019).
15. Avie Schneider, "U.S. Economy Grew at a 3.5 Percent Rate in 3rd Quarter," National Public Radio, October 26, 2018, https://www.npr.org/2018/10/26/660489729/will-headwinds-appear-in-u-s-economic-growth-benchmark (accessed March 2, 2019).
16. Anthony B. Kim, "Under Trump, US Economic Freedom Rises Significantly," The Daily Signal, January 25, 2019, https://www.dailysignal.com/2019/01/25/under-trump-us-economic-freedom-has-risen-significantly/.
17. Adam N. Michel, "Tax Reform 2.0: Priorities After the Tax Cuts and Jobs Act of 2017," Heritage Foundation *Backgrounder* No. 3296, March 22, 2018, https://www.heritage.org/taxes/report/tax-reform-20-priorities-after-the-tax-cuts-and-jobs-act-2017.
18. Table 1-1, "CBO's Baseline Budget Projections, by Category," in Congressional Budget Office, *The Budget and Economic Outlook: 2019 to 2029*, p. 7.
19. Congressional Budget Office, *The 2018 Long-Term Budget Outlook*, June 2018, p. 1, https://www.cbo.gov/system/files/2018-06/53919-2018ltbo.pdf (accessed April 2, 2019).
20. Author's calculation based on data in Congressional Budget Office, *The Budget and Economic Outlook: 2019 to 2029*.
21. Author's calculation based on data in Congressional Budget Office, *The 2018 Long-Term Budget Outlook*.
22. Estimated Social Security and health care spending calculated by author based on data in Congressional Budget Office, *The Budget and Economic Outlook: 2019 to 2029*; for the economic growth rate, see ibid., p. 45.
23. Paul Winfree, "Causes of the Federal Government's Unsustainable Spending," Heritage Foundation *Backgrounder* No. 3133, July 7, 2016, https://www.heritage.org/budget-and-spending/report/causes-the-federal-governments-unsustainable-spending.
24. Romina Boccia and Justin Bogie, "Reform the Budget Control Act Spending Caps," Heritage Foundation *Backgrounder* No. 3262, November 1, 2017, https://www.heritage.org/budget-and-spending/report/reform-the-budget-control-act-spending-caps.
25. Committee for a Responsible Federal Budget, "Bipartisan Budget Act Means the Return of Trillion-Dollar Deficits," February 9, 2018, http://www.crfb.org/blogs/bipartisan-budget-act-means-return-trillion-dollar-deficits (accessed February 27, 2019).
26. Justin Bogie, "Congress Must Stop the Abuse of Disaster and Emergency Spending," Heritage Foundation *Backgrounder* No. 3380, February 4, 2019, https://www.heritage.org/budget-and-spending/report/congress-must-stop-the-abuse-disaster-and-emergency-spending.
27. Ibid.

CHAPTER TWO

Social Security and Health Care Entitlement Reform

Rachel Greszler, Robert E. Moffit, PhD, and Nina Owcharenko Schaefer

Entitlement programs in the United States have expanded more than tenfold since their inception, but workers are nowhere near 10 times better off as a result. It may seem as though programs that provide cash benefits and medical care would make Americans better off, but instead, they often make them worse off, depriving them of autonomy, personal choice, and higher incomes and saddling them with a mountain of debt. Medicare and Social Security carry $70 trillion worth of unfunded obligations over the next 75 years—the equivalent of a $445,000 credit card bill placed on every U.S. worker.[1]

Most workers do not realize that the amount they pay into Social Security and Medicare does not come close to covering the actual costs of the programs. If they did, they would likely prefer smaller programs with more targeted benefits.

According to the Urban Institute, the average worker retiring in 2020 will have paid $135,000 in Social Security taxes and will receive $193,000 in Social Security benefits.[2] The gap for Medicare is even larger; the average retiree in 2020 will have paid $36,000 in Medicare taxes and will receive $229,000 in Medicare benefits (excluding premiums paid by the retiree). This means that the average retiree in 2020 will receive about 2.5 times as much in benefits as he or she paid into the systems.

Thus, if workers actually had to pay for the full cost of their Social Security and Medicare benefits, their payroll taxes would be substantially higher. Instead, the actual costs are passed down to younger and future generations in the form of higher national debt and reduced opportunities. In addition to imposing a crushing burden on future workers, drastic payroll tax increases would prevent them from being able to save money on their own—money that could be invested and earn a positive return instead of immediately going to pay for current retirees' benefits.

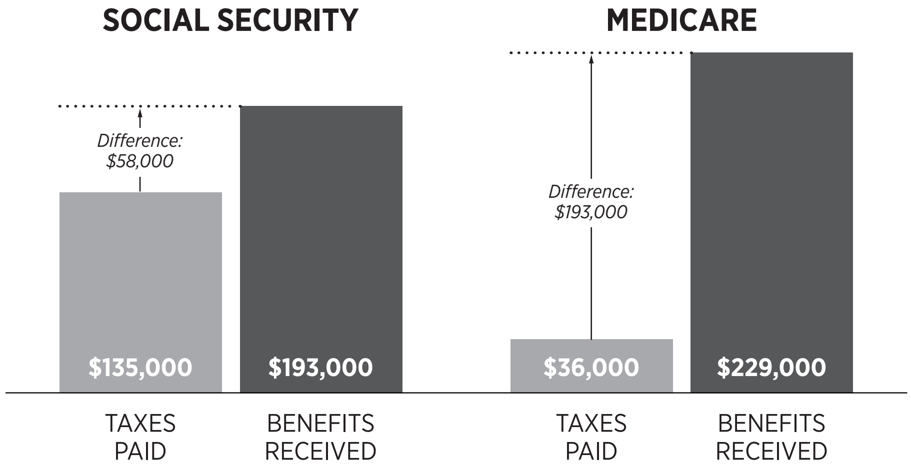
Both Social Security and Medicare provide zero percent returns because the payroll taxes taken out of workers' earnings are not saved (as many people believe they are), but rather are transferred immediately to current retirees. Even the interest earned on trust fund reserves represents a tax liability for workers and is unlike interest earned in private-sector trust funds. If workers could instead save on their own for their retirement needs, they would receive a lot more "bang for their buck" than they receive from America's entitlement programs.

Notwithstanding their high costs, federal entitlement programs appear to offer things people want and need: income and health care benefits. The problem is that government control of these aspects of workers' lives results in lower overall incomes, subpar health care, more dependence on government, and fewer opportunities. Instead of providing vital resources to the most vulnerable, America's entitlement programs have ballooned to the point that about one in every three Americans relies on federal entitlements. This limits workers' personal freedom and welfare, because instead of being in charge of their own circumstances, they must rely on the government to meet their most basic needs.

Today, one in five Americans is dependent on Medicaid for health care. A program initially designed to

CHART 8

Average Worker Retiring in 2020 Will Get Far More from Social Security and Medicare than Paid in Taxes



NOTE: Figures are estimates in present-value 2018 dollars and assume that workers' payroll taxes earned a real interest rate of 2 percent per year.
SOURCE: C. Eugene Steuerle and Caleb Quakenbush, "Social Security and Medicare Lifetime Benefits and Taxes: 2018 Update," Urban Institute, October 2018, https://www.urban.org/sites/default/files/publication/99232/social_security_and_medicare_lifetime_benefits_and_taxes_2018_update.pdf (accessed March 12, 2019).

heritage.org

provide a safety net for a targeted set of low-income people who could not obtain coverage on their own has turned into the de facto health care option for low-income Americans. Opening the program to large numbers of able-bodied Americans, as done under Obamacare, dilutes its original purpose and creates competing demands on an already overstretched program that promises more than it can deliver.

The introduction of Obamacare has furthered the entitlement crisis not only by expanding dependence on Medicaid, but also by creating a new set of dependents through subsidies. Tying these subsidies to an insurance market that is heavily regulated by the government has driven up the cost of the coverage and pushed millions of Americans out of the market altogether.

Today, as a result of Obamacare, costs are rising, choices are dwindling, and more Americans than ever before are dependent on the government for their health care. Were it not for the federal government's hold over nearly all of low-income and older Americans' health care, a large portion of retirees' incomes, and the incomes and prospects of individuals with disabilities, many Americans—young and old—would benefit from far greater prosperity, greater opportunity, and more freedom and autonomy.

SOCIAL SECURITY

Social Security began as a relatively small antipoverty program aimed at preventing individuals who were too old to work from outliving their savings. Yet the program's costs have expanded from 0.35 percent of GDP in 1950 to 4.3 percent of GDP in 2018,[3] and today, 42 percent of older Americans rely on Social Security for at least half of their income.[4]

Social Security's costs and dominance of retirement income leave workers with less control and lower incomes than they otherwise would have. If a median male worker born in Florida in 1995, for example, had been able to invest his payroll taxes in a conservative mix of stocks and bonds instead of being forced to send them to the U.S. Treasury to help finance government deficits, he would be able to purchase a private annuity that would provide $47,000 more per year than Social Security promises to pay.[5] Even the lowest earners would be able to purchase annuities at least 40 percent greater than Social Security can provide.[6]

Social Security was not originally intended either to take so much from workers' paychecks or to be their primary source of retirement income. When the program began in 1935, it took only 2 percent of workers' paychecks and promised never to take more than 6 percent. Today, Social Security's retirement program takes 10.6 percent of workers' paychecks (its disability insurance program takes another 1.8 percent, for a total of 12.4 percent), but it requires 13.23 percent to keep the program solvent for the next 75 years.[7] If Congress were to raise taxes to keep the program solvent, the cost in taxes for an average worker who makes $52,000 per year (not including Medicare and Disability Insurance payroll taxes) would be $6,900 per year.

How did Social Security become so expensive?

For one thing, the program began at a time when the average life expectancy at birth in the U.S. was only 59 years for men and 63 years for women. With Social Security's eligibility age at 65, the typical worker was not expected to receive Social Security benefits, and those who did receive them benefited for an average of 12.5 years.[8] Today, however, with the average life expectancy at birth equal to 76 years for men and 81 years for women and an early eligibility age of 62, almost everyone receives Social Security, and they receive benefits for an average of two decades.[9]

In addition to expanding benefit periods, Social Security pays significantly higher benefit levels largely because it credits workers with higher incomes than they actually received throughout their working careers. In 1960, the average Social Security check for retired workers equaled $691 per month (in 2018 dollars). Today, the average retired worker receives more than twice as much—$1,420 per month—and retirees with the highest incomes receive $3,147 per month.

Social Security's expansion has created a significant drain on federal resources: In 1960, Social Security cost $98 billion per year (in 2018 dollars), or 2.1 percent of GDP; today, Old-Age and Survivors Insurance (OASI) consumes $894 billion, or 4.3 percent of GDP.[10] Moreover, it has become the government's biggest expense: For every $1 spent on the core constitutional function of defense, the federal government spends $1.35 on Social Security's retirement benefits.[11] This was not the vision of our country's founders or of those who created Social Security.

Proposed Social Security Reforms. Social Security's deficits are enormous, but policymakers have many reasonable options available to them that, if adopted, would reduce its costs and burdens and improve its value. Those options, along with their associated savings as estimated by The Heritage Foundation's Social Security Model, include the following:

- **Increase Social Security's retirement age and index it to life expectancy** so that Social Security's benefits would automatically adjust to reflect individuals' longer life spans and additional work capacity.[12] This would save $32 billion over 10 years and reduce Social Security's 75-year shortfall by 29 percent.

- **Shift toward a flat antipoverty benefit** so that the program could better align its resources with individuals' needs and help to prevent more elderly people from living in poverty.[13] This would save $645 billion over 10 years and reduce Social Security's 75-year shortfall by 84 percent.

- **Modernize the program's spousal benefit** to account for the fact that most women earn Social Security benefits based on their own work history. This would save $2 billion over 10 years and reduce Social Security's 75-year shortfall by 3 percent.

- **Use the chained consumer price index (CPI)** for Social Security's benefit calculations to provide a better adjustment for inflation. This would save $12 billion over 10 years and reduce Social Security's 75-year shortfall by 11 percent.

- **Reduce the payroll tax** to give workers more choice in deciding how to spend or save their earnings.

Savings. Collectively, these changes would reduce Social Security's costs by $681 billion over the next 10 years and cover 126 percent of its 75-year financial shortfall.[14] In the long run, these changes would make it possible for Social Security's payroll tax rate to be reduced by 14.2 percent, from 10.6 percent to 9.1 percent.

Social Security Reform: Benefits for Workers and Retirees. These changes would not just solve Social Security's financial shortfalls, however. They would also make workers and retirees better off. By targeting Social Security's resources to those with the greatest need, the program would eventually require less of workers' paychecks. This would enhance the ability of Americans to meet their financial needs throughout their lifetimes, accumulate significantly greater personal savings, and decide for themselves how best to use their own money.

TABLE 3

Recommended Reforms to Improve Social Security's Retirement Program

The following recommended reforms to OASI would collectively save $681 billion over a 10–year period and cover 126 percent of the program's 75–year shortfall, as calculated by a dynamic model. Figures listed below represent the savings for each reform as a stand-alone proposal.

Proposal	Years 1–10 Savings (in bllions)	% Reduction in 75-Year Actuarial Deficit ("Shortfall")
Increase retirement age and index to life expectancy	$32	29.0%
Shift towards a flat, anti-poverty benefit	$645	84.0%
Modernize the spousal benefit	$2	3.0%
Use the chained CPI	$12	11.0%

SOURCE: Author's calculations based on data in the 2018 Social Security Trustees Report and using the Heritage Foundation Social Security Model.

heritage.org

While Social Security aims to provide workers with financial certainty in retirement—a guarantee that they will not outlive their savings—its projected insolvency in 2034 threatens this security. Social Security is not the only way to obtain a guaranteed lifetime stream of income in retirement. Private-sector annuities provide the same thing, except that workers own their annuities, and no one can take them away or reduce them as Congress can with Social Security.

A recent Heritage Foundation analysis showed that if workers' payroll taxes were instead set aside in their own savings accounts, the average retiree would have twice as much income in retirement, and all younger workers—including even the lowest-income ones—could have more income during retirement.[15] Moreover, the ability to leave bequests to heirs through private savings would be particularly advantageous for lower-income workers who tend to have shorter life expectancies and receive less in Social Security benefits. Bequests could provide an opportunity for an individual's children or grandchildren to attend college, buy a home, or start a business.

DISABILITY INSURANCE

Much like its retirement program, Social Security's Disability Insurance (SSDI) program started out relatively small, providing benefits to just 1.3 percent of the working-age population in 1970.[16] In June 2016, the Congressional Budget Office (CBO) reported that the percentage of working-age individuals receiving SSDI had more than tripled to 4.3 percent and that average inflation-adjusted benefits had increased from $5,100 in 1970 to $12,200 in 2015.[17] Growth in the number of recipients coupled with higher benefits caused total, inflation-adjusted spending on the program to increase more than tenfold between 1970 and 2015.[18] At an estimated $145 billion in 2019, the federal government spends about as much on SSDI benefits as it does on total compensation for all uniformed military personnel.[19]

While the SSDI tax rate has more than tripled from 0.5 percent at its inception to 1.8 percent today, it still does not generate enough revenue to cover the program's costs. Keeping SSDI solvent for the next 75 years would require a 12 percent increase in the SSDI tax, from 1.8 percent to 2.01 percent.[20]

The SSDI program has served as a lifeline for certain individuals with disabilities, providing them with a modest but steady stream of income when they otherwise might have had to turn to family and friends, charitable organizations, or government welfare programs to make ends meet. Yet the program's massive expansion in size and scope has not produced a similar increase in the well-being of individuals with disabilities. In many cases, because of its inefficiencies and inadequacies, SSDI has failed to meet workers' basic needs on a timely basis, and its lax eligibility requirements and inadequate integrity checks allow and encourage individuals to receive benefits when they could otherwise perform meaningful work. In most cases, individuals who are capable of work are far better off—physically, mentally, and financially—than individuals who do not work and rely instead on the government to make ends meet.

Multiple factors have contributed to the SSDI program's growth, including an increase in women's labor force participation and thus the percentage of eligible SSDI beneficiaries, growth in the real value of SSDI benefits, loosened eligibility criteria, and the program's unintended use as a substitute for a long-term unemployment and early-retirement program.

Proposed Disability Insurance Reforms. The fact that so many problems plague Social Security's Disability Insurance program means there are plenty of ways to improve it, not only making it solvent for the long run, but also creating a program that better meets the needs of individuals with disabilities. Those constructive reforms, along with their associated savings as estimated by The Heritage Foundation's Social Security Model, include the following:

- **Implement a flat antipoverty benefit** to achieve the program's goals of preventing poverty and directing resources to those with the greatest need. This would save $188 billion over 10 years and reduce SSDI's 75-year shortfall by 220 percent.

- **Provide a need-based benefit period** consistent with the program's expectation that individuals should return to work if they recover. This would save $4 billion over 10 years and reduce SSDI's 75-year shortfall by 7 percent.

- **Eliminate the grid factors** that improperly allow up to half of all individuals who receive disability insurance benefits to do so based on non-medical factors such as age, education, and work experience. This would save $32 billion over 10 years and reduce SSDI's 75-year shortfall by 41 percent.

- **Provide an optional private disability insurance component** through a partial payroll tax credit as a way to provide workers with a more timely and efficient determination process as well as significantly greater employment support services. This would save $14 billion over 10 years and reduce SSDI's 75-year shortfall by 19 percent.

- **End direct payment of SSDI representatives** so that individuals have control of their own money and representatives do not have an incentive to work against their clients' interests by delaying decisions. This would save $9.6 billion over 10 years and reduce SSDI's 75-year shortfall by 13 percent.

- **Improve program integrity** through such policies as strengthening continuing disability reviews (CDRs), including eliminating the Medical Improvement Review Standard (MIRS); applying the judicial code of conduct to administrative law judges (ALJs); reviewing outlier judges; and allowing social media as evidence in eligibility determinations. This would save $17.2 billion over 10 years and reduce SSDI's 75-year shortfall by 22 percent.

- **Improve program efficiency** through such policies as eliminating the reconsideration stage, updating the official list of jobs available in the national economy, and reducing target caseloads for ALJs. This would save $6.4 billion over 10 years and reduce SSDI's 75-year shortfall by 8 percent.

- **Correct unintended benefit payments** by ending double-dipping into both SSDI and unemployment insurance benefits, limiting retroactive benefits to six months, and including unearned income in the measure of substantial gainful activity. This would save $25.4 billion over 10 years and reduce SSDI's 75-year shortfall by 33.5 percent.

Savings. The Heritage Foundation estimates that these reforms would reduce annual SSDI costs by $291 billion over 10 years.[21] In the long run, these reforms

TABLE 4

Recommended Reforms to Improve the SSDI Program

The following recommended reforms to SSDI would collectively save $291 billion (317 percent) over a 10-year period as calculated by a dynamic model. Figures listed below represent the savings for each reform as a stand-alone proposal.

Eligibility	**Years 1–10 Savings (in billions)**	**% Reduction in 75-Year Actuarial Deficit ("Shortfall")**
Eliminate the "grid" qualifications of age, education, and work experience	$32.0	41.0%
Update the official list of jobs available in the national economy	$6.4	8.2%
Allow use of social media in eligibility determinations*	—	—
Application Process		
Eliminate the reconsideration stage*	—	—
End direct payment to SSDI representatives	$9.6	13.0%
Administrative Integrity		
Apply judicial code of conduct to ALJs*	—	—
Conduct reviews of outlier judges	$3.2	4.0%
Reduce target caseloads for ALJs*	—	—
Benefits		
Establish a flat anti-poverty benefit	$188.0	220.0%
End double-dipping	$6.4	8.3%
Limit retroactive benefits to six months, instead of 12 months	$19.0	23.1%
Offer an optional, private disability insurance (DI) alternative	$14.0	19.0%
Include unearned income in the measure of substantial gainful activity (SGA)*	—	—
Ongoing Eligibility		
Establish time-limited, needs-based benefits	$4.0	7.0%
Strengthen continuing-disability reviews (CDRs)	$12.0	15.8%
Eliminate the Medical Improvement Review Standard in the CDR process	$2.0	3.4%

* Although these proposals could result in significant savings to the SSDI program, we do not include estimated savings because the impacts of the policies on outcomes and SSDI costs are highly uncertain.
SOURCE: Author's calculations based on data in the 2018 Social Security Trustees Report and using the Heritage Foundation Social Security Model.

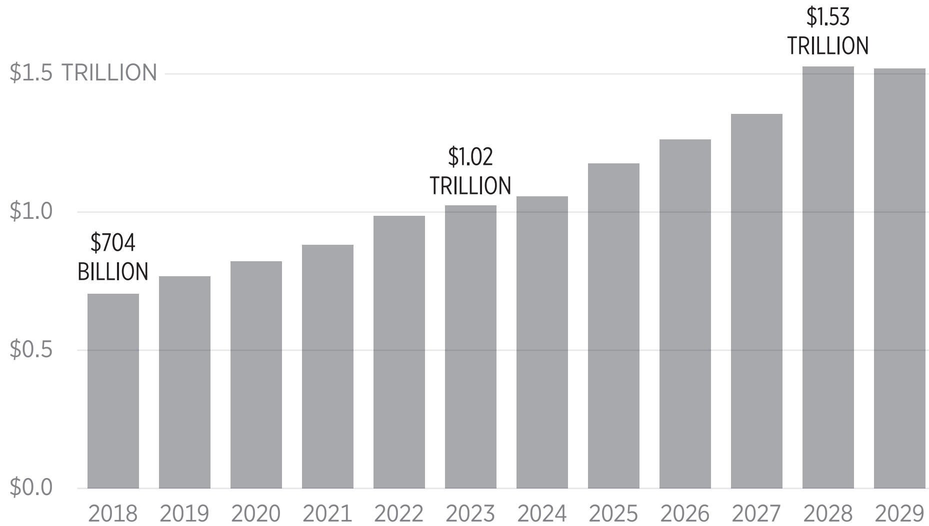
heritage.org

would more than cover the program's financial shortfalls and provide for a 44 percent reduction in the SSDI payroll tax rate, from 1.8 percentage points to 0.98 percentage points.

Disability Insurance Reforms: A Better System for Individuals with Disabilities. The current SSDI program is beyond broken. Individuals wait well over a year, on average, to learn whether or not they will qualify to receive SSDI benefits. During that time, many individuals have no reliable income, they receive no support to help them remain at work or get back to work, and their work potential and

CHART 9

Medicare Projected to Cost $1 Trillion in Four Years, Double Current Spending by 2028



NOTE: 2018 figure is actual, all other figures are projected.
SOURCE: Congressional Budget Office, "The Budget and Economic Outlook: 2019 to 2029," January 2019, Table 3–1, https://www.cbo.gov/system/files?file=2019-01/54918-Outlook.pdf (accessed April 5, 2019).

heritage.org

future employment opportunities deteriorate. If individuals with disabilities end up qualifying for SSDI benefits, they face a lifetime of inactivity and government dependence, with little incentive and no support to help them get back to work. Plus, nearly a third of SSDI beneficiaries receive lower than poverty-level benefits.

A rehabilitated and modernized SSDI system would help individuals with disabilities receive the assistance they need when they need it, and with less stigma and cynicism associated with receiving SSDI benefits. It would promote independence and physical and mental well-being over sedentary, less-fulfilling lives dependent on government programs. A more efficient and targeted program would also benefit workers of all ages and abilities by reducing the SSDI payroll tax burden and allowing workers to take home a greater portion of their earnings.

MEDICARE

When Medicare was enacted in 1965, roughly half of all persons over the age of 65 did not have health insurance. The program thus achieved its original intent by providing senior citizens with guaranteed health insurance coverage as well as a large measure of financial security. With the passage of time, however, Medicare's spending increased far beyond its initial projections, creating crushing debt burdens and statutory and regulatory restrictions on beneficiaries' coverage and care options. Among the consequences of current Medicare law are the creation of a centralized and complex fee-for-service structure that inhibits change and innovation in care delivery; excessive administrative burdens on doctors, hospitals, and other medical professionals; obstacles for seniors who want personalized medical care plans outside Medicare; and growing taxpayer costs.

With the exception of Social Security, Medicare is the largest and fastest growing of all federal entitlements. With a projected 7 percent annual cost growth, total Medicare spending is projected to double over the next 10 years from $768 billion in 2019 to $1.526 trillion in 2028.[22] Excluding Medicare premiums and interest payments that are not financed through taxes, the per-worker costs amount to $4,293 in 2019 and $8,238 by 2028, which means that some working Americans could pay as much for retirees' health insurance each year as they pay for their own health insurance.[23]

Medicare's current trajectory is simply unsustainable. The Centers for Medicare and Medicaid Services (CMS) Office of the Actuary has projected a 75-year unfunded obligation—long-term debt—for Medicare, based on a more realistic set of assumptions than current law, amounting to $47.3 trillion.[24] For perspective, that amount is more than twice America's current national debt, which already threatens the fiscal future of every man, woman, and child in America today. Americans cannot afford to neglect serious reform of the current Medicare program. The sooner lawmakers act to reform the program and make it sustainable for the long run, the better the program will perform while lowering costs for current and future generations.

Proposed Medicare Reforms. The Medicare trustees, CBO analysts, and a wide range of independent analysts and economists share a powerful consensus: The sooner policymakers address Medicare's rapidly rising costs, the better the program will be for current and future generations of Medicare beneficiaries, as well as taxpayers.

There is no shortage of options. The Heritage reforms would not only ease the burden on current and future taxpayers, but also benefit seniors by securing their existing Medicare coverage, guaranteeing them solid catastrophic protection, and providing them with substantial benefits and savings from competition among health plans and providers. The effect would be to expand health plan choices and new care delivery options and thus intensify health plan and provider competition beyond what exists today in the Medicare Advantage and Medicare Part D programs. These reforms, along with their associated estimated savings, include the following:

- **Simplify traditional Medicare** to unify Medicare's Hospital and Physician Programs and streamline cost sharing, and add a catastrophic benefit. For beneficiaries, this would make costs more predictable and the program less confusing, and the guarantee of catastrophic protection would give millions of current and future seniors peace of mind. This reform would save an estimated $138.8 billion over the period 2020 to 2029.[25]

- **Update Medicare's premiums** by gradually increasing them from 25 percent to 35 percent over 10 years. Today, beneficiaries pay only 25 percent of their premium costs, down from 50 percent when the Johnson Administration implemented Medicare in 1966. Gradually increasing the premiums to 35 percent over 10 years would allow all beneficiaries to benefit from Medicare's enhanced solvency and improved financial condition. This reform would save an estimated $462.5 billion over the period 2020 to 2029.[26] To further improve Medicare's finances, Congress could also create a temporary Part A deductible to cover projected shortfalls in the Medicare Hospitalization program (Part A) and add a 10 percent cost-sharing requirement to the Medicare home health program.

- **Reduce taxpayer subsidies for wealthy Medicare recipients** to relieve cost pressure on taxpayers and slightly reduce the Part B and D premium costs for middle-income beneficiaries. Current law reduces taxpayers' premium subsidies for high-income beneficiaries. Instead of reducing subsidies for only the top 6 percent, Congress should apply reduced subsidies to roughly the top 10 percent of Medicare beneficiaries. This reform would save an estimated $438.4 billion between 2020 and 2029.[27]

- **Harmonize Medicare's and Social Security's ages of eligibility** and then index the eligibility age for both programs to life expectancy. Social Security's age of eligibility is 67, and Medicare's is 65. Congress should raise Medicare's eligibility age by three months per year over 10 years to bring it in line with Social Security's and then index the eligibility age for both programs to life expectancy. This is a commonsense reform, given the significant increase in life expectancies and work capacity, and would reduce the negative impact of current government policies that encourage older Americans to end their productive careers earlier than they otherwise would. This reform would reduce Medicare outlays by $82.0 billion between 2020 and 2029.[28]

- **Base Medicare Advantage (Part C) payment on straight market competition** instead of the current cumbersome combination of competitive bidding and Medicare's administrative pricing. Basing payments solely on straight market-based competitive bidding would allow seniors to secure lower costs, better care, and innovations in benefit design and care delivery through more intensified market competition. This reform would save an estimated $36 billion between 2020 and 2029.[29]

- **Transform the entire Medicare program into a defined-contribution (premium-support) system** to create competition between traditional Medicare and a wide range of private health plans, including employer-sponsored and health savings account plans. Most seniors are enrolled in a defined-contribution Medicare plan through which the government makes a standard contribution to the health plan of their choice, either for comprehensive coverage under Medicare Advantage (Part C) or for drug coverage (Part D). Applying this approach to all of Medicare would give seniors more choices, lower costs, and better care. This reform would save between $384.3 billion and $884.5 billion over the 2020–2029 period.[30]

Savings. The Heritage Foundation estimates that reforms in the current Medicare program would result in savings of at least $1.1 trillion over the next 10 years.[31] As noted, it is estimated that a transition to premium support would save between $384 billion and $884 billion.

Medicare Reforms: Lower Costs and Better Health Care for Seniors. America's continued progress in biomedical research and development, including new drug therapies and medical technologies, promises to deliver major 21st century advances in medical treatment. If more widely available at competitive prices, these goods and services can combat the onslaught of chronic and debilitating disease and improve the quality of life for millions of senior citizens. At the same time, policymakers should improve the Medicare subsidy program and focus financial assistance on those who need the most help: the poorest and sickest.

Better government central planning will not secure high-quality health care. Rather, high-quality health care will flow from the intense, consumer-driven competition among health plans and providers where price and performance are transparent. Choice and competition will drive innovation in benefit design and care delivery, increase the productivity of the health care sector of the economy, and secure real value for health care dollars. A powerful injection of market forces will accomplish these objectives and improve the quality of life and health for millions of Americans.

If Washington policymakers continue to reject reform, they will lock current and future generations of Medicare beneficiaries into a bureaucratic and inflexible status quo characterized by reams of red tape. If they refuse to take even modest steps to improve the fiscal condition of the program, they will condemn millions of Americans to trillions of dollars of long-term debt. Sooner or later, the progressively higher costs of inaction will inevitably be borne by Medicare beneficiaries and taxpayers alike.

MEDICAID

Medicaid was established to provide health care for certain lower-income populations, including low-income pregnant women, children, the aged, and the disabled. Unlike Medicare and Social Security, Medicaid is not exclusively a federal program; it is a joint federal and state arrangement. The federal government finances a portion of the program and sets conditions of operation, and the states finance a portion of the program and administer it within the latitude provided by the federal statute. The result is that no two Medicaid programs look alike.

Enrollment has climbed steadily over the years, rising from 14 million people in 1970 to an estimated 74.8 million people in 2018.[32] Costs for the Medicaid program also continue to skyrocket. Combined federal and state expenditures were $5.1 billion in 1970 (in inflation-adjusted dollars) and climbed to an estimated $629.3 billion in 2018.[33] On a per-worker basis, that is a twentyfold increase in the cost of financing the program, from $178 per worker in 1970 to $3,698 per worker in 2018.

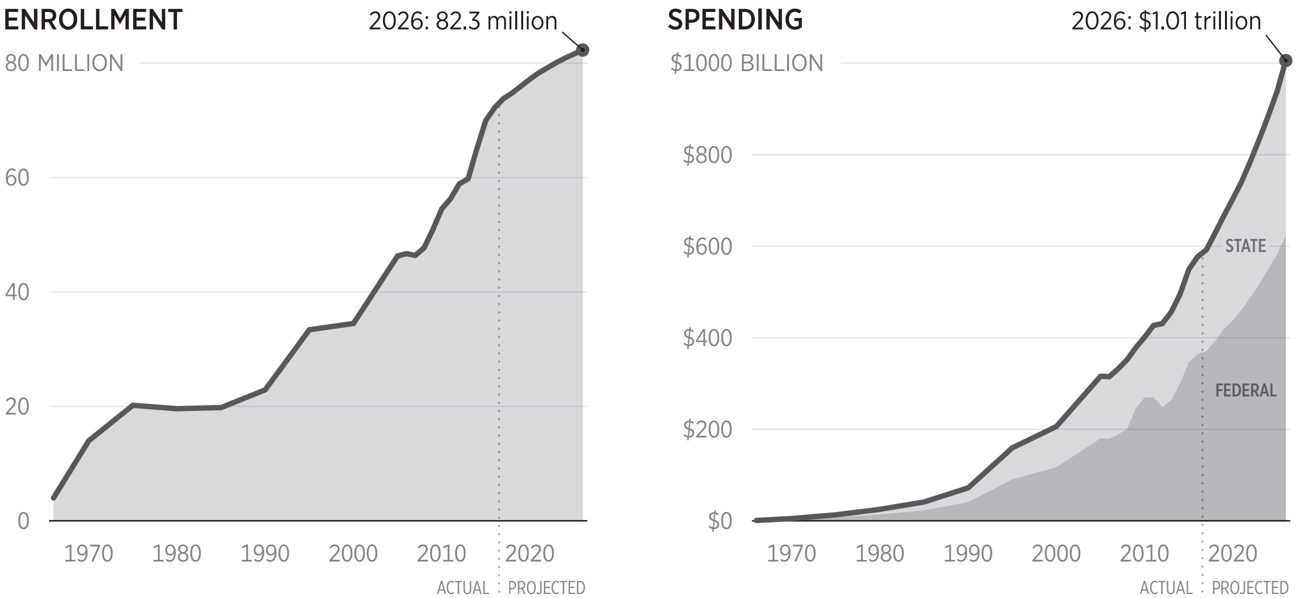
The Medicaid program is stretched too thin. Today, being enrolled in Medicaid does not guarantee that beneficiaries will receive the care that they need. In fact, Medicaid has a poor record with respect to quality and access in many states,[34] and enrollees continue to have difficulty finding doctors who will accept Medicaid.[35] Without reform, beneficiary access issues will likely grow more acute as the program expands and costs continue to grow.

Moreover, the Government Accountability Office (GAO) has listed Medicaid as one of the government's "High-Risk" programs in need of stronger oversight,[36] and the Department of Health and Human Services Office of Inspector General estimates that "improper payments" in the Medicaid program totaled $59 billion in 2017.[37]

Such trends in Medicaid are unsustainable for federal and state taxpayers. The CBO projects that Medicaid outlays will grow from 1.9 percent of GDP in 2018 to 2.3 percent of GDP by 2029,[38] enrollment

CHART 10

Medicaid Enrollment and Spending Have Surged Dramatically



NOTES: Some figures have been interpolated. Enrollment figures are in person-year equivalents.
SOURCE: Centers for Medicare and Medicaid Services, "2017 Actuarial Report on the Financial Outlook for Medicaid," Table 2, https://www.cms.gov/Research-Statistics-Data-and-Systems/Research/ActuarialStudies/Downloads/MedicaidReport2017.pdf (accessed April 5, 2019).

heritage.org

will reach 82.3 million by 2026, and expenditures will exceed $1 trillion by 2026.[39] It is time for Congress to restore the Medicaid safety net and put in place a more predictable and transparent budget.

Proposed Medicaid Reforms. Changing these trends will require bold action. The current open-ended financing structure encourages states to maximize federal matching funds by expanding the size and scope of the program and shifting the cost to federal taxpayers whenever possible. Therefore, first and foremost, policymakers should:

- **Put federal Medicaid on a more fiscally predictable budget** by basing the financing of the program on eligibility groups, and allow additional administrative flexibility for the states. This reform would enable the program to meet the diverse needs of each group more effectively.[40]

Medicaid Reform: Better Targeting of Assistance to Those in Need. The challenges facing Medicaid threaten the future of the program for millions of low-income Americans who are in need. Reform is needed to help ensure that Medicaid does not drift further from its core mission, remains committed to preserving a safety net for those in need, and protects taxpayers from runaway spending.

Reforming the financing of Medicaid is the first and most critical step. Restructuring the program's open-ended federal financing so that financing is based on eligibility groups will help to stop the perverse incentives fueling expansion and spending and instead give states a predictable budget with the administrative flexibility and financial incentive to target resources more effectively to meet the unique needs of each eligibility group.

Medicaid reform should support independence, not dependence. Reform should assist those who are able to transition out of the program and into the private health insurance market where the vast majority of Americans obtain their coverage. Similarly, for the disabled and elderly, reform should make the program more accountable to the patient by giving these individuals greater choice and control of the care and services that fit their individual needs.

OBAMACARE

Enacted in 2010, Obamacare put in place two new entitlements, a massive federal regulatory infrastructure, and a series of taxes and payment cuts intended to offset the new costs of the program. The Congressional Budget Office estimates that Obamacare's Medicaid expansion and new insurance subsidies will cost taxpayers roughly $1.6 trillion from 2019 to 2028.[41]

The Obamacare subsidy scheme extends cost sharing and premium payments to insurers offering coverage through the Obamacare exchanges for individuals up to 400 percent of the federal poverty level (FPL). In May 2018, the Congressional Budget Office estimated that 8 million people would be subsidized in the exchanges at a federal cost of $49 billion in 2018 and that 6 million people will be subsidized at a cost of $81 billion by 2028.[42]

Despite new federal spending, millions of people continue to face higher premiums. Between 2013 and 2017, according to Administration estimates, premiums increased by 105 percent.[43] For many middle-class persons not eligible for the subsidy, such high-cost coverage is practically inaccessible. Obamacare has left both the subsidized and the unsubsidized with fewer coverage options. In 2013, before Obamacare, the number of insurers selling coverage in the individual health insurance markets was 395. In 2018, the number of insurers selling coverage in the exchange was 181.[44] In 2017, nearly one-third of counties in the United States (32.8 percent) had only one insurer offering exchange coverage. In 2018, more than half (51.3 percent) of all counties faced that situation.[45]

Obamacare's Medicaid expansion added a new eligibility group to the program. To entice the states to expand coverage to childless adults up to 138 percent of the FPL, Obamacare enhanced the federal match rate to 90 percent;[46] 37 states have added this new eligibility group to their programs.[47] The CMS Office of the Actuary estimated that the expansion added 11.2 million people to the program in 2016 and accounted for $66.5 billion of its total costs.[48] The number of expansion enrollees is projected to rise to 13.3 million by 2026 and to add $119.9 billion to Medicaid's total costs.[49] Adding new groups is accelerating the demographic, structural, and fiscal challenges facing an already overstretched Medicaid program.

Obamacare has resulted in millions of people being pushed onto an already vulnerable Medicaid program in which costs and access remain real threats, and millions more people face higher premiums and fewer choices in a shrinking insurance market. A change of course is needed.

Proposed Obamacare Changes. After nearly 10 years, health care premiums are rising, choices are declining, and the Obamacare entitlements are making the federal budget worse, not better. The first step in reform should be to:

- **Repeal the Obamacare federal entitlement financing structure and replace it with a block grant to the states** with new flexibility for the states and consumers.[50] The proposal would repeal the mandatory federal insurance subsidies and the Medicaid expansion and replace them with a discretionary block grant to the states. In addition, the proposal would extend new regulatory flexibility to the states and guarantee individuals the option to choose a private health care arrangement of their choice. Independent analysis found that these changes could reduce premiums in the individual market by 32 percent.[51]

- **Repeal the Affordable Care Act's enhanced federal funding for Medicaid expansion,** ending both the inequitable treatment among populations and the incentive for states to divert limited taxpayer resources from their most vulnerable populations.

Savings. The Heritage Foundation estimates that reducing the match rate for enrollees made eligible under Obamacare would reduce the federal deficit by $401 billion between 2020 and 2029.[52]

Obamacare Reforms: Bringing More Choices, Better Access, and Lower Costs. Obamacare has damaged the individual and small-employer health insurance markets, leaving millions of Americans with higher premiums, less access, and fewer choices while providing insurers with open-ended taxpayer subsidies. At the same time, Obamacare's Medicaid expansion provides states with much higher reimbursement for enrolling millions of able-bodied, childless adults than they receive for the program's historic safety-net role of funding care for the disabled and for poor children and their parents. A course correction is desperately needed.

Under a new framework, Americans would have more choices, better access, and lower costs. Instead

TABLE 5

The High Cost of Waiting to Reform Social Security and Our National Debt

SOCIAL SECURITY	Average annual cut in Social Security benefits	Average increase in Social Security taxes
If we act today	17%	22%
If we wait until program becomes insolvent in 2034	23%	31%
Dollar difference between waiting until 2034 and acting now	Additional cut of $1,000	Additional taxes of $500

RISING DEBT	Annual cost per taxpayer to merely not grow the debt any more than its current level
If we act today	$3,200
If we wait 10 years	$4,800

SOURCES:
SOCIAL SECURITY: Author's calcuations based on data from Social Security Administration, "Monthly Statistical Snapshop, November 2018," https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/2018-11.html (accessed April 7, 2019). Figures are based on an estimated 2019 national average wage of $52,651 and average Social Security benefit for retired workers of $1,420, or $17,041 per year. A 17 percent cut would be a loss of $2,897 per year, while a 23 percent cut would be a loss of $3,919 per year.

NATIONAL DEBT: Maya MacGuineas, "The Peril of an Ignored National Debt," testimony before the Committee on Financial Services, U.S. House of Representatives, December 20, 2018, p. 3, http://www.crfb.org/papers/maya-macguineass-testimony-perils-ignoring-debt (accessed March 13, 2019).

heritage.org

of being forced into a one-size-fits-all federal government model, Americans would have access to a broader and more affordable set of coverage options that are less costly and restrictive than today's. States would have the ability to develop new approaches for targeting and prioritizing those who most need assistance in their states and in ways that protect those with pre-existing conditions. Finally, individuals and families who need assistance would have the final say as to where to get their health care.

Equally as important, this new framework would protect taxpayers from runaway costs by removing the incentives that distort the individual market and Medicaid program and by curtailing open-ended federal subsidies and instead shifting those resources in a fiscally responsible way to the states.

THE NEED TO ACT NOW

Every year that policymakers fail to address rising entitlement program shortfalls, the more expensive it becomes to resolve their deficits. The costs of America's entitlement programs expand every day. The longer Congress waits to enact changes, the more costly those changes will need to be. The sooner lawmakers adopt entitlement reforms, the lower the costs on each individual and family will be as unfunded liabilities are reduced for younger and yet unborn generations.

Take Social Security, for example. If lawmakers acted today, they could make the program solvent through either a 17 percent across-the-board benefit cut or a 22 percent across-the-board payroll tax increase. If lawmakers wait until 2034 when the program becomes insolvent, they will have to cut benefits by 23 percent or raise taxes by 31 percent. For the average retiree, waiting until 2034 would mean over $1,000 in additional benefit cuts each year, and for the average worker, waiting until 2034 would result in over $500 more per year in added tax increases (more than $20,000 over a 40-year career).[53] And that is just Social Security, which represents just under 40 percent of all entitlement spending.[54]

When addressing policymakers about confronting our country's unsustainable debt, Committee for a Responsible Federal Budget President Maya MacGuineas testified that if Congress waits just 10 years to change course, the size and cost of adjustments required will be 50 percent greater.[55] For a seemingly modest goal of not increasing the nearly record-high U.S. debt level over the next 10 years, the annual cost per taxpayer would be $3,200 if policymakers enact reforms today and $4,800 per year if they wait 10 years to confront exploding government costs.

If Congress fails to put America's entitlement programs on track to financial balance, it will increase the risk that Americans will face severe Greece-like austerity measures. If policymakers wait too long, they will not have the luxury of enacting thoughtful and common-sense reforms or choosing between tax increases and benefit cuts; instead, they will have to enact harsh, across-the-board tax increases *and* benefit cuts.

SUMMARY

Out-of-control federal spending is one of the greatest threats to America, and excessive growth in entitlement spending is the leading cause of this threat. If we want our economy to grow and future generations to be as well off or better off than current and past ones, America simply cannot afford to spend half of the average worker's paycheck on federal benefits for every retiree. Nor will taxpayers be able to cover the projected growth in federal health care spending without excessive tax burdens. Attempting to maintain current entitlement spending through tax increases will cripple economic growth, and tacking all of the excess costs to the nation's mounting debt will quickly lead to a financial crisis and severe fiscal austerity.

The outlook for a young worker just graduating from college and entering the workforce will vary drastically, depending on how Congress confronts our nation's growing entitlement crisis. Acting now to curb excessive entitlement spending would save the average American household thousands of dollars per year and hundreds of thousands of dollars over a lifetime.

America's entitlement programs have value as social safety nets, but they have grown far beyond that purpose and provide excess benefits to individuals who are fully capable of providing for their own health care and retirement needs. This excess growth has caused retirees and lower-income and middle-income workers to become reliant on the federal government to meet their needs as the growth of entitlement costs accelerates.

Today's entitlement programs leave workers without control while limiting their choices as federal programs tend to provide one-size-fits-all benefits that do not meet each worker's and retiree's needs. Congress should reduce the size and scope of federal entitlement programs, with an emphasis on protecting the most vulnerable, and give individuals greater control and ownership of their health care and financial well-being.

ENDNOTES

1. Estimate based on Social Security and Medicare Trustees' reported 75-year unfunded liabilities of $16.1 trillion for Social Security and $53.7 trillion for Medicare as well as the Bureau of Labor Statistics' reported employment level of 156,945,000 workers for December 2018. See *2018 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds*, Communication from the Boards of Trustees, Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, Transmitting the 2018 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, June 5, 2018, https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2018.pdf (accessed March 12, 2019), and Economic News Release, "Table A-1. Employment Status of the Civilian Population by Sex and Age," U.S. Department of Labor, Bureau of Labor Statistics, last modified March 8, 2019, https://www.bls.gov/news.release/empsit.t01.htm (accessed March 12, 2019).
2. These estimates are in present-value 2018 dollars and assume that workers' payroll taxes earned a real interest rate of 2 percent per year. Eugene Steuerle and Caleb Quakenbush, "Social Security and Medicare Lifetime Benefits and Taxes: 2018 Update," Urban Institute, October 2018, https://www.urban.org/sites/default/files/publication/99232/social_security_and_medicare_lifetime_benefits_and_taxes_2018_update.pdf (accessed March 12, 2019).
3. USGovernmentSpending.com, "Government Spending Chart: Various Items, Fiscal Years, 1900 to 2020," https://www.usgovernmentspending.com/spending_chart_1900_2020USp_20s2li011tcn_02f10t40t (accessed March 17, 2019) and The 2018 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds. Figures for today are based on 2019 projections.
4. Adam Bee and Joshua Mitchell, "Do Older Americans Have More Income Than We Think?" U.S. Department of Commerce, U.S. Census Bureau, Social, Economics, and Housing Statistics Division *Working Paper* No. 2017-39, July 2017, https://www.census.gov/content/dam/Census/library/working-papers/2017/demo/SEHSD-WP2017-39.pdf (accessed March 25, 2019). Note that this study links CPS and IRS data to provide a more accurate data source than typical survey-based measures, which tend to show that individuals rely more on Social Security for retirement income than matched data that reveal their actual IRS tax filings.
5. Table 11, "Monthly Payments for Males Born in Florida in 1995," in Kevin Dayaratna, Rachel Greszler, and Patrick Tyrrell, "Is Social Security Worth Its Cost?" Heritage Foundation *Backgrounder* No. 3324, July 10, 2018, p. 15, https://www.heritage.org/sites/default/files/2018-07/BG3324_0.pdf. Social Security will provide an estimated $2,209 monthly payment (in current dollars), while private savings could provide a $6,185 annuity, or $47,712 more per year.
6. Table 12, "Monthly Payments for Females Born in Florida in 1995," in Dayaratna, Greszler, and Tyrell, "Is Social Security Worth Its Cost?" p. 15.
7. Table II.D2, "Reasons for Change in the 75-Year Actuarial Balance, Based on Intermediate Assumptions [As a Percentage of Taxable Payroll]," in *The 2018 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, Communication from the Board of Trustees, Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, Transmitting the 2018 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, June 5, 2018, p. 21, https://www.ssa.gov/oact/tr/2018/tr2018.pdf (accessed March 25, 2019). The actuarial deficit was 2.63 percent of payroll for the OASI program and 0.21 percent of payroll for the SSDI program.
8. Table 10, "Period Life Expectancies at Selected Exact Ages, by Sex and Calendar Year," in Felicitie C. Bell and Michael L. Miller, *Life Tables for the United States Social Security Area: 1900–2100*, Social Security Administration, Office of the Chief Actuary, *Actuarial Study* No. 120, August 2005, pp. 162–166, https://www.ssa.gov/oact/NOTES/pdf_studies/study120.pdf (accessed March 13, 2019).
9. Ibid.
10. *The 2018 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds.* Figures for today are based on 2019 projections.
11. Projected spending for 2019 includes $894 billion for Social Security's retirement program and $664 billion for defense. Table 3-1, "CBO's Baseline Projections of Outlays," and Table 3-2, "CBO's Baseline Projections of Mandatory Outlays, Adjusted to Exclude the Effects of Timing Shifts," in Congressional Budget Office, *The Budget and Economic Outlook: 2019 to 2029*, January 2019, pp. 62–63 and 68–69, https://www.cbo.gov/system/files?file=2019-01/54918-Outlook.pdf (accessed March 25, 2019).
12. This proposal would not affect anyone age 57 or older. For others, it would increase the normal retirement age by two months per year until reaching age 70 and would then index the age based on changes in life expectancy.
13. Our proposed shift to a flat, antipoverty benefit would not affect workers who are 60 years old or older in 2019. We suggest gradually reducing the replacement rates in Social Security's AIME by 0.5 percentage points per year on the 32 percent and 15 percent replacement rates and increasing the lower 90 percent replacement rate by 1 percent per year until it reaches 112 percent. Full implementation would not be realized until 2058 when workers who are 28 in 2019 would reach Social Security's current normal retirement age of 67.
14. Estimated savings for individual proposals as well as the total, interactive savings come from The Heritage Foundation's Social Security Model, based on the most recent data from *The 2018 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*. Estimates depend on formulaic changes in benefit levels and eligibility for benefits.
15. Dayaratna, Greszler, and Tyrrell, "Is Social Security Worth Its Cost?"
16. Congressional Budget Office, *Social Security Disability Insurance: Participation and Spending*, June 2016, pp. 1 and 6, https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51443-ssdiparticipationspending.pdf (accessed March 17, 2019).
17. Ibid., pp. 1 and 9. Figures reported in 2015 dollars.

18. Ibid., p. 1.
19. According to CRS reports, there were 1,400,601 uniformed military personnel in 2018, and average compensation was $100,000–$110,000 per year, for a total of $147 billion. See Table 3, "Total Federal Employment," in Julie Jennings and Jared C. Nagel, "Federal Workforce Statistics Sources," Congressional Research Service *Report for Members and Committees of Congress*, January 12, 2018, p. 6, https://fas.org/sgp/crs/misc/R43590.pdf (accessed March 17, 2019), and Lawrence Kapp and Barbara Salazar Torreon, "Military Pay: Key Questions and Answers," Congressional Research Service *Report for Members and Committees of Congress*, May 8, 2018, Summary, https://fas.org/sgp/crs/natsec/RL33446.pdf (accessed March 17, 2019). The CBO projects total SSDI spending of $145 billion in FY 2019. Table 3-2, "CBO's Baseline Projections of Mandatory Outlays, Adjusted to Exclude the Effects of Timing Shifts," in Congressional Budget Office, *The Budget and Economic Outlook: 2019 to 2029*, p. 68.
20. *The 2018 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*. The actuarial deficit for the SSDI program is 0.21 percent of payroll.
21. Estimated savings for individual proposals as well as the total, interactive savings come from The Heritage Foundation's Social Security Model, based on the most recent data from *The 2018 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*. Estimated savings for most proposals depend on assumptions about changes in the number of individuals who would apply for and ultimately receive benefits from the SSDI program.
22. Table 3-1, "CBO's Baseline Projections of Outlays," in Congressional Budget Office, *The Budget and Economic Outlook: 2019 to 2029*, p. 62.
23. Authors' estimates based on the January 2019 seasonally adjusted employment level of 156.949 million workers and the CBO's projected monthly gains in employment through 2029 as reported in Table 2-3, "CBO's Economic Projections for Calendar Years 2019 to 2029," in Congressional Budget Office, *The Budget and Economic Outlook: 2019 to 2029*, p. 30. Medicare spending minus premiums and interest is $653 billion in 2019 and $1.297 billion in 2028 (85 percent of projected total spending levels). The average individual health insurance premium in 2019 was $6,896 according to Henry J. Kaiser Family Foundation, "Employer Health Benefits: 2018 Summary of Findings," http://files.kff.org/attachment/Summary-of-Findings-Employer-Health-Benefits-2018 (accessed March 13, 2019).
24. Susan Codespote, U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services, Office of the Actuary, "Memo on the Unfunded Obligations of the Medicare Program" provided to the staff of the Committee on the Budget, U.S. Senate, June 5, 2018, p. 1. For a more extensive discussion, see Robert E. Moffit, "Medicare: How Timely Reforms Can Prevent Painful Consequences," Heritage Foundation *Backgrounder* No. 3336, August 1, 2018, p. 4, https://www.heritage.org/sites/default/files/2018-08/BG3336_0.pdf.
25. The Heritage Foundation adjusted CBO-modeled savings estimates to extend the budgetary window by one year. See Congressional Budget Office, *Options for Reducing the Deficit: 2019 to 2028*, December 2018, p. 61, https://www.cbo.gov/system/files?file=2018-12/54667-budgetoptions.pdf (accessed March 13, 2019).
26. Ibid., p. 65.
27. Estimated savings are based on estimates from Heritage Foundation staff using the Heritage Center for Data Analysis Health Model.
28. The Heritage Foundation adjusted CBO-modeled savings estimates to extend the budgetary window by one year. See Congressional Budget Office, *Options for Reducing the Deficit: 2019 to 2028*, p. 68.
29. Estimated savings are based on estimates from Heritage Foundation staff using the Heritage Center for Data Analysis Health Model.
30. The Heritage Foundation adjusted CBO-modeled savings estimates to shift the timing of policy implementation by two years. See Congressional Budget Office, *A Premium Support System for Medicare: Updated Analysis of Illustrative Options*, October 2017, p. 1, https://www.cbo.gov/system/files?file=115th-congress-2017-2018/reports/53077-premiumsupport.pdf (accessed March 13, 2019).
31. Additional savings would be expected if changes are coupled with a transition to a Medicare premium-support system. The Heritage Foundation adjusted CBO-modeled savings estimates to shift the timing of policy implementation by two years, based on estimates from Heritage Foundation staff using the Heritage Center for Data Analysis Health Model and CBO-modeled savings estimates.
32. U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services, Office of the Actuary, *2017 Actuarial Report on the Financial Outlook for Medicaid*, p. 12, https://www.cms.gov/Research-Statistics-Data-and-Systems/Research/ActuarialStudies/Downloads/MedicaidReport2017.pdf (accessed March 13, 2019). It is estimated that in 2016, 11.2 million enrollments were a result of the ACA's Medicaid expansion to childless adults. Ibid., p. 19.
33. Ibid., p. 12.
34. Kevin D. Dayaratna. "Studies Show: Medicaid Patients Have Worse Access and Outcomes than the Privately Insured," Heritage Foundation *Backgrounder* No. 2740, November 7, 2012, http://thf_media.s3.amazonaws.com/2012/pdf/bg2740.pdf.
35. Medicaid and CHIP Payment and Access Commission, *Report to Congress on Medicaid and CHIP*, March 2017, p. 134, https://www.macpac.gov/wp-content/uploads/2017/03/March-2017-Report-to-Congress-on-Medicaid-and-CHIP.pdf (accessed March 17, 2019).
36. U.S. Government Accountability Office, *High-Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others*, GAO 17-317, February 2017, https://www.gao.gov/assets/690/682765.pdf (accessed March 17, 2019).
37. Brian P. Ritchie, Assistant Inspector General for Audit Services, Office of Inspector General, U.S. Department of Health and Human Services, "Medicaid Fraud and Overpayments: Problems and Solutions," testimony before the Committee on Homeland Security and Governmental Affairs, U.S. Senate, June 27, 2018, p. 1, https://oig.hhs.gov/testimony/docs/2018/ritchie-testimony062018.pdf (accessed March 13, 2019).
38. Congressional Budget Office, *The Budget and Economic Outlook: 2019 to 2029*, p. 63.
39. Ibid. The federal share is expected to average 62 percent.
40. For a discussion, see Edmund F. Haislmaier, Robert E. Moffit, Nina Owcharenko, and Alyene Senger, "A Fresh Start for Health Care Reform," Heritage Foundation *Backgrounder* No. 2970, October 30, 2014, http://thf_media.s3.amazonaws.com/2014/pdf/BG2970.pdf.

41. $842 billion in subsidies for Obamacare Medicaid expansion and $760 billion in subsidies for non-group market coverage. Congressional Budget Office, *Federal Subsidies for Health Insurance Coverage for People Under Age 65: 2018 to 2028*, May 2018, p. 16, https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53826-healthinsurancecoverage.pdf (accessed March 25, 2019). See also Table 2, "Net Federal Subsidies Associated with Health Insurance Coverage for People Under Age 65," in ibid., p. 18.
42. Table 1, "Health Insurance Coverage for People Under Age 65," in ibid., p. 4.
43. U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, "Individual Market Premium Changes: 2013–2017," *ASPE Data Point*, May 23, 2017, https://aspe.hhs.gov/system/files/pdf/256751/IndividualMarketPremiumChanges.pdf (accessed March 17, 2019).
44. Edmund F. Haislmaier, "2018 Obamacare Health Insurance Exchanges: Competition and Choice Continue to Shrink," Heritage Foundation *Issue Brief* No. 4813, January 25, 2018, https://www.heritage.org/sites/default/files/2018-01/IB4813_1.pdf.
45. Ibid.
46. Under the ACA, the federal government financed 100 percent of the costs of the expansion populations from 2014–2016. The federal contribution phases down to 90 percent by 2020.
47. Henry J. Kaiser Family Foundation, "Status of State Medicaid Expansion Decisions: Interactive Map, Status of State Action on the Medicaid Expansion Decision," February 13, 2019, https://www.kff.org/medicaid/issue-brief/status-of-state-medicaid-expansion-decisions-interactive-map/ (accessed March 17, 2019).
48. U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services, Office of the Actuary, *2017 Actuarial Report on the Financial Outlook for Medicaid*, p. 19.
49. Ibid.
50. For a discussion of this proposal, see Edmund F. Haislmaier, Robert E. Moffit, and Nina Owcharenko Schaefer, "The Health Care Choices Proposal: Charting a New Path to a Down Payment on Patient-Centered, Consumer-Driven Health Care Reform," Heritage Foundation *Backgrounder* No. 3330, July 11, 2018, https://www.heritage.org/sites/default/files/2018-07/BG3330_0.pdf.
51. Center for Health and the Economy, "The Health Care Choices Proposal," October 3, 2018, https://healthandeconomy.org/the-health-care-choices-proposal/ (accessed March 24, 2019).
52. The Heritage Foundation adjusted CBO-modeled savings estimates to extend the budgetary window by one year. See Congressional Budget Office, *Options for Reducing the Deficit: 2019 to 2028*, p. 55.
53. In November 2018, the average Social Security benefit for retired workers was $1,420, or $17,041 per year. A 17 percent cut would amount to $2,897 per year, and a 23 percent cut would equal $3,919 per year. Social Security Administration, Research, Statistics & Policy Analysis, "Monthly Statistical Snapshot: November 2018," https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/2018-11.html (accessed March 13, 2019). In 2017, the National Average Wage Index (NAWI) was $50,322. To arrive at a 2019 NAWI estimate of $52,651, the authors increased the 2017 figure by 4.6 percent (based on the Social Security's change in bend point figures between 2017 and 2019).
54. According to the CBO's most recent budget projections, Social Security will account for $894 billion out of a total of $2.289 trillion in entitlement program spending (including Social Security, disability insurance, Medicare, Medicaid, and health insurance subsidies) in 2019. Table 3-2, "CBO's Baseline Projections of Mandatory Outlays, Adjusted to Exclude the Effects of Timing Shifts," in Congressional Budget Office, *The Budget and Economic Outlook: 2019 to 2029*, p. 68.
55. Maya MacGuineas, "The Peril of an Ignored National Debt," testimony before the Committee on Financial Services, U.S. House of Representatives, December 20, 2018, p. 3, http://www.crfb.org/papers/maya-macguineass-testimony-perils-ignoring-debt (accessed March 13, 2019).

CHAPTER THREE

Fiscal Restraint in the Budget Process

Romina Boccia and Justin Bogie

Article I, Section 9 of the U.S. Constitution states that "No money shall be drawn from the Treasury, but in consequence of an appropriation made by Law."[1] These 17 words grant Congress its power of the purse and place the legislative institution at the core of the budget process.

Congress, however, is failing the American people by not exercising its power of the purse in a transparent, timely, responsible, and deliberate manner. Congress should authorize federal funding *only* for activities that meet the federal government's limited constitutional responsibilities and appropriate taxpayer dollars *only* for programs that it regularly authorizes. This means following the steps in the budget process to engage in regular deliberations and to prioritize federal spending in a manner that is consistent with constitutional constraints and responds to actual national needs. Congress also should exercise regular oversight over federal government agencies to ensure that the executive is exercising its responsibilities in accordance with Congress's statutory intent.

The Budget and Accounting Act of 1921 and the Congressional Budget and Impoundment Control Act of 1974 (1974 Budget Act) provide the framework for the budget process and the regular and orderly debate of fiscal issues.[2] The 1974 Budget Act lays out deadlines for production of the President's budget and the Congressional Budget Office (CBO) baseline.

First, the President sends his budget to Congress to present the executive's vision and inform Congress in developing its own budget proposals through the House and Senate Budget Committees. The CBO baseline is important to the process because it serves as the building block upon which the House and Senate budget resolutions base their fiscal estimates.

The 1974 Budget Act provides a timeline to guide completion of the congressional budget process and lays out clear deadlines to ensure that all appropriations bills are enacted before October 1 of each fiscal year. The deadlines are also intended to allow time for thorough debate of broader budget issues as well as individual appropriations bills. The budget process serves as an opportunity for Congress to evaluate priorities carefully and perform critical oversight over how taxpayer dollars are being spent.

However, Congress has no will and little incentive to follow the budget process. The last time that Congress actually followed each step on time was in 1994.[3] Budget deadlines and spending enforcement rules are routinely ignored by both parties. This has led to a cycle of continuing resolutions, omnibus spending bills, and periodic lapses in appropriations. The budget and appropriations process has morphed from what was intended to be an orderly exercise into a continuing series of funding fights as Congress lurches from one crisis to the next.[4] Amid this chaos, any semblance of fiscal restraint has been lost.

Eight years ago, Congress enacted the Budget Control Act of 2011 (BCA).[5] The BCA raised the debt limit by $2.1 trillion, and Congress agreed to cut spending by the same amount in return for this increase. The first $917 billion in cuts came through caps on defense and non-defense discretionary spending. That left an additional $1.2 trillion in cuts that had to be met to match the overall increase in the debt limit.

To achieve those savings, the BCA created the Joint Select Committee on Deficit Reduction. After months of negotiations, the Joint Select Committee failed to reach agreement on how to achieve the remaining spending reductions. This triggered a fallback plan to ensure that $2.1 trillion in total savings was achieved. To reach the additional savings, the defense and non-defense discretionary spending caps were lowered further, and an annual automatic across-the-board reduction—sequestration—was put in place both to reduce spending on discretionary programs in the event Congress appropriated more than allowed and to reduce spending on non-exempt mandatory programs.

Initially, the Budget Control Act was an effective tool for reducing spending growth, but Congress's addiction to spending soon took control. In fiscal year (FY) 2013, through the American Taxpayer Relief Act of 2012,[6] lawmakers amended the BCA to delay sequestration by two months and decreased the overall spending reductions by $24 billion.[7] Since 2013, Congress has amended the law three times, raising spending in six of the eight years of the BCA's existence. The first two budget deals raised spending by a total of $144 billion over four years. New funding was paid for on paper, but most of the savings still have not materialized—and may well never materialize.

The deals also failed to take into account the added interest costs of a "spend now, save later" approach. The most recent deal, the Bipartisan Budget Act of 2018 (BBA),[8] raised spending by $296 billion over two years—more than double the previous two deals combined and almost completely without offsets.[9] The 10-year debt impact of the 2018 deal could be as high as $2.1 trillion.[10]

Perhaps the one silver lining to be found in the three budget deals is that Congress has extended the BCA's mandatory sequestration provisions through 2027.[11] However, the limited mandatory cuts permitted by the BCA do not come close to paying for the additional spending approved by Congress.

The BCA discretionary caps remain in effect through FY 2021, but the short-term future of the spending caps, to say nothing of what might happen beyond 2021, is unclear. Congress's irresponsible BBA spending increases created a large funding cliff between FY 2019 and FY 2020. Under current law, funding will fall by $125 billion in FY 2020, and $71 billion of the cut would hit national defense.[12] Some lawmakers will likely push for another massive two-year spending deal or, even worse, could even call for outright repeal of the Budget Control Act.

Taxpayers cannot afford another irresponsible budget deal or a Congress that is unshackled from any fiscal restraints. Instead of abandoning the BCA, Congress should modify it by adopting one aggregate cap on all defense and non-defense discretionary spending. One overall cap would provide more flexibility and should encourage Congress to prioritize resources based on the federal government's constitutional mandate and reduce wasteful spending on programs that fail to meet actual national needs.

If Congress insists on raising discretionary spending levels, it must not make the nation's fiscal situation any worse with hundreds of billions of dollars in additional deficit spending. Any discretionary spending increase should be fully offset by spending reductions in mandatory programs, including associated interest costs.

Past budget deals have included offsets such as the extension of federal user fees and the sale of assets. User fees should be used only as authorized by law. If fees (like customs user fees, for example) are no longer needed to support their original intent, then they should be allowed to expire, not reauthorized to pay for new spending. Selling unneeded federal assets, such as Strategic Petroleum Reserves and spectrum pipeline, is generally good policy, but proceeds should be used to pay down the national debt, not to facilitate still more wasteful spending.[13]

Requiring mandatory spending cuts in exchange for higher discretionary spending will have the side effect of putting more spending under the process of an annual review by Congress while reducing long-term liabilities. Congress should take spending off of autopilot and determine exactly what types of spending are consistent with truly federal spending priorities.

The current budget system also has weak rules in place to enforce deficit and debt levels. Pay-as-you-go (PAYGO) was designed to make it more difficult for Congress to increase the deficit. PAYGO requires that changes in "mandatory" spending or in revenue be tallied on a "scorecard" by the Office of Management and Budget (OMB). If the scorecard shows that the sum of the changes has increased the deficit at the end of the year, the OMB imposes a commensurate spending cut through the process of sequestration. There also are separate PAYGO rules in the House and Senate that use budget points of order to make it more difficult to pass legislation that increases deficits. Instead of living within the PAYGO statute and rules, however, Congress often exempts legislation from the OMB scorecard and waives the budget points of orders, rendering PAYGO almost useless.[14]

The debt limit, a mechanism designed to make Congress confront the impact of its spending decisions, is another budget provision that is routinely waived. Since 2013, Congress has abandoned adopting a numerical debt limit and instead has suspended the debt limit five times. A suspension means that the U.S. Department of the Treasury may borrow without limit to pay out federal obligations for the period of the suspension.[15] *Congress should impose a real debt limit and adopt spending reforms that fundamentally alter the debt trajectory before raising the debt limit again.* The nation's deteriorating fiscal future is too important to the well-being and financial security of Americans to be ignored by lawmakers.

Congress should act now to ensure that strong fiscal restraints are in place before the Budget Control Act expires. One approach would be to expand on the Budget Control Act by addressing its major flaw: failure to target mandatory spending sufficiently. Programs such as Social Security, Medicaid, the Children's Health Insurance Programs, Temporary Assistance for Needy Families, and the Supplemental Nutrition Assistance Program, among others, are exempt from sequestration. The BCA also limited cuts in Medicare to just 2 percent annually.

Social Security, Medicaid, and Medicare are driving the largest portion of the federal government's long-term spending growth. Limiting cuts in Medicare and exempting Social Security and Medicaid altogether made certain that the Budget Control Act would fail to change the long-term course of federal spending.

Instead of having a BCA-type spending cap with limited scope and weak enforcement mechanisms that fail to control deficit spending and debt accrual, Congress should establish a cap on all non-interest spending, with enforcement through sequestration. One promising approach would cap all federal non-interest spending based on the average annual revenue collected in the previous three years, with adjustments for inflation and population. It would then be up to Congress to determine how to achieve the savings determined by the outlay cap. Notably, both Switzerland and Sweden have succeeded in lowering debt-to-GDP ratios by implementing spending caps.[16]

Such a spending cap should encourage lawmakers to prioritize funding among competing programs and confront the growing unsustainability of federal entitlement programs, especially major health care spending growth in excess of GDP growth. Reforming Social Security, Medicare, and Medicaid is the key to controlling the growth of the national debt and reducing the overall size and scope of the federal government.

Establishing a cap on all non-interest federal spending will take a strong commitment to fiscal responsibility from both Congress and the President. Such a bipartisan commitment is needed to put the budget on a path to sustainability and fiscal health.

Over the long term, it is unlikely that any statutory spending cap will be enough. As the BCA has shown, statutes are only as good as lawmakers' willingness to follow them. To lock in a commitment to protecting younger and future generations from undue debt burdens, Congress should adopt a business-cycle balanced budget amendment. Only a constitutional constraint will curb Congress's proclivity to spend on the backs of those that are underrepresented in the political process. *Every generation should aim to pave the way for a more prosperous future for the next generation to enjoy. At the very least, we must not make the next generation worse off than we are.*

Congress should also take other incremental steps to decrease spending and improve transparency, accuracy, and accountability within the existing budget process.

RECOMMENDATIONS FOR ACTION

Eliminate the use of CHIMPs in appropriations budgeting. Changes in mandatory programs (CHIMPs) are the largest and most frequently used gimmick in the appropriations process. Essentially, a CHIMP is a rescission of mandatory funding that is then used to pay for unrelated discretionary spending. A CHIMP typically occurs when an agency has been granted spending authority but, because the program has few recipients, the money is not spent. The problem is that the vast majority of CHIMPs are rescissions of funds that were never going to be spent in the first place. Thus, the "savings" exist only on paper and do not actually cover the costs of the programs to which they are being shifted.[17]

The FY 2018 Omnibus Appropriations Act included $17.5 billion in CHIMPs, $17 billion of which produced no actual savings.[18] CHIMPs undermine fiscal accountability and transparency. Ending the use of these false savings would go a long way toward improving accountability in the appropriations process.

Stop appropriations for unauthorized programs. By statute, before any agency receives an appropriation, that appropriation must be authorized by Congress. Authorizations lay out how much money can be provided to an agency or programs and how that money is to be spent.[19] However, the budget rules against unauthorized appropriations are weak and ignored by Congress. In 2018, Congress provided over $318 billion to programs with expired authorizations or that had never been authorized at all.[20]

Authorizations are a key component of the budget process. They provide Congress with an opportunity to review and evaluate programs and determine whether they should continue to be a priority.[21]

Congress should act immediately to end unauthorized appropriations. One approach could be to withhold all appropriations for unauthorized activities. Once Congress reauthorizes a program, then the program could be given 90 percent of its original appropriations. This not only would incentivize Congress to authorize agencies and programs, but also could generate budget savings when Congress fails to do so.

An alternative to this approach would be to put unauthorized appropriations on a three-year path to sunset, as proposed in the Unauthorized Spending Accountability Act of 2017, introduced in the 115th Congress by Representative Cathy McMorris Rogers (R–WA).[22] Under this plan, unauthorized programs would be reduced by 10 percent the first year, reduced by 15 percent the second year, and sunset in the third year if Congress failed to reauthorize them. The bill would also establish a full authorization schedule for discretionary programs and review mandatory programs in an effort to find potential cost savings.

Include interest costs in legislative cost estimates. Congress should require the CBO to include interest costs in all legislative cost estimates. Current scorekeeping rules fail to account for the interest costs that would be incurred from legislation that increases the deficit. This distorts decision-making in favor of greater spending and debt accumulation and encourages the use of timing-shift budget gimmicks. It allows legislators, for example, to authorize more spending immediately while delaying any offsetting savings without accounting for the interest costs incurred from the immediate deficit spending.[23]

The FY 2019 House budget resolution included a provision allowing the chairman of the Committee on the Budget to request interest costs estimates from the CBO for non-appropriations legislation.[24] Congress should go a step further and require interest cost estimates on all legislation scored by the CBO.

Remove bias toward higher discretionary spending from the baseline. Under current scorekeeping practices, the CBO baseline used to score discretionary spending proposals assumes that spending will increase at the rate of inflation each year.[25] This creates two problems.

First, it creates a bias toward higher spending levels. The CBO assumes that spending will increase based arbitrarily on inflation, not on actual agency needs or proposals.[26]

Second, it allows Congress to claim spending cuts relative to the baseline when spending is actually increasing when compared to non-inflation–adjusted levels.[27] In other words, Congress may still be increasing spending, just not at the same pace as inflation would otherwise have increased it.

Congress should reverse the bias toward higher spending and direct the CBO to remove the assumption that discretionary spending will increase with inflation from its baseline. As the country enters what is projected to be an extended period of trillion-dollar-plus deficits, spending increases should not be assumed. Federal agencies should have to justify any additional funding requests, and Congress should ensure that any increased resources are directed to necessary constitutional priorities. Removing inflation from the discretionary baseline would also eliminate one accounting gimmick from the budget process and make the process more forthright and transparent.

The Baseline Reform Act of 2015, introduced by Representative Rob Woodall (R–GA) during the 114th Congress, would have implemented changes aimed at eliminating the baseline's higher spending bias.[28]

Establish incentives for Congress to follow the budget process. Some lawmakers conclude that Congress's budget dysfunction is due to the process's being irrevocably broken. In reality, the Congressional Budget and Impoundment Control Act of 1974 lays out a step-by-step process, with timelines, to complete the budget and appropriations process before October 1 of each year. The problem with the current budget process is that Congress ignores it, and the rules to enforce the process are weak and all but ignored.[29]

Instead of simply ignoring the budget process, Congress should enact reforms to ensure that the current process is followed. One incentive to get lawmakers to engage in budgeting could be to establish a "no budget, no pay" law. Under the No Budget, No Pay Act introduced by Senator Mike Braun (R–IN) in January 2019, for example, if Congress failed to enact a concurrent budget resolution by October 1, Members would not be paid until a budget is adopted.[30] Similarly, the No Budget, No Recess Act introduced by Senator Joni Ernst (R–IA) would require Congress to stay in session if milestones such as the adoption of a concurrent budget resolution and passage of all regular appropriations bills are not met by specified dates.[31]

These proposals by themselves may not be enough to change the broader budget challenges facing the country, but they could help to enforce the budget process.

Provide fair-value estimates. Congress should incorporate market risk in subsidy cost estimates for federal credit and loan guarantee programs. In accordance with the Federal Credit Reform Act of 1990,[32] only the estimated net costs of federal credit programs on an accrual basis, rather than the annual cash flows that happen during the period of a loan term, are accounted for in the budget baseline and for scorekeeping purposes.

Currently, the government assumes that federal credit and loan guarantee programs are just as safe and reliable as U.S. Treasury bonds. This underestimates the real market risk associated with certain government loan programs and consequently underestimates the liabilities with which the U.S. taxpayer is burdened.[33] Taxpayers should not be on the hook for private borrowing, but as long as they are, the federal government should at least recognize such borrowing with cost estimates that correspond to the value of those loans or guarantees to buyers in the private market so that legislators can make informed cost-benefit decisions.

Define tax expenditures against a consumption baseline. The current baseline for measuring tax expenditures rests on an inconsistent definition of income, and this renders tax expenditure analysis both subjective and unreliable. The calculation of tax expenditures is misleading because it attempts to describe two separate phenomena: Some tax expenditures work to decrease harmful economic distortions by limiting some forms of double taxation that are built into the income tax system, and many tax expenditures are true special-interest carve-outs, granting privileges to some at the expense of others. To remedy this problem, the Congressional Budget and Impoundment Control Act of 1974 should be amended to use a consistent, consumption tax base rather than gross income in the calculation of tax expenditures.

The Joint Committee on Taxation (JCT) and Office of Management and Budget can also begin to report a second list of tax expenditures using a consumption baseline without legislative action. The 1974 act does not preclude producing an additional, parallel accounting of expenditures. Under President George W. Bush, the OMB set a precedent for such analysis by publishing a second list of tax expenditures and a discussion of the difference between official lists and those measured from a comprehensive consumption base. The President's FY 2020 budget includes a second list of tax expenditures using a consumption baseline. The JCT should report a similar list.

Codify and enforce a definition for emergency spending. Emergency spending has been on a steep rise since enactment of the Budget Control Act as Congress has taken to abusing this designation as a loophole to fund non-emergency programs. Congress and the President have too much latitude in deciding what qualifies as an emergency today. Lack of a clear definition has helped to fuel the growth of emergency spending and has provided an all-too-easy way for lawmakers to evade spending restraints.

To enhance accountability and transparency in emergency spending, Congress should clearly define by statute what qualifies as an emergency. To ensure that Congress cannot simply waive the statute, as is done with many budget enforcement rules, the law should be enforced through a point of order that requires a two-thirds majority vote to waive.

Budget for recurring disaster assistance. The Budget Control Act of 2011 provided that adjustments to the law's spending caps could be made for such purposes as emergencies, war funding, and disaster assistance. Since 2014, $34 billion in cap adjustments has been provided for disaster relief, an average of nearly $7 billion per year.[34]

Money designated for disaster relief is used to fund the disaster response efforts of the Federal Emergency Management Agency (FEMA). Funds deposited in FEMA's Disaster Relief Fund are to be used for "normal," non-catastrophic disasters that cost no more than $500 million per occurrence. In FY

2018, the Disaster Relief Fund received a base appropriation of $535 million.[35]

FEMA's base disaster response budget is perpetually underfunded. While natural disasters are unpredictable, it is almost certain that there will be storms, flooding, wildfires, and similar occurrences in America every year. This is proven by the fact that FEMA consistently receives an average of $7 billion in additional disaster relief funding each year. Instead of providing funding outside the budget caps, Congress should ensure that FEMA's Disaster Relief Fund is appropriately funded within its base budget. This would keep disaster declarations from being used as a means to evade the budget caps.

Stop indefinite emergency appropriations. Currently, disaster and emergency funds are appropriated as "no-year" money. This means that the money is "available for obligation for an indefinite period."[36] The point of emergency spending should be to provide immediate and direct response to save lives and help communities begin the recovery process. Allowing money to be spent over an indefinite period of time undermines that goal.

Of the $50 billion in emergency appropriations approved by Congress after Hurricane Sandy, only $17 billion was allocated to "meet immediate and critical needs."[37] The remaining $33 billion was for long-term recovery and infrastructure improvements to help prevent damage caused by future disasters.[38] While mitigation efforts are important, they do not meet the five criteria laid out by OMB's 1991 guidance to qualify as emergency spending[39] and should be paid for within base agency budgets.

An emergency is defined as an event that requires immediate action. More than six years after the storm, there is still emergency funding that has not been spent. Congress should adopt time limits and more specific limitations for how the funds can be used. If money is left unspent, it should automatically be rescinded by the OMB and returned to the Treasury. This would help to ensure that the funds are being used for true emergencies.

CONGRESS SHOULD RECOMMIT TO FISCAL RESTRAINT

Congressional neglect has led to a continuing cycle of funding by crisis and the passage of fiscally reckless policies. The looming end of the Budget Control Act caps could usher in more unchecked spending. The national debt exceeds $22 trillion and is projected to grow significantly over the next 10 years. Automatic and new spending on entitlement programs threatens to overwhelm the federal budget and the U.S. economy.

America needs a fundamental reform of the budget process that puts spending and debt levels on a sustainable path for the long term. Congress must adopt effective fiscal restraints to protect and unleash opportunity and prosperity for current and future generations, and Members must exercise their power of the purse responsibly. This means:

- **Adopting** an overall spending cap on all non-interest spending, enforced by sequestration;
- **Pursuing adoption** of a smart balanced budget amendment in line with the business cycle;
- **Eliminating** CHIMPs and other budget gimmicks;
- **Ending** unauthorized appropriations;
- **Including** interest costs in legislative cost estimates;
- **Removing** the assumption of discretionary spending inflation from the CBO scoring baseline;
- **Providing** incentives for Congress to follow the budget process;
- **Adopting** better accounting for federal credit programs;
- **Defining** tax expenditures using a consumption baseline; and
- **Reforming** disaster-related and emergency-related spending.

ENDNOTES

1. Constitution of the United States, Article I, Section 9.
2. See Budget and Accounting Act of 1921, Public Law 67-13, 67th Cong., June 10, 1921, http://www.legisworks.org/congress/67/publaw-13.pdf (accessed March 8, 2019), and H.R. 7130, Congressional Budget and Impoundment Control Act of 1974, Public Law 93-344, 93rd Cong., July 12, 1974, https://www.congress.gov/bill/93rd-congress/house-bill/7130 (accessed March 8, 2019).
3. Ryan Alexander, "The Congress That Couldn't Shoot Straight," *U.S. News & World Report*, July 2, 2013, https://www.usnews.com/opinion/blogs/economic-intelligence/2013/07/02/get-ready-for-more-congressional-budget-ineptitude (accessed March 7, 2019).
4. Paul Winfree, Romina Boccia, Justin Bogie, and David Ditch, "Congress Considers Voting Away Its Budget Obligations," The Daily Signal, November 14, 2018, https://www.dailysignal.com/2018/11/14/congress-considers-voting-away-its-budget-obligations/.
5. S. 365, Budget Control Act of 2011, Public Law 112-25, 112th Cong., August 2, 2011, https://www.congress.gov/bill/112th-congress/senate-bill/365/text (accessed March 8, 2019).
6. H.R. 8, American Taxpayer Relief Act of 2012, Public Law 112-240, 112th Cong., January 2, 2013, https://www.congress.gov/bill/112th-congress/house-bill/8/text (accessed March 8, 2019).
7. Grant A. Driessen and Megan S. Lynch, "The Budget Control Act: Frequently Asked Questions," Congressional Research Service *Report for Members and Committees of Congress*, February 23, 2018, https://fas.org/sgp/crs/misc/R44874.pdf (accessed March 7, 2019).
8. H.R. 1892, Bipartisan Budget Act of 2018, Public Law 115-123, 115th Cong., February 9, 2018, https://www.congress.gov/bill/115th-congress/house-bill/1892/text (accessed March 8, 2019).
9. See Congressional Budget Office, "Continuing Appropriations Resolution, 2014 (H. J. Res. 59), Including the Amendment Reported by the House Committee on Rules on September 18, 2013 (H. Res. 352)," September 19, 2013, http://www.cbo.gov/sites/default/files/cbofiles/attachments/hjres59amendment.pdf (accessed March 8, 2019); Congressional Budget Office, "Estimate of the Budgetary Effects of H.R. 1314, the Bipartisan Budget Act of 2015, as reported by the House Committee on Rules on October 27, 2015," October 28, 2015, https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/costestimate/hr1314.pdf (accessed March 8, 2019); and Congressional Budget Office, Table 1, "CBO Estimate for Senate Amendment 1930, the Bipartisan Budget Act of 2018 Direct Spending and Revenue Provisions," February 8, 2018, https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/bipartisanbudgetactof2018.pdf (accessed March 8, 2019).
10. Committee for a Responsible Federal Budget, "Bipartisan Budget Act Means the Return of Trillion-Dollar Deficits," February 9, 2018, http://www.crfb.org/blogs/bipartisan-budget-act-means-return-trillion-dollar-deficits (accessed March 7, 2019).
11. Driessen and Lynch, "The Budget Control Act: Frequently Asked Questions."
12. Heritage Foundation calculations based on Congressional Budget Office data.
13. Justin Bogie, "Budget Gimmicks Increase Federal Spending and Mask True Costs of Legislation," Heritage Foundation *Backgrounder* No. 3234, July 26, 2017, https://www.heritage.org/sites/default/files/2017-07/BG3234.pdf.
14. David Ditch, "PAYGO: A Bipartisan Failure in Need of Replacement," Heritage Foundation *Issue Brief* No. 4935," January 28, 2019, https://www.heritage.org/budget-and-spending/report/paygo-bipartisan-failure-need-replacement.
15. Justin Bogie, "Congress Should Separate Debt Limit from Spending Battle," The Daily Signal, February 28, 2019, https://www.dailysignal.com/2019/02/28/congress-should-separate-debt-limit-from-spending-battle/.
16. Romina Boccia, "Needed: An Effective Fiscal Framework to Restrain Spending and Control Debt in the United States," Heritage Foundation *Backgrounder* No. 3374, December 19, 2018, https://www.heritage.org/budget-and-spending/report/needed-effective-fiscal-framework-restrain-spending-and-control-debt-the.
17. Bogie, "Budget Gimmicks Increase Federal Spending and Mask True Costs of Legislation."
18. Committee for a Responsible Federal Budget, "Omnibus Spends $110 Billion Above New Spending Caps," March 29, 2018, http://www.crfb.org/blogs/omnibus-spends-110-billion-above-new-budget-caps (accessed January 8, 2019).
19. Justin Bogie, "Time to End 'Zombie' Appropriations," Heritage Foundation *Issue Brief* No. 4583, June 24, 2016, https://www.heritage.org/budget-and-spending/report/time-end-zombie-appropriations.
20. Congressional Budget Office, *Expired and Expiring Authorizations of Appropriations: Fiscal Year 2018, Revised, Appendix Material Sorted by House Authorizing Committee*, July 2018, https://www.cbo.gov/system/files?file=2018-07/54126-eeaa-house_2.pdf (accessed March 8, 2019); *Expired and Expiring Authorizations of Appropriations: Fiscal Year 2018, Revised, Appendix Material Sorted by Senate Authorizing Committee*, July 2018, https://www.cbo.gov/system/files?file=2018-07/54126-eeaa-senate_2.pdf (accessed March 8, 2019); and *Expired and Expiring Authorizations of Appropriations: Fiscal Year 2018, Revised, Appendix Material Sorted by Appropriations Subcommittee*, July 2018, https://www.cbo.gov/system/files?file=2018-07/54126-eeaa-approps_2.pdf (accessed March 8, 2019).
21. Justin Bogie, "Earmarks Won't Fix the Broken Budget and Appropriations Process," Heritage Foundation *Backgrounder* No. 3353, September 20, 2018, https://www.heritage.org/budget-and-spending/report/earmarks-wont-fix-the-broken-budget-and-appropriations-process.
22. H.R. 2174, Unauthorized Spending Accountability Act of 2017, 115th Cong., April 26, 2017, https://www.congress.gov/bill/115th-congress/house-bill/2174 (accessed March 8, 2019).
23. Romina Boccia, "Improving Accuracy in Congressional Scorekeeping," Heritage Foundation *Backgrounder* No. 3153, September 8, 2016, https://www.heritage.org/budget-and-spending/report/improving-accuracy-congressional-scorekeeping.
24. H. Con. Res. 128, Establishing the Congressional Budget for the United States Government for Fiscal Year 2019 and Setting Forth the Appropriate Budgetary Levels for Fiscal Years 2020 Through 2028, 115th Cong., July 13, 2018, https://www.congress.gov/bill/115th-congress/house-concurrent-resolution/128 (accessed March 8, 2019).

25. The CBO produces alternative baseline scenarios that do not include discretionary inflation in its annual *Budget and Economic Outlook*. However, this alternative baseline is purely for illustrative purposes and not for official scoring.
26. "Proposed Rewrite of the Congressional Budget Process, Discussion Draft: Description and Rationale," Committee on the Budget, U.S. House of Representatives, November 30, 2006, https://republicans-budget.house.gov/uploadedfiles/bpr-longsummary-30nov2016.pdf (accessed March 8, 2019).
27. Matt Kibbe, "Key Vote Yes on Baseline Reform Act," FreedomWorks, February 2, 2012, http://www.freedomworks.org/content/key-vote-yes-baseline-reform-act (accessed March 7, 2019).
28. H.R. 3186, Baseline Reform Act of 2015, 114th Cong., July 23, 2015, https://www.congress.gov/bill/114th-congress/house-bill/3186?r=5 (accessed March 8, 2019).
29. Justin Bogie, "Shut Down This Government-Shutdown Proposal. It Will Only Make Matters Worse," *Miami Herald*, February 7, 2019, https://www.miamiherald.com/opinion/op-ed/article225951955.html (accessed March 7, 2019).
30. S. 39, No Budget, No Pay Act, 116th Cong., January 8, 2019, https://www.congress.gov/bill/116th-congress/senate-bill/39/text (accessed March 8, 2019).
31. S. 186, No Budget, No Recess Act, 116th Cong., January 17, 2019, https://www.congress.gov/bill/116th-congress/senate-bill/186/text (accessed March 8, 2019).
32. 2 U.S.C. § 661–661f (2000), https://www.law.cornell.edu/uscode/text/2/661 (accessed March 10, 2019).
33. Congressional Budget Office, "H.R. 1872, Budget and Accountability Transparency Act of 2014, As Ordered Reported by the House Committee on the Budget on February 11, 2014," *Cost Estimate*, February 12, 2014, http://cbo.gov/sites/default/files/cbofiles/attachments/hr1872.pdf (accessed March 8, 2019).
34. Paul Winfree, Justin Bogie, and Romina Boccia, "How Emergency Spending Has Exploded in Recent Years," The Daily Signal, September 19, 2018, https://www.dailysignal.com/2018/09/19/how-emergency-spending-has-exploded-in-recent-years/.
35. U.S. Department of Homeland Security, Federal Emergency Management Agency, *Disaster Relief Fund: Monthly Report as of September 30, 2018*, Final Report to Congress for Fiscal Year 2018, October 5, 2018, https://www.fema.gov/media-library-data/1539209875417-a4b69649b46045013de05466f8b19815/October2018DisasterReliefFundReport.pdf (accessed March 7, 2019).
36. U.S. General Accounting Office, Office of the General Counsel, *Principles of Federal Appropriations Law*, 3rd Ed., Vol. I, January 2004, https://www.gao.gov/special.pubs/d04261sp.pdf (accessed March 7, 2019).
37. William L. Painter and Jared T. Brown, "FY2013 Supplemental Funding for Disaster Relief," Congressional Research Service *Report for Congress*, February 19, 2013, https://fas.org/sgp/crs/misc/R42869.pdf (accessed March 7, 2019).
38. Ibid.
39. Committee for a Responsible Federal Budget, "What's An Emergency?" June 22, 2010, http://www.crfb.org/blogs/whats-emergency (accessed March 11, 2019).

CHAPTER FOUR

Pro-Growth Tax Reform

Adam N. Michel

The Tax Cuts and Jobs Act of 2017 (TCJA) simplified taxpaying for most Americans, cut taxes for individuals and businesses, and updated the tax code so that American businesses and the people they employ are globally competitive. Many of the TCJA's reforms, however, are temporary and require additional congressional attention. Congress should enhance the TCJA's success by creating Universal Savings Accounts and reducing subsidy spending in the tax code.

The tax cuts put more money in the pockets of taxpayers, are supporting a healthy economy, and are lifting the wages of working Americans.[1] The vast majority of households in every congressional district saw a tax cut in 2018. Average Americans got a $1,400 tax cut, and families of four saved $2,900, primarily through lower employer tax withholdings, which increased after-tax income for workers throughout the year.[2]

Many Americans are benefiting twice from the tax cuts: first by paying less in taxes and then from the higher wages generated by a faster-growing economy. At the end of 2018, workers received some of the largest wage gains in over 10 years, and unemployment rates were historically low.[3] Over the next 10 years, the typical American will benefit from over $26,000 more in take-home pay, or $44,697 for a family of four, because of the larger economy generated by the tax cuts.[4]

PERMANENCE IS KEY

The TCJA reduced federal income tax rates, increased the standard deduction, doubled the child tax credit, repealed the personal and dependent exemptions, and capped the deduction for state and local taxes. Congress made the majority of the TCJA's provisions temporary, both to comply with procedural rules in the Senate and because of an unwillingness to constrain spending.

Most of the law's individual tax provisions expire in 2025, and Americans' taxes are scheduled to increase in 2026. Any budget proposal that does not make the already agreed-upon tax cuts permanent must assume tax increases of over $1,000 for middle-class families.[5]

Lower tax rates for individuals and businesses have received the most attention from the media, but the TCJA's adjustments to investment rules bring equally important benefits for American workers through higher wages and more jobs. The U.S. tax code generally imposes years of delay between when businesses pay for an investment and when they can deduct the full cost of that investment on their taxes. This raises the cost of the investment, which slows gains to future worker productivity and thus shrinks incomes.

The TCJA fixed this problem temporarily for some short-lived investments through "expensing," allowing businesses to write off some new investments immediately. Buildings, such as new manufacturing floor space and storefronts, still have to use the costly and complicated pre-TCJA system, characterized by arbitrary depreciation schedules concocted by federal bureaucrats who often have little to no business experience. The budgetary cost of expanding expensing to all investments is high in the first few years of the reform because of transition costs, but the economic benefits of the new system are well worth the short-term budget impact.

TABLE 6

Universal Savings Accounts Lower Taxes on Saving

	REBECCA Universal Savings Account	**DAN** Savings outside qualified accounts
Pre-tax contribution	$5,000	$5,000
Income tax paid on contribution	$1,200	$1,200
Value of account, year 1	$3,800	$3,800
Value of account, year 30	$31,000	$31,000
Income tax paid on withdrawal	$0	$4,000
After-tax value of savings	$31,000	$27,000
Marginal effective tax rate	**24%**	**34%**

NOTES: Values have been rounded to nearest hundred. Calculations are based on an income tax rate of 24 percent and capital gains rate of 15 percent, and assumed 7 percent continuously compounded rate of return for 30 years.
SOURCE: Author's calculations.

heritage.org

In addition to protecting Americans' paychecks from higher taxes, a permanent version of the TCJA could increase the size of the economy and further boost Americans' paychecks. Permanent tax cuts could boost the size of the economy by 2.8 percent over the pre-TCJA baseline, according to an estimate made when the law was passed.[6] That is a full percentage point more—or thousands of dollars of additional income per American household—than the expected result of the temporary provisions under current law.

The fiscal year (FY) 2020 *Blueprint for Balance* recommends that Congress extend the major provisions of the TCJA permanently, reducing revenues by $299 billion in 2029 and $849 billion over 10 years below the Congressional Budget Office (CBO) current-law baseline. Congress should also consider expanding the TCJA expensing provisions, which could temporarily reduce revenues further in the short term.

UNIVERSAL SAVINGS ACCOUNTS AND OTHER IMPORTANT REFORMS

Universal Savings Accounts (USAs) reduce taxes on savings for typical Americans and help families build their own financial security through a single, simple, and flexible account. Unlike holders of existing retirement savings accounts, USA holders would not be bound by limits on when savings can be withdrawn or the purposes for which the funds must be used. Individuals would contribute post-tax earnings, all withdrawals from a USA would be excluded from taxable income, and any gains accrued would thus be tax-free. (See Table 6.) USAs allow Americans at all income levels to save more of their earnings with fewer restrictions on where and when they can spend their own money.[7] The limited $2,500-a-year USA included in the Family Savings Act of 2018 would lower federal revenue by $8.6 billion over 10 years.[8]

USAs should also be paired with important reforms in existing retirement savings accounts. Most Americans are familiar with personal retirement savings accounts, such as 401(k)s and IRAs, but few take full advantage of their benefits. The main impediment to more widespread use of the accounts is their complexity, the cost of compliance, and the regulatory risk for smaller employers.[9] The Internal Revenue Service (IRS) lists more than 16 different private retirement accounts, each with its own eligibility rules, income and contribution thresholds, early withdrawal penalties, and employer requirements.[10]

Depending on employment status, American savers have access to dramatically different levels of retirement saving ability. The patchwork of rules discourages uptake and subdivides individuals' savings into multiple accounts, often marooned with past employers. Reform should eliminate the multiple sets of rules that govern similar retirement accounts in favor of a more streamlined system that is not necessarily tied to individual employers.

Retirement and general saving reforms are only two of the many important priorities for Congress to consider in the next pro-growth tax package. The estate tax, alternative minimum tax (AMT), and state and local tax deduction (SALT) all should be completely repealed.[11] If Congress can control spending—both traditional outlays and spending in the tax code—taxes should be cut further on personal income, capital gains, and business income. These pro-growth reforms would generate higher wages and greater economic opportunity for American workers.

REDUCING SPENDING IN THE TAX CODE

Each year, the tax code is used to hand out billions of dollars in subsidies to politically connected interests, picking winners and losers and distorting market outcomes. This spending persists without systematic review or annual appropriation. These programs operate like mandatory spending: outlays for which Congress has passed laws making permanent appropriations that it rarely reviews.

Most tax credits—the most popular way to spend through the tax code—are economically indistinguishable from direct spending. A lawmaker may want to subsidize electric vehicles because a new factory is opening in his district. Congress could propose a new program to send $7,500 checks to qualifying purchasers of new electric cars. To meet the same goal, the same lawmaker could instead propose to cut taxes for those who purchase a new qualifying electric car by creating a $7,500 tax credit.

In both cases, the lawmaker dedicates funding to the subsidy program in the federal budget. In the first case, the appropriations are regularly reviewed as part of the annual appropriations cycle, each cycle presenting an opportunity for a proper analysis of trade-offs between this subsidy and other federal spending priorities. Under a system of tax credits, the same outlay is considered off-budget and therefore not subject to any regular review. By changing how it labels the spending, Congress can relable direct government spending as a tax cut.

Tax Expenditures: Not All Created Equal. The concept of spending through the tax code walks a fine line that must distinguish a taxpayer's retention of his or her own money with an actual government expenditure of someone else's money. All analysis of tax expenditures, taken to its extreme, wrongly assumes that the government is entitled to spend the entirety of some arbitrarily defined tax base. However, narrowly tailored tax expenditures, which bestow concentrated benefits on select recipients, should be avoided in favor of better-designed tax policy with well-defined rules broadly applied.

Further complicating the analysis of spending through the tax code, the current baseline for measuring tax expenditures as defined by the Joint Committee on Taxation (JCT) and the Office of Management and Budget (OMB) rests on an inconsistent definition of income, rendering tax expenditure analysis entirely subjective and unreliable. The government's calculation of tax expenditures is misleading because it attempts to describe two separate phenomena. Many tax expenditures work to decrease harmful economic distortions by limiting some forms of double taxation that are built into the income tax system. True spending in the tax code (a subset of tax expenditures) comprises special-interest carve-outs, granting privileges to some at the expense of others.[12] Lawmakers should not confuse the two.

To distinguish more precisely between types of tax expenditures, Congress should amend the Congressional Budget and Impoundment Control Act of 1974[13] to use a consistent consumption tax base rather than the current hybrid income base used for calculation of tax expenditures. The President's FY 2020 budget includes a second list of tax expenditures using a consumption baseline, revisiting a similar analysis completed in 2006. The JCT should report a similar list. The 1974 act does not preclude producing an additional, parallel accounting of expenditures.[14]

Tax Credits. A majority of tax subsidies are designed as tax credits, allowing a taxpayer to reduce his or her final tax bill by a set amount, dollar for dollar. The most numerous of these incentives are intended to encourage energy production and energy conservation.

As a policy tool, tax credits are poorly designed incentives; they introduce unnecessary complexity and ambiguity to the tax code and often poorly target the desired activity. Policymakers do no service to various technologies, workers, or companies by subsidizing them. Tax credits for a specific resource, technology, or narrowly described activity manipulate

TABLE 7

Tax Credits Suggested for Repeal

Tax Credit	Current Law Cost (in millions) 2020–2029	Total 10-Year Cost (in millions) 2020–2029
Research and development tax credit	$221,500	$221,500
Tax credits for higher education	$167,250	$167,250
Low-income housing tax credit	$100,420	$100,420
Investment tax credit for energy	$26,980	$52,350
Tax credit for orphan drug research	$50,380	$50,380
Energy production tax credit	$32,100	$32,100
Biofuel producer tax credit	—	$31,228
Credit for paid family and medical leave	—	$27,393
Work opportunity tax credit	$2,800	$15,200
Credit for employer FICA taxes on employee cash tips	$15,060	$15,060
The New Markets Tax Credit	$4,780	$13,200
Enhanced oil recovery credit	$7,570	$7,570
Historic rehabilitation tax credit	$4,970	$4,970
Credits for clean-fuel burning vehicles and refueling property	$2,760	$4,310
Carbon dioxide sequestration tax credit	$4,040	$4,040
Credit for energy efficiency improvements to existing homes	—	$2,600
Empowerment Zone tax incentives	$90	$2,350
Credit for residential energy efficient property	$2,170	$2,170
Credit for producing oil and gas from marginal wells	$2,020	$2,020
Credit for investment in clean coal facilities	$1,940	$1,940
New energy efficient home credit	$10	$1,910
Railroad track maintenance tax credit	$110	$1,865
Credit for production from advanced nuclear power facilities	$1,660	$1,660
Indian employment tax credit	$140	$670
Employee retention tax credit	$290	$331
Credit for employer-provided child care	$200	$200
Advanced energy property credit	$180	$180
Disabled access credit	$100	$100
American Samoa economic development credit	—	$80
TOTAL	**$649,520**	**$764,967**

SOURCES: Office of Management and Budget, "Analytical Perspectives: Tax Expenditures," Fiscal Year 2020, https://www.whitehouse.gov/wp-content/uploads/2019/03/ap_16_expenditures-fy2020.pdf (accessed March 19, 2019); Joint Committee on Taxation, "Estimated Budget Effects Of The Revenue Provisions Contained In Fiscal The House Amendment To The Senate Amendment To H.R. 88," JCX-82-18, November 29, 2018, https://www.jct.gov/publications.html (accessed March 19, 2019).

heritage.org

private-sector investment based on political agendas rather than market realities and create competition for subsidies rather than competitive companies.

Lost economic activity is greatest when the tax code, instead of being applied evenly, is applied through a corrupt political process. The government's use of the tax code to pick winners and losers has harmful economic effects on American families and businesses by limiting their access to diverse products and fostering a less dynamic economy.

Tax credits also obscure overall levels of true spending and revenue collection. The accumulation of special tax provisions increases the complexity of government activity, thereby increasing information asymmetries between government officials and citizens and allowing government budgets to expand beyond their normal democratic constraints. Tax credits contribute to a "fiscal illusion" whereby taxpayers are under the illusion that taxes are cut and government intervention is shrinking. In reality, deficits increase, new market distortions are introduced, and the subsidy escapes regular congressional scrutiny by being exempt from the annual appropriations process. This results in an accumulation of market distortions that slow growth.

Tax Credits to Repeal. The vast majority of tax credits are narrowly targeted subsidies and should be repealed.[15] The *Blueprint for Balance* recommends repealing the full list of credits in Table 7, the cost of which totals $650 billion over 10 years.[16] Many tax credits are authorized only temporarily, but Congress extends them on a recurring basis. The true 10-year cost of these credits, if extended permanently, is $765 billion. Each credit is subject to a variety of specific policy critiques and the more broadly applicable critique that the tax code is not the appropriate tool for distributing subsidies even if they have political or economic benefits. The appendix to this chapter includes details for the individual credits recommended for repeal and their estimated costs.[17]

TAX REFORM LIVES AND DIES WITH SPENDING REFORM

Systemic deficits and growing debt will constrain future tax reform efforts and unnecessarily turn any conversation on tax reform into a debate about how to raise additional revenue, imperiling the successes of the TCJA tax cuts. Part of the solution is reducing spending in the tax code, but traditional outlays must also be scaled back. The remainder of this *Blueprint* offers a wide variety of suggestions for such spending cuts.

The 2017 tax cuts are projected to reduce federal revenues only temporarily. Because many parts of the TCJA were pro-growth (expanding the size of the economy), the tax cuts will raise more yearly revenue by 2024 than was projected before the reform.[18] The problems of deficits and debt are driven by too much spending, not too little tax collection.

Chart 5 (see page 15) shows historical and projected spending and revenues under the CBO baseline. Revenues continue to increase as a percent of the economy, but projected spending grows even faster. Without spending-based reforms, it will become increasingly difficult to make the TCJA tax cuts permanent, and as deficits continue to grow, still higher taxes will be required in the future.

Pro-Growth Tax Reform Appendix

TAX CREDITS RECOMMENDED FOR REPEAL AND THEIR ESTIMATED COSTS

Tax Credits for Higher Education ($167 Billion).[19] The American opportunity tax credit (AOTC) and lifetime learning credit (LLC) are subsidies for higher education tuition and other qualifying expenses. Federal policy should not subsidize any one post-secondary education or training option.

The AOTC is a $2,500 credit, available for the first four years of higher education. If one has a zero tax liability, up to $1,000 of the credit is "refundable," meaning that it becomes a direct transfer payment. The LLC is a nonrefundable $2,000 credit. Taxpayers cannot claim both credits in the same year, and each has income thresholds at which the benefits phase out.

Much like other federal subsidies for higher education spending, such as federally subsidized loan programs, the AOTC and LLC have contributed to the precipitous rise in the cost of college degrees. The myriad sources of federal funds for higher education have removed any incentive for colleges and universities to keep tuition costs low. The significant increase in college tuition rates only increases student reliance on loans and tax incentives to finance higher education.

Eliminating the AOTC and LLC will help to put pressure on colleges and universities to manage tuition costs and will streamline the tax code by eliminating a source of unnecessary complexity.

ADDITIONAL READING

- Mary Clare Reim, "Private Lending: The Way to Reduce Students' College Costs and Protect America's Taxpayers," Heritage Foundation *Backgrounder* No. 3203, April 27, 2017.
- Mark J. Warshawsky and Ross Marchand, "Dysfunctions in the Federal Financing of Higher Education," Mercatus Center at George Mason University, *Mercatus Research*, January 2017.

Research and Development Tax Credit ($222 Billion). Capital investments, including research and innovation, are important for a flourishing economy, and tax policy should establish a framework in which such investment is not discouraged. However, tax expenditures should aim to promote neutrality rather than to give some firms or sectors an advantage over others.

The research credit permits a tax credit of up to 20 percent of qualified research expenditures in excess of a base amount and has been shown to have a small and uncertain ability to increase private research spending, amounting to at most a dollar-for-dollar increase in private R&D for each dollar of tax subsidy. Government-incentivized research does not significantly increase measures of innovation and may even reduce the quality of research.[20] Low-quality research stems from imprecise definitions of qualified research set by bureaucrats in Washington. It is nearly impossible for governments to target socially beneficial R&D successfully: The best mechanism for development of cutting-edge technologies is the free market, not government bureaucrats.

Because the credit cannot be precisely defined, businesses are incentivized to spend large amounts of time and money lobbying Congress and tax regulators to ensure that the credit is tailored to suit their specific interests. Taxpayers claiming the credit and administrators enforcing it spend large amounts of time and money trying to interpret, litigate, and follow the law. This wastes economic resources that could have gone toward productivity-enhancing investments instead of being expended for rent-seeking.

The complex rules and formulas that govern the R&D tax credit are used chiefly by the largest corporations, leaving smaller competitors at a disadvantage.[21] A better and politically neutral way to encourage innovative business investment is to allow all businesses to expense all of their expenditures.

ADDITIONAL READING

- Jason J. Fichtner and Adam N. Michel, "Can a Research and Development Tax Credit Be Properly Designed for Economic Efficiency?" Mercatus Center at George Mason University, *Mercatus Research*, July 2015.

Tax Credits for Energy and Environment ($144 Billion). Handouts to the energy industry carry a significant hidden cost to American taxpayers beyond lost revenue. Currently, 13 distinct tax credits for specific energy resources and technologies manipulate private-sector investment based on political agendas rather than market realities.

Private capital is limited. Technologies that do not receive subsidies appear to be more expensive, risky, or unpromising. By shifting the financial risk of energy projects indirectly to the taxpayer through the tax code, the government discourages private investments in projects that lack the government's blessing but may be more commercially promising. A dollar invested in a company benefiting from a tax credit cannot be invested simultaneously in another company, creating opportunity costs where potentially promising but unsubsidized technologies may not receive investment.

Business models built around taxpayer-funded subsidies also distort the incentive that drives innovation. Preferential tax treatment reduces the necessity for an industry to make its technology cost-competitive, because the tax credit shields a company from recognizing the actual price at which its technology is economically viable. Moreover, targeted tax credits give one technology a government-created price advantage over an unsubsidized competing technology. Companies that do not receive any preferential treatment consequently will lobby for it, demanding a level playing field. The result is a hodgepodge of tax credits that benefit select technologies that Members of Congress support because supporting them benefits their districts or states but harms the country as a whole.

The only way to achieve a truly level playing field is by eliminating all sources of subsidies for all forms of energy. Repealing the following 13 tax credits would be a good first step.

- **Investment Tax Credit for Energy ($52 Billion).** Tax credits of up to 30 percent of investments in solar and geothermal energy property, qualified fuel cell power plants, stationary microturbine power plants, geothermal heat pumps, small wind property, and combined heat and power property. Phased out by January 1, 2024.

- **Energy Production Tax Credit ($32 Billion).** Tax credits for certain electricity produced from wind, biomass, geothermal, solar, small irrigation power, municipal solid waste, and hydro. Most expired in 2017 or 2018.

- **Biofuel Producer Tax Credit ($31 Billion).** Provides a tax credit of up to $1.01 per gallon for qualifying second-generation biofuel.[22] Expired on January 1, 2018.

- **Enhanced Oil Recovery Credit ($8 Billion).** Provides a 15 percent credit for qualified costs, reduced by adjusted value of oil.

- **Credits for Clean Fuel–Burning Vehicles and Refueling Property ($4.3 Billion).** Tax credit of up to $7,500 for qualifying plug-in electric vehicles. Credit phases out for manufacturers who have sold more the 200,000 vehicles. Credits for two-wheeled vehicles, alternative fuel vehicle refueling property, and fuel cell motor vehicles expired on January 1, 2018.[23]

- **Carbon Dioxide Sequestration Tax Credit ($4 Billion).** Tax credit for carbon dioxide captured and disposed of or used as injectant in oil or natural gas recovery.

- **Credit for Energy Efficiency Improvements to Existing Homes ($2.6 Billion).** Expired on December 31, 2017.

- **Credit for Residential Energy-Efficient Property ($2.2 billion).** Tax credit for residential purchases of solar panels, geothermal heat pumps, and small wind generators. Expired on December 31, 2017.

- **Credit for Producing Oil and Gas from Marginal Wells ($2 Billion).** Provides a tax credit for wells that produce less than 1,095 barrel-of-oil equivalents per year.

- **New Energy-Efficient Home Credit ($1.9 Billion).** Provides contractors a $2,000 tax credit for construction of new energy-efficient homes. Expired on December 31, 2017.

- **Credit for Investment in Clean Coal Facilities ($1.9 Billion).**

- **Credit for Production from Advanced Nuclear Power Facilities ($1.7 Billion).** Provides a tax credit of 1.8 cents per kilowatt hour of electricity from an advanced nuclear power facility.

- **Advanced Energy Property Credit ($180 Million).** Provides a 30 percent investment credit for advanced energy manufacturing projects, up to $2.3 billion in total allocable tax credits.

ADDITIONAL READING

- Katie Tubb and Nicolas D. Loris, "Tax Extenders Would Make Energy Companies Dependent, Not Dominant," Heritage Foundation *Backgrounder* No. 3279, January 22, 2018.

Low-Income Housing Tax Credit ($100 Billion). The Low-Income Housing Credit Program (LIHCP) is intended to encourage the provision of low-income rental housing. It achieves its goal poorly and primarily benefits special-interest groups and investors.[24]

Taxpayers making equity investments in eligible housing projects that offer low-income housing can access a tax credit for a 10-year period. The annual credit is 4 percent of the project cost (a 30 percent subsidy) for projects using tax-exempt bonds and 9 percent for other projects (a 70 percent subsidy). More than two-thirds of the subsidy is captured by investors and parties other than low-income tenants.[25]

The LIHCP is a complex system that requires developers to expend a considerable amount of energy and money in order to adhere to all of its construction, occupancy, and administrative rules and regulations. LIHCP projects cost 20 percent more per square foot than medium-quality market housing projects and are less cost-effective than other direct subsidy programs.[26] The program is widely abused by tenants occupying housing for which they are not eligible, by developers who inflate their costs to receive excess tax credits, and by government officials using their discretionary powers to award credits for personal gain.

The LIHCP should be eliminated, and efforts should be made to increase the supply of affordable housing by reducing the considerable government-imposed barriers to construction.

ADDITIONAL READING

- Adam N. Michel, Norbert Michel, and John Ligon, "To Reduce Corporate Welfare, Kill the Low-Income Housing Tax Credit," Heritage Foundation *Issue Brief* No. 4832, March 28, 2018.

Place-Based Tax Incentives ($16.4 Billion). Location-based subsidies have a long history of failing the communities they are designed to help. Government officials, whether in Washington or in state capitals, lack the right knowledge and incentives to centrally plan private investment decisions. The economic literature finds that targeted and place-based economic development incentives are ineffective at meeting their goals and in some cases leave communities worse off than they would have been otherwise.[27] Government planning through subsidies breeds local corruption and further reliance on the government. These wasteful programs tend to benefit the well-connected while perpetuating many of the institutional problems that are the cause of economic decline.

Government policy should not pick winners and losers; it should strive to treat everyone equally. The following four economic development tax programs should be repealed.

- **New Markets Tax Credit (NMTC) ($13.2 Billion).** Tax credit worth 39 percent of the cost of qualifying investments in designated Community Development Entities that then invest in low-income census tracts, claimed over seven years.[28] The Community Development Financial Institutions Fund (CDFI) within the U.S. Department of the Treasury allocates the $3.5 billion of annual NMTCs through a political application process. The credit expires at the end of 2019.[29]

- **Empowerment Zone Tax Incentives ($2.4 Billion).** Employer tax credit worth 20 percent of the first $15,000 in wages of empowerment zone resident workers. Other incentives include tax-exempt bond financing, accelerated depreciation, and capital gains deferral. All incentives expired on December 31, 2017.[30]

- **Indian Employment Tax Credit ($670 Million).** Employer tax credit worth 20 percent of the first $20,000 of qualified wages and health insurance costs for Indian tribal members employed on an Indian reservation. Credit expired on December 31, 2017.[31]

- **American Samoa Economic Development Credit ($80 Million).** Corporate income tax credit based on business activity in American Samoa.[32] Credit expired on December 31, 2017.

ADDITIONAL READING

- "Empowerment Zones, Enterprise Communities, and Renewal Communities: Comparative Overview and Analysis," Congressional Research Service Report for Congress, February 14, 2011

Tax Credit for Orphan Drug Research ($50.4 Billion). Investments in drugs to diagnose, treat, or prevent qualified rare diseases and conditions are able to claim a tax credit worth 50 percent of qualified clinical testing expenses from the development of what are commonly known as "orphan drugs." Generally, an orphan drug is designated as such by the U.S. Food and Drug Administration's Office of Orphan Products Development if it is used for a rare disease or condition affecting fewer than 200,000 people or if there is a reasonable expectation of not recovering the costs of development.

The tax code is not able to provide targeted subsidies to unprofitable products in an appropriate manner. Tax credits are notorious for incentivizing firms to relabel expenditures artificially into the favored class, thereby artificially increasing private tax benefits.[33] For example, among a sample of all U.S. pharmaceuticals, 25 percent had one or more orphan drug designations that reached the "blockbuster status" of earning more than $1 billion in profits. Combined, these orphan drugs totaled $58.7 billion in global sales in just one year.[34]

Additionally, it may not be desirable to increase private expenditures on drugs for a limited number of people. Two scholars writing in the journal Health Policy found that the orphan drug policy has "led to commercial and ethical abuses" by shifting limited resources away from development of drugs that could benefit a broader range of people.[35] Redirecting resources away from commercially viable drugs ultimately has unknowable but consequential welfare implications.

Tax Credit for Paid Family and Medical Leave ($27.4 Billion). The TCJA created a new tax credit program for paid family and medical leave. It should be allowed to expire, as it does in current law, in 2020. The employer credit for paid family and medical leave allows a tax credit of up to 25 percent of wages paid to employees on qualifying leave making under $72,000 a year.

The temporary credit is not likely to induce new employers to offer qualifying paid-leave programs. Instead, the benefit will accrue to business owners who already offer such programs as a federally subsidized windfall profit. The narrowly tailored credit rules are likely to derail the impressive expansions of privately provided leave programs that have emerged as a margin of competition for employers to attract talent.

Following in the footsteps of other new federal entitlements, the limited credit is likely to grow over time. In contrast to the seemingly small $2 billion a year cost of the current credit, a credit to fully subsidize 16 weeks of paid leave (the goal of many advocates) would cost well upwards of $300 billion per year or $3 trillion over 10 years.[36]

Tax Credit for Employer-Provided Child Care ($200 Million). The tax credit for employer-provided child care facilities and services allows employers to claim a tax credit for up to 25 percent of their qualifying child care expenditures, for a credit of up to a $150,000 per year.

The employer-provided child care credit unnecessarily creates an incentive for businesses to compensate their employees with child care services rather than cash wages. All employees, including parents, would be better off if they were allowed to negotiate their compensation mix without mandates and other distortions introduced by government policy. Tying employment to any unrelated service also creates job lock—similar to tying health insurance to employment—whereby employees are less likely to move jobs for fear of losing a particular government-incentivized benefits package.[37]

Private companies with employees who value the service of onsite child care will still have a private market incentive to provide the benefit absent the federal subsidy.

Tax Credit for Employer FICA Taxes on Employee Tips ($15 Billion). In 1993, Congress created a corporate income tax credit equal to the employer portion of Federal Insurance Contributions Act (FICA) payroll taxes on restaurant employee cash tips over the federal minimum wage.[38] This credit effectively allows employers of tipped restaurant employees not to pay their 7.65 percent payroll tax contribution on tip income.

In theory, the credit aligns the IRS and certain employers' reporting incentives so that the employers have fewer incentives to underreport tip income. In reality, the credit creates yet another administrative hurdle to make paying and collecting business taxes more complicated while subsidizing compensation through tips over traditional wages. Moreover, the credit applies only to the restaurant industry; no other tipped industry receives the subsidy.

The Obama Administration's FY 2016 Revenue Proposal recommended repealing the credit, explaining that it "costs far more than any positive effect on tax compliance."[39]

Railroad Track Maintenance Tax Credit ($1.9 Billion). The tax credit for certain railroad track maintenance (known as the 45G Tax Credit) is equal to 50 percent of qualified railroad track maintenance expenditures and capped at $3,500 per mile of track for class II or class III railroads (regional and short line railroads).[40] The credit expired on January 1, 2018. A permanent extension and modification of the credit was included in the first version of the Retirement, Savings, and Other Tax Relief Act of 2018.[41]

The government should not be in the business of providing subsidies to any private industry, including railroads. Narrowly tailored subsidies to specific industries distort investments by incentivizing companies to invest in otherwise unprofitable businesses. Business should earn enough to cover the maintenance costs of its capital.

Historic Rehabilitation Tax Credit ($5 Billion). The federal Historic Tax Credit (HTC) is designed to subsidize the rehabilitation and preservation of historic buildings as certified by the National Parks Service. Following changes in the TCJA, the income tax credit is worth 20 percent of qualifying rehabilitation costs and must be claimed over five years.[42]

Despite the nostalgic allure of historic preservation, the federal tax credit incentivizes inefficient use of valuable real estate and exacerbates housing supply constraints, raising rental costs. The rehabilitation tax credit subsidizes the preservation of old buildings over new construction. New construction often expands occupancy, increasing supply and lowering prices. The main impediments to new construction are local-level preservation and zoning rules that create historic designations. Without new construction, rental costs rise, and people are quickly priced out of the market, creating large reductions in economic welfare.

The HTC makes existing housing supply problems worse and further entrenches other regulatory impediments to new construction.[43] Repealing the credit is a good first step toward making housing more affordable by expanding the housing supply, which will lower rents.

Work Opportunity and Employee Retention Tax Credits ($15.5 Billion). The Work Opportunity Tax Credit, first included in the Small Business Job Protection Act of 1996, is a temporary part of the tax code that has been extended and modified 10 times.[44] The credit currently expires on December 31, 2019.

The credit is based on a percentage of the employee's first-year wages, depending on hours worked and group status. It is generally worth between $1,200 and $24,000 annually depending on the eligible targeted populations, which include Temporary Assistance to Needy Families (TANF) recipients, Supplemental Nutrition Assistance Program (SNAP) recipients, certain veterans, ex-felons, residents of special economic zones, youth summer employees, and the long-term unemployed, among others. The employee retention credit is a 40 percent credit for up to $6,000 in wages paid to an employee of a business in a presidentially declared disaster area.[45]

Historically low employment among each of the targeted populations is a symptom of institutional problems in other policy areas. Regulatory impediments to opportunity should be removed, not papered over with an inefficient and complex tax credit. For example, minimum wages have the largest disemployment effects among young, low-skilled, and disabled job seekers. Most of these populations are also eligible for many other government assistance programs, including other wage subsidy programs like the Earned Income Tax Credit (EITC).

The work opportunity and employee retention tax credits are an unnecessary and highly complex scheme that should be allowed to expire and not renewed again as originally intended.

Disabled Access Tax Credit ($100 Million). The tax credit for expenditures to provide access to disabled individuals was included in the Americans with Disabilities Act (ADA) of 1990[46] to help offset employer costs of complying with the new law, which outlaws discrimination in employment and pay for the disabled. Eligible small businesses are able to claim a credit of up to $10,500 for 50 percent of disabled access expenditures.

Following the ADA's implementation, disabled employment decreased, indicating that the law unintentionally increased the cost of hiring disabled workers. By one estimate, the ADA increased hiring costs by 6 percent–10 percent, largely because of the increased risk of litigation.[47] The disabled access tax credit does not address the fundamental problems characteristic of poorly designed federal employment laws, and using the tax code does not alleviate such regulatory burdens effectively.

ENDNOTES

1. *Economic Report of the President, Together with the Annual Report of the Council of Economic Advisers*, The White House, March 2019, https://www.whitehouse.gov/wp-content/uploads/2019/03/ERP-2019.pdf (accessed March 22, 2019).
2. Kevin Dayaratna, Parker Sheppard, and Adam N. Michel, "Tax Cuts in Every Congressional District in Every State," Heritage Foundation *Backgrounder* No. 3333, July 23, 2018, https://www.heritage.org/taxes/report/tax-cuts-every-congressional-district-every-state.
3. News release, "Employment Cost Index—December 2018," U.S. Department of Labor, Bureau of Labor Statistics, January 31, 2019, https://www.bls.gov/news.release/pdf/eci.pdf (accessed March 22, 2019).
4. Dayaratna, Sheppard, and Michel, "Tax Cuts in Every Congressional District in Every State."
5. Adam N. Michel, Kevin Dayaratna, and Parker Sheppard, "Taxes Will Go Up in Every Congressional District If the TCJA Is Repealed," Heritage Foundation *Issue Brief* No. 4908, October 17, 2018, https://www.heritage.org/taxes/report/taxes-will-go-every-congressional-district-if-the-tcja-repealed.
6. Adam N. Michel and Parker Sheppard, "Simple Changes Could Double the Increase in GDP from Tax Reform," Heritage Foundation *Issue Brief* No. 4852, May 14, 2018, https://www.heritage.org/taxes/report/simple-changes-could-double-the-increase-gdp-tax-reform.
7. Adam N. Michel, "Universal Savings Accounts Can Help All Americans Build Savings," Heritage Foundation *Backgrounder* No. 3370, December 4, 2018, https://www.heritage.org/taxes/report/universal-savings-accounts-can-help-all-americans-build-savings.
8. Joint Committee on Taxation, U.S. Congress, "Estimated Revenue Effects of H.R. 6757, The 'Family Savings Act Of 2018,' as Amended, Scheduled for Consideration by the House Of Representatives on September 27, 2018: Fiscal Years 2019–2018," JCX-80-18, September 27, 2018, https://www.jct.gov/publications.html?func=startdown&id=5147 (accessed March 22, 2019). Revenue for USAs is not included in the 2020 *Blueprint* baseline.
9. David Burton, "The Tax Code as a Barrier to Entrepreneurship," testimony before the Committee on Small Business, U.S. House of Representatives, February 15, 2017, https://www.heritage.org/testimony/the-tax-code-barrier-entrepreneurship.
10. U.S. Department of the Treasury, Internal Revenue Service, "Types of Retirement Plans," last reviewed or updated July 10, 2018, https://www.irs.gov/retirement-plans/plan-sponsor/types-of-retirement-plans (accessed March 22, 2019).
11. Adam N. Michel, "Four Priorities for Tax Reform 2.0—and Seven Supporting Reforms," Heritage Foundation *Issue Brief* No. 4888, July 16, 2018, https://www.heritage.org/taxes/report/four-priorities-tax-reform-20-and-seven-supporting-reforms.
12. Veronique de Rugy and Adam N. Michel, "A Review of Selected Corporate Tax Privileges," Mercatus Center at George Mason University, *Mercatus Research*, October 2016, https://www.mercatus.org/system/files/mercatus-de-rugy-corporate-tax-privileges-v1.pdf (accessed March 22, 2019).
13. H.R. 7130, Congressional Budget and Impoundment Control Act of 1974, Public Law 93-344, 93rd Cong., July 12, 1974, https://www.congress.gov/bill/93rd-congress/house-bill/7130 (accessed March 22, 2019).
14. Adam Michel, "New Measure of Tax Expenditures to Support Pro-Growth Tax Policy," Heritage Foundation *Issue Brief* No. 4951, April 9, 2019, https://www.heritage.org/budget-and-spending/report/new-measure-tax-expenditures-support-pro-growth-tax-policy.
15. Not all tax credits should be eliminated. For example, the credit for taxes paid to foreign governments on personal income earned overseas should be retained; it protects U.S. citizens from double taxation under our worldwide tax system and is a desirable feature of the tax code. Alternatively, Congress should eliminate the taxation of American citizens' worldwide income and tax only income that is earned in the United States. Kurt Couchman, "It's Time to Free American Expats from Our Ludicrous Extraterritorial Tax System," *National Review*, August 15, 2018, https://www.nationalreview.com/2018/08/american-expatriates-deserve-territorial-income-tax-system/ (accessed March 22, 2019).
16. Author's calculations based on expenditure reports from the President's budget, various JCT reports, and CBO alternative fiscal scenario revenue projections. Individual credit values are summed; however, the economics of each individual credit and how they interact with one another will vary significantly. Chapter 16, "Tax Expenditures," in Office of Management and Budget, *Fiscal Year 2020 Budget of the U.S. Government: Analytical Perspectives*, pp. 171–228, https://www.whitehouse.gov/omb/analytical-perspectives/ (accessed March 22, 2019); Joint Committee on Taxation, U.S. Congress, "Estimated Budget Effects of the Revenue Provisions Contained in the House Amendment to the Senate Amendment to H.R. 88 Scheduled for Consideration by the House of Representatives: Fiscal Years 2019–2018," JCX-82-18, November 29, 2018, https://www.jct.gov/publications.html?func=startdown&id=5150 (accessed March 19, 2019); Congressional Budget Office, "The Budget and Economic Outlook: 2019 to 2029: Budget and Economic Data: Revenue Projections, by Category," January 2019, https://www.cbo.gov/about/products/budget-economic-data#7 (accessed March 22, 2019).
17. See Appendix, "Tax Credits Recommended for Repeal and Their Estimated Costs," *infra*.
18. Tax Foundation, "Preliminary Details and Analysis of the Tax Cuts and Jobs Act," *Special Report* No. 241, December 2017, https://files.taxfoundation.org/20171220113959/TaxFoundation-SR241-TCJA-3.pdf (accessed March 22, 2019).
19. All costs listed in this appendix represent the total 10-year current policy costs if the provisions were made permanent.
20. Christof Ernst, Katharina Richter, and Nadine Riedel, "Corporate Taxation and the Quality of Research and Development," FZID *Discussion Paper* No. 66-2013, University of Hohenheim, Center for Research on Innovation and Services (FZID), 2013, https://www.econstor.eu/bitstream/10419/69739/1/736810501.pdf (accessed March 22, 2019).
21. Jason J. Fichtner and Adam N. Michel, "Can a Research and Development Tax Credit Be Properly Designed for Economic Efficiency?" Mercatus Center at George Mason University, *Mercatus Research*, July 2015, https://www.mercatus.org/system/files/Fichtner-R-D-Tax-Credit.pdf (accessed March 22, 2019).
22. 26 U.S.C. § 40(b)(6)(B), https://www.law.cornell.edu/uscode/text/26/40 (accessed March 22, 2019).
23. 26 U.S. Code § 30D—New Qualified Plug-in Electric Drive Motor Vehicles, https://www.law.cornell.edu/uscode/text/26/30D (accessed March 22, 2019).

24. Chris Edwards and Vanessa Brown Calder, "Low-Income Housing Tax Credit: Costly, Complex, and Corruption-Prone," Cato Institute *Tax and Budget Bulletin* No. 79, November 13, 2017, https://www.cato.org/publications/tax-budget-bulletin/low-income-housing-tax-credit-costly-complex-corruption-prone (accessed March 22, 2019).
25. Ed Olsen, "Does Housing Affordability Argue for Subsidizing the Construction of Tax Credit Projects?" March 24, 2017, revised July 26, 2017, prepared for presentation at a conference on housing affordability at the American Enterprise Institute, April 6, 2017, http://eoolsen.weebly.com/uploads/7/7/9/6/7796901/olsenaeihousingaffordabilityconferencepanel12rev.pdf (accessed March 22, 2019).
26. Michael D. Eriksen, "The Market Price of Low-Income Housing Tax Credits," *Journal of Urban Economics*, Vol. 66, No. 2 (September 2009), pp. 141–149.
27. Scott Eastman and Nicole Keading, "Opportunity Zones: What We Know and What We Don't," Tax Foundation *Fiscal Fact* No. 630, January 8, 2019, https://taxfoundation.org/opportunity-zones-what-we-know-and-what-we-dont/ (accessed March 25, 2019); [Name redacted on web site], "Empowerment Zones, Enterprise Communities, and Renewal Communities: Comparative Overview and Analysis," Congressional Research Service *Report for Congress*, February 14, 2011, https://www.everycrsreport.com/files/20110214_R41639_b18ae5bf0fbe93505d7b6c2b13b744b76124b9ed.pdf (accessed March 22, 2019).
28. A census tract is a geographic area designated for the purpose of taking the census.
29. 26 U.S. Code § 45D—New Markets Tax Credit, https://www.law.cornell.edu/uscode/text/26/45D (accessed March 22, 2019); Donald J. Marples and Sean Lowry, "New Markets Tax Credit: An Introduction," August 31, 2016, https://fas.org/sgp/crs/misc/RL34402.pdf (accessed March 22, 2019).
30. 26 U.S. Code §§ 1391–1397, https://www.law.cornell.edu/uscode/text/26/subtitle-A/chapter-1/subchapter-U (accessed March 22, 2019); [Name redacted on web site], "Empowerment Zones, Enterprise Communities, and Renewal Communities: Comparative Overview and Analysis."
31. 26 U.S. Code § 45A—Indian Employment Credit, https://www.law.cornell.edu/uscode/text/26/45A (accessed March 22, 2019).
32. Richard Rubin, "If the Tax Overhaul Smells Fishy, It's Probably the Samoan Tuna Plant," *The Wall Street Journal*, November 28, 2017, https://www.wsj.com/articles/if-the-tax-overhaul-smells-fishy-its-probably-the-samoan-tuna-plant-1511813469 (accessed March 22, 2019).
33. This phenomenon has been documented in the research and development tax credit. See Bronwyn Hall and John Van Reenen, "How Effective Are Fiscal Incentives for R&D? A Review of the Evidence," *Research Policy*, Vol. 29, Nos. 4–5 (April 2000), pp. 449–469, https://eml.berkeley.edu/~bhhall/papers/HallVanReenan%20RP00.pdf (accessed March 22, 2019).
34. Olivier Wellman-Labadie and Youwen Zhou, "The US Orphan Drug Act: Rare Disease Research Stimulator or Commercial Opportunity?" *Health Policy*, Vol. 95, Nos. 2–3 (May 2010), pp. 216–228.
35. Ibid.
36. Rachel Greszler, "Paid Family Leave: Avoiding a New National Entitlement," Heritage Foundation *Backgrounder* No. 3231, July 20, 2017, https://www.heritage.org/jobs-and-labor/report/paid-family-leave-avoiding-new-national-entitlement; Joint Committee on Taxation, U.S. Congress, "Estimated Budget Effects of the Conference Agreement for H.R. 1, the 'Tax Cuts and Jobs Act': Fiscal Years 2018–2027," JCT-67-17, December 18, 2017, https://www.jct.gov/publications.html?func=startdown&id=5053 (accessed March 22, 2019).
37. Harald Dale-Olsen, "Wages, Fringe Benefits and Worker Turnover," *Labour Economics*, Vol. 13, No. 1 (February 2006), pp. 87–105.
38. H.R.2264, Omnibus Budget Reconciliation Act of 1993, Public Law 103-66, 103rd Cong., August 10, 1993, https://www.congress.gov/bill/103rd-congress/house-bill/2264 (accessed March 22, 2019).
39. U.S. Department of the Treasury, *General Explanations of the Administration's Fiscal Year 2016 Revenue Proposals*, February 2015, p. 122, https://www.treasury.gov/resource-center/tax-policy/documents/general-explanations-fy2016.pdf (accessed March 22, 2019).
40. 26 U.S. Code § 45G—Railroad Track Maintenance Credit, https://www.law.cornell.edu/uscode/text/26/45G (accessed March 22, 2019).
41. Congressional Budget Office, "H.R. 88, Retirement, Savings, and Other Tax Relief Act of 2018 and Taxpayer First Act of 2018, as Amended by the House Committee on Rules on November 28, 2018," *Cost Estimate*, December 7, 2018, https://www.cbo.gov/system/files/2018-12/hr88.pdf (accessed March 22, 2019).
42. 26 U.S. Code § 47—Rehabilitation Credit, https://www.law.cornell.edu/uscode/text/26/47 (accessed March 22, 2019).
43. Emily Hamilton, "Historic Preservation: Bad for Neighborhood Diversity," Market Urbanism, September 4, 2014, http://marketurbanism.com/2014/09/04/historic-preservation-bad-for-neighborhood-diversity/ (accessed March 22, 2019).
44. H.R. 3448, Small Business Job Protection Act of 1996, P.L. 104-188, 104th Cong., August 20, 1996, https://www.congress.gov/104/plaws/publ188/PLAW-104publ188.pdf (accessed March 22, 2019); Benjamin Collins and Sarah A. Donovan, "The Work Opportunity Tax Credit," Congressional Research Service *Report for Members and Committees of Congress*, updated September 25, 2018, https://fas.org/sgp/crs/misc/R43729.pdf (accessed March 22, 2019).
45. It was required that eligible wages be paid after the disaster and before January 1, 2018.
46. S. 933, Americans with Disabilities Act of 1990, Public Law 101-336, 101st Cong., July 26, 1990, http://library.clerk.house.gov/reference-files/PPL_101_336_AmericansWithDisabilities.pdf (accessed March 22, 2019).
47. Daron Acemoglu and Joshua D. Angrist, "Consequences of Employment Protection? The Case of the Americans with Disabilities Act," *Journal of Political Economy*, Vol. 109, No. 5 (October 2001), pp. 915–957, https://economics.mit.edu/files/17 (accessed March 22, 2019).

CHAPTER FIVE

Policy Priorities for the Federal Budget

Edited by Romina Boccia

Each year, Congress is required to pass a budget resolution that addresses the entirety of the federal budget: all spending and all taxes. The budget resolution is the only comprehensive document in which Congress lays out its vision for the nation and establishes policy goals for the following fiscal year and the years ahead.

The budget resolution does not carry the force of law, but it does set the stage for enabling Congress to follow through on its vision with separate legislation, especially budget reconciliation, which both allows a bill to bring current law into compliance with the resolution so that it can be fast-tracked in Congress and makes it filibuster-proof in the Senate.

With more than $22 trillion in national debt and annual deficits reaching trillion-dollar territory, Congress must leverage the budget resolution to address the key drivers of the government's financial problems: too much spending and an excessive and growing federal debt. The budget resolution presents a critical opportunity for Congress to set the reconciliation process in motion in 2019 to reduce federal spending.

Congress should put the budget on a path toward balance in order to:

- **Right-size** federal government activities and prioritize spending toward its highest uses,
- **Reduce** debt and enable economic growth to raise living standards for all Americans,
- **Secure** a low tax burden and an efficient tax system, and
- **Strengthen** America's national defense.

Congress should act to reform the major entitlement programs: Obamacare, Medicare, Medicaid, Social Security, and welfare. Congress should provide 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, 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 opportunities for all Americans to achieve their version of the American Dream.

This chapter outlines the major policy objectives that should guide the congressional budget in achieving these goals.

STRONG NATIONAL DEFENSE

Congress should prioritize national security by funding critical defense needs and the rebuilding of military capabilities following years of defense cuts that hurt both capability and readiness. The Heritage

Foundation's *2019 Index of U.S. Military Strength* rates the U.S. military as "marginal" and the Marine Corps as "weak."[1]

The Bipartisan Budget Act of 2018 provided some necessary relief in fiscal year (FY) 2018 and FY 2019 from tight budget caps imposed on defense by the 2011 Budget Control Act. Rebuilding the military will require a significant funding increase for defense, sustained through time. Congress should 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.

To meet these goals, funding for America's defense budget should be sustained and predictable and should match the mission we assign our military. A properly funded Department of Defense is not by itself enough to keep the U.S. safe, but an insufficient defense budget leads to a weak military and invites further provocations from America's enemies.

COMPETITIVE FEDERALISM

A highly centralized government is a poor fit for a country as large and diverse as America. Federalism should allow for 50 different models of governance suited to the particular needs of the nation's individual states. Within the confines of the Constitution, states should be free to enact policies that best serve the needs of their citizens. Properly understood, federalism serves not the states, but the American people who reside in the states. It also fosters competition among the states, creating incentives for them to enact policies that retain and attract people and businesses.

To revive true federalism, Congress should focus on its core constitutional responsibilities. Laws that go beyond the federal government's enumerated powers and improperly preempt state authority should be repealed. Congress should leave to the states any program that does not carry out a constitutional function of the federal government or that otherwise ought to be handled at the state level. As a general principle, the government closest to a problem should be the one addressing it.

Short of doing that, Congress should focus on reforming how it disburses federal dollars to the states in order to serve the American people more effectively. What this means will vary case by case. In certain areas, like transportation, Congress should give the states much more latitude in spending the federal dollars they receive than it now does. In other areas, like means-tested welfare or public housing, Congress should ensure that federal dollars do not undermine work, family, and community. As long as Congress is funding these programs, it is appropriate that it take steps to curb dependence on them (for example, through work requirements). The ultimate goal, of course, remains to have the state governments not only operate public assistance programs, but also pay for them with state revenues.

TRANSPARENT, ACCOUNTABLE GOVERNMENT

If citizens are to obtain the information they need to make informed decisions about how their government is discharging its core constitutional responsibilities, transparency is absolutely essential. Information regarding the conduct of public officials must be easily accessible and widely available to citizens, the media, and other stakeholders such as expert think tanks to enable constituents to hold their officials accountable for the conduct of the people's business. While the federal government must guard some activities and records for the sake of national security, ongoing law enforcement efforts, and the privacy of its personnel and the public, it should err on the side of disclosure.

Too often, agencies adhere to the letter but not the spirit of transparency-promoting laws like the Freedom of Information Act (FOIA). Career bureaucrats should not be free to determine for themselves what information they release and redact. As we have seen time and again, agencies are loathe to disclose information that they believe may embarrass them. Career bureaucrats' professional motivations run exactly counter to the goal of transparency. Political leadership in the executive and congressional oversight committees must actively review agency decisions about what documents to release and what to redact pursuant to FOIA requests from the public. Aggressive disciplinary steps should be taken against federal bureaucrats who overclassify internal records to shield themselves from accountability.

Not only should the federal government more dutifully provide documents when they are lawfully demanded, but it also has an affirmative duty to disclose certain information. Given the opacity and complexity of much of the executive bureaucracy, however, citizens, journalists, and other stakeholders might not know what questions to ask even if they were guaranteed a comprehensive answer. Moreover, publicly available data repositories are often woefully deficient. For instance, a recent report found that over half of the federal grant data on USASpending.gov was inaccurate, incomplete, or both.[2]

Lawmakers and the Trump Administration should shift the burden from the public to the state to share all of the information that citizens need to hold their elected officials accountable. Instead of waiting for FOIA requests, agencies should proactively disclose records and statistics that are not exempted or excluded from FOIA.

The federal government is a large and complex organization, vulnerable to mismanagement or undue influence. Congress and the Administration must establish proper checks and balances and maintain constant oversight both to ensure that federal officials and government agencies engage in effective and ethical operations that reflect statutory intent and to identify and correct any problems as soon as they arise. Transparency is essential to accountability.

STABLE MONEY

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.[3] Furthermore, the Fed's action during the 2008 financial crisis is only the most recent example of its long history of propping up failing firms;[4] 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 establish a formal commission to review the effectiveness of the Federal Reserve and require the Fed to implement a plan that combines shrinking the balance sheet with phasing out the payment of interest on excess reserves in no more time (approximately five years) than it took to implement its quantitative easing (QE) programs. In the meantime, Congress should immediately require the Fed to stop paying above-market rates on reserves.[5]

Failure to implement these changes will only allow the Fed to maintain its current operating framework indefinitely. This crisis-era framework allows the Fed to maintain an abnormally large footprint in credit markets, thus distorting prices and interest rates. Maintaining this framework will also make it very difficult for the Fed to regulate the economy's overall liquidity without allocating credit to specific groups.

LOW, EFFICIENT TAXATION

Federal taxes should exist to raise only the revenues necessary to fund the constitutionally prescribed duties of the federal government. Revenues should be collected in the least economically damaging manner. The Tax Cuts and Jobs Act worked to remedy the historical failures of the U.S. tax system on both fronts by lowering tax burdens and minimizing the economic distortions of the corporate income tax. Building on the successes of tax reform in 2017, future updates to the tax code should extend many of the changes permanently and address the system's continued complexity while further reducing the economic distortions caused by special tax privileges.

The U.S. tax code's complexity and structure harm economic growth. The 2017 tax reform began to address the most pressing problems, but much still needs to be done. The new lower tax rates and other changes in tax reform have already begun to increase productivity, job creation, and real wages. In the coming years, Congress should make the individual tax cuts permanent, expand the ability of businesses to fully expense their investments, and eliminate all special tax carve-outs. These changes will work to increase and solidify the economic gains from tax reform.

Future tax reforms should further lower tax rates on all Americans and work to establish a consumption tax base rather than the hybrid income–consumption tax base that the current system uses. Universal Savings Accounts (USAs) are one important step toward the goal of eliminating the bias against saving and investment. USAs are retirement-style savings accounts for all-purpose savings. Future reforms should also make the U.S. tax system more transparent and less complex so that taxpayers understand how much they are paying every year to fund the federal government.

REGULATORY REFORM

Federal spending constitutes only one part of the burden that Washington imposes on Americans. Regulations impose crushing costs on the U.S. economy and restrict individual freedom. The Trump

Administration is taking important steps to rein in agencies' rulemaking, but Congress must do much more to eliminate unnecessary regulation.

The Trump Administration has made significant progress in containing the growth in new regulations pursued by previous Administrations. After 22 months in office, it has issued 65 percent fewer "economically significant" rules—those with costs to the private sector that exceed $100 million a year—than the Obama Administration issued and 51 percent fewer than the Bush Administration issued. The White House is also pursuing rollbacks of the Obama Administration's costliest and most unwarranted rules. But regulatory repeal is a laborious process that may take years—especially given the never-ending legal challenges pursued by proponents of regulation.

Congress could do a great deal more to advance reform, including eliminating funding for regulatory programs that lack actual statutory authority or those that have failed to achieve their intended results. Lawmakers should also institute expiration dates for the funding of regulatory initiatives to reduce the cumulative burden of regulation.

The 50-member staff of the Office of Information and Regulatory Affairs who review agency rulemaking is badly outnumbered by the hundreds of thousands of regulators who labor daily to craft rules. Congress should expand the resources of the office to improve regulatory oversight in addition to asserting more of its own authority over runaway regulation.

TRADE FREEDOM

The ability to trade freely with others is the foundation of America's modern economic system, which provides historically unprecedented opportunities for individuals to achieve greater economic independence and prosperity. According to data in The Heritage Foundation's annual *Index of Economic Freedom*, countries with low trade barriers are more prosperous than those that restrict trade.[6] Open trade fuels vibrant competition, innovation, and economies of scale, allowing individuals, families, and businesses to take advantage of lower prices and increased choice.

U.S. trade agreements with 20 countries around the world reduce most taxes on imports from these countries to zero. Negotiations for the United States–Mexico–Canada Agreement (USMCA), which is meant to replace the existing North American Free Trade Agreement (NAFTA), were completed in late 2018. The USMCA maintains tariff-free treatment for scores of goods and services in North America while also bringing much-needed modernizations for the 21st century. However, the benefits of free trade found in the USMCA must not be undermined in the agreement's implementing legislation. Of key concern are any efforts to strengthen or expand commitments made in the chapters regarding labor and the environment. A worsening of these aspects of the USMCA would be unacceptable. As the legislation is being finalized by the Administration, the U.S. commitment to free trade should be strengthened.

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 compete in the global marketplace. The government should encourage manufacturing by eliminating all taxes on imports of intermediate goods. In 2018, through executive action, the U.S. imposed new tariffs on roughly 12 percent of its total imports, including imports of such intermediate goods as steel and aluminum. These tariffs should be removed immediately, as restrictions aimed at providing protection or benefit to one industry or producer often have serious negative impacts on other domestic producers in addition to harming U.S. consumers.

NO PENSION BAILOUTS

Bailouts incentivize risky and even reckless actions by shielding individuals from the consequences of their actions. Currently, policymakers face pressure to bail out private union pension plans (so-called multiemployer pensions) to avoid major pension losses for workers and retirees.

Collectively, about 1,400 union pension plans have promised their members $638 billion more than they have set aside to pay them. The union officials and employer representatives overseeing the plans do not want to face the hard reality of having to cut benefits and increase contributions so that their plans can survive (and some plans simply cannot survive) or of having their plans fail and the Pension Benefit Guaranty Corporation (PBGC) step in to pay what it can of insured benefits. Although it is not fair that unions and employers promised benefits to workers and failed to make good on those promises, it would be even less fair to force hardworking taxpayers to pay for their broken promises. Moreover, doing so would set the precedent that federal taxpayers will stand behind other broken pension promises, including nearly $6 trillion worth of state and local pension plans' unfunded commitments.

Instead of bailouts, policymakers should provide solutions that would minimize losses on existing unfunded pension promises and prevent unions and employers from making promises they cannot keep. Necessary changes include eliminating multiemployer pension plans' separate set of rules and instead requiring them to follow the same rules that single-employer pensions must follow; allowing pension plans to minimize losses by reducing benefits before plans become insolvent; and maintaining the PBGC's insured benefits through higher fixed and variable premiums as well as stakeholder fees. These actions would minimize pension losses while relieving taxpayers of the burden of having to pay for and further subsidize private-sector broken pension promises.

COMPETITIVE CIVIL SERVICE COMPENSATION

Unlike private businesses that pay workers based on their productivity, the federal government pays workers based on a rigid schedule that is shielded from many market forces. Consequently, federal employees as a whole receive significantly higher total compensation than similar private-sector employees receive, but they also suffer from the consequences of working in an environment that fails either to reward hard work and success properly or to penalize laziness and failures.

The federal government is at a competitive disadvantage when it comes to attracting highly skilled workers because it fails to tie pay effectively to productivity. Moreover, excessive civil service protections prevent federal managers from firing—or even stopping performance-based pay increases for—underperforming, idle, and even recalcitrant employees.

Congress should reform the federal employment system, including everything from pay and benefits to personnel policies and labor–management relations, to make it operate more as the private sector operates. This would provide federal employees with a more competitive compensation package, including greater choice and potentially higher pay. It would also improve morale and save taxpayers an estimated $339 billion in excessive federal personnel costs over the next 10 years.[7]

FREER ACCESS TO NATURAL RESOURCES AND LESS ENERGY REGULATION

With the abundance of resources beneath U.S. soil, America is quite literally the land of opportunity. America has an abundance of natural resources, including plentiful reserves of coal, natural gas, uranium, and oil, but federal ownership and control of vast tracts of America's land has blocked natural resource development and resulted in poor land management.

Congress desperately needs to address burdensome regulations on the energy industry that fail to produce any meaningful environmental benefits. Too many regulations are written on the premise that any amount of risk is too much. Regulatory agencies commonly underestimate or ignore costs, exaggerate environmental benefits, and push constitutional boundaries. Agencies increase the stringency of existing regulations that produce minimal if any environmental benefits. They also use the regulatory process to micromanage customer choices, from the energy efficiency of microwaves to fuel efficiency mandates. Empowering individuals, as well as state and local governments, will yield better economic and environmental outcomes.

NO CRONYISM AND CORPORATE WELFARE IN ENERGY MARKETS

Over the years, Congress has implemented numerous policies to subsidize the production or consumption of one energy source 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 among families and businesses. Government handouts take choices away from consumers and distort the flow of investments.

The government's picking of winners and losers does more harm to energy innovation than good. Instead of relying on a process that rewards competition, taxpayer subsidies prevent a company from innovating to make a technology cost-competitive. Subsidies also promote dependence on preferential treatment from the government and encourage programs that are meant to last only a few years to become permanent fixtures because of the special interests that benefit from them. Congress should eliminate preferential treatment for every energy source and technology and let competition and consumer choice drive energy innovation forward.

HEALTH CARE REFORM

Americans continue to worry about their health care. Premiums continue to rise, provider networks have narrowed, and choices have dwindled. As a result, millions of Americans have been driven out of the insurance market. At the end of 2017, enrollment in the individual market was at its lowest since before Obamacare. The number of unsubsidized people in the individual market has shrunk by more than a third, from 11.8 million in 2013 to 7.7 million in 2017.[8] On top of that decline, more insurers left the Obamacare exchange market in 2018, leaving more than half of all counties with only one insurer.[9]

The Administration has taken several actions to offer states and individuals much-needed relief from the harmful effects of Obamacare. Heritage research found that states that took advantage of one such action were able to reduce premiums by as much as 38 percent.[10] These early results are promising, but more needs to be done.

Congress should take the next step and put in place a new framework: a framework that would provide states with the statutory flexibility and resources needed to lower premiums and increase choices for their citizens. The Health Care Choices Proposal, signed by nearly 100 national and state leaders, outlines a plan that, based on independent analysis, could reduce premiums by as much as 32 percent.[11]

The proposal would make several important changes to revive the individual and small-group markets to give Americans better health care choices at lower cost. These changes include lifting several federal mandates off of the states while protecting access for those with preexisting conditions, replacing the federal Obamacare funding structure for insurance subsidies and Medicaid expansion with a combined block grant to the states, and allowing individuals to apply any assistance they receive to a plan of their choice, not the government's choice.

From there, Congress and the states must tackle the other aspects of the health care system that are driving up the cost of health care for Americans. Specifically, Congress and the states should focus on spurring innovation by removing the statutory and regulatory barriers that impede choice and competition. Policy reforms would include removing state-level certificate of needs rules that keep out competitors, equalizing the tax treatment of health insurance to give individuals the ability to buy and own their health care without being disadvantaged, and expanding the scope of health savings accounts to make their application more flexible.[12] In addition, Congress and the states should advance reforms to modernize and improve Medicare and Medicaid to meet the looming demographic, structural, and fiscal challenges.

SUSTAINABLE SOCIAL SECURITY

Social Security's Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) programs provide a false sense of security by promising more in benefits than they can pay, and they charge workers more in payroll taxes than they would have to pay to receive the same benefits from the private sector. Combined, these programs cost more than $1 trillion in 2019—about one-quarter of the federal budget—to provide benefits to 63 million beneficiaries. OASDI's combined unfunded obligation over the 75-year horizon tops $16 trillion.

Within Social Security's retirement program, lawmakers should gradually and predictably increase the 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 antipoverty 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. Individuals should be empowered to own and control more of their own retirement resources.

WELFARE REFORM

The current U.S. welfare system has failed the poor. It directly undermines human well-being, promotes dysfunctional behavior, and is extremely costly. Total federal and state government spending on dozens of different federal means-tested welfare programs now reaches $1.1 trillion annually.[13] 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 oneself 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 U.S. Department of Agriculture has taken a good first step toward achieving this goal. Additionally, the work requirements of the Temporary Assistance for Needy Families (TANF) program, put in place by the 1996 welfare reform, are much too weak today and should 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 rein in costs. States should gradually assume greater revenue responsibility for welfare programs by paying for and administering the programs with state resources. A good first step would be the gradual return to the states of fiscal responsibility for all subsidized housing programs for the nonelderly.

The most important reform leaders should seek is to strengthen marriage. The absence of marriage directly reduces human well-being, 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 also use a portion of those savings to eliminate marriage penalties in the rest of the welfare system.

EDUCATION CHOICE

In the years since 1965, when President Lyndon B. Johnson signed the Elementary and Secondary Education Act (ESEA) into law as the keystone education component of his War on Poverty, the federal government, which accounts for 8.5 percent of all K–12 education spending, has appropriated some $2 trillion in an effort to improve the educational outcomes of American students.[14] Despite a more than doubling of inflation-adjusted federal per-pupil expenditures since that time, only slightly more than one-third of children in grade 4 and grade 8 are proficient in reading—a figure effectively unchanged since the early 1970s.[15] Moreover, achievement gaps among students persist, and graduation rates for disadvantaged students are stagnant.[16]

These lackluster outcomes—and in some cases declines—in academic performance are further evidence that ever-increasing government spending is not the key to improving education. Education dollars and decision-making should be situated as close to the student as possible.

In order to shift education functions from the federal government to state and local leaders, Congress should limit federal intervention in education. It can begin 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. As appropriate, Congress should also work to establish education choice options for federally connected students, including children from military families, those residing in Washington, D.C., and Native American children attending Bureau of Indian Education schools.

Specifically, Congress should establish education savings accounts (ESAs) for children from military families, enabling them to choose schools and education options that meet their individual learning needs. Congress should also establish ESAs for Native American children attending Bureau of Indian Education schools, which are some of the poorest-performing schools in the country, and children in Washington, D.C., which is under the jurisdiction of Congress.

HIGHER EDUCATION REFORM

When tax credits and deductions are included, total aid for higher education, including nonfederal sources, exceeds $250 billion annually.[17] Federal aid alone accounts for more than $150 billion annually.[18] Federal higher education subsidies have increased substantially over the past decade.[19]

The number of students who borrow money through federal student loans has increased by 115 percent, from 5.9 million students during the 2002–2003 academic year to some 12.7 million today. At the same time, Pell Grant funding has more than doubled in real terms, and the number of recipients has nearly doubled.[20] As federal subsidies have increased, so 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.[21] Some 60 percent of bachelor's degree holders leave school with more than $26,000 in student loan debt, and cumulative student loan debt now exceeds $1.5 trillion.[22]

To increase access to and affordability of higher education, policymakers should limit federal subsidies and spending, which have contributed to increases in costs. Congress should eliminate the federal PLUS loan program, ending the practice of lending to parents on behalf of their undergraduate students (which encourages family-level debt) as well as the practice of lending to graduate students. Finally, policymakers should significantly reform accreditation, including by decoupling federal financing from the ossified accreditation system.

WORKER FREEDOM

America's workers benefit the most from a strong economy that creates job opportunities and boosts wages. Attempts to raise wages artificially through increases in the minimum wage or occupational licensing regimes do more harm than good by restricting competition and keeping the most vulnerable workers out of the labor market. Mandates that dictate the composition of workers' compensation between benefits and cash wages reduce worker freedom, opportunity, and wages. Lawmakers should focus on policies that empower workers to succeed in a growing economy and free them from union coercion and federal mandates.

The gig economy and greater possibilities for independent contractors to find work are empowering workers to select their own work schedules and tasks. Technology has made it possible for workers to attain almost complete workplace flexibility. Congress should clarify the test for independent contractor status under the Fair Labor Standards Act, the National Labor Relations Act, and the tax code. Congress should make it clear that the central elements of the test are the "control over work," "investment," and "independent business judgment" factors.

Congress should also fully equalize the tax treatment of benefits, such as for health coverage and retirement, between self-employed workers and workers who have employers. This should include ensuring that the tax code is neutral both with respect to how an individual obtains health coverage (whether directly or through an employer or an association) and with respect to an individual's choice of plan design (such as a health maintenance organization, a preferred-provider organization, a high-deductible plan, or another arrangement).

Federal job training programs are duplicative and have a record of failure. The most effective job training is carried out in the private sector. The federal government should eliminate defunct federal job training programs and keep taxes and regulations on business and employment low to enable workers and their employers to invest in their futures.

VITAL INFRASTRUCTURE

Federal funding accounts for about one-quarter of public spending on transportation infrastructure. Expansions of the federal role over the past half-century have crowded out other sources of funding and have caused the efficiency, accountability, and fiscal responsibility of infrastructure spending to diminish. These expansive top-down decisions have led to a misallocation of resources and poor incentives in public spending.

In surface transportation, lawmakers have repeatedly diverted Highway Trust Fund money to nonhighway projects. This has contributed to overspending from the Highway Trust Fund, which has led in turn to extensive general fund bailouts. Grant programs administered at the federal level further create perverse incentives for states and localities to build new, unnecessary 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 them to those of far less significance. The Federal Aviation Administration's Air Traffic Control system continues to be run like a bureaucracy instead of a high-tech business. America's waterways infrastructure likewise suffers from an outmoded federal funding and management paradigm that has left it with an expanding backlog of work projects.

To invest more effectively in vital infrastructure that will improve both geographic and economic mobility, the federal role in funding should be limited to a small group of issues that are of strictly 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 be more accountable to the public. Removing the federal middleman 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 that is currently mired in federal mismanagement.

Excessive and redundant regulations adversely affect both private-sector and public-sector infrastructure investment. Instead of creating jobs by actually building infrastructure, a company has to hire more lawyers and compliance officers to navigate complex, unclear regulatory schemes and fend off legal challenges to development. Costly regulatory processes particularly squeeze out smaller companies from competing for projects because they cannot afford to have large sums of capital tied up in regulatory limbo. Reforming or repealing government-imposed obstacles will stretch public money on infrastructure further and unshackle private investment tied up by burdensome regulations.

PROTECTION OF LIFE AND CONSCIENCE

Ever since the Supreme Court's 1973 decisions in *Roe v. Wade* and *Doe v. Bolton*,[23] which created a right to abortion on demand, the pro-life movement has worked tirelessly to reorient the hearts and minds of an entire generation toward the dignity and worth of every existing individual—born and unborn. But despite major pro-life victories over the past four and a half 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 reenacted Hyde amendment, which generally prohibits the use of certain federal funds for abortion and abortion coverage, permanent across federal law and by enacting permanent prohibitions on the use of taxpayer funding to perform or promote abortions overseas through foreign aid funds.

American taxpayers should not be forced to subsidize the abortion industry. Policymakers should end taxpayer funding for 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 ensure that they are not 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 orphans, heal the sick, and serve the community in ways that are consistent with one's beliefs is essential to maintaining a just and free society, but 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 essential support for healthy republican government and human flourishing. Policymakers should enact policies that protect from discrimination those who believe that we are born male and female and that marriage is the union of one man and one woman. Congress should enact laws to prevent the government from discriminating with regard to contracts, grants, licensing, accreditation, or the award or maintenance of tax-exempt status against any person or group on the basis of these beliefs.

THE FOLLOWING HERITAGE EXPERTS CONTRIBUTED TO THIS CHAPTER:

Mary Clare Amselem, David Azerrad, Frederico Bartels, Romina Boccia, Lindsey Burke, David Ditch, Rachel Greszler, Melanie Israel, Diane Katz, Emilie Kao, Nick Loris, Vijay Menon, Adam Michel, Norbert Michel, Nina Owcharenko Schaefer, Katie Tubb, Tori Whiting, and John York.

ENDNOTES

1. *2019 Index of U.S. Military Strength*, ed. Dakota L. Wood (Washington: The Heritage Foundation, 2019), http://thf-graphics.s3.amazonaws.com/2018/2019%20Index%20of%20Military%20Strength/Section%20PDFs/2019_IndexOfUSMilitaryStrength.pdf.
2. Staff Report, *Federal Agency Compliance with the Data Act*, Permanent Subcommittee on Investigations, Committee on Homeland Security and Governmental Affairs, U.S. Senate, released July 2018, https://www.hsgac.senate.gov/imo/media/doc/2018-07-24%20PSI%20STAFF%20REPORT%20-%20DATA%20ACT%20(UPDATED).pdf (accessed on March 4, 2019).
3. Norbert J. Michel, "Federal Reserve Performance: Have Business Cycles Really Been Tamed?" Heritage Foundation *Backgrounder* No. 2965, October 24, 2014, http://www.heritage.org/debt/report/federal-reserve-performance-have-business-cycles-really-been-tamed.
4. Norbert J. Michel, "The Fed's Failure as a Lender of Last Resort: What to Do About It," Heritage Foundation *Backgrounder* No. 2943, August 20, 2014, http://www.heritage.org/report/the-feds-failure-lender-last-resort-what-do-about-it.
5. Norbert J. Michel, "The Crisis Is Over: It Is Time to End Experimental Monetary Policy," Heritage Foundation *Backgrounder* No. 3262, November 9, 2017, http://www.heritage.org/monetary-policy/report/the-crisis-over-it-time-end-experimental-monetary-policy.
6. Terry Miller, Anthony B. Kim, and James M. Roberts, *2019 Index of Economic Freedom* (Washington: The Heritage Foundation, 2019), https://www.heritage.org/index/pdf/2019/book/index_2019.pdf.
7. Rachel Greszler and James Sherk, "Why It Is Time to Reform Compensation for Federal Employees," Heritage Foundation *Backgrounder* No. 3139, July 27, 2016, http://www.heritage.org/jobs-and-labor/report/why-it-time-reform-compensation-federal-employees.
8. Edmund F. Haislmaier, "2017 Health Insurance Enrollment: Little Net Change, But Large Drop in Non-Group Coverage," Heritage Foundation *Issue Brief* No. 4913, October 30, 2018, https://www.heritage.org/sites/default/files/2018-10/IB4913_0.pdf.
9. Edmund F. Haislmaier, "2018 Obamacare Health Insurance Exchanges: Competition and Choice Continue to Shrink," Heritage Foundation *Issue Brief* No. 4813, January 25, 2018, https://www.heritage.org/sites/default/files/2018-01/IB4813_1.pdf.
10. Doug Badger and Edmund F. Haislmaier, "State Innovation: The Key to Affordable Health Care Coverage Choices," Heritage Foundation *Backgrounder* No. 3354, September 27, 2018, https://www.heritage.org/sites/default/files/2018-09/BG3354_2.pdf.
11. See Health Policy Consensus Group, "The Health Care Choices Proposal," June 19, 2018, https://www.healthcarereform2018.org/wp-content/uploads/2018/06/Proposal-06-19-18.pdf (accessed March 3, 2019); Center for Health and Economy, "The Health Care Choices Proposal," October 3, 2018, https://www.healthcarereform2018.org/wp-content/uploads/2018/10/CHE-HCCP-study.pdf (accessed March 3, 2019); and Health Care Choices 2020, https://www.healthcarereform2018.org/ (accessed March 3, 2019).
12. For a robust discussion of additional policies to pursue, see U.S. Department of Health and Human Services, U.S. Department of the Treasury, and U.S. Department of Labor, *Reforming America's Healthcare System Through Choice and Competition*, https://www.hhs.gov/sites/default/files/Reforming-Americas-Healthcare-System-Through-Choice-and-Competition.pdf (accessed March 3, 2019). The study was released by HHS on December 3, 2018. See press release, "Reforming America's Healthcare System Through Choice and Competition," U.S. Department of Health and Human Services, December 3, 2018, https://www.hhs.gov/about/news/2018/12/03/reforming-americas-healthcare-system-through-choice-and-competition.html (accessed March 3, 2019).
13. Robert Rector and Vijay Menon, "Understanding the Hidden $1.1 Trillion Welfare System and How to Reform It," Heritage Foundation *Backgrounder* No. 3294, April 5, 2018, https://www.heritage.org/welfare/report/understanding-the-hidden-11-trillion-welfare-system-and-how-reform-it.
14. Andrew J. Coulson, "The Impact of Federal Involvement in America's Classrooms," testimony before the Committee on Education and the Workforce, U.S. House of Representatives, February 10, 2011, https://www.cato.org/publications/congressional-testimony/impact-federal-involvement-americas-classrooms (accessed March 3, 2019).
15. U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, National Assessment of Educational Progress (NAEP), "2015 Mathematics & Reading Assessments," https://www.nationsreportcard.gov/reading_math_2015/#reading?grade=4 (accessed March 3, 2019).
16. Alan Vanneman, Linda Hamilton, Janet Baldwin Anderson, and Taslima Rahman, *Achievement Gaps: How Black and White Students in Public Schools Perform in Mathematics and Reading on the National Assessment of Educational Progress: Statistical Analysis Report*, U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, July 2009, https://nces.ed.gov/nationsreportcard/pdf/studies/2009455.pdf (accessed March 3, 2019).
17. College Board, "Trends in Student Aid 2017," *Trends in Higher Education Series*, 2017, p. 9, https://trends.collegeboard.org/sites/default/files/2017-trends-student-aid_0.pdf (accessed March 3, 2019).
18. Ibid.
19. Ibid., p. 13.
20. Table 5, "Number of Recipients, Total Awards and Aid per Recipient for Federal Aid Programs in Current Dollars and in 2016 Dollars, 1976–77 to 2016–17," in College Board, "Trends in Higher Education: Federal Aid per Recipient by Program over Time in Current and Constant Dollars," https://trends.collegeboard.org/student-aid/figures-tables/federal-aid-recipient-program-over-time-current-constant-dollars (accessed March 3, 2019).
21. College Board, "Trends in College Pricing 2017," *Trends in Higher Education Series*, 2017, p. 13, https://trends.collegeboard.org/sites/default/files/2017-trends-in-college-pricing_1.pdf (accessed March 3, 2019).

22. National Association of Realtors Research Department and American Student Assistance, *Student Loan Debt and Housing Report 2017: When Debt Holds You Back*, https://www.nar.realtor/sites/default/files/documents/2017-student-loan-debt-and-housing-09-26-2017.pdf (accessed March 3, 2019).
23. *Roe v. Wade*, 410 U.S. 113 (1973), and *Doe v. Bolton*, 410 U.S. 179 (1973).

CHAPTER SIX

Savings Proposals

The *Blueprint for Balance: A Federal Budget for Fiscal Year 2020* is The Heritage Foundation's budget proposal for Congress. The *Blueprint* provides detailed, specific recommendations for the President's budget and fiscal year (FY) 2020 congressional budgets, targeting both discretionary and mandatory federal programs for program changes and eliminations.

We selected programs and activities for reductions and eliminations using four key criteria:

- Would the activity or program serve the American people more effectively if it were administered and financed by the private sector?
- Would the activity or program serve the American people more effectively if it were administered by state or local governments?
- Is the activity or program wasteful or duplicative?
- Would the program's elimination increase opportunity or reduce favoritism?

While the report is designed primarily to provide budget reforms for Congress, *Blueprint* recommendations have had and continue to have a significant impact on the Administration's annual budget request. The information is presented in a manner that is designed to be especially useful to Members of Congress and staff who use the congressional budget to pursue policy goals. All of the budget proposals are organized by appropriations subcommittees because that is how Congress organizes itself.

Blueprint for Balance further breaks down proposals into three categories: discretionary, mandatory, and one-time savings.

- **Discretionary proposals** are intended to shape FY 2020 appropriations bill language and provide cost-saving amendments with justifications that lawmakers can propose during the appropriations debate.
- **Mandatory proposals** focus on long-term reforms in the programs driving long-term spending growth and the national debt, such as Social Security, Medicaid, and Medicare. The *Blueprint* also proposes reforms in other mandatory programs where savings could be used as offsets for more appropriate spending or applied to further debt reduction.
- **One-time savings proposals** include items such as selling off the Strategic Petroleum Reserve or selling federal assets from programs that are ineffective or that fall outside of the federal government's constitutional scope. Much of the impact from one-time savings would be seen in FY 2020 rather than over the long term as with programmatic discretionary and mandatory spending reforms.

Each budget proposal is also accompanied by a tracker denoting whether or not it is a budget option that the Administration supports. The tracker is intended to provide lawmakers and the American public with an easy tool to determine whether the Administration supports certain conservative reforms. As a practical matter, the tracker also serves as a point of reference so that Members of Congress will know whether changes in appropriations bill language or proposed amendments to appropriations bills are likely to be supported by the Administration.

Our other aim is to influence future budget proposals by encouraging the inclusion of yet more support for the recommendations made in the *Blueprint for Balance*. As the saying goes, "What gets measured gets improved."

Congress should also leverage the annual appropriations process to advance conservative policy objectives. The Constitution unequivocally grants Congress the exclusive power to appropriate funds for the operations of government. In *Federalist* No. 58, James Madison wrote 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.

Blueprint for Balance offers lawmakers specific legislative riders to advance conservative policy. The appropriations process provides valuable opportunities for individual lawmakers to influence policy and should not be wasted.

Budgeting is a fundamental responsibility of governance. Congress should pursue a budget resolution in FY 2020, including reconciliation instructions that pave the way to balance, with reforms that enhance freedom and opportunity, strengthen national defense, and allow civil society to flourish. We hope Congress will find the *Blueprint for Balance* to be an essential guide in accomplishing this task.

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

DISCRETIONARY

$2.6
SAVINGS IN MILLIONS[1]

Repeal the USDA Catfish Inspection Program

The Food and Drug Administration regulates domestic and imported seafood, but the 2008 farm bill created a special exception requiring the USDA to regulate catfish that is sold for human consumption. This program, implementation of which is just now beginning, would impose costly duplication because facilities that process seafood, including catfish, would have to comply with both FDA and USDA regulations. The evidence does not support the health justifications for the more intrusive inspection program, which has engendered widespread bipartisan opposition and has been criticized repeatedly by the U.S. Government Accountability Office (for example, in a 2012 report with the not-so-subtle title *Seafood Safety: Responsibility for Inspecting Catfish Should Not Be Assigned to USDA*).[2]

ADDITIONAL READING

- Daren Bakst, "Addressing Waste, Abuse, and Extremism in USDA Programs," Heritage Foundation *Backgrounder* No. 2916, May 30, 2014.
- U.S. Government Accountability Office, *Seafood Safety: Responsibility for Inspecting Catfish Should Not Be Assigned to USDA*, GAO-12-411, May 2012.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

DISCRETIONARY

$754
SAVINGS IN MILLIONS[3]

Eliminate the USDA Conservation Technical Assistance Program

The USDA's Natural Resources Conservation Service runs this costly program that offers landowners technical assistance 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 are the best stewards of a given property and, if necessary, can seek private solutions to conservation challenges.

Federal taxpayers should not be forced to subsidize advice for which landowners should be paying on their own. In addition, this government intervention could be crowding out the private solutions that should be available to private landowners.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Reduces spending by $107 million compared to FY 2019.

MIXED

$493
SAVINGS IN MILLIONS[4]

Eliminate the USDA Rural Business Cooperative Service

The RBCS maintains a wide range of financial assistance programs for rural businesses. It also has a significant focus on renewable energy and global warming, including subsidies for 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, just as any other business must. 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 funneling taxpayer dollars to businesses in rural communities, the federal government should identify and remove the obstacles to those businesses that it has created.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Reduces spending slightly compared to FY 2019.

MANDATORY

$5.0
SAVINGS IN BILLIONS[5]

Repeal the USDA Agricultural Risk Coverage and Price Loss Coverage Programs

The ARC and PLC programs are two major subsidy programs that apply to about 20 commodities. On a crop-by-crop basis, farmers can participate in the ARC program or the PLC program. The ARC program protects farmers from shallow losses, 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, statutorily established reference price.

These programs go far beyond providing a safety net for farmers. Most farmers succeed even though they receive little to no taxpayer assistance. If they do receive assistance, it is usually to help with a disaster or crop loss. Yet a small number of producers growing a small number of commodities receive significant amounts of taxpayer dollars, including through the ARC and PLC programs.

According to the Congressional Research Service, from 2014–2016, 94 percent of farm program support went to just six commodities—corn, cotton, peanuts, rice, soybeans, and wheat—that together account for only 28 percent of farm receipts.[6] Even worse, this assistance is generally not provided to help with actual disasters but to help ensure farmers meet revenue goals.

The ARC and PLC programs are a major part of this excessive and inappropriate assistance to a small group of favored producers. In a December 2018 report, the Congressional Budget Office identified elimination of Title I programs (including the ARC and PLC programs) as an option for reducing the deficit,[7] observing that "agricultural producers have access to a variety of other federal assistance programs, such as subsidized crop insurance and farm credit assistance programs."[8]

ADDITIONAL READING

- Daren Bakst, ed., "Farms and Free Enterprise: A Blueprint for Agricultural Policy," Heritage Foundation *Mandate for Leadership Series*, 2016.
- Daren Bakst, Josh Sewell, and Brian Wright, "Addressing Risk in Agriculture," Heritage Foundation *Special Report* No. 189, September 8, 2016.
- Daren Bakst, "Significant—and Necessary—Farm Subsidy Reforms for the Next Farm Bill," Heritage Foundation *Issue Brief* No. 4839, April 17, 2018.
- Daren Bakst, "What You Should Know About Who Receives Farm Subsidies," Heritage Foundation *Backgrounder* No. 3306, April 16, 2018.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

MANDATORY

$9.7
SAVINGS IN BILLIONS[9]

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

The food stamp program is the second largest of the government's 89 means-tested welfare programs. The number of food stamp recipients has risen dramatically from about 17.2 million in 2000 to 40.3 million in 2018. Costs have risen from $19.8 billion in FY 2000 to $73.7 billion in FY 2017.

Food stamp assistance should be directed to those who are 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 this assistance. Work requirements not only help to ensure that food stamps are directed to those who need them most, but also promote the principle of self-sufficiency by directing individuals toward work. Policymakers should also structure the work requirement so that it does not discourage marriage, which is one of the most important pathways out of poverty.

The U.S. Department of Agriculture recently announced a proposed rule that would strengthen existing work requirements for able-bodied adults who are without dependents. This is a step in the right direction, but Congress should expand work requirements for nearly *all* able-bodied adults who receive food stamps in ways that encourage, not discourage, marriage.

ADDITIONAL READING

- Jamie Bryan Hall, "Here Are 2 Ways Trump Can Help Americans Move from Food Stamps to Work," The Daily Signal, December 18, 2018.
- Robert Rector, Jamie Bryan Hall, and Mimi Teixeira, "Five Steps Congress Can Take to Encourage Work in the Food Stamps Program," Heritage Foundation *Issue Brief* No. 4840, April 20, 2018.
- Robert Rector, Rachel Sheffield, Kevin D. Dayaratna, and Jamie Bryan Hall, "Maine Food Stamp Work Requirement Cuts Non-Parent Caseload by 80 Percent," Heritage Foundation *Backgrounder* No. 3091, February 8, 2016.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	Requires able-bodied SNAP participants (18–65 years of age) to engage in at least 20 hours of work or work-related activities per week.

MANDATORY

$525
SAVINGS IN MILLIONS[10]

End Broad-Based Categorical Eligibility for Food Stamps

Categorical eligibility traditionally allows individuals who receive cash welfare assistance from programs such as Temporary Assistance for Needy Families to enroll in food stamps automatically. Under "broad-based categorical eligibility," states can now loosen income limits and bypass asset tests for potential recipients of food stamps. Individuals or families can simply receive some type of TANF "service" and automatically become categorically eligible for food stamps. Because TANF services are available to households with incomes higher than those that are eligible for TANF cash assistance, states can extend food stamp benefits to those with higher incomes than otherwise would be permissible.

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

ADDITIONAL READING

- Robert Rector and Katherine Bradley, "Reforming the Food Stamp Program," Heritage Foundation *Backgrounder* No. 2708, July 25, 2012.
- Rachel Sheffield, "How to Reform Food Stamps," Heritage Foundation *Issue Brief* No. 4045, September 12, 2013.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	Limits categorical eligibility to recipients of SSI or TANF cash benefits.

MANDATORY

$560
SAVINGS IN MILLIONS[11]

Eliminate the "Heat and Eat" Loophole in Food Stamps

Using a loophole known as "heat and eat," states can 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 are eligible for a larger utility deduction. In order to make households eligible for the higher deduction and thus for greater food stamp benefits, states have distributed LIHEAP checks for amounts as small as $1 to food stamp recipients.

Although the 2014 farm bill tightened this loophole by requiring that a household must receive more 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 use it by paying more than $20 per year. Policymakers should eliminate this loophole.

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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	Contains a number of proposals, including standardizing how states account for utility costs and eliminating eligibility loopholes, but does not seek elimination of the policy.

DISCRETIONARY

$28
SAVINGS IN MILLIONS[12]

Eliminate Funding for the Community Eligibility Provision

The community eligibility provision is a policy that was implemented by the Healthy, Hunger-Free Kids Act of 2010. It expands free school meals to include 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 backdoor 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 used to implement this provision.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Closes a participation loophole in the CEP by limiting eligibility only to individual schools that meet the 40 percent threshold.

MANDATORY

$0
(NO SAVINGS)[13]

Eliminate the USDA Sugar Program

The USDA sugar program uses price supports and marketing allotments that limit how much sugar processors can sell each year. It also restricts imports of sugar. As a result of government intervention to limit supply, the price of American sugar is consistently higher than (and at times twice as high as) world prices.[14]

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 that "[f]or each sugar growing and harvesting job saved through high U.S. sugar prices, nearly three confectionery manufacturing jobs are lost."[15] The program is also a hidden tax on consumers: Recent studies have found that it costs consumers as much as $3.7 billion a year.[16]

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

MANDATORY

$1.9
SAVINGS IN BILLIONS[17]

Eliminate USDA Revenue-Based Crop Insurance Policies

Any reasonable concept of a taxpayer-funded safety net for farmers would require a significant crop loss, but this program does not require yield losses for farmers to receive indemnities. There are generally two types of federal crop insurance: yield-based, which protects farmers from yields that are lower than expected due to events beyond the control of farmers, such as weather and crop disease, and revenue-based, which protects farmers from dips in expected revenue due to low prices, low yields, or both. Revenue-based policies, which are more popular than yield-based policies because they do not require yield losses, accounted for 77 percent of all policies earning premiums in 2014.[18] Farmers can even have greater yields than expected and still receive indemnity payments if commodity prices are lower than expected.

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. Revenue-based crop insurance is unnecessarily generous and should be eliminated. Taxpayer-subsidized crop insurance should be limited to yield insurance as it was in the past.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

MANDATORY

$200
SAVINGS IN MILLIONS[19]

Eliminate the USDA Market Access Program

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 can do on their own.

ADDITIONAL READING

- Daren Bakst, "Addressing Waste, Abuse, and Extremism in USDA Programs," Heritage Foundation *Backgrounder* No. 2916, May 30, 2014.
- Senator Tom Coburn, "Treasure Map: The Market Access Program's Bounty of Waste, Loot and Spoils Plundered from Taxpayers," June 2012.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	REJECTED	Maintains funding at FY 2019 levels.

MANDATORY

$200
SAVINGS IN MILLIONS[20]

Reduce Premium Subsidies in the Federal Crop Insurance Program

Taxpayers pay on average 62 percent of crop insurance premiums, but farmers pay only 38 percent for their own policies. This is an unreasonable and unnecessary burden on taxpayers, yet the concept of reducing premium subsidies has wide support, including in President Donald Trump's fiscal 2019 budget and President Barack Obama's fiscal 2014 budget, as well as from the Government Accountability Office.[21]

Critics will argue that reducing premium subsidies would hurt participation in the crop insurance program. However, the research overwhelmingly indicates otherwise. According to the Government Accountability Office, "The [Obama] administration, CBO, and other researchers say that a modest reduction in premium subsidies would have little impact on program participation, and that incentives, such as the continued high level of premium subsidies, would likely keep farmers in the program."[22]

The CBO found that reducing premium subsidies by 15 percentage points to 47 percent would reduce the number of insured acres (300 million) by just one-half of 1 percent, to 298.5 million acres. It also explained that 1.5 percent of insured acres would have lower coverage levels. The CBO estimated that this reform would save $8.1 billion over 10 years.[23] According to the CBO, reducing the premium subsidy to 40 percent would save $16.9 billion over 10 years (but only $200 million in FY 2020 because of the time it would take to implement).[24] This would presumably affect crop insurance participation more than reducing the subsidy to a 47 percent level would, but the CBO notes that "[a]n argument in favor of this option is that cutting the federal subsidies for premiums would probably not substantially affect participation in the program."[25] In addition, for participating farmers, this subsidy would remain very generous.

This subsidy reform has massive benefits and would likely entail little cost. Quite simply, it should be a no-brainer for Congress.

ADDITIONAL READING

- Daren Bakst, ed., "Farms and Free Enterprise: A Blueprint for Agricultural Policy," Heritage Foundation *Mandate for Leadership Series*, 2016.
- Daren Bakst, Josh Sewell, and Brian Wright, "Addressing Risk in Agriculture," Heritage Foundation *Special Report* No. 189, September 8, 2016.
- Daren Bakst, "Significant—and Necessary—Farm Subsidy Reforms for the Next Farm Bill," Heritage Foundation *Issue Brief* No, 4839, April 17, 2018.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Reduces the premium subsidy to 50%.

POLICY RIDERS

Withhold funding for federal fruit-supply and vegetable-supply restrictions in marketing orders. In June 2015, the Supreme Court of the United States decided *Horne v. Department of Agriculture*,[26] a case involving 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. Although 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[27] 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.[28]

Prohibit funding for national school-meal standards. The USDA's school-meal standards for the Healthy, Hunger-Free Kids Act of 2010 have failed. They are a burden on schools and have led to many negative outcomes. In September 2015, the Government Accountability Office found that since the implementation of these standards, participation in the school lunch program had declined, food waste remained a significant problem, and some schools had dropped out of the school lunch program at least partly because of the standards.[29] Some schools have even had to draw from their education funds to cover the costs imposed by these standards.[30] No funding should be used to implement or enforce 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.

ENDNOTES

1. Savings of $2.6 million for FY 2020 are based on estimates from the U.S. Department of Agriculture's Food Safety and Inspection Service (as reported by the Government Accountability Office) pursuant to a transfer of the program's administration. Under a final rule (9 CFR §§ 530–561, issued December 2, 2015, effective March 1, 2016, and with a full compliance date of September 1, 2017), catfish inspection was transferred from the FDA to the FSIS. Subsequently, the FSIS revised its estimated annual cost of the program downward from $14 million to $2.6 million annually. See U.S. Government Accountability Office, "Duplication & Cost Savings: Agriculture: Catfish Inspection," last updated October 18, 2017, https://www.gao.gov/duplication/action_tracker/Catfish_Inspection/action1 (accessed March 6, 2019), and U.S. Department of Agriculture, *2019 President's Budget: Food Safety and Inspection Service*, https://www.obpa.usda.gov/22fsis2019notes.pdf (accessed March 6, 2019).
2. 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 March 10, 2019).
3. Savings of $754 million for FY 2020 are based on the most recent estimated spending level of $754 million for FY 2018 as found in U.S. Department of Agriculture, *FY 2019 Budget Summary*, p. 24, https://www.usda.gov/sites/default/files/documents/usda-fy19-budget-summary.pdf (accessed March 6, 2019). Heritage experts assume that the FY 2018 spending level remains constant in FY 2019.
4. Savings of $493 million for FY 2020 are based on the CBO's most recent January 2019 baseline spending projections. See Congressional Budget Office, *CBO's January 2019 Baseline for Farm Programs*, January 28, 2019, https://www.cbo.gov/system/files?file=2019-01/51317-2019-01-usda.pdf (accessed March 11, 2019). Savings include $115 million in discretionary spending and $378 million in mandatory spending.
5. Savings of $4.97 billion for FY 2020 are based on projections for the ARC and PLC as reported in Congressional Budget Office, *CBO's April 2018 Baseline for Farm Programs*, April 9, 2018, https://www.cbo.gov/sites/default/files/recurringdata/51317-2018-04-usda.pdf (accessed March 6, 2019). Estimated savings of $4.808 billion in FY 2020 include $2.653 billion for the PLC; $2.137 billion for the ARC-CO (county); and $18 million for the ARC-IC (individual coverage). Ibid., pp. 6 and 9. All $4.808 billion in savings represents mandatory spending.
6. Randy Schnepf, "Farm Safety-Net Payments Under the 2014 Farm Bill: Comparison by Program Crop," Congressional Research Service *Report for Members and Committees of Congress*, August 11, 2017, https://fas.org/sgp/crs/misc/R44914.pdf (accessed March 6, 2019).
7. Congressional Budget Office, *Options for Reducing the Deficit: 2019 to 2028*, December 2018, https://www.cbo.gov/system/files?file=2018-12/54667-budgetoptions.pdf (accessed March 6, 2019).
8. Ibid., p. 18.
9. Savings of $9.7 billion for FY 2020 are based on analysis contained in Robert Rector, Rachel Sheffield, Kevin D. Dayaratna, and Jamie Bryan Hall, "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 represents mandatory spending.
10. Savings of $525 million for FY 2020 are based on the CBO's analysis of the impact of previously proposed legislation that would have enacted this reform. Specifically, we use the CBO's FY 2020 estimate for "Sec. 4006, Update to Categorical Eligibility" because 2020 represents the first full year of the proposal's implementation. See Congressional Budget Office, "H.R. 2, Agriculture and Nutrition Act of 2018, As Ordered Reported by the House Committee on Agriculture on April 18, 2018," *Cost Estimate*, May 2, 2018, https://www.cbo.gov/system/files?file=2018-07/hr2_1.pdf (accessed March 6, 2019), p. 7. All $525 million in savings represents mandatory spending.
11. Savings of $560 million for FY 2020 are based on estimated savings from a proposal that would have enacted this change. Specifically, we use the estimated FY 2020 savings for "Sec. 4010, Availability of Standard Utility Allowances Based on Receipt of Energy Assistance," because FY 2020 represents the first full year of implementation. See Congressional Budget Office, "H.R. 2, Agriculture and Nutrition Act of 2018, As Ordered Reported by the House Committee on Agriculture on April 18, 2018," p. 7. All $560 million in savings represents mandatory spending.
12. Savings of $28 million in FY 2020 are based on Congressional Budget Office, "Healthy, Hunger-Free Kids Act of 2010, As Ordered Reported by the Senate Committee on Agriculture, Nutrition and Forestry on March 24, 2010," *Cost Estimate*, April 20, 2010, https://www.cbo.gov/publication/21418 (accessed March 11, 2019).
13. Savings of $0 million in FY 2020 are based on the CBO's estimated FY 2020 cost of the program. Although the CBO estimates zero cost in FY 2020, it projects that the sugar program will have a total cost of $119 million over the 2020–2029 period. Congressional Budget Office, *CBO's January 2019 Baseline for Farm Programs*.
14. Agralytica, "Economic Effects of the Sugar Program Since the 2008 Farm Bill & Policy Implications for the 2013 Farm Bill," June 3, 2013, http://fairsugarpolicy.org/wordpress/wp-content/uploads/2018/03/AgralyticaEconomicEffectsPaperJune2013.pdf (accessed March 11, 2019).
15. U.S. Department of Commerce, International Trade Administration, *Employment Changes in U.S. Food Manufacturing: The Impact of Sugar Prices*, undated, p. 2, https://www.trade.gov/mas/ian/build/groups/public/@tg_ian/documents/webcontent/tg_ian_002705.pdf (accessed March 11, 2019).
16. 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," Iowa State University, Center for Agricultural and Rural Development *Working Paper* No. 13-WP 538, May 2013, https://www.card.iastate.edu/products/publications/pdf/13wp538.pdf (accessed March 11, 2019).

17. Savings of at least $1.92 billion for FY 2020 are based on a CBO analysis of federal crop insurance costs that provides estimated savings for a more limited proposal to restrict the way producers' costs are estimated for revenue-based policies by requiring that costs be based on the projected price of crops at the time the policy is issued instead of providing for the greater of the projected price and the actual harvest price. Although this proposal would not eliminate revenue-based crop insurance policies entirely, it would limit their costs. The CBO estimates that this change in revenue-based policies would save $19.2 billion over the 2018–2027 period, for an average of $1.92 billion per year. Congressional Budget Office, *Options to Reduce the Budgetary Cost of the Federal Crop Insurance Program*, December 2017, https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53375-federalcropinsuranceprogram.pdf (accessed March 4, 2019). All $1.92 billion in savings represents mandatory spending.
18. Dennis A. Shields, "Federal Crop Insurance: Background," Congressional Research Service *Report for Members and Committees of Congress*, August 13, 2015, https://fas.org/sgp/crs/misc/R40532.pdf (accessed March 11, 2019).
19. Savings of $200 million for FY 2020 are based on estimates for federal farm program costs in Congressional Budget Office, *CBO's April 2018 Baseline for Farm Programs*. All $200 million in savings represents mandatory spending.
20. Savings of $200 million are based on the CBO's projected savings from reducing the subsidy level to 40 percent. The CBO projects $16.8 billion in savings over 10 years, but it projects only $200 million for FY 2020 because the full savings would not be realized immediately. Congressional Budget Office, *Options for Reducing the Deficit: 2019 to 2028*, pp. 19–20.
21. U.S. Department of Agriculture, *FY 2019 Budget Summary*, revised February 16 2018, https://www.obpa.usda.gov/budsum/fy19budsum.pdf (accessed March 11, 2019); U.S. Department of Agriculture, *FY 2014 Budget Summary and Annual Performance Plan*, https://www.obpa.usda.gov/budsum/FY14budsum.pdf (accessed March 11, 2019); U.S. Government Accountability Office, *Crop Insurance: Savings Would Result from Program Changes and Greater Use of Data Mining*, GAO-12-256, March 2012, https://www.gao.gov/assets/590/589305.pdf (accessed March 11, 2019); and Government Accountability Office, *Crop Insurance: Considerations in Reducing Federal Premium Subsidies*, GAO-14-700, August 2014, https://www.gao.gov/assets/670/665267.pdf (accessed March 11, 2019), discussing premium subsidy data and focusing on recommendation to reduce premium subsidy for revenue policies.
22. U.S. Government Accountability Office, *Crop Insurance: Considerations in Reducing Federal Premium Subsidies*, p. 29.
23. Congressional Budget Office, *Options to Reduce the Budgetary Costs of the Federal Crop Insurance Program*, p. 21.
24. Congressional Budget Office, *Options for Reducing the Deficit: 2019 to 2028*, p. 19.
25. For a discussion of the 40 percent premium subsidy level as identified by the CBO, see ibid., pp. 19–20.
26. *Horne v. Department of Agriculture*, 135 S. Ct. 2419 (2015), https://www.law.cornell.edu/supremecourt/text/14-275 (accessed March 11, 2019).
27. These marketing orders cover fruits, vegetables, and specialty crops. See U.S. Department of Agriculture, Agricultural Marketing Service, "Specialty Crops Marketing Orders & Agreements," https://www.ams.usda.gov/rules-regulations/moa/fv (accessed March 11, 2019), and U.S. Department of Agriculture, Agricultural Marketing Service, "Fruit, Vegetables, & Specialty Crops Marketing Orders and Agreements," May 2017, https://www.ams.usda.gov/publications/content/fruit-vegetables-specialty-crop-marketing-orders-and-agreements (accessed March 11, 2019). There also are milk marketing orders, but they are different from fruit and vegetable marketing orders. See U.S. Department of Agriculture, Agricultural Marketing Service, "Federal Milk Marketing Orders," http://www.ams.usda.gov/rules-regulations/moa/dairy (accessed March 11, 2019), and U.S. Department of Agriculture, Agricultural Marketing Service, "Federal Milk Marketing Order Program: Understanding the Milk Order Amendment Process," April 2013, https://www.ams.usda.gov/sites/default/files/media/DairyMarketingOrderAmendmentBrochure.pdf (accessed March 11, 2019).
28. 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.
29. U.S. Government Accountability Office, *School Nutrition: USDA Has Efforts Underway to Help Address Ongoing Challenges Implementing Changes in Nutrition Standards*, GAO–15–656, September 2015, https://www.gao.gov/assets/680/672477.pdf (accessed March 11, 2019).
30. Erik Wasson, "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 March 11, 2019).

Commerce, Justice, Science, and Related Agencies

DISCRETIONARY

$304
SAVINGS IN MILLIONS[1]

Eliminate the Justice Department's Office of Community Oriented Policing Services

Created in 1994, COPS promised to put 100,000 new state and local law enforcement officers on America's streets by 2000. It failed to add 100,000 officers and failed to reduce crime.

In *Federalist* No. 45, James Madison wrote that "[t]he 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." When Congress funds the routine, day-to-day operations of 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. According to former Attorney General Jeff Sessions, during the Obama Administration, the COPS program was also diverted to "expensive wide-ranging investigative assessments" that included attempts to "reform" law enforcement agencies and institute requirements such as "inherent bias" training based on flawed and unproven social science.[2]

The COPS program has a demonstrated record of poor performance and should be eliminated. The resources provided by the program are spread thin across many law enforcement agencies and are not well targeted toward achieving favorable public safety outcomes. COPS grants also unnecessarily fund functions that are the responsibility of state and local governments.

ADDITIONAL READING

- David B. Muhlhausen, "Byrne JAG and COPS Grant Funding Will Not Stimulate the Economy," testimony before the Committee on the Judiciary, 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. CDA06-03, May 26, 2006.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	Merges with the Office of Justice and cuts all but $99 million in spending.

DISCRETIONARY

$1.8
SAVINGS IN BILLIONS[3]

Eliminate Grants Within the Justice Department's Office of Justice Programs

The majority of the programs under the OJP umbrella deal with problems or functions within the jurisdiction of state and local governments. OJP grants are given to state and local governments for many criminal justice purposes, including local police officers' salaries, state corrections, court programs, and juvenile justice programs.

In addressing 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. For example, juvenile delinquency is a problem common to all states, but the crimes that delinquents 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 require action by the federal government.

State and local officials, not the federal government, are responsible for funding the state and local criminal justice system. The OJP subsidizes the routine, day-to-day functions of state and local criminal justice programs. The responsibility to combat ordinary crime at the local level belongs almost wholly, if not exclusively, to state and local governments.

ADDITIONAL READING

- 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, "Where the Justice Department Can Find $2.6 Billion for its Anti-Terrorism Efforts," Heritage Foundation *Backgrounder* No. 1486, October 5, 2001.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Eliminates $244 million from OJP-administered State Criminal Alien Assistance Program.

CJS

DISCRETIONARY

$498
SAVINGS IN MILLIONS[4]

Eliminate Violence Against Women Act Programs and Grants

VAWA programs, created in 1994, exist principally to mitigate, reduce, or prevent the effects and occurrence of domestic violence. However, grant programs under the VAWA have not undergone nationally representative, scientifically rigorous experimental evaluations of their effectiveness. The U.S. General Accounting (now Government Accountability) Office concluded that previous evaluations of VAWA programs "demonstrated a variety of methodological limitations, raising concerns as to whether the evaluations will produce definitive results."[5] In addition, the evaluations were not representative of the types of programs funded nationally by the VAWA.

The services funded by VAWA programs and grants are properly 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 distracts attention from concerns that *are* the province of the federal government. Moreover, the administrative cost of funneling state resources back to the states through the federal government actually reduces the overall level of available resources.

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 and Christina Villegas, "Violence Against Women Act: Reauthorization Fundamentally Flawed," Heritage Foundation *Backgrounder* No. 2673, March 29, 2012.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	REJECTED	Maintains funding at FY 2019 levels.

DISCRETIONARY

$415
SAVINGS IN MILLIONS[6]

Eliminate the Legal Services Corporation

The LSC was created by the Legal Services Act of 1974 to provide civil legal assistance to indigent clients. It does this by distributing federal grant funds to service areas throughout the United States and its territories in award increments of one to three years; 93 percent of LSC funding is distributed to 133 nonprofit legal aid programs. The annual appropriations legislation specifies the types of activities for which the funds may be used and prohibits the use of funds for such purposes as political activity, advocacy, demonstrations, strikes, class-action lawsuits, and cases involving abortion, partisan redistricting, and welfare reform.

Although LSC grants do help to provide high-quality civil legal assistance to some low-income Americans, the Congressional Budget Office regularly includes LSC funding among its options for decreasing the deficit, observing that many recipient programs already receive resources from state and local governments and private entities. State and local governments, supplemented by donations from other outside sources, are better equipped to address the needs of those in their communities who rely on these free services. Giving local entities sole responsibility for indigent legal defense would allow funds to be targeted in the most efficient manner and remove this burden from the federal deficit.

ADDITIONAL READING

- Congressional Budget Office, *Budget Options: Volume 2*, August 2009.
- Ken Boehm, Chairman, National Legal and Policy Center, "What the Legal Services Corporation Doesn't Want Congress to Know," testimony submitted to the Subcommittee on Commerce, Justice, Science and Related Agencies, Committee on Appropriations, U.S. House of Representatives, March 22, 2012.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$49
SAVINGS IN MILLIONS[7]

Reduce Funding for the Justice Department's Civil Rights Division

A 2013 report by the Justice Department Inspector General described the Civil Rights Division as having a "dysfunctional management chain" and being torn by "polarization and mistrust."[8] The division has undermined election integrity and has filed abusive lawsuits intended to enforce progressive social ideology in areas ranging from public hiring to public education.

At a time when there is less discrimination than ever before in our society, the division is at its largest—far larger that it was in the 1960s when it was fighting crucial civil rights battles. It has far more employees than vigorous enforcement of our civil rights and voting rights laws requires, and its budget can be cut significantly without sacrificing the division's efficiency and ability to protect the public from discrimination.

ADDITIONAL READING

- J. Christian Adams, *Injustice: Exposing the Racial Agenda of the Obama Justice Department* (Washington: Regnery Publishing, 2011).
- John Fund and Hans von Spakovsky, *Obama's Enforcer: Eric Holder's Justice Department* (New York: HarperCollins/Broadside, 2014).

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	REJECTED	Absorbs the Community Relations Service, thereby augmenting the division.

DISCRETIONARY

$35
SAVINGS IN MILLIONS[9]

Reduce Funding for the Justice Department's Environmental and Natural Resources Division

The Justice Department's ENR Division has suffered an embarrassing string of defeats in the courts because it has taken radical positions on environmental issues far outside the legal mainstream. 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."[10] 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.

Significantly reducing its budget would encourage the ENR Division to concentrate on its core functions of defending the environmental laws of the United States in a reasonable and commonsense manner.

ADDITIONAL READING

- Paul J. Larkin, Jr., "Justice Department Giving Away the Public's Money to Third-Party Interests," Heritage Foundation *Commentary*, March 11, 2015.
- Andrew M. Grossman, "Regulation Through Sham Litigation: The Sue and Settle Phenomenon," Heritage Foundation *Legal Memorandum* No. 110, February 25, 2014.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	REJECTED	No change is requested.

DISCRETIONARY

$15.5
SAVINGS IN MILLIONS[11]

Eliminate the Justice Department's Community Relations Service

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 both the Zimmerman case in Sanford, Florida, and the Wilson case in Ferguson, Missouri, for example, the CRS helped to organize and manage rallies and protests against George Zimmerman and Darren Wilson. Other employees inside the CRS have cited a culture of incompetence, political decision-making, and gross mismanagement that has led them to send a letter of complaint to the Attorney General of the United States.

ADDITIONAL READING

- Hans von Spakovsky, "Corruption, Incompetence Scandal at DOJ's Ferguson Unit Widens," PJ Media, April 18, 2016.
- John Fund and Hans von Spakovsky, *Obama's Enforcer: Eric Holder's Justice Department* (New York: HarperCollins/Broadside, 2014).

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Eliminates the Community Relations Service but transfers its functions to the Civil Rights Division.

MANDATORY (ONE-TIME)

$12.0
SAVINGS IN BILLIONS[12]

Rescind Unobligated Balances from the Justice Department's Crime Victims Fund

The CVF is contained within the Department of Justice and provides money to victims and survivors of crime, provides support services, and seeks to improve response to crime victim's needs. Annual payments from the fund are capped each year at a level set by Congress.

The CVF carries a large unobligated balance that Congress uses as a budget gimmick for new spending. Congress delays mandatory spending from the fund and then uses the savings to allow for more discretionary spending. In reality, however, the "savings" were never going to be spent. In the FY 2018 Consolidated Appropriations Act, Congress used phony savings from the CVF to increase unrelated discretionary spending by over $10 billion.

To stop the abuse of the CVF, Congress should rescind any balances above the obligation limitation, as it did in the Bipartisan Budget Act of 2015, so that unspent funding can go toward deficit reduction instead of being used as a budget gimmick for new spending. This would produce one-time savings of over $12 billion.

ADDITIONAL READING

- Justin Bogie, "Budget Gimmicks Increase Federal Spending and Mask True Costs of Legislation," Heritage Foundation *Backgrounder* No. 3234, July 26, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

CJS

MANDATORY (ONE-TIME)

$666
SAVINGS IN MILLIONS[13]

Rescind Unobligated Balances from the Justice Department's Asset Forfeiture Fund

The Department of Justice's Asset Forfeiture Fund is a repository for cash or property forfeited pursuant to a law administered by the Department of Justice. The fund is used to pay expenses of state and local law enforcement agencies associated with forfeitures.

Increasingly, however, the Assets Forfeiture Fund is being used as another tool to increase unrelated discretionary spending. Between the Bipartisan Budget Acts of 2013 and 2015, over $1.4 billion was taken from the Asset Forfeiture Fund to pay for unrelated spending increases. In addition to the budget deal, since FY 2015, annual appropriations bills have rescinded several hundred million dollars from the fund each year.

If the Assets Forfeiture Fund has excess funding, it should be used to reduce the deficit, not to pay for other spending.

ADDITIONAL READING

- Justin Bogie, "Budget Gimmicks Increase Federal Spending and Mask True Costs of Legislation," Heritage Foundation *Backgrounder* No. 3234, July 26, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

DISCRETIONARY

$140
SAVINGS IN MILLIONS[14]

Eliminate the Commerce Department's Hollings Manufacturing Extension Partnership

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) of the U.S. Department of Commerce. The Hollings 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. The Hollings Partnership is nothing more than corporate welfare, and it should be ended.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$495
SAVINGS IN MILLIONS[15]

Eliminate the Commerce Department's International Trade Administration

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 Department of State, rendering the ITA's efforts redundant. 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), which "recruits thousands of qualified foreign buyers, sales representatives, and business partners to U.S. trade shows each year, giving your exhibitors excellent opportunities to expand business globally."[16] Private companies should facilitate their own business meetings or do so through voluntary trade associations, not on the taxpayer's dime.

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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	REJECTED	Maintains funding at FY 2019 levels.

DISCRETIONARY

$265
SAVINGS IN MILLIONS[17]

Eliminate the Commerce Department's Economic Development Administration

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 (among others) the Small Business Administration's disaster assistance loans and the Department of Agriculture's rural development programs, that Congress should eliminate.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$40

SAVINGS IN MILLIONS[18]

Eliminate the Commerce Department's Minority Business Development Agency

The MBDA hands out grants and runs federally funded management consulting operations called business centers in over 40 locations. Part of the Department of Commerce, the agency reported that its business centers assisted eligible businesses with 1,108 financings and contracts worth over $3.9 billion in FY 2011.[19]

The MBDA helps businesses identify and respond to federal procurement opportunities and, by targeting certain racial and ethnic groups for special government assistance, is a key component of the federal government's affirmative action approach. The federal government should not provide special assistance to businesses to procure federal contracts; nor should it target such assistance based on racial or ethnic considerations.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Reforms the agency and reduces funding by nearly 75%.

DISCRETIONARY

$6.2
SAVINGS IN MILLIONS[20]

Eliminate Census Bureau Funding for the Annual Supplemental Poverty Measure Report

The Census Bureau's annual Supplemental Poverty Measure is a relative 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 should be eliminated.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

DISCRETIONARY

$100
SAVINGS IN MILLIONS[21]

Eliminate NASA's Office of STEM Engagement

Formerly known as the NASA Office of Education, the Office of STEM[22] Engagement seeks to create opportunities for students and the public to participate in NASA's work, encourage students to engage in STEM careers through learning experiences with NASA, and strengthen public understanding of NASA's mission and work.

The activities undertaken by the Office of STEM Engagement duplicate those of other NASA programs. In 2018, former NASA Acting Director Robert Lightfoot Jr. assured lawmakers that even if the STEM programs were eliminated, the agency's focus on education would not change and that many educational programs were funded through other offices and would not be affected. Additionally, the overall impact of the Office of STEM Engagement cannot be gauged because there are not enough available data on its effectiveness to serve as a basis for judgment.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$105
SAVINGS IN MILLIONS[23]

Eliminate NASA's WFIRST Space Telescope

The Wide Field Infrared Survey Telescope (WFIRST) is a planned NASA observatory designed to conduct research in the areas of dark energy, exoplanets, and astrophysics. The project was approved for development in 2016 and is scheduled to launch in the mid-2020s. It comes on the heels of the James Webb Space Telescope, which after two decades still has not launched and so far has cost taxpayers $10 billion.

WFIRST has a budget of $3.2 billion, but that number could soar, and the launch date could be delayed. Given that the Webb telescope has not even launched yet, Congress should redirect these funds to other priorities instead of building another space telescope.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$273
SAVINGS IN MILLIONS[24]

Eliminate National Oceanic and Atmospheric Administration Grants and Education Programs

Congress should eliminate funding for National Oceanic and Atmospheric Administration Grants and Education programs, which cost American taxpayers millions of dollars a year. These grants are awarded on a competitive basis to public school districts and are used to support environmental and climate-related instruction and activities.

Federal grants are often poorly targeted and are not likely to have a significant impact on meaningful oceanic research. Taxpayers should be insulated from costly programs that lack constitutional or practical justification and are easily leveraged for political purposes.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

ENDNOTES

1. Estimated savings of $304 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019, Public Law 116-6, 116th Cong., February 15, 2019, https://www.congress.gov/116/bills/hjres31/BILLS-116hjres31enr.pdf (accessed March 23, 2019). Heritage experts assume that FY 2019 spending remains constant in FY 2020.
2. Alan Neuhauser, "Justice Department Ends COPS Office Review of Police," *U.S. News & World Report*, September 15, 2017, https://www.usnews.com/news/national-news/articles/2017-09-15/justice-department-ends-cops-office-review-of-local-police (accessed March 23, 2019).
3. Estimated savings of $1.77 billion for FY 2020 are based on the FY 2019 appropriated level as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020. Savings include $1.486 billion for State and Local Law Enforcement Assistance and $287 million for Juvenile Justice Programs.
4. Estimated savings of $498 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
5. U.S. General Accounting Office, *Justice Impact Evaluations: One Byrne Evaluation Was Rigorous: All Reviewed Violence Against Women Office Evaluations Were Problematic*, GAO-02-309, March 2002, p. 10, https://www.gao.gov/assets/240/233527.pdf (accessed March 22, 2019).
6. Estimated savings of $415 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
7. Estimated savings of $49 million for FY 2020 are based on the FY 2019 DOJ requested level of $148 million as reported in Table, "U.S. Department of Justice: Summary of Budget Authority by Appropriation," in U.S. Department of Justice, *FY 2019 Budget and Performance Summary, Part Two: Summary Information by Appropriation*, updated March 15, 2018, https://www.justice.gov/doj/fy-2019-budget-and-performance-summary (accessed March 23, 2019). Heritage experts assume that FY 2019 spending remains constant in FY 2020. Savings equal a 33 percent reduction in FY 2020 spending.
8. U.S. Department of Justice, Office of the Inspector General, Oversight and Review Division, *A Review of the Operations of the Voting Section of the Civil Rights Division*, March 2013, p. 257, https://oig.justice.gov/reports/2013/s1303.pdf (accessed March 23, 2019).
9. Estimated savings of $35 million for FY 2020 are based on the FY 2019 DOJ requested level of $106 million as reported in Table, "U.S. Department of Justice: Summary of Budget Authority by Appropriation," in U.S. Department of Justice, *FY 2019 Budget and Performance Summary, Part Two: Summary Information by Appropriation*. Heritage experts assume that FY 2019 spending remains constant in FY 2020. Savings equal a 33 percent reduction in FY 2020 spending.
10. *Evans v. U.S.*, 694 F.3d 1377, 1381 (Fed. Cir. 2012).
11. Estimated savings of $15.5 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
12. Estimated savings of $12 billion for FY 2020 come from the DOJ Office of Justice Programs Crime Victims Fund web site, which lists "over $12 billion" in unobligated money in the fund as of 2018. See U.S. Department of Justice, Office of Justice Programs, Office for Victims of Crime, "About OVC: Crime Victims Fund," https://www.ovc.gov/about/victimsfund.html (accessed March 23, 2019). All $12 billion represents one-time savings.
13. Estimated savings of $666 million represents the estimated FY 2019 unobligated balance as reported in U.S. Department of Justice, Asset Forfeiture Program, *FY 2019 Performance Budget: Congressional Justification*, https://www.justice.gov/jmd/page/file/1034336/download (accessed March 23, 2019). All $666 million represents one-time savings.
14. Estimated savings of $140 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
15. Estimated savings of $495 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
16. U.S. Department of Commerce, International Trade Administration, "The International Buyer Program," https://www.trade.gov/cs/ibp.asp (accessed March 23, 2019).
17. Estimated savings of $265 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
18. Estimated savings of $40 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
19. U.S. Government Accountability Office, *Government Contracting: Federal Efforts to Assist Small Minority Owned Businesses*, GAO-12-873, September 2012, http://www.gao.gov/assets/650/648985.pdf (accessed March 23, 2019).
20. Estimated savings of $6.2 million for FY 2020 are based on the estimated base FY 2019 level of $62 million as specified in Exhibit 10, "Department of Commerce, U.S. Census Bureau, Current Surveys and Programs—Discretionary BA, Program and Performance: Direct Obligations," in U.S. Department of Commerce, Economics and Statistics Administration, U.S. Census Bureau, *U.S. Census Bureau's Budget: Fiscal Year 2019, As Presented to the Congress, February 2018*, p. CEN-19, https://www2.census.gov/about/budget/FY-2019-Congressional-Budget-Submission.pdf (accessed March 23, 2019). Heritage experts assume that FY 2019 spending remains constant in FY 2020 and estimate that the annual supplemental poverty measure uses 10 percent of the household survey appropriations.
21. Estimated savings of $100 million for FY 2020 are based on Office of Management and Budget, *Fiscal 2019 Budget of the United States Government: 2019 Major Savings and Reforms*, p. 91, https://www.whitehouse.gov/wp-content/uploads/2018/02/msar-fy2019.pdf (accessed March 23, 2019). Heritage experts assume that FY 2019 savings remain constant in FY 2020.
22. Science, technology, engineering, and mathematics.

23. Estimated savings of $105 million for FY 2020 are based on Office of Management and Budget, *Fiscal 2019 Budget of the United States Government: 2019 Major Savings and Reforms*, p. 92. Heritage experts assume that FY 2019 savings remain constant in FY 2020.
24. Estimated savings of $273 million for FY 2020 are based on Office of Management and Budget, *Fiscal 2019 Budget of the United States Government: 2019 Major Savings and Reforms*, p. 21. Heritage experts assume that FY 2019 savings remain constant in FY 2020.

Defense

DISCRETIONARY

$431
SAVINGS IN MILLIONS[1]

Cut Non-Defense Research from the Defense Department Budget

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 with an appropriation of $25 million for breast cancer research. Some of this funding goes to medical research for issues like post-traumatic stress or orthotics that are relevant to the DOD, but that is not always the case. In the years since the program's inception, breast cancer has been the most heavily funded research area, with over $3.6 billion.

In FY 2019 alone, Congress appropriated $1.4 billion to support all Congressionally Directed Research Programs, including such non-defense medical issues as breast, ovarian, and prostate cancer; epilepsy; and autism.[2] The funding for non-defense research should be eliminated.

ADDITIONAL READING

- Senator Tom A. Coburn, *Department of Everything: Department of Defense Spending That Has Little to Do with National Security*, November 2012.
- Frederico Bartels, ed., "The Role of the 2020 National Defense Authorization Act (NDAA) in Rebuilding the U.S. Military," Heritage Foundation *Special Report* No. 208, February 6, 2019.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

DISCRETIONARY

$253
SAVINGS IN MILLIONS[3]

Combine Military Exchanges and Commissaries and Reduce Commissary Subsidies

The DOD operates two parallel but similar organizations that provide access to goods and services for servicemembers and their families. The commissaries provide groceries at cost plus 5 percent, which is sustainable only through an annual subsidy. In FY 2019, Congress subsidized the commissaries at almost $1.3 billion.[4]

The DOD currently has an extensive and separate retail network to serve military personnel and their dependents. Maintaining access to affordable groceries and goods is important for servicemembers, particularly those who are stationed overseas or in remote locations. The military has three separate general-retail stores (exchanges). All three are self-sustaining, relying on revenue from their sales rather than on direct appropriations.

In debates over the 2018 National Defense Authorization Act, Congress included a reporting requirement that would provide a cost-benefit analysis and aim to reduce the operational costs of commissaries and exchanges by $2 billion. Congress should revisit this question and continue to consider ways to reform these systems. This is especially important at a time when the Government Accountability Office has found that the DOD does not properly measure the benefits created by these systems.[5]

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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Reduces subsidies for commissary operations.

DISCRETIONARY

$147
SAVINGS IN MILLIONS[6]

Close Domestic Dependent Elementary and Secondary Schools

Congress should create real choice for military families and transition the Domestic Dependent Elementary and Secondary Schools system into a system of education savings accounts for military families. The current DDESS system serves only 4 percent of military-connected children;[7] 80 percent of military-connected children attend traditional public schools. Additionally, over one-third of servicemembers consider their children's schooling a deciding factor in continuing their military careers.[8] The current system focuses on the needs of a minuscule minority to the detriment of the majority of its population.

There is no need for the military to operate schools in the United States. The Pentagon should act promptly to close these schools and transfer military dependents to local school systems, a process that the Trump Administration has initiated.[9]

ADDITIONAL READING

- Lindsey M. Burke and Anne Ryland, "A GI Bill for Children of Military Families: Transforming Impact Aid into Education Savings Accounts," Heritage Foundation *Backgrounder* No. 3180, June 2, 2017.
- National Commission on Fiscal Responsibility and Reform, "$200 Billion in Illustrative Savings: 2015 Savings," draft document, undated.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

DISCRETIONARY

$3.9
SAVINGS IN BILLIONS[10]

Reform Military Health Care

Congress should reform the DOD's current TRICARE system and introduce a private-sector health insurance option for members of military families. This would give servicemembers and their families more choices and serve as a competition catalyst for the current TRICARE system. The Military Compensation and Retirement Modernization Commission assessed that "[t]he quality of TRICARE benefits as experienced by Service members and their families has decreased, and fiscal sustainability of the program has declined."[11]

Implementing a private-sector health insurance system would dramatically increase access and options for members of military families while also reducing costs. A 2011 Heritage Foundation report proposed moving servicemembers 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.[12] The January 2015 final report of the congressionally chartered Military Compensation and Retirement Modernization Commission recommended that military dependents be allowed to choose from a selection of commercial health insurance plans and estimated that this would save $3.90 billion in the first year and more in the future.[13]

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.
- "Appendix D: Cost Data," in Military Compensation and Retirement Modernization Commission, *Report of the Military Compensation and Retirement Modernization Commission: Final Report*, January 2015.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

DISCRETIONARY

$9.0
SAVINGS IN BILLIONS[14]

Increase Use of Performance-Based Logistics

Congress should incentivize and enable the broader use of Performance-Based Logistics throughout the acquisition process. The Department of Defense should increase the use of PBL in weapon-systems maintenance and sustainment. It is estimated that these arrangements could save between $9 billion and $32 billion a year.[15] PBL is an arrangement in which the contractor is responsible for a larger portion of the support throughout the life cycle of the product. Thus, instead of being associated with the delivery of a platform, a contract is associated with the proper functioning of that platform.[16] This serves to align the contractor's interests with the DOD's interest in maintaining the readiness of platforms.

PBL is not appropriate for all systems and should be applied judiciously. It is both DOD policy and a priority for product-support solutions, and it is estimated that it saves between 5 percent and 20 percent of contract costs.[17]

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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

DISCRETIONARY

$0
(NO SAVINGS)[18]

Reduce Excess Infrastructure

According to recent DOD estimates, the military has approximately 19 percent excess capacity, ranging from 6 percent in the Navy to 29 percent in the Army.[19] As the military grows, it is not likely to need the same types of facilities it now has. As it stands, the DOD may not even thoroughly analyze its infrastructure needs.[20]

Congress routinely blocks the DOD's efforts to right-size its infrastructure. The last time the DOD was able to shape its infrastructure footprint was during the 2005 Base Realignment and Closure round. Since 2012, the DOD has asked for BRAC authority every year, and Congress has rejected it every year. Both the Senate and the House drafted versions of BRAC when discussing the 2018 National Defense Authorization Act, but none of the proposals ever made it into the legislation.

As it 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 the closing of bases and facilities as appropriate. While this process will come with an up-front cost, the DOD estimates that it could save $2 billion annually once it is fully implemented.[21]

ADDITIONAL READING

- Frederico Bartels, "Guidelines for a Better—and Necessary—Round of BRAC," Heritage Foundation *Backgrounder* No. 3257, October 19, 2017.
- Diana Cahn, "Policy Experts Urge Congress to Back New Round of Base Realignments and Closures," *Stars and Stripes*, June 19, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

DEFENSE

DISCRETIONARY

$434
SAVINGS IN MILLIONS[22]

Reform the Basic Allowance for Housing

For FY 2019, the DOD requested $21.7 billion in Basic Allowance for Housing for both enlisted personnel and officers.[23] Congress needs to reform the rules for the BAH and restore it to its proper role as an allowance by requiring married military couples to share a single allowance and requiring all servicemembers to document their housing expenditures in order to receive the allowance. Servicemembers are not entitled to and should have no expectation that money above what they pay for housing can be retained as "extra compensation."

These changes would reduce costs and are completely appropriate. Congress should phase in more accurate housing allowances, because the BAH is designed solely to help servicemembers pay for accommodations. A U.S. Army Audit Agency report estimated that married servicemembers receive $200 million more in BAH than their actual housing costs.[24] Congress should phase in more accurate housing allowances beginning with the FY 2019 National Defense Authorization Act. This would save an estimated $434 million in FY 2020.

ADDITIONAL READING

- Frederico Bartels, ed., "The Role of the 2020 National Defense Authorization Act (NDAA) in Rebuilding the U.S. Military," Heritage Foundation *Special Report* No. 208, February 6, 2019.
- Leo Shane III, "Group Wants Lawmakers to Cap Military Housing Stipends to Curb Costs," *Military Times,* March 29, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

DISCRETIONARY

$880
SAVINGS IN MILLIONS[25]

Replace Military Personnel in Commercial Positions with Civilian Employees

The DOD currently employs approximately 340,000 active-duty military personnel to perform support functions in commercial positions. Some of these positions can be transformed into civilian positions without losing the possibility of allocating military personnel to commercial positions to enable them to rotate away from combat positions. The Congressional Budget Office has analyzed the possibility of transforming 80,000 of these positions.[26]

Military personnel are inherently more expensive than civilians because the required training and rotations are shorter than the time that a civilian usually spends on a job. According to the CBO, the savings would be generated because of two factors: On average, civilians are 30 percent less expensive, and fewer civilians than the number of military personnel can be employed in the same positions.[27]

The savings vary depending on the replacement rate that the DOD achieves. In similar earlier initiatives, the DOD was able to average a ratio of 1:1.5, with two civilians replacing three military personnel. Even a replacement ratio of 1:1 would save $3.1 billion annually. At a ratio of 1:1.5, the amount would reach $5.7 billion.

ADDITIONAL READING

- Congressional Budget Office, *Replacing Military Personnel in Support Positions with Civilian Employees*, December 2015.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

POLICY RIDERS

Do not impose renewable energy mandates in the Department of Defense. Such mandates impede marketplace diversity by undermining the incentives for producers of renewable energy to develop competitively priced products. Fuel is as much an asset as it is a point of vulnerability for the military. To protect taxpayers from undue DOD energy expense, Congress should remove technology-specific and fuel-specific mandates from the military.[28] 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.[29]

Lift the moratorium on public–private competitions. Under pressure from federal employee unions since 2012, Congress has prohibited competition between public and private organizations to determine which could provide more cost-effective services for the U.S. government. This moratorium extends to public–public competitions, which leads to situations in which the municipality where a base is located cannot offer its services to the installation. DOD-specific competitions remain prohibited under Section 325 of the National Defense Authorization Act for FY 2010,[30] yet even critics will admit that "competition is the greatest single driver of performance and cost improvement."[31] The RAND Corporation has estimated that opening support services for the military to private competition could result in savings of between 30 percent and 60 percent.[32] The common criticism leveled against such competition is that the process has not been updated and has yielded problems for both government and the private sector.[33] This is more reason for Congress to revisit Circular A-76 and engage the issue.

Develop cost-effective auditing of the Department of Defense. Congress should examine ways to accomplish the purpose of an audit at a lower cost. Section 1003 of Public Law 111-84 and Section 1003 of Public Law 112-81 directed that DOD financial statements would have to be "validated as ready for audit no later than September 30, 2017."[34] The DOD has stated that it is now officially "under audit." Audit results that lead to actual reduced waste or inefficiency are rare, and many companies that can legally escape undergoing financial audit choose to do so.[35] There are better methods to reduce waste or inefficiency, such as "waste audits" or zero-based budgeting techniques. In addition, many of the audit requirements imposed on private corporations make little sense when applied to the DOD. An example of the illogic of the financial audit construct as applied to the department is the requirement to report precisely the value of all $2.4 trillion worth of its tangible assets, including decades-old equipment like M113 armored personnel carriers purchased in the 1970s and buildings constructed hundreds of years ago.[36] This makes sense in the private sector, not in the DOD.

Support the seamless integration of the national technology and industrial base. The FY 2017 National Defense Authorization Act required the Secretary of Defense to develop a plan to "reduce the barriers to the seamless integration" of the NTIB.[37] Congress should support reforms that will make it easier for the U.S. to export defense technologies to its closest allies, the United Kingdom and Australia. These should include allowing all defense-related exports to be licensed to these close allies absent a U.S. decision to refuse within a specified and limited time period and the system-level licensing of such exports, which would allow the automatic and immediate export of follow-on parts, components, servicing, or technical plans. Canada is already treated separately under U.S. law, and the Secretary of Defense's plan should reflect this fact and ensure that its exemption is updated to show the pending completion of export-control reform and to remove any other impediments discovered in the course of preparing the plan.

Establish education savings accounts (ESAs) for military-connected children. Empowering all families who serve with school choice would ensure that their children do not face mandatory assignment to the nearest district school. Providing military parents with ESAs would allow them to find education options that are the right fit for their children wherever their next assignment takes them. ESAs have garnered support from 75 percent of active-duty military families.[38] Moreover, Congress can repurpose existing federal revenue sources, such as Impact Aid or other titles in the Elementary and Secondary Education Act, to fund ESAs for children of military families.[39] ESAs can improve education options for military children because they meet the unique needs of military families.

ENDNOTES

1. Savings of $431.3 million for FY 2020 include $265.6 million for CDMRP and $165.7 million for civil military programs. CDMRP savings are based on FY 2018 spending levels for research on autism, breast cancer, epilepsy, ovarian cancer, and prostate cancer as reported in U.S. Department of Defense, U.S. Army Medical Research and Materiel Command, Congressionally Directed Medical Research Programs, *Congressionally Directed Medical Research Programs: 2018 Annual Report*, September 30, 2018, https://cdmrp.army.mil/pubs/annreports/2018annrep/2018annreport.pdf (accessed March 14, 2019). Savings in civil military programs are based on FY 2020 requested levels of $165.7 as reported in U.S. Department of Defense, Office of the Under Secretary of Defense (Comptroller), *Department of Defense Budget, Fiscal Year 2020: Operation and Maintenance Programs (0-1), Revolving and Management Funds (RF-1)*, March 2019, p. 28A, https://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2020/fy2020_o1.pdf (accessed March 14, 2019).
2. U.S. Department of Defense, Congressionally Directed Medical Research Programs, "About Us: Funding History," last updated December 14, 2018, http://cdmrp.army.mil/about/fundinghistory (accessed March 14, 2019).
3. Savings of $253 million for FY 2020 are based on the FY 2019 subsidy level of $1.266 billion as found in U.S. Department of Defense, Office of the Under Secretary of Defense (Comptroller), *Department of Defense Budget, Fiscal Year 2020: Operation and Maintenance Programs (0-1), Revolving and Management Funds (RF-1)*, p. 6. The $253 million in savings represents a 20 percent reduction in the $1.266 billion requested subsidy.
4. House Report No. 115-874, *John S. McCain National Defense Authorization Act for Fiscal Year 2019*, Conference Report to Accompany H.R. 5515, 115th Cong., 2nd Sess., July 25, 2018, p. 767, https://www.congress.gov/115/crpt/hrpt874/CRPT-115hrpt874.pdf (March 15, 2019).
5. U.S. Government Accountability Office, *Defense Commissaries: DOD Needs to Improve Business Processes to Ensure Patron Benefits and Achieve Operational Efficiencies*, GAO-17-80, March 2017, https://www.gao.gov/products/GAO-17-80 (accessed March 15, 2019).
6. Savings of $147 million in FY 2020 are based on the FY 2019 estimated spending level of $589 million for DDESS as found in U.S. Department of Defense, *Fiscal Year (FY) 2019 President's Budget: Operation and Maintenance, Defense-Wide, DoD Dependents Education*, February 2018, p. DoDDE-370, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2019/budget_justification/pdfs/01_Operation_and_Maintenance/O_M_VOL_1_PART_1/DoDDE_OP-5.pdf (accessed March 15, 2019). This estimate assumes a phased-in reduction in DDESS spending amounting to a 25 percent cut in FY 2020.
7. Lindsey M. Burke and Anne Ryland, "A GI Bill for Children of Military Families: Transforming Impact Aid into Education Savings Accounts," Heritage Foundation *Backgrounder* No. 3180, June 2, 2017, http://www.heritage.org/education/report/gi-bill-children-military-families-transforming-impact-aid-education-savings.
8. Jim Cowen and Marcus S. Lingenfelter, "The Stealth Factor in Military Readiness," *The Hill*, February 27, 2017, http://thehill.com/blogs/congress-blog/education/321321-the-stealth-factor-in-military-readiness (accessed March 15, 2019).
9. Karen Jowers, "Pentagon May Stop Running Stateside Schools for Military Children," *Military Times*, November 14, 2017, https://www.militarytimes.com/newsletters/pay-benefits/2017/11/13/pentagon-may-stop-running-state-side-schools-for-military-children/ (accessed March 15, 2019).
10. Estimated savings of $3.90 billion for FY 2020 are based on implementation of Recommendation 6 as outlined in Military Compensation and Retirement Modernization Commission, *Report of the Military Compensation and Retirement Modernization Commission: Final Report*, January 2015, pp. 79–119, https://docs.house.gov/meetings/AS/AS00/20150204/102859/HHRG-114-AS00-20150204-SD001.pdf (March 15, 2019). The commission estimated that this proposal would save $3.90 billion in the first year and more than $6 billion per year once fully implemented.
11. Ibid., p. 81.
12. 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, http://www.heritage.org/research/reports/2011/11/saving-the-american-dream-improving-health-care-and-retirement-for-military-service-members.
13. Military Compensation and Retirement Modernization Commission, *Report of the Military Compensation and Retirement Modernization Commission: Final Report*, p. 262.
14. Savings of $9 billion for FY 2020 represent the low end of a range of estimated savings from two reports: John Boyce and Allan Banghart, "Performance Based Logistics and Project Proof Point: A Study of PBL Effectiveness," *Defense AT&L: Product Support Issue*, March–April 2012, pp. 26–30, https://www.dau.mil/library/defense-atl/DATLFiles/Mar_Apr_2012/boyce_bangheart.pdf (accessed March 15, 2019), and Jacques S. Gansler, William Lucyshyn, Lisa H. Harrington, and Amelia Cotton Corl, *The Current State of Performance Based Logistics and Public–Private Partnerships for Depot-Level Maintenance: Operating Models, Outcomes, and Issues*, University of Maryland, School of Public Policy, Center for Public Policy and Private Enterprise, October 2010, http://cpppe.umd.edu/file/861/download?token=ipx2r1Sr (accessed March 15, 2019). The estimates of cost savings range from a notably conservative or low level of $9 billion per year to $32 billion per year. Heritage experts conservatively assume that the DOD would initially realize the lowest range of these savings at $9 billion per year in FY 2020, with that figure growing to $32 billion per year over the 10-year period.
15. Baker Spring, "Performance-Based Logistics: Making the Military More Efficient," Heritage Foundation *Backgrounder* No. 2411, May 6, 2010, http://www.heritage.org/defense/report/performance-based-logistics-making-the-military-more-efficient.
16. Daniel Gouré, "Performance-Based Logistics Contracts Continue to Prove Their Value," Lexington Institute, January 17, 2014, http://www.lexingtoninstitute.org/performance-based-logistics-contracts-continue-to-prove-their-value/ (accessed March 15, 2019).
17. U.S. Department of Defense, Assistant Secretary of Defense, Logistics & Materiel Readiness, *PBL Guidebook*: *A Guide to Developing Performance-Based Arrangements*, 2016, p. 12, http://acqnotes.com/wp-content/uploads/2017/07/Performance-Based-Logistics-Guidebook-March-2016.pdf (accessed March 15, 2019).

18. We do not assume any savings for FY 2020. However, the Department of Defense estimates that once fully implemented, a BRAC would save $2 billion annually. See U.S. Department of Defense, Office of the Under Secretary of Defense (Comptroller), Chief Financial Officer, *Defense Budget Overview: United States Department of Defense Fiscal Year 2017 Budget Request*, February 2016, p. 2-4, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2017/FY2017_Budget_Request_Overview_Book.pdf (accessed March 15, 2019).
19. U.S. Department of Defense, *Department of Defense Infrastructure Capacity*, October 2017, p. 3, https://1yxsm73j7aop3quc9y5ifaw3-wpengine.netdna-ssl.com/wp-content/uploads/2017/10/101717_DoD_BRAC_Analysis.pdf (accessed March 15, 2019).
20. Frederico Bartels, "Bad Idea: Using a Growing Force as an Excuse Not to Conduct BRAC," Center for Strategic and International Studies, Defense 360, December 13, 2018, https://defense360.csis.org/bad-idea-using-a-growing-force-as-an-excuse-not-to-conduct-brac/ (accessed March 15, 2019).
21. James Mattis, Secretary of Defense, "Written Statement for the Record," testimony before the Committee on Armed Services, U.S. House of Representatives, June 12, 2017, p. 11, http://docs.house.gov/meetings/AS/AS00/20170612/106090/HHRG-115-AS00-Bio-MattisJ-20170612.pdf (accessed March 15, 2019).
22. Estimated savings of $434 million for FY 2020 are based on an assumed 2 percent reduction in BAH costs. While the exact level of savings is uncertain, and while more accurate allowances could change behaviors and affect actual housing costs, Heritage experts estimate that a phased-in approach would reduce BAH costs by 2 percent in FY 2020, rising to 8 percent in FY 2023. In FY 2018, the DOD spent $21.744 billion on BAH. The $434 million in FY 2020 savings equals 2 percent of this cost. See U.S. Department of Defense, Office of the Under Secretary of Defense (Comptroller), *Department of Defense Budget, Fiscal Year 2020: Military Personnel Programs (M-1)*, March 2019, p. 17A, https://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2020/fy2020_m1.pdf (accessed March 15, 2019).
23. U.S. Department of Defense, Office of the Under Secretary of Defense (Comptroller), *Department of Defense Budget, Fiscal Year 2018: Military Personnel Programs (M-1)*, May 2017, p. 22A, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2018/fy2018_m1.pdf (accessed March 15, 2019).
24. Senate Report No. 114-255, *National Defense Authorization Act for Fiscal Year 2017*, Committee on Armed Services, U.S. Senate, 114th Cong., 2nd Sess., May 18, 2016, p. 164, https://www.congress.gov/114/crpt/srpt255/CRPT-114srpt255.pdf (accessed March 15, 2019).
25. Estimated savings of $880 million for FY 2020 are based on a five-year phase-in of the proposal, leading to the midpoint of the CBO's estimated annualized savings of between $3.1 billion and $5.7 billion. We assume savings of $880 million in the first year, increasing by $880 million each year until year five, when total annualized savings reach the midpoint—$4.4 billion—of the CBO's estimated savings. Congressional Budget Office, *Replacing Military Personnel in Support Positions with Civilian Employees*, December 2015, https://www.cbo.gov/publication/51012 (accessed March 15, 2019).
26. Ibid.
27. Ibid., p. 3.
28. 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, http://www.heritage.org/defense/report/the-new-administrations-policy-should-reflect-biofuels-cannot-meet-military-needs.
29. Jack Spencer, "Capability, Not Politics, Should Drive DOD Energy Research," Heritage Foundation *WebMemo* No. 3299, June 22, 2011, http://www.heritage.org/research/reports/2011/06/capability-not-politics-should-drive-dod-energy-research.
30. H.R. 2647, National Defense Authorization Act for Fiscal Year 2010, Public Law 111-84, 111th Cong., October 28, 2009, https://www.gpo.gov/fdsys/pkg/PLAW-111publ84/pdf/PLAW-111publ84.pdf (accessed March 14, 2019).
31. Stan Soloway, "It's Time to Bury A-76—It Worked Once, But Its Day Is Past," *Government Executive*, January 4, 2017, http://www.govexec.com/excellence/promising-practices/2017/01/its-time-bury-76it-worked-once-its-day-past/134305/ (accessed March 14, 2019).
32. Susan M. Gates and Albert A. Robbert, *Personnel Savings in Competitively Sourced DoD Activities: Are They Real? Will They Last?* (Santa Monica, CA: RAND Corporation, National Defense Research Institute, 2000), https://www.rand.org/content/dam/rand/pubs/monograph_reports/2007/MR1117.pdf (accessed March 15, 2019).
33. Valerie Ann Bailey Grasso, "Circular A-76 and the Moratorium on DOD Competitions: Background and Issues for Congress," Congressional Research Service *Report for Congress*, January 16, 2013, https://fas.org/sgp/crs/misc/R40854.pdf (accessed March 15, 2019).
34. Cheryl Pellerin, "DOD Makes Audit Progress, But Challenges Remain," U.S. Department of Defense, May 15, 2014, http://archive.defense.gov/news/newsarticle.aspx?id=122263 (accessed March 15, 2019).
35. Arthur J. Radin and Miriam E. Katowitz, "Have Audits Become Too Inefficient and Expensive?" *The CPA Journal*, February 2016, https://www.cpajournal.com/2016/02/01/audits-become-inefficient-expensive/ (accessed March 15, 2019).
36. Tom Spoehr, "The Unaffordable Pentagon Audit," *The National Interest*, December 25, 2017, http://nationalinterest.org/feature/the-unaffordable-pentagon-audit-23784 (accessed April 17, 2018).
37. S. 2943, National Defense Authorization Act for Fiscal Year 2017, Public Law 114-328, 114th Cong., December 23, 2016, https://www.gpo.gov/fdsys/pkg/PLAW-114publ328/pdf/PLAW-114publ328.pdf (accessed March 15, 2019).
38. Lindsey M. Burke, "A G.I. Bill for Children from Military Families," Heritage Foundation *Commentary*, January 29, 2018, https://www.heritage.org/education/commentary/gi-bill-children-military-families.
39. Burke and Ryland, "A G.I. Bill for Children of Military Families: Transforming Impact Aid into Education Savings Accounts."

Energy and Water Development

E&W

DISCRETIONARY

$493
SAVINGS IN MILLIONS[1]

Focus DOE National Nuclear Security Administration Spending on Weapons Programs

The DOE is responsible for the nuclear reactors and weapons that are operated by the Defense Department. Each year, the DOE receives between $16 billion and $17 billion to fund defense-related activities. The U.S. must continue to fund nuclear weapons modernization and implement the Trump Administration's Nuclear Posture Review. The National Nuclear Security Administration must prioritize funding for the aging U.S. nuclear weapons complex.

Non-weapons programs and support, however, should not be funded by nuclear weapons accounts. Congress should cancel the Minority Serving Institution Partnership Program, with a savings of $18.8 million in FY 2020, and return the following programs to their FY 2014 budget levels (in nominal dollars):

- Secure Transportation Asset (saves $73 million);
- Information Technology and Cyber Security (saves $30.3 million);
- Warhead Dismantlement and Fissile Materials Transparency (now under "Nuclear Verification") (saves $0.6 million);
- Nuclear Safeguards and Security Programs (saves $1.7 million); and
- Defense Environmental Clean-Up (saves $368 million).[2]

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

DISCRETIONARY

$193
SAVINGS IN MILLIONS[3]

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

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 U.S. nuclear physics research, and the DOE provides over 90 percent of the nuclear science research funding, which is employed at universities and federally sponsored research facilities (also called user facilities).[4]

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 $497 million in FY 2020 (actual FY 2008 spending was $424 million), a $193 million reduction from its projected FY 2018 level of $690 million.

ADDITIONAL READING

- Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2668, March 26, 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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Reduces funding by $35 million (9%).

DISCRETIONARY

$517
SAVINGS IN MILLIONS[5]

E&W

Return DOE Advanced Scientific Computing Research to FY 2008 Levels

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 arguably are some of the most important aspects of basic Energy Department research.

At the same time, however, this program has also been the beneficiary of a consistently expanding budget. In order to live within today's fiscal constraints, funding should be returned to the inflation-indexed FY 2008 levels of $419 million (actual 2008 spending was $351 million).

ADDITIONAL READING

- Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2669, March 26, 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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	REJECTED	Maintains funding at FY 2019 levels.

DISCRETIONARY

$366
SAVINGS IN MILLIONS[6]

E&W

Eliminate the DOE Advanced Research Projects Agency–Energy Program

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. However, 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. The U.S. Government Accountability Office found that of the 44 small and medium-size companies that received an ARPA–E award, 18 had previously received private-sector investment for a similar technology. The GAO also found that 12 of those 18 companies planned to use ARPA–E funding either to advance or to accelerate already funded work.[7]

The federal government should not be in the business of picking winners and losers among technologies, even if they are in the early stages of research and development. Government projects that have become commercial successes—the Internet, computer chips, the global positioning system (GPS)—were developed initially to meet national security needs, not to meet a commercial demand. 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.

ADDITIONAL READING

- Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2668, March 26, 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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$705
SAVINGS IN MILLIONS[8]

Eliminate the DOE Biological and Environmental Research Program

The Office of Science BER program funds research for a variety of energy-related subjects, including biology, radiochemistry, climate science, and subsurface biogeochemistry. Many BER programs should be cut drastically and moved to the Office of Science or eliminated entirely because they are activities that are better suited to the private sector, duplicate other research, or do not align with the Energy Department's mission. Specifically, cuts should be made in 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 that it does not adequately understand, and its exercise of such responsibilities as 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 and requested no funds in its final budget. Congress should reconstitute the LDRR program at FY 2008 levels of funding over the next two years, beginning with 75 percent funding in FY 2020 and 100 percent funding in FY 2021.

ADDITIONAL READING

- Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2668, March 26, 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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Funding is reduced by $210 million (30%) but not eliminated.

DISCRETIONARY

$605
SAVINGS IN MILLIONS[9]

E&W

Reduce Funding for the DOE Basic Energy Sciences Program

The BES program 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 DOE missions in energy, environment, and national security."[10] The problem is that many BES subprograms stray from fundamental research into commercialization. The government should eliminate such aspects of these programs because private companies are capable of fulfilling these roles, whether through their own laboratories or by funding university research. The proposed cuts would eliminate some subprograms and return others to near-FY 2008 levels.

Federal scientific R&D funding must meet a specific government objective or contribute to basic research where the private sector is not already working. Government projects that have become commercial successes—the Internet, computer chips, GPS—were developed initially to meet national security needs, not to meet a commercial demand. 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. In addition, 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.

ADDITIONAL READING

- Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2668, March 26, 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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$39
SAVINGS IN MILLIONS[11]

E&W

Eliminate DOE Energy Innovation Hubs

The DOE has four Energy Innovation Hubs (multi-disciplinary teams) to overcome obstacles in energy technologies: the Fuels from Sunlight Hub, Batteries and Energy Storage Hub, Nuclear Energy Modeling and Simulation Hub, and Critical Materials Institute. Regardless of the merits of such endeavors, Energy Innovation Hubs focus on promoting specific energy sources and technology developments rather than basic research.

Federal scientific R&D funding should be rationalized to cut waste and rein in federal spending either to meet a specific government objective or to contribute to basic research in areas where the private sector is not already working. In 2013, the DOE had the federal government's fourth-largest R&D budget.[12] The federal government should not be in the business of picking winners and losers among technologies, even if they are the early stages of research and development. Government projects that have become commercial successes—the Internet, computer chips, GPS—were developed initially to meet national security needs, not to meet a commercial demand. 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. In addition, policies should be implemented that remove bureaucratic obstacles and invite the private sector, using private funds, to access that research and commercialize it.

ADDITIONAL READING

- Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2668, March 26, 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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	REJECTED	Maintains funding at FY 2019 levels.

DISCRETIONARY

$156
SAVINGS IN MILLIONS[13]

Eliminate the DOE Office of Electricity

The Office of Electricity pursues activities to modernize the nation's power grid "to ensure a resilient, reliable, and flexible electricity system."[14] Under the Obama Administration, much of the funding was used to promote electric vehicles and renewable energy. The OE focuses on advanced grid technology R&D, transmission permitting and assistance for states and tribes, infrastructure security, and cybersecurity research and development. It also serves as a connection point for communication, information, and data between the federal government and the private sector in addressing threats like cybersecurity and permits cross-border transmission line construction.

While upgrading the nation's electricity grid has merit, it should be accomplished at the private, local, state, and regional levels. The OE's role and those of the Federal Energy Regulatory Commission (FERC); the North American Electric Reliability Corporation (NERC); regional independent system operators (ISOs); and the private sector are redundant. Instead of subsidizing advanced renewable energy resources or smart-grid technology, the federal government should reduce the 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 within the purview of the Department of Homeland Security.

ADDITIONAL READING

- Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2668, March 26, 2012.
- Jonathan Lesser, "America's Electricity Grid: Outdated or Underrated?" Heritage Foundation *Backgrounder* No. 2959, October 29, 2014.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$2.4
SAVINGS IN BILLIONS[15]

Eliminate the DOE Office of Energy Efficiency and Renewable Energy

The EERE funds research and development "to create and sustain American leadership in the transition to a global clean energy economy."[16] Under the Obama Administration, funding went to such projects as "drop-in" biofuels, improvements in engine efficiency, vehicle weight reduction, home energy efficiency, and renewables. Promoting these technologies is not an investment in basic research; it is outright commercialization.

All of this spending is for activities that the private sector can undertake if companies believe that doing so is in their economic interest. 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 multitrillion-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.

Congress should eliminate the EERE. The DOE should conduct research to meet government objectives that the private sector does not undertake, and policies should be implemented that remove bureaucratic obstacles and invite the private sector, using private funds, to access that research and commercialize it.

ADDITIONAL READING

- Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2668, March 26, 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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Reduces spending significantly by $2 billion (86%).

DISCRETIONARY

$985
SAVINGS IN MILLIONS[17]

Eliminate the DOE Office of Fossil Energy

Under the Obama Administration, most of the funding for fossil-energy research and development focused on technologies that will reduce CO2 emissions. Such activities should be the province of the private sector. The FE also authorizes imports and exports of natural gas, which is an outdated and unnecessary function that unnecessarily restricts energy markets. Other funding has been used to manage the government-controlled stockpile of oil, the Strategic Petroleum Reserve, which has been used more for politics than for responding to oil supply shocks and ignores the private sector's ability to unload abundant inventories in such an event.

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 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 and almost without exception fails in some way.

Over time, Congress should sell all of the oil in the SPR and 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.

ADDITIONAL READING

- Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2668, March 26, 2012.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Reduces spending by $178 million (24%).

DISCRETIONARY

$667
SAVINGS IN MILLIONS[18]

E&W

Eliminate the DOE Office of Nuclear Energy

The Office of Nuclear Energy aims to advance nuclear power in the U.S. and address technical, cost, safety, security, and regulatory issues. As 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. 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 program is charged with investigating the crosscutting of technologies. Cuts in the NEET budget should include eliminating the unnecessary Modeling and Simulation Hub and cutting tens of millions of dollars from the National Scientific User Facility.

Fuel-cycle R&D should also be decreased by $103.8 million, with the remaining spending reprogrammed to reconstitute the statutorily required Office of Civilian Radioactive Waste Management and support the review of Yucca Mountain. Before the Obama Administration eliminated it, the OCRWM was responsible for managing the permit application for a deep geologic repository at Yucca Mountain. Regardless of the ultimate fate of Yucca Mountain, completing the review makes available all of the information needed to make wise decisions about what to do next.

Congress should provide $50 million each to the DOE and the Nuclear Regulatory Commission for FY 2020 to start up the program and reevaluate concrete funding needs in FY 2021. No funds should be used for the DOE's consent-based siting initiative 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 26, 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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Reduces spending by $500 million (38%).

DISCRETIONARY

$270
SAVINGS IN MILLIONS[19]

E&W

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

The DOE Office of Science includes SBIR and STTR programs established by Congress "to support scientific excellence and technological innovation through the investment of Federal research funds in critical American priorities to build a strong national economy." The programs are administered by the Small Business Administration, and "[s]mall businesses that win awards...keep the rights to any technology developed and are encouraged to commercialize the technology."[20]

Using taxpayer dollars to offset higher risk is no way to promote economic development. It ensures that the public pays for the failures, as has been the case 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. Government projects that have become commercial successes—the Internet, computer chips, GPS—were developed initially to meet national security needs, not to meet a commercial demand. 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, and policies should be implemented that remove bureaucratic obstacles and invite the private sector, using private funds, to access that research and commercialize it.

ADDITIONAL READING

- Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2668, March 26, 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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

E&W

MIXED

$25.7
SAVINGS IN BILLIONS[21]

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

The SPR has been used more for politics than for responding to oil supply shocks, and it ignores the private sector's ability 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 liquidate these reserves and sell or decommission the supporting infrastructure.

To avoid disrupting oil markets, the DOE should sell the SPR oil by periodically auctioning an amount not exceeding 10 percent of the previous month's total U.S. 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 $25.6 billion in FY 2020.

The DOE should also liquidate or privatize the Northeast Home Heating Oil Reserve and the Gasoline Supply Reserve. 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 that are 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 can. This saves $156 million in FY 2020.

ADDITIONAL READING

- Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2668, March 26, 2012.
- Nicolas D. Loris, "Why Congress Should Pull the Plug on the Strategic Petroleum Reserve," Heritage Foundation *Backgrounder* No. 3046, August 20, 2015.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Fully includes the heating oil reserves while reducing the SPR.

MIXED

$30.0
SAVINGS IN BILLIONS[22]

E&W

Auction Off the Tennessee Valley Authority

The TVA's original purpose was to provide navigation infrastructure, flood control, power generation, reforestation, and economic development in a region encompassing nine states, especially Tennessee, Alabama, Mississippi, and Kentucky. This goal has long been accomplished. The TVA's 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 lack of effective oversight from either the government or the private sector has led to 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 region's highest electricity prices. 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 in 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.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Takes steps toward privatization by selling transmission assets.

MIXED

$34.6
SAVINGS IN BILLIONS[23]

Auction Off the Four Remaining Power Marketing Administrations

E&W

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. They sell electricity in the South and West at subsidized prices. They do not pay taxes, and they 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, California; Vail, Colorado; and Las Vegas, Nevada.

Generating and distributing commercial electricity should not be a centralized, government-managed activity, and taxpayers should not 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 sold to its customers, and the remaining PMAs should similarly be sold under competitive bidding.

ADDITIONAL READING

- Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2668, March 26, 2012.
- Ken G. Glozer, "Time for the Sun to Set on the Tennessee Valley Authority," Heritage Foundation *Backgrounder* No. 2904. May 6, 2014.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Takes steps toward privatization by selling transmission assets, repeals borrowing authority, and requires selling power at market rates.

POLICY RIDERS

Repeal the Foreign Dredge Act. Passed in 1906, the Foreign Dredge Act requires that all ships engaged in dredging U.S. waters must be built in the United States. The act has ensured that U.S. ports do not have access to the largest and most cost-effective international dredging firms but has failed to stimulate domestic industry. U.S. shipbuilders hold less than 1 percent of the global shipbuilding market (by deadweight tonnage) and produce just 0.2 percent of U.S. gross domestic product. Only two hopper dredges have been built in the past 10 years, despite large demand for maritime improvements. The restriction has created an oligopoly of politically connected dredging companies with little incentive to increase capacity or control costs. Over the 2014 to 2016 period, the average U.S. dredging project received just two bids, and three companies accounted for 56 percent of market share. Repealing this protectionist act would increase competition and reduce costs for American dredging projects while allowing sponsors to select companies that meet their needs without regard to country of origin.

Repeal the Public Utilities Regulatory Policies Act. The electricity sector would benefit from competition and the repeal of current policy, which forces utilities to purchase qualifying renewable energy and arbitrarily limits renewable energy capacity to small scale or geographic proximity. Technology and energy source–neutral competition in the electricity sector encourages companies to meet unique customer energy needs and preferences while protecting customers from unwise investments. Competitive markets have also resulted in the efficient exit of older, expensive units and the entry of innovative technologies.

Repeal the Jones Act. The Jones Act is blatant cronyism by which the government confers special treatment on one group at the expense of everyone else. Repealing this outdated, protectionist law would promote competition, strengthen the economy, and benefit American consumers.

Remove impediments to exports of liquefied natural gas. Currently, companies must obtain approval from the Federal Energy Regulatory Commission and the Department of Energy before exporting natural gas. A facility is automatically authorized if the recipient country has a free trade agreement with the U.S. In the absence of an FTA, the DOE can arbitrarily deny a permit if it believes the volume of natural gas exports is not in the public interest. The decision to export natural gas should be a business decision, not a political one. The U.S. trades regularly with a number of non-FTA countries, and natural gas should be treated as any other globally traded good is treated. Congress should remove the DOE from the permitting process and empower states to permit LNG facilities.[24]

Open access to America's national laboratories. Congress should open access to America's national labs and create a system that allows the private sector, using private funds, to tap into DOE research and explore commercial opportunities. Federal labs should allow basic research to reach the market organically. Congress should establish a more effective management structure to help America's national laboratories work with industry while protecting taxpayer money and the labs' ability to conduct the basic research that the federal government needs.

Complete licensing for Yucca Mountain. Any sustainable, long-term solution for nuclear waste management requires geologic storage. Taxpayers and electricity ratepayers have spent more than $15 billion on the Yucca Mountain site, and no technical or scientific evidence has yet disqualified it as a viable option. Congress should appropriate funds to the Department of Energy and the Nuclear Regulatory Commission to complete their review of the permit application and transition to a more market-based approach.

Prohibit new loan guarantees and any new energy subsidies. Congress should make clear that no taxpayer dollars will be used directly for energy production, storage, efficiency, infrastructure, or transportation for nongovernment consumers, including the extension of existing programs. A market-based energy sector would benefit consumers by delivering reliable, affordable energy while eliminating government favoritism for special interests.

ENDNOTES

1. Estimated savings of $493 million for FY 2020 are based on the requested FY 2018 spending levels for each program as specified in U.S. Department of Energy, Office of Chief Financial Officer, *Department of Energy FY 2019 Congressional Budget Request, Volume 1, National Nuclear Security Administration: Federal Salaries and Expenses, Weapons Activities, Defense Nuclear Nonproliferation, Naval Reactors*, March 2018, https://www.energy.gov/sites/prod/files/2018/03/f49/FY-2019-Volume-1.pdf (accessed March 24, 2019). Savings include $18.8 million for cancelling the Minority Serving Institution Partnership Program, $73 million for reductions in the Secure Transportation Asset, $30.3 million for reductions in Information Technology and Cyber Security, $0.6 million for Nuclear Verification, $1.7 million for International Nuclear Safeguards, and $368 million for reductions in Defense Environmental Clean-Up.
2. Totals may not add due to rounding.
3. Estimated savings of $193 million for FY 2020 are based on the FY 2019 spending level of $690 million as found in U.S. Department of Energy, Office of Chief Financial Officer, *Department of Energy FY 2020 Congressional Budget Request: Budget in Brief*, March 2019, p. 42, https://www.energy.gov/sites/prod/files/2019/03/f60/doe-fy2020-budget-in-brief_0.pdf (accessed March 24, 2019). The FY 2008 level of $424 million would be $497 million in inflation-adjusted 2019 dollars based on the personal consumption expenditures (PCE) index through 2019 and assuming 2.0 percent inflation in 2020).
4. U.S. Department of Energy, Office of Chief Financial Officer, *Department of Energy FY 2017 Congressional Budget Request*, *Volume 4*, *Science: Advanced Research Projects Agency—Energy*, February 2016, p. 239, https://www.energy.gov/sites/prod/files/2016/02/f29/FY2017BudgetVolume%204.pdf (accessed March 24, 2019).
5. Estimated savings of $517 million for FY 2020 are based on the FY 2019 spending level of $936 million as found in U.S. Department of Energy, Office of Chief Financial Officer, *Department of Energy FY 2020 Congressional Budget Request: Budget in Brief*, p. 42. Heritage experts assume that FY 2019 spending remains constant in FY 2020. The FY 2008 level of $351 million would be $419 million in inflation-adjusted 2020 dollars based on the personal consumption expenditures (PCE) index. Savings equal the difference between projected spending of $936 million and recommended spending of $419 million.
6. Estimated savings of $366 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.R. 5895, Energy and Water, Legislative Branch, and Military Construction and Veterans Affairs Appropriations Act, 2019, Public Law 115-244, 115th Cong., September 21, 2018, https://www.congress.gov/115/bills/hr5895/BILLS-115hr5895enr.pdf (accessed March 24, 2019). Heritage experts assume that FY 2019 spending remains constant in FY 2020.
7. U.S. Government Accountability Office, *Department of Energy: Advanced Research Projects Agency–Energy Could Benefit from Information on Applicants' Prior Funding*, GAO-12-112, January 2012, http://www.gao.gov/assets/590/587667.pdf (accessed March 24, 2019). See also U.S. Department of Energy, Office of Inspector General, Office of Audits and Inspections, *Audit Report: The Advanced Research Projects Agency–Energy*, OAS-RA-11-11, August 2011, https://www.energy.gov/sites/prod/files/OAS-RA-11-11.pdf (accessed March 24, 2019).
8. Estimated savings of $705 million for FY 2020 are based on the FY 2019 spending level of $705 million as found in U.S. Department of Energy, Office of Chief Financial Officer, *Department of Energy FY 2020 Congressional Budget Request: Budget in Brief*, p. 42. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
9. Estimated savings of $605 million for FY 2020 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 *Backgrounder* No. 2668, March 26, 2012, http://thf_media.s3.amazonaws.com/2012/pdf/bg2668.pdf. These cuts would have brought FY 2013 spending to a level of $1.402 billion, which would be $1.561 billion in inflation-adjusted FY 2020 dollars based on the personal consumption expenditures (PCE) index. The FY 2019 spending level was $2.166 billion as found in U.S. Department of Energy, Office of Chief Financial Officer, *Department of Energy FY 2020 Congressional Budget Request: Budget in Brief*, p. 42. The estimated savings of $605 million for FY 2019 equals the difference between the inflation-adjusted FY 2020 recommended level of $1.561 billion and the estimated FY 2019 level of $2.166 billion. Heritage experts assume that the FY 2019 enacted level holds steady in FY 2020.
10. U.S. Department of Energy, Office of Science, "Basic Energy Sciences (BES)," last modified June 29, 2018, http://science.energy.gov/bes/ (accessed March 24, 2019).
11. Estimated savings of $39 million for FY 2020 are based on the FY 2017 spending levels as found in U.S. Department of Energy, Office of Chief Financial Officer, *Department of Energy FY 2019 Congressional Budget Request, Volume 3, Part 2, Energy Efficiency and Renewable Energy, Nuclear Energy, Advanced Research Projects Agency–Energy, Advanced Tech. Vehicles Manufacturing Loan Program, Title 17–Innovative Tech. Loan Guarantee Program, Tribal Energy Loan Guarantee Program, Energy Information Administration*, March 2018, p. 334, https://www.energy.gov/sites/prod/files/2018/03/f49/FY-2019-Volume-3-Part-2.pdf (accessed March 24, 2019), and U.S. Department of Energy, Office of Chief Financial Officer, *Department of Energy FY 2019 Congressional Budget Request, Volume 4, Science*, March 2018, p. 49, https://www.energy.gov/sites/prod/files/2018/03/f49/DOE-FY2019-Budget-Volume-4_0.pdf (accessed March 24, 2019). Heritage experts assume that FY 2017 spending remains constant through FY 2019. Estimated savings include $15 million for the Fuels from Sunlight Hub; $24.3 million for the Batteries and Energy Storage Hub; nothing for the Nuclear Energy Modeling and Simulation Hub (because it is not listed in the FY 2019 budget request); and nothing for the Critical Materials Institute (because the budget request does not fund this in FY 2019).
12. 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, http://thf-reports.s3.amazonaws.com/2016/BG3128.pdf.
13. Estimated savings of $156 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.R. 5895, Energy and Water, Legislative Branch, and Military Construction and Veterans Affairs Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020.

14. U.S. Department of Energy, Office of Electricity Delivery and Energy Reliability, "About the Office of Electricity," https://www.energy.gov/oe/about-office-electricity (accessed March 24, 2019).
15. Estimated savings of $2.379 billion for FY 2020 are based on the FY 2019 appropriated level as specified in H.R. 5895, Energy and Water, Legislative Branch, and Military Construction and Veterans Affairs Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
16. U.S. Department of Energy, 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 March 24, 2019).
17. Estimated savings of $985 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.R. 5895, Energy and Water, Legislative Branch, and Military Construction and Veterans Affairs Appropriations Act, 2019. Savings include $740 million from Fossil Energy Research and Development, $10 million from the Naval Petroleum and Oil Shale Reserves, and $235 million from the Strategic Petroleum Reserves. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
18. Estimated savings of $667 million for FY 2020 are based on the recommended $178 million in FY 2013 spending cuts for nuclear energy as found in Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus." These cuts would have brought FY 2013 spending to a level of $592 million, which would be $659 million in inflation-adjusted FY 2020 dollars based on the personal consumption expenditures (PCE) index. The FY 2019 spending level was $1.326 billion as specified in H.R. 5895, Energy and Water, Legislative Branch, and Military Construction and Veterans Affairs Appropriations Act, 2019. The estimated savings of $667 million for FY 2020 equals the difference between the inflation-adjusted FY 2019 recommended level of $659 million and the estimated FY 2020 level of $1.326 billion. Heritage experts assume that the FY 2019 enacted level holds steady in FY 2020.
19. Estimated savings of $270 million for FY 2020 are based on data in *Fiscal Year 2020 Budget of the U.S. Government: Appendix*, p. 378, https://www.whitehouse.gov/wp-content/uploads/2019/03/appendix-fy2020.pdf (accessed March 24, 2019). Heritage experts assume that the FY 2018 enacted level) holds steady in FY 2020.
20. U.S. Department of Energy, Office of Science, Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR), "About," last modified December 21, 2018, http://science.energy.gov/sbir/about/ (accessed March 24, 2019).
21. Estimated one-time savings of $25.487 billion for FY 2020 are based on selling 10 percent of the previous month's inventory each month. In FY 2020, this would mean selling off 477 million barrels (183 MMB sweet and 284 MMB sour) based on the most recently available data on the SPR's inventory (March 15, 2019), including 254.6 MMB of West Texas Intermediary sweet crude oil and 394.5 MMB of sour crude oil, for a total of 649.1 MMB. As of April 27, 2018, the market price for oil was $59.44 for West Texas Intermediate sweet and $53.04 for West Texas sour. Heritage experts assume that inventory remains at that level until the sell-off begins and that prices remain constant through FY 2019. This results in total sales of 25.941 billion MMB (roughly 72 percent of the current inventory). Heritage experts subtract $610 million from this amount because the CBO projects that the SPR will sell off $610 million worth of oil in FY 2020. See Congressional Budget Office, "The Budget and Economic Outlook: 2019 to 2029: Budget and Economic Data: Spending Projections, by Budget Account," January 2019, https://www.cbo.gov/about/products/budget-economic-data#9 (accessed March 26, 2019). Thus, the one-time savings from selling off the SPR equals $25.331 billion in FY 2020 as well as $235 million in discretionary savings. One-time savings in FY 2020 from selling the Northeastern Home Heating and Gasoline Supply Reserves equals $156 million. Both reserves hold 1 million barrels (42 gallons per barrel), and the current price per gallon is $1.95 for home heating oil and $1.76 for gasoline. Heritage experts assume that these prices hold constant until the reserves are sold. Selling the Northeast Reserves also includes $10 million in discretionary savings. See ibid. Selling off both the SPR and Northeast Reserves saves a total of $25.732 billion in FY 2020, including $25.487 billion in one-time savings and $245 million in discretionary savings.
22. Estimated savings of $30.026 billion for FY 2020 are based on the lower end of an estimated value of $30 billion (one-time savings in FY 2020) for the TVA as well as $26 million in mandatory contributions to the TVA fund in FY 2020 as included in the most recent January 2019 CBO baseline spending projections. See Congressional Budget Office, "The Budget and Economic Outlook: 2019 to 2029: Budget and Economic Data: Spending Projections, by Budget Account." 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.
23. Estimated savings of $34.597 billion for FY 2020 are based on the lower-end, inflation-adjusted estimate in a previous CBO study that valued them between $23 billion and $31 billion in FY 1997. See Congressional Budget Office, "Should the Federal Government Sell Electricity?" *CBO Study*, November 1997, p. 15, https://www.cbo.gov/sites/default/files/105th-congress-1997-1998/reports/electric.pdf (accessed March 24, 2019). In inflation-adjusted terms, the CBO's FY 1997 estimates translate into a range of $33.767 billion to $45.512 billion in estimated FY 2020 dollars, based on the personal consumption expenditures (PCE) index. Heritage experts assume the low end of this estimate at $33.767 billion in one-time savings for FY 2020. In addition, auctioning off these PMAs would generate savings from the annual operation and maintenance costs, which are projected to total $190 million in discretionary savings for FY 2020, and another $640 million in mandatory savings from the funds contributed to these PMAs as estimated by the CBO in its most recent January 2019 baseline spending projections. See Congressional Budget Office, "The Budget and Economic Outlook: 2019 to 2029: Budget and Economic Data: Spending Projections, by Budget Account." Thus, total savings equal $34.597 billion in FY 2020.
24. Nicolas D. Loris, "Removing Restrictions on Liquid Natural Gas Exports: A Gift to the U.S. and Global Economies," Heritage Foundation *Backgrounder* No. 3232, July 27, 2017, https://www.heritage.org/sites/default/files/2017-07/BG3232.pdf.

Financial Services and General Government

DISCRETIONARY

$1.7
SAVINGS IN BILLIONS[1]

Eliminate the Small Business Administration's Disaster Loans Program

After federally declared disasters, the DLP offers taxpayer-funded direct loans to assist businesses, nonprofit organizations, homeowners, and renters in repairing damaged property 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. The SBA awards disaster loans 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 its pre-disaster condition, the unintended consequence of this requirement is that borrowers are forced to rebuild in disaster-prone locations. For example, instead of moving away from a town located in a major flood zone, applicants are required to rebuild in exactly the same high-risk area. In many cases, the loans fail to offer a long-term solution.

The DLP program amounts to a poorly managed government subsidy for private businesses. Giving it the authority to provide grants to whomever it deems fit is an improper use of emergency funding and fails to prioritize aid to those who need it most. The program has a history of poor management and falls outside the proper scope of the federal government.

ADDITIONAL READING

- Justin Bogie, "Congress Must Stop the Abuse of Disaster and Emergency Spending," Heritage Foundation *Backgrounder* No. 3380, February 4, 2019.
- 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.
- Justin Bogie, "Trump's Budget Deal with Democrats Will Only Worsen Our Fiscal Situation," The Daily Signal, September 7, 2017.
- David Inserra, Justin Bogie, Diane Katz, Salim Furth, Monica Burke, Katie Tubb, Nicolas D. Loris, and Steven P. Bucci, "After the Storms: Lessons from Hurricane Response and Recovery in 2017," Heritage Foundation *Special Report* No. 201, April 16, 2018.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	REJECTED	Maintains funding at FY 2019 levels.

DISCRETIONARY

$22
SAVINGS IN MILLIONS[2]

FS

Reform the Securities and Exchange Commission

The SEC's mission is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation. Over the past 10 years, the SEC's budget has increased by 82 percent—two times faster than the budget of the government as a whole and the size of its workforce has increased by 33 percent without improving the SEC's effectiveness. Resources have flowed into unnecessary management, "support," and ancillary functions while core functions have been neglected. The SEC has become sclerotic and moribund, with too many layers of middle management, too many offices, and too many layers of review. It needs to be reformed, streamlined, and better managed, and its budget should be frozen at its FY 2018 level ($1.65 billion).

Reforms are necessary so that the SEC can better support well-functioning capital markets. The commission does not need (as has been proposed) more managers. It has over 50 percent more managers per employee than other large independent agencies. The number of direct reports to the chairman should be reduced from 23 to 12, and 11 offices should be merged into other offices. The commission's information technology programs appear to be poorly managed and are unnecessarily costly. Its contracting oversight is insufficient. The SEC bases its decisions on inadequate data and does much less than most agencies to provide data to commissioners, other policymakers, and the public.

The SEC's enforcement efforts directed at fraud and other malfeasance by managers of large financial institutions are inadequate. A Complex Case Unit should be created within the Enforcement Division to handle cases involving large, complex, and well-financed investment banks, banks, investment companies, and similar market participants. The budget and staffing levels of the SEC Office of the Inspector General deserve serious scrutiny. Serious questions have been raised about the neutrality and impartiality of SEC administrative law judges. Respondents should be allowed to elect whether the adjudication occurs in the SEC's administrative law court or an ordinary article III federal court.

ADDITIONAL READING

- David R. Burton, "Reforming the Securities and Exchange Commission," Heritage Foundation *Backgrounder* No. 3378, January 30, 2019.
- "Securities and Exchange Commission," in "Blueprint for Reorganization: An Analysis of Federal Departments and Agencies," ed. David B. Muhlhausen, Heritage Foundation *Special Report* No. 192, June 12, 2017, pp. 203–205.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	Proposes to eliminate SEC's reserve fund in order to restore accountability but does not propose any other reforms.

DISCRETIONARY

$250
SAVINGS IN MILLIONS[3]

Eliminate the Department of the Treasury's Community Development Financial Institutions Fund

The Community Development Financial Institutions fund (CDFI) provides grants to community development financial institutions, community development entities, and other private financial institutions. Since 2010, a total of more than $15 billion in taxpayer dollars has been disbursed through these programs.

The CDFI should be shut down because it amounts to corporate welfare in the form of grants, bond guarantees, and tax credits. This favoritism hinders competition and distorts private markets, ultimately leading to higher consumer prices and further justification for increased federal spending.[4]

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Eliminates and winds down the CDFI grant program but extends the CDFI bond guarantee program.

DISCRETIONARY

$80
SAVINGS IN MILLIONS[5]

Eliminate the Export–Import Bank

The Export–Import Bank provides subsidized financing to foreign firms and governments for the purchase of American exports. When fully operational, the program primarily benefits very large corporations and puts unsubsidized American firms at a competitive disadvantage. Moreover, taxpayers are on the hook for any losses that the bank fails to cover with reserves. These risks are ignored in reported budget figures, which assume that program fees will fully offset Ex–Im costs. This assumption fails to account for default risks. According to the Congressional Budget Office, the more accurate fair-value accounting method that prevails in the private sector reveals program costs of $2 billion for the bank's six largest programs for fiscal years 2015 to 2024.[6]

In 2015, Congress reauthorized Ex–Im through 2019 as a rider to a bloated multibillion-dollar transportation measure. Because of vacancies on the bank's board of directors, however, the reauthorization did not return Ex–Im to business as usual. With few exceptions, all Ex–Im financing that exceeds $10 million must be approved by a three-member quorum of the bank's five-member board. Currently, there are three vacancies.

Not only do Ex–Im's direct costs account for default risk, but they do not reflect the detrimental impacts on U.S. firms that result from the subsidizing of overseas competitors. The subsidies also distort the allocation of capital and labor. For example, export financing of coal mining in Colombia, copper excavation in Mexico, and airplanes for India has led to job losses for domestic companies. There is no shortage of private financing, and Ex–Im subsidies are not needed to maintain exports.

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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	REJECTED	Maintains funding at FY 2019 levels.

DISCRETIONARY

$10
SAVINGS IN MILLIONS[7]

Eliminate Funding for the Office of Personnel Management's Multi-State Plan Program

Congress created the MSP program under the Affordable Care Act (ACA), enacted in 2010. The statute required the Office of Personnel Management to contract with at least two insurance companies to compete with all other private health plans in the health insurance exchanges in every state.[8]

The program has been a monumental failure. In 2014, the OPM contracted with only one large insurer rather than two and projected an enrollment of 750,000 for that year. As of April 2014, however, only 280,000 in 30 states were enrolled in the program.[9] In 2015, the OPM added the so-called co-op plans to its roster of insurers, even though these plans were financially unstable and most have since collapsed. By 2017, the plans were supposed to be available in every state. In 2018, only one state (Arkansas) offered an MSP exchange option.[10]

In 2018, the House of Representatives passed H.R. 6147,[11] a major appropriations bill, which included an amendment by Representative Mark Meadows (R–NC) to eliminate funding for the program. The Senate, however, took no action on the measure.

ADDITIONAL READING

- Robert Emmet Moffit and Neil R. Meredith, "Multistate Health Plans: Agents for Competition or Consolidation?" Mercatus Center at George Mason University, *Working Paper*, January 2015.
- The Honorable Linda Springer, The Honorable Donald J. Devine, The Honorable Dan G. Blair, and Robert E. Moffit. "The Office of Personnel Management: A Power Player in America's Health Insurance Markets?" Heritage Foundation *Lecture* No. 1145, February 19, 2010 (delivered January 20, 2010).

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

DISCRETIONARY

$1.9
SAVINGS IN BILLIONS[12]

Replace Costly Provisions of Dodd–Frank

Despite the claims of its authors, the 2010 Dodd–Frank Act did not end “too big to fail.” In fact, Dodd–Frank actually helps to enshrine too-big-to-fail policies in law, particularly by allowing the Financial Stability Oversight Council (FSOC) to publicly identify firms it views as too big to fail and by using a taxpayer-supported resolution process called orderly liquidation authority (OLA) to resolve failing firms.

Provisions in the Financial CHOICE Act[13] would remove the FSOC’s ability to identify these too-big-to-fail firms and would also repeal Dodd–Frank’s OLA. Other CHOICE Act provisions would repeal similar FSOC authority for financial market utilities (FMUs); restructure the Consumer Financial Protection Bureau (CFPB); repeal the Volcker Rule; and implement a regulatory off-ramp.[14]

According to the OMB, restructuring CFPB would save $147 million in FY 2019 during the first year of the transition, and these savings would grow to $610 million in FY 2020.[15] According to a 2017 CBO estimate, ending OLA (and therefore the Orderly Liquidation Fund) would save $30.1 billion in spending over 10 years while reducing revenues by just $5.9 billion. Implementation costs of $1.8 billion are estimated as well.[16]

ADDITIONAL READING

- Norbert J. Michel, ed., *The Case Against Dodd–Frank: How the “Consumer Protection” Law Endangers Americans*, The Heritage Foundation, 2016.
- Norbert J. Michel, ed., *Prosperity Unleashed: Smarter Financial Regulation*, The Heritage Foundation, 2017.

PROPOSAL	STATUS	EXPLANATION
President’s Budget (FY2020)	NOT ADDRESSED	

MANDATORY

$700
SAVINGS IN MILLIONS[17]

Reform Fannie Mae and Freddie Mac

Mortgage securitizers Fannie Mae and Freddie Mac—America's largest government-sponsored enterprises (GSEs)—imploded in 2008, triggering a major recession and financial crisis in the United States. Instead of shutting down these failed companies, Congress chose to prop them up indefinitely. A decade later, both GSEs remain under government conservatorship, with taxpayers standing behind all of their obligations and the housing market even more distorted than it was leading into the crisis. The implicit federal guarantees behind the GSEs' securities made housing less affordable and contributed to the significant lowering of credit standards in the years preceding the crisis.

History shows that the housing market does not need this type of government guarantee, and Congress should work to make housing more affordable by shrinking the federal role in housing finance. A few basic reforms include eliminating the geographic price differentials for conforming loan limits, gradually reducing conforming loan limits, and pricing guarantee fees more prudently.

According to the CBO, increasing the guarantee fee by five basis points from recent levels of just under 60 basis points would save $700 million in FY 2020. Adjusting the loan limits for mortgages purchased by these GSEs would yield further savings. Currently, high-cost areas are at $726,525 compared with the standard elsewhere of $484,350. The CBO proposal eliminates the high-cost excess limits, setting a universal national maximum of $453,100 in 2020 and ratcheting down this limit by 5 percent annually until it levels off at $300,000 in 2028. The change in loan limits on its own saves $100 million in FY 2020. Both changes combined save $700 million.[18] The CBO estimates that increasing the guarantee fee would cause new guarantees to decline by 16 percent over 10 years. Merely reducing loan limits would reduce new guarantees by 29 percent. Combining both changes would reduce new guarantees by 38 percent.[19]

ADDITIONAL READING

- Joel Griffith and Norbert J. Michel, "Housing Finance Reform Possibilities Abound for 2019," Heritage Foundation *Backgrounder* No. 3382, February 4, 2019.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

DISCRETIONARY

$648
SAVINGS IN MILLIONS[20]

Repeal the Rum Excise Tax Cover-Over

The top federal excise tax of $13.50 per proof-gallon is levied on distilled spirits.[21] Of the federal excise tax revenue collected from rum produced in Puerto Rico, the U.S. Virgin Islands, or internationally, $13.25 per proof-gallon is transferred to the governments of Puerto Rico and the U.S Virgin Islands.[22] This transfer of revenue from the U.S. Treasury to other governments is called a cover-over.

Puerto Rico and the U.S. Virgin Islands each receive the $13.25 of revenue collected from locally produced rum. The relative production between the two territories determines the distribution of revenue from other imported rum. By producing more rum, each territory has the ability to increase its share of the cover-over, creating a strong incentive to boost local production. The rum cover-over program has precipitated a rum-subsidies war between the two territories.

The unintended consequences of the cover-over program have led both Puerto Rico and the U.S. Virgin Islands to manipulate their economies to maximize federal subsidies. The ensuing subsidies race distorts the economy by placing continental U.S. rum producers at a disadvantage, fuels local corruption, and destabilizes local government budgets due to constantly fluctuating cover-over values.

H.R. 3476, introduced in the 115th Congress, would repeal the cover-over of rum excise tax revenue.[23] The bill did not receive a vote.

ADDITIONAL READING

- Adam Michel, “Rum Taxes and Perverse Incentives,” Tax Foundation, July 10, 2014.

PROPOSAL	STATUS	EXPLANATION
President’s Budget (FY2020)	INCLUDED	Increases revenue from Puerto Rico by $413 million.

MANDATORY (ONE-TIME)

$588
SAVINGS IN MILLIONS[24]

Rescind Unobligated Balances from the Treasury Forfeiture Fund

The Department of the Treasury Forfeiture Fund receives proceeds from forfeitures made by participating bureaus of the Department of the Treasury and Department of Homeland Security. The fund is used to reimburse expenses incurred by federal, state, and local law enforcement related to seizures and forfeitures.

However, the Forfeiture Fund has become another means for Congress to pay for unrelated spending. The Bipartisan Budget Act of 2013 rescinded $867 million from the fund to partially offset the new funding provided by the budget deal. Congress also rescinds hundreds of millions of dollars from the Forfeiture Fund each year through appropriations. The money is then used to increase other spending within the Budget Control Act caps.

Congress should cap Treasury Forfeiture Fund spending at an appropriate level and use any unobligated balances to reduce the debt. Unobligated balances should not be used to increase discretionary spending.

ADDITIONAL READING

- Justin Bogie, "Budget Gimmicks Increase Federal Spending and Mask True Costs of Legislation," Heritage Foundation *Backgrounder* No. 3234, July 26, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

POLICY RIDERS

Protect freedom of conscience and life in the District of Columbia. Congress should prohibit the District of Columbia from using any federal or local funding to implement or enforce the Death with Dignity Act, which permits physician-assisted suicide, as well as the Reproductive Health Nondiscrimination Act (RHNDA) and Human Rights Amendment Act (HRAA), which potentially could interfere with religious liberty and the exercise of conscience in the District. The government's role should be to prevent suicides, not to facilitate them.

D.C.'s Death with Dignity Act endangers the weak and vulnerable, corrupts the practice of medicine and the doctor–patient relationship, compromises the family and intergenerational commitments, and betrays human dignity and equality before the law.[25] The 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." It could require pro-life organizations to hire individuals who advocate for abortion.

The HRAA repealed a policy that protected religious schools in D.C. 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. Repeal of this protection could force Christian schools to violate their beliefs about human sexuality and recognize LGBT student groups or host "gay pride" days on campus.[26]

Expand the D.C. Opportunity Scholarship Program. Policymakers can advance school choice by expanding access to the OSP through existing funding authorized by the D.C. School Choice Incentive Act. The OSP provides scholarships that enable children from low-income D.C. families to attend a private school of the parents' choice. When the OSP was created in 2003, Congress funded the new school choice option through the "three-sector" approach: $20 million in funding for the OSP, $20 million in supplemental funding for D.C.'s public charter schools, and an additional $20 million for the D.C. public school system.

Federal policymakers should shift a portion of the additional federal funding provided to traditional public schools in the three-sector approach and use it to fund additional scholarships for students to attend a private school of choice. Because the District of Columbia falls under the jurisdiction of Congress, it is appropriate for the federal government to fund the OSP. According to one study, 91 percent of students who used a voucher to attend a private school of choice graduated high school: a rate 21 percentage points higher than the rate for a control group of peers who were awarded but did not use a scholarship.[27]

ENDNOTES

1. Estimated savings of $1.716 billion for FY 2020 are based on the CBO's May 2018 baseline spending projections. See Congressional Budget Office, "The Budget and Economic Outlook: 2018 to 2028: Budget and Economic Data: Spending Projections, by Budget Account," May 2018, https://www.cbo.gov/about/products/budget-economic-data#9 (accessed March 29, 2019).
2. Estimated savings of $69 million for FY 2020 are based on the FY 2019 appropriated level of $1.675 billion as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019, Public Law 116-6, 116th Cong., February 15, 2019, https://www.congress.gov/bill/116th-congress/house-joint-resolution/31 (accessed March 28, 2019). Heritage experts assume that FY 2019 spending remains constant in FY 2020. This proposal would reduce the SEC budget to its inflation-adjusted FY 2018 spending level, which would be $1.653 billion for FY 2020.
3. Estimated savings of $250 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
4. Justin Bogie, David R. Burton, and Norbert J. Michel, "2017 House Financial Services and General Government Bill: Reduces Spending, But Does Not Go Far Enough on Policy Changes," Heritage Foundation *Issue Brief* No. 4591, July 7, 2016, http://thf-reports.s3.amazonaws.com/2016/IB4591.pdf.
5. Estimated savings of $80 million for FY 2020 are based on Table 2, "Estimated Annual Loan Volume and Budgetary Costs of the Credit Programs of the Export–Import Bank of the United States Under FCRA and the Fair-Value Approach, 2015 to 2024," in Douglas W. Elmendorf, Director, Congressional Budget Office, "Estimates of the Cost of the Credit Programs of the Export–Import Bank," testimony before the Committee on Financial Services, U.S. House of Representatives, June 25, 2014, p. 6, https://www.cbo.gov/sites/default/files/113th-congress-2013-2014/reports/45468-exportimportbanktestimony.pdf (accessed March 28, 2019), which 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, or $160 million per year. We estimate half of this level of savings for FY 2020 because the bank has not been operating at full capacity; lacking a board quorum for the past four years, it has been unable to finance deals in excess of $100 million.
6. Congressional Budget Office, *Fair-Value Estimates of the Cost of Selected Federal Credit Programs for 2015 to 2024*, May 2014, p. 1, https://www.cbo.gov/sites/default/files/113th-congress-2013-2014/reports/45383-fairvalue.pdf (accessed March 28, 2019).
7. Estimated savings of $10 million for FY 2020 are based on news release, "Johnson, Meadows Introduce Bill to Eliminate Failed Obamacare Program," Committee on Homeland Security and Governmental Affairs, U.S. Senate, December 12, 2017, https://www.hsgac.senate.gov/media/majority-media/johnson-meadows-introduce-bill-to-eliminate-failed-obamacare-program (accessed March 29, 2019). As part of their oversight responsibilities and using program data supplied by the U.S. Office of Personnel Management, committee staff estimated an initial annual savings of $10 million from elimination of the MSP program. This estimate comes from eliminating MSP administrative costs, including salaries and expenses.
8. The Honorable Linda Springer, The Honorable Donald J. Devine, The Honorable Dan G. Blair, and Robert E. Moffit, "The Office of Personnel Management: A Power Player in America's Health Insurance Markets?" Heritage Foundation *Lecture* No. 1145, February 19, 2010 (delivered January 20, 2010), http://www.heritage.org/research/lecture/the-office-of-personnel-management-a-power-player-in-americas-health-insurance-markets.
9. Robert Emmet Moffit and Neil R. Meredith, "Multistate Health Plans: Agents for Competition or Consolidation?" Mercatus Center at George Mason University, *Working Paper*, January 2015, p. 4, https://pdfs.semanticscholar.org/cddc/248c94214b0681a4cc6b4a275b7e03d7c421.pdf (accessed March 29, 2019).
10. News release, "Johnson, Meadows Introduce Bill to Eliminate Failed Obamacare Program."
11. H.R. 6147, Interior, Environment, Financial Services and General Government, Agriculture, Rural Development, Food and Drug Administration, and Transportation, Housing and Urban Development Appropriations Act, 2019, 115th Cong., https://www.congress.gov/bill/115th-congress/house-bill/6147 (accessed March 29, 2019).
12. Estimated savings of $1.88 billion for FY 2020 are based on Congressional Budget Office, "H.R. 10, Financial CHOICE Act of 2017, as Ordered Reported by the House Committee on Financial Services on May 4, 2017," *Cost Estimate*, May 18, 2017, https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/hr10.pdf (accessed March 29, 2019). The CBO report assumes implementation in late 2017, so we used its 2019 estimated fiscal impacts as the first year of implementation and applied those figures to FY 2020. Total savings of $1.88 billion include $2.17 billion in reduced budget authority, offset by $295 million in reduced revenues.
13. See H.R. 10, Financial CHOICE Act of 2017, 115th Cong., https://www.congress.gov/bill/115th-congress/house-bill/10 (accessed March 29, 2019).
14. Norbert J. Michel, "Money and Banking Provisions in the Financial CHOICE Act: A Major Step in the Right Direction," Heritage Foundation *Backgrounder* No. 3152, August 31, 2016, https://www.heritage.org/markets-and-finance/report/money-and-banking-provisions-the-financial-choice-act-major-step-the, and Norbert Michel, "Budget Reconciliation: A Viable Path for CHOICE Act Reforms," *Forbes*, September 4, 2017, https://www.forbes.com/sites/norbertmichel/2017/09/04/budget-reconciliation-a-viable-path-for-choice-act-reforms/#5e406c09496f (accessed March 29, 2019).
15. Table S-6, "Mandatory and Receipt Proposals," in Office of Management and Budget, *Fiscal Year 2019 Budget of the U.S. Government*, p. 136, https://www.govinfo.gov/content/pkg/BUDGET-2019-BUD/pdf/BUDGET-2019-BUD.pdf (accessed March 29, 2019).
16. Congressional Budget Office, "H.R. 10, Financial CHOICE Act of 2017."
17. Estimated savings of $700 million for FY 2020 are based on Congressional Budget Office, *Options for Reducing the Deficit: 2019 to 2028*, December 2018, pp. 23–24, https://www.cbo.gov/system/files?file=2018-12/54667-budgetoptions.pdf (accessed March 29, 2019). The CBO report assumes implementation in October 2019, so we used its 2020 estimated fiscal impacts as the basis of our estimate.

18. Ibid.
19. Ibid.
20. Estimated savings of $648 million for FY 2020 are based on [Name redacted on web site], "The Rum Excise Tax Cover-Over: Legislative History and Current Issues," Congressional Research Service *Report for Congress*, September 20, 2012, https://www.everycrsreport.com/files/20120920_R41028_8ed3e4082e0a7b38896700009cd3ab48474db864.pdf (accessed March 29, 2019). FY 2011 data were adjusted for inflation to determine estimated savings of $648 million in 2020.
21. A temporary lower tax rate of $2.70 per proof-gallon applies to the first 100,000 gallons of production for the 2018–2019 tax year. See H.R. 1, An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, Public Law 115-97, 115th Cong., December 22, 2017, https://www.congress.gov/bill/115th-congress/house-bill/1/text (accessed March 29, 2019).
22. The permanent cover-over level of $10.50 has been increased by $2.75 to $13.25 on a recurring, temporary basis since 1999. The current extension of the higher rate ends on December 31, 2022.
23. H.R. 3476, To Amend the Internal Revenue Code of 1986 to Repeal the Cover-Over of Rum Excise Tax Revenue, 115th Cong., https://www.congress.gov/bill/115th-congress/house-bill/3476 (accessed March 29, 2019).
24. Estimated savings of $588 million for FY 2020 are based on the CBO's most recent January 2019 baseline spending projections. See Congressional Budget Office, "The Budget and Economic Outlook: 2019 to 2029: Budget and Economic Data: Spending Projections, by Budget Account," January 2019, https://www.cbo.gov/about/products/budget-economic-data#9 (accessed March 29, 2019).
25. Ryan T. Anderson, "Always Care, Never Kill: How Physician-Assisted Suicide Endangers the Weak, Corrupts Medicine, Compromises the Family, and Violates Human Dignity and Equality," Heritage Foundation *Backgrounder* No. 3004, March 24, 2015, https://www.heritage.org/health-care-reform/report/always-care-never-kill-how-physician-assisted-suicide-endangers-the-weak.
26. 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, http://www.heritage.org/research/reports/2015/03/congress-should-protect-religious-freedom-in-the-district-of-columbia.
27. Patrick Wolf, Babette Gutmann, Michael Puma, Brian Kisida, Lou Rizzo, Nada Eissa, and Matthew Carr, *Evaluation of the DC Opportunity Scholarship Program: Final Report*, U.S. Department of Education, Institute of Education Sciences, National Center for Education Evaluation and Regional Assistance, NCEE 2010-4018, June 2010, https://ies.ed.gov/ncee/pubs/20104018/pdf/20104018.pdf (accessed March 29, 2019).

Homeland Security

DISCRETIONARY

$700
SAVINGS IN MILLIONS[1]

Eliminate FEMA's Fire Grants

Assistance to Firefighters Grants (AFGs) subsidize the routine activities of local fire departments and emergency management organizations. Fire Prevention and Safety (FP&S) grants fund projects to improve firefighter safety and protect the public from fire and related hazards. Staffing for Adequate Fire and Emergency Response (SAFER) grants fund career firefighters' salaries and volunteer fire departments' recruitment activities in order to increase staffing levels.

The Heritage Foundation's Center for Data Analysis evaluated the program's effectiveness by matching grant award data to the National Fire Incident Reporting System, a 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 firefighter deaths, firefighter injuries, civilian deaths, and civilian injuries, comparing fire departments that received grants to departments that did not receive grants. It also assessed 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. Comparison fire departments that did not receive grants were just as successful at preventing fire casualties as were grant-funded fire departments.

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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	REJECTED	Cuts and institutes cost shares for other grant programs but not for fire grants specifically.

DISCRETIONARY

$850
SAVINGS IN MILLIONS[2]

Reduce Funding for FEMA's Disaster Relief Fund

Throughout most of U.S. history, state and local governments were responsible for responding to nearly all disasters. Under President Ronald Reagan, FEMA averaged 28 federal disaster declarations a year. After passage of the amended Stafford Act in 1988, the number rose dramatically: Under President Barack Obama, approximately 120 disasters were declared each year. Two provisions of the Stafford Act are to blame for this: One shifts most of the costs of a federalized disaster to the federal government; the other makes it relatively easy for a regional or localized disaster to qualify as a federal disaster.

Reforming the Stafford Act to return more responsibility for disaster relief to state and local governments would enable Washington to reduce federal disaster relief spending by at least $850 million in FY 2020, with more savings in future years. First, Congress should increase the Stafford Act threshold to require $3 per capita in damages with a $5 million minimum threshold and a $50 million maximum threshold. 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. For disasters that top $5 billion, the cost-share provision should increase gradually 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.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

DISCRETIONARY

$470
SAVINGS IN MILLIONS[3]

Privatize Transportation Security Administration Screening Functions

The TSA model is costly and unwisely makes the TSA both the regulator and regulated organization responsible for screening operations. With President Donald Trump promising to shrink federal bureaucracies and bring private-sector knowhow to government programs, the TSA is ripe for reform. The U.S. should look to the Canadian and European private models of providing aviation screening manpower to lower TSA costs while maintaining security.

More specifically, the TSA could privatize the screening function by expanding the current Screening Partnership Program (SPP) to all airports. The TSA would turn screening operations over to airports that would choose security contractors that meet TSA regulations and would oversee and test airports for compliance. Alternatively, it could adopt a Canadian-style system, turning over screening operations to a new government corporation that contracts screening service to private contractors. Contractors would bid to provide their services to a set of airports in a region, likely with around 10 regions. The TSA would continue to set security regulations and test airports for compliance, and the new corporation would establish any operating procedures or customer service standards.

Some of this funding should be used to reduce airport security fees for travelers. The government could expect to save at least 10 percent from the existing aviation screening budget, but savings could be significantly larger.

ADDITIONAL READING

- David Inserra, "Time to Privatize the TSA," Heritage Foundation *Backgrounder* No. 3120, July 19, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

DISCRETIONARY

$700
SAVINGS IN MILLIONS[4]

Reform Payments from the National Flood Insurance Program

The federal government holds a monopoly on primary flood insurance for homeowners and businesses, and the program is debt-ridden and dysfunctional. Because a large proportion of the government's flood-risk maps are obsolete, the premiums charged under the NFIP do not reflect actual risk. Artificially low premiums promote overdevelopment in flood-prone areas, which worsens the devastation of natural disasters and dramatically increases the recovery costs borne by taxpayers.

The Federal Emergency Management Agency has repeatedly proven its inability to manage flood mapping properly. Therefore, the Flood Hazard Mapping Program should be eliminated ($168 million), and responsibility for risk mapping should be shifted to private insurers.

The government already contracts with private property and casualty insurers to sell and service NFIP policies. Insurers receive a generous commission of 15 percent of net written premiums and may also receive a bonus for meeting sales goals. (According to the Government Accountability Office, the government lacks the information necessary to determine whether its compensation payments are appropriate.[5])

Instead of paying private insurers to sell government policies, Congress should phase out the NFIP in favor of a private insurance market. The first step is to allow private insurance to satisfy federal loan requirements, after which there should be a moratorium on government policies for newly acquired properties (after a date certain). FEMA should also put out for bid a portion of the insurance pool each year. At the very least, the NFIP should be barred from insuring any property with lifetime losses that, in the aggregate, exceed twice the amount of the replacement value of the structure.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

POLICY RIDERS

Judiciously expand and rename the Visa Waiver Program. Congress should allow the Secretary of Homeland Security to raise the 3 percent refusal rate to 10 percent if a country has a low visa-overstay rate. In addition, because "visa waiver" is often incorrectly associated with lax vetting of foreign travelers, Congress or the Department of Homeland Security should rename the VWP. One recommendation is to rename the program the Partnership for Secure Travel (PST), a designation that recognizes both the reciprocal, mutually beneficial nature of the program and its importance to U.S. security.[6]

Streamline congressional oversight of DHS. As the Aspen Institute put it in 2013, "DHS should have an oversight structure that resembles the one governing other critical departments, such as Defense and Justice."[7] This means placing oversight of DHS under one primary homeland security committee in the House and one in the Senate, with some additional oversight by the intelligence committees and homeland security appropriations subcommittee in both chambers.

Close immigration loopholes. Congress should reject the *Flores* settlement in order to allow accompanied children to remain with their parents while awaiting asylum adjudication or prosecution of misdemeanor violations of immigration law. Congress should reform the Trafficking Victims Protection Reauthorization Act (TVPRA) of 2008 to allow rapid repatriation of unaccompanied children from countries that are non-contiguous with the U.S. to their home countries.[8]

Establish private refugee-resettlement pilot programs. Refugees resettled to Canada through its private resettlement program have better assimilation outcomes and report greater satisfaction with their new lives than do those resettled by the government alone. Congress should amend existing refugee law to establish private resettlement pilot programs, set the number of refugees that are allowed to participate in these programs, and include a mechanism to expand the programs. For example, if private resettlement is capped at 5,000 but 10,000 private benefactors want to sponsor a refugee, then an additional 5,000 private refugees should be allowed by taking 5,000 refugee spots from next year's U.S. Refugee Admissions Program quota. In addition, because it is difficult for private sponsors to support a refugee with significant health issues, the U.S. should design the program to ensure that private sponsors do not shoulder the burden of onerous medical costs.[9]

Create a Counter-Unmanned Aerial Systems pilot program for state and local law enforcement. Many large public events and critical infrastructure facilities beyond federal installations will need protection from drone-based attacks. Congress should create a pilot program modeled after the 287(g) program, which would allow the DHS to enter into agreements with state and local law enforcement agencies to train and deputize particular officers to fulfill CUAS responsibilities under the direction of federal authorities. The pilot program should start after the completion and promulgation of CUAS regulations and rules by the Department of Homeland Security, and all program participants should be subject to these regulations. The pilot program should require the DHS to enter into agreements with a variety of different local partners, using an array of approved technologies at diverse venues and facilities.[10]

ENDNOTES

1. Estimated savings of $700 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019, Public Law 116-6, 116th Cong., February 15, 2019, https://www.congress.gov/bill/116th-congress/house-joint-resolution/31 (accessed March 13, 2019). The AFG and SAFER programs each received $350 million in appropriations for FY 2019. Heritage experts assume that the FY 2019 levels remain constant in FY 2020.
2. Estimated savings of $850 million for FY 2020 are a Heritage estimate of potential savings based on current disaster relief programs and their budget authority as authorized and found in the Consolidated Appropriations Act, 2019.
3. Estimated savings of $470 million for FY 2020 are based on David Inserra, "Time to Privatize the TSA," Heritage Foundation *Backgrounder* No. 3120, July 19, 2017, https://www.heritage.org/homeland-security/report/time-privatize-the-tsa. Estimated savings are based on likely spending reductions from implementing a private screener system similar to the Canadian model.
4. Estimated savings of $700 million for FY 2020 are based on Heritage estimates using data from Congressional Budget Office, *The National Flood Insurance Program: Financial Soundness and Affordability*, September 2017, https://www.cbo.gov/system/files?file=115th-congress-2017-2018/reports/53028-nfipreport2.pdf (accessed March 13, 2019). This report estimates that the NFIP costs $1.4 billion per year. We estimate that a shift to a fully privatized flood insurance market would result in savings equal to half of the NFIP's costs in FY 2020. In later years, savings would equal the full cost of the NFIP.
5. U.S. Government Accountability Office, Flood Insurance: FEMA Needs to Address Data Quality and Consider Company Characteristics When Revising Its Compensation Methodology, GAO-17-36, December 2016, https://www.gao.gov/products/GAO-17-36 (accessed March 15, 2019).
6. David Inserra, "Advancing American Security, Economic, and Foreign Policy Interests Through the Visa Waiver Program," Heritage Foundation *Issue Brief* No. 4812, January 26, 2018, https://www.heritage.org/homeland-security/report/advancing-american-security-economic-and-foreign-policy-interests-through (accessed March 13, 2019).
7. Aspen Institute, Justice and Society Program, *Task Force Report on Streamlining and Consolidating Congressional Oversight of the U.S. Department of Homeland Security*, September 2013, p. 4, https://assets.aspeninstitute.org/content/uploads/files/content/docs/pubs/Sunnylands%20report%2009-11-13.pdf (accessed March 13, 2019).
8. David Inserra, "Immigration Law and Enforcement in Dire Need of Clarity and Major Overhaul," Heritage Foundation *Issue Brief* No. 4912, October 24, 2018, https://www.heritage.org/immigration/report/immigration-law-and-enforcement-dire-need-clarity-and-major-overhaul.
9. Olivia Enos, David Inserra, and Joshua Meservey, "The U.S. Refugee Admissions Program: A Roadmap for Reform," Heritage Foundation *Backgrounder* No. 3212, July 5, 2017, https://www.heritage.org/immigration/report/the-us-refugee-admissions-program-roadmap-reform.
10. Jason Snead, John-Michael Seibler, and David Inserra, "Establishing a Legal Framework for Counter-Drone Technologies," Heritage Foundation *Backgrounder* 3305, April 16, 2018, https://www.heritage.org/technology/report/establishing-legal-framework-counter-drone-technologies.

Interior, Environment, and Related Agencies

DISCRETIONARY

$89.5
SAVINGS IN MILLIONS[1]

Reduce Funding for the EPA's Atmospheric Protection Program

The EPA's Research and Technology budget supports science, technology, monitoring, research, contracts and grants, intergovernmental agreements, and purchases of scientific equipment. The science and technology account for the Air Protection Program supports the EPA's fuel economy and greenhouse gas vehicle emissions standards, which duplicate the Federal Vehicle and Fuels Standards and Certification program. The Environmental Program and Management portion of EPA's budget for the Atmospheric Protection Program should also be reduced to eliminate the ENERGY Star program, which can be maintained effectively as an independent nonprofit organization.

ADDITIONAL READING

- Diane Katz, "An Environmental Policy Primer for the Next President," Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.
- "Environmental Protection Agency," in The Heritage Foundation, *Blueprint for Reform: A Comprehensive Policy Agenda for a New Administration in 2017*, Mandate for Leadership Series, 2016, pp. 94–98.
- Salim Furth and David W. Kreutzer, "Fuel Economy Standards Are a Costly Mistake," Heritage Foundation *Backgrounder* No. 3096, March 4, 2016, http://thf-reports.s3.amazonaws.com/2016/BG3096.pdf.

INT/ENV

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$17
SAVINGS IN MILLIONS[2]

Eliminate the EPA's Radon and Indoor Air Programs

The most pressing indoor air issues relate to asthma, which should be addressed by state public health departments, not by the EPA. Federal bureaucrats hardly possess sufficient information and expertise to impose controls on hundreds, if not thousands, of dissimilar locations across the 50 states. States and individual property owners are better equipped to customize policies to meet local conditions. A less centralized regime would also mean more direct accountability: Taxpayers could more easily identify the officials responsible for environmental policies, and the people making those regulatory decisions would have to live with the consequences.

ADDITIONAL READING

- Diane Katz, "An Environmental Policy Primer for the Next President," Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.
- "Environmental Protection Agency," in The Heritage Foundation, *Blueprint for Reform: A Comprehensive Policy Agenda for a New Administration in 2017*, Mandate for Leadership Series, 2016, pp. 94–98.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$94.2
SAVINGS IN MILLIONS[3]

Eliminate Federal Vehicle and Fuels Standards and Certification

This program involves a variety of activities to develop, test, implement, and enforce pollution emissions standards. In addition to pollution control, this program administers the Renewable Fuel Standard (RFS), fuel economy standards, and greenhouse gas emissions. The RFS is costly, is ineffective, and needlessly interferes in fuel supply. Fuel economy is the statutory responsibility of the National Highway Traffic Safety Administration.

Congress ultimately should retire vehicle fuel economy standards and clarify that the Clean Air Act does not cover greenhouse gases. This reduction in spending is contingent on policy reform that eliminates CAFE, RFS, and regulation of greenhouse gases.

ADDITIONAL READING

- Diane Katz, "An Environmental Policy Primer for the Next President," Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.
- "Environmental Protection Agency," in The Heritage Foundation, *Blueprint for Reform: A Comprehensive Policy Agenda for a New Administration in 2017*, Mandate for Leadership Series, 2016, pp. 94–98.
- Salim Furth and David Kreutzer, "Fuel Economy Standards Are a Costly Mistake," Heritage Foundation *Backgrounder* No. 3096, March 4, 2016, http://thf-reports.s3.amazonaws.com/2016/BG3096.pdf.

INT/ENV

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Reduces spending.

DISCRETIONARY

$17.1
SAVINGS IN MILLIONS[4]

Reduce Funding for the EPA's Air and Energy Research Program

The EPA's Research and Technology budget supports science, technology, monitoring, research, contracts and grants, intergovernmental agreements, and purchases of scientific equipment. The Air and Energy Research program should be reduced to eliminate climate change research, which duplicates work being done at the National Oceanic and Atmospheric Administration. EPA's research portfolio should be refocused on the EPA's core missions of air pollution and human health.

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.
- Diane Katz, "An Environmental Policy Primer for the Next President," Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.
- Katie Tubb and Nicolas Loris, "Climate Budget Cuts Are Smart Management, Not an Attack on Science," The Daily Signal, May 25, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$17.6
SAVINGS IN MILLIONS[5]

Reduce Funding for the EPA's Sustainable and Healthy Communities Research Program

The Sustainable and Healthy Communities research program has expanded beyond the EPA's core responsibilities. Issues addressed by the program include managing municipal waste, storm water runoff, and trade-offs in community planning for greenspace, schools, and public facilities that are appropriately addressed at the state and local levels. Activities and funds should be reduced to meeting the needs of federal contaminated sites, toxicology, chemical and pesticide research, and hazardous materials management.

ADDITIONAL READING

- Jack Spencer, ed., *Environmental Conservation: Eight Principles of the American Conservation Ethic*, The Heritage Foundation, 2012.
- Diane Katz, "An Environmental Policy Primer for the Next President," Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.

INT/ENV

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$8.7
SAVINGS IN MILLIONS[6]

Eliminate the EPA's Stratospheric Ozone Multilateral Fund

The EPA's Stratospheric Ozone Multilateral 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. Only 45.14 percent of financial pledges were made in 2018 by partnering nations, and the U.S. has long paid a disproportionate share of the funding.[7]

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.
- Diane Katz, "An Environmental Policy Primer for the Next President," Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.
- Nicolas D. Loris and Brett D. Schaefer, "The Kigali Amendment Offers Little Benefit to the Climate, Great Cost to the U.S. Economy," Heritage Foundation, *Backgrounder* No. 3309, April 30, 2018.
- Ben Lieberman, "Ozone: The Hole Truth," Heritage Foundation *Commentary*, September 14, 2007.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$12.8
SAVINGS IN MILLIONS[8]

Reduce the EPA's Compliance Monitoring Program

The EPA's compliance monitoring program manages compliance with environmental laws, regulations, permits, and reporting requirements through inspections, investigations, and monitoring. It is inefficient for both the federal government and states to conduct compliance monitoring. Funding should be reduced to eliminate redundancies with state and local monitoring in recognition that states are better positioned to detect local violations and determine the infrastructure necessary for monitoring. The compliance monitoring program should focus only on truly national and interstate environmental issues.

ADDITIONAL READING

- Jack Spencer, ed., *Environmental Conservation: Eight Principles of the American Conservation Ethic*, The Heritage Foundation, 2012.
- Diane Katz, "An Environmental Policy Primer for the Next President," Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$7.5
SAVINGS IN MILLIONS[9]

Eliminate the EPA's Environmental Justice Programs

Regulatory priorities should be set by states on the basis of risks to human health and the environment, not social factors. The EPA's "environmental justice" programs were originally designed to protect low-income communities from environmental harm, but the EPA too often goes beyond this purpose to prevent job-creating businesses from developing in low-income communities, thus blocking the economic opportunity that these communities need.

Environmental justice programs also 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 and education on urban gardening, composting, and the negative effects of urban sprawl and automobile dependence. Congress should eliminate these programs.

ADDITIONAL READING

- Diane Katz, "An Environmental Policy Primer for the Next President," Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.
- "Environmental Protection Agency," in The Heritage Foundation, *Blueprint for Reform: A Comprehensive Policy Agenda for a New Administration in 2017*, Mandate for Leadership Series, 2016, pp. 94–98.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Reduces spending.

DISCRETIONARY

$413.6
SAVINGS IN MILLIONS[10]

Eliminate the EPA's Geographic Programs

EPA funds a number of local environmental initiatives: the Chesapeake Bay, the Gulf of Mexico, Lake Champlain, Long Island Sound, Puget Sound, San Francisco Bay, South Florida, the Great Lakes, the U.S.–Mexico border, Lake Pontchartrain Basin, the Northwest Forest Program, and the Southeast New England Coastal Watershed Restoration Program. Coordination, protection, restoration, and enhancement of these regions should be the responsibility of states, regional partnerships, and the private sector.

Federal funding should be eliminated or reduced to the minimum required by existing legal settlements. States could implement and expand user fees so that the people who are using a resource are the ones that benefit from its maintenance and protection.

ADDITIONAL READING

- Diane Katz, "An Environmental Policy Primer for the Next President," Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.
- "Environmental Protection Agency," in The Heritage Foundation, *Blueprint for Reform: A Comprehensive Policy Agenda for a New Administration in 2017*, Mandate for Leadership Series, 2016, pp. 94–98.

INT/ENV

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$8.7
SAVINGS IN MILLIONS[11]

Eliminate the EPA's Environmental Education Program

The Environmental Education program provides financial, training, and curriculum support to schools, nonprofits, and local governments. Curriculum content should be set by parents and local school districts. A number of research studies have found that educational products produced by the agency are politicized and fail to emphasize scientific principles.

ADDITIONAL READING

- Diane Katz, "An Environmental Policy Primer for the Next President," Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.
- "Environmental Protection Agency," in The Heritage Foundation, *Blueprint for Reform: A Comprehensive Policy Agenda for a New Administration in 2017*, Mandate for Leadership Series, 2016, pp. 94–98.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$1.6
SAVINGS IN MILLIONS[12]

Eliminate the EPA's Small Minority Business Assistance Program

The Small Minority Business Assistance program duplicates services available to all small businesses through the Small Business Ombudsman program for advocacy, regulatory analysis, technical and contracting assistance, and informational services. The EPA should not condition services or reward or deny contracts based on race or gender.

ADDITIONAL READING

- Diane Katz, "An Environmental Policy Primer for the Next President," Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.
- "Environmental Protection Agency," in The Heritage Foundation, *Blueprint for Reform: A Comprehensive Policy Agenda for a New Administration in 2017*, Mandate for Leadership Series, 2016, pp. 94–98.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$6.5
SAVINGS IN MILLIONS[13]

Eliminate the EPA's Children and Other Sensitive Populations Coordination Program

The Children and Other Sensitive Populations Coordination program assists in regulations, risk assessments, policy implementation, and monitoring with a particular focus on the health of children. This program essentially duplicates work that the EPA already incorporates into research, risk assessments, and regulation related to at-risk populations as part of its mission to protect human health and the environment.

ADDITIONAL READING

- Diane Katz, "An Environmental Policy Primer for the Next President," Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.
- "Environmental Protection Agency," in The Heritage Foundation, *Blueprint for Reform: A Comprehensive Policy Agenda for a New Administration in 2017*, Mandate for Leadership Series, 2016, pp. 94–98.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Reduces spending.

DISCRETIONARY

$5.5
SAVINGS IN MILLIONS[14]

Eliminate the EPA's Trade and Governance Program

The EPA contributes policy advice to the U.S. Trade Representative "to ensure that agreements have strong environmental provisions."[15] There is a highly positive correlation between a country's environmental performance and its economic freedom, of which free trade is a critical component as demonstrated by The Heritage Foundation's annual *Index of Economic Freedom*. International environmental objectives should be considered and implemented independently, not as a part of trade negotiations. Too often, countries use poorly substantiated environmental concerns as an excuse to shirk their obligations under the World Trade Organization and the General Agreement on Tariffs and Trade.

ADDITIONAL READING

- Diane Katz, "An Environmental Policy Primer for the Next President," Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.
- "Environmental Protection Agency," in The Heritage Foundation, *Blueprint for Reform: A Comprehensive Policy Agenda for a New Administration in 2017*, Mandate for Leadership Series, 2016, pp. 94–98.
- Jack Spencer, ed., *Environmental Conservation: Eight Principles of the American Conservation Ethic*, The Heritage Foundation, 2012.
- Ben Lieberman, "A Free Economy Is a Clean Economy: How Free Markets Improve the Environment," Chapter 4 in Terry Miller and Kim R. Holmes, *2011 Index of Economic Freedom* (Washington: The Heritage Foundation and Dow Jones & Company, Inc., 2011), pp. 53–60.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

INT/ENV

DISCRETIONARY

$0.3
SAVINGS IN MILLIONS[16]

Reduce the EPA's Civil Rights Program

The Civil Rights Program ensures compliance with civil rights and anti-discrimination laws in EPA employment opportunities, financial and technical assistance, and workforce complaint resolution.

Program funding should be reduced to eliminate state and local-level programs such as the State Empowerment Initiative, which should remain local priorities.

ADDITIONAL READING

- Diane Katz, "An Environmental Policy Primer for the Next President," Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.
- "Environmental Protection Agency," in The Heritage Foundation, *Blueprint for Reform: A Comprehensive Policy Agenda for a New Administration in 2017*, Mandate for Leadership Series, 2016, pp. 94–98.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Reduces spending but maintains state guidance

DISCRETIONARY

$9.5
SAVINGS IN MILLIONS[17]

Eliminate the EPA's Waste Minimization and Recycling Program

The waste minimization program intends to help companies find ways to improve efficiency and reuse waste products for productive purposes. The free market rewards efficiency without government intervention. Supply, demand, competition, and the powerful incentive for families and businesses to get the biggest bang for their buck all work together to drive down prices, get better performance, and provide greater efficiency.

These programs do not contribute to actual cleanup of hazardous waste; instead, they focus on promoting recycling and other activities that are best dealt with at the state and local levels. EPA's efforts should focus on its core responsibilities under the Resource Conservation and Recovery Act to clean up federal remediation sites.

ADDITIONAL READING

- Diane Katz, "An Environmental Policy Primer for the Next President," Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.
- "Environmental Protection Agency," in The Heritage Foundation, *Blueprint for Reform: A Comprehensive Policy Agenda for a New Administration in 2017*, Mandate for Leadership Series, 2016, pp. 94–98.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$2
SAVINGS IN MILLIONS[18]

Eliminate the EPA's Beach and Fish Programs

These programs provide information and guidance on the human health risks of local fish consumption and swimming. These are essentially local issues for which states, local governments, and businesses are better equipped to educate the public. In addition, these programs duplicate work done by the Food and Drug Administration and U.S. Department of Agriculture to inform consumers about seafood products.

ADDITIONAL READING

- Diane Katz, "An Environmental Policy Primer for the Next President," Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.
- "Environmental Protection Agency," in The Heritage Foundation, *Blueprint for Reform: A Comprehensive Policy Agenda for a New Administration in 2017*, Mandate for Leadership Series, 2016, pp. 94–98.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$29.3
SAVINGS IN MILLIONS[19]

Reduce the EPA's Surface Water Protection Program

Funding for the Surface Water Protection program should be reduced to focus only on federal jurisdictional waters. While the federal role in protecting water is important, the Clean Water Act was never envisioned as a tool for the federal government to regulate almost every body of water. The Clean Water Act is clear that states, not the federal government, are supposed to play the leading role in water regulation. States should manage bodies of water like lakes, rivers, and streams that fall within their boundaries.

ADDITIONAL READING

- Diane Katz, "An Environmental Policy Primer for the Next President," Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.
- "Environmental Protection Agency," in The Heritage Foundation, *Blueprint for Reform: A Comprehensive Policy Agenda for a New Administration in 2017*, Mandate for Leadership Series, 2016, pp. 94–98.
- Daren Bakst, "Three Key Reforms for Federal Water Policy," Heritage Foundation, *Issue Brief* No. 4633, November 23, 2016.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

MANDATORY (ONE-TIME)

$21.6
SAVINGS IN BILLIONS[20]

Eliminate the Land and Water Conservation Fund

The LWCF, established by Congress in 1965 and part of the U.S. Department of the Interior, allows the federal government to use royalties from offshore energy development to buy private land and turn it into public parks and other public recreation areas. Of the $40.0 billion credited to the fund, less than half ($18.4 billion) has been spent, leaving a credit of $21.6 billion.[21] Congress should rescind the remaining balance, generating a one-time savings of $21.6 billion in FY 2020.

The federal government owns some 640 million acres of land: nearly 30 percent of the 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. Congress also uses the fund for a matching state grant program, although in practice the LWCF has chiefly funded federal objectives. The federal government cannot effectively manage the lands it already owns, and Congress should not enable further land acquisition.

ADDITIONAL READING

- Nicolas D. Loris and Katie Tubb, "Permanent Reauthorization of Land and Water Conservation Fund Opens Door to Permanent Land Grabs," Heritage Foundation *Issue Brief* No. 4934, January 22, 2019.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	REJECTED	Maintains funding at FY 2019 levels.

DISCRETIONARY

$155
SAVINGS IN MILLIONS[22]

Eliminate the National Endowment for the Humanities

The NEH, created on September 29, 1965, by President Lyndon Johnson through the National Foundation on the Arts and the Humanities Act, received an appropriation of approximately $153 million for FY 2018.[23] In its annual report for 2015, the agency reported that it had "awarded more than $5.6 billion for humanities projects through more than 64,000 grants" during the preceding 50 years.[24] Private giving dwarfs these funds. Charitable donations to the arts, culture, and humanities topped $19.5 billion in 2017, demonstrating that the humanities are flourishing without federal funding.[25] Federal taxpayers should be free to contribute to the humanities in accordance with their own views and of their own volition.

Funding for cultural productions and activities relating to the humanities as carried out by the NEH is outside the proper scope of the federal government.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	REJECTED	

DISCRETIONARY

$155
SAVINGS IN MILLIONS[26]

Eliminate the National Endowment for the Arts

The NEA was created on September 29, 1965, by President Lyndon Johnson through the National Foundation on the Arts and the Humanities Act. In its annual report for 2015, the NEA reported that it had awarded more than $5 billion for the arts during the preceding 50 years.[27] Taxpayer assistance for the arts is neither necessary nor prudent.

The NEA received an appropriation of approximate $155 million in FY 2019.[28] However, private contributions to the arts and humanities vastly exceed the amount provided by the NEA. Charitable donations to the arts, culture, and humanities topped $19.5 billion in 2017, demonstrating that the arts are flourishing without federal funding.[29] Even that vast amount fails to account for ticket sales, private art purchases, and other ways in which Americans are consuming and supporting the arts.

In addition, federally funded arts programs are susceptible to cultural cronyism whereby special interests promoting a social agenda receive government favor to promote their causes.[30]

In the words of Citizens Against Government Waste, "[a]ctors, 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."[31]

Funding for art productions and activities as is carried out by the NEA is outside the proper scope of the federal government.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	REJECTED	

DISCRETIONARY

$12

SAVINGS IN MILLIONS[32]

Eliminate Funding for the Woodrow Wilson International Center for Scholars

The Wilson Center was created by the Woodrow Wilson Memorial Act of 1968 and serves both as the official memorial to President Woodrow Wilson and as a nonpartisan policy forum and independent research institution. The Wilson Center regularly publishes research about global policy and hosts events to facilitate "open dialogue" about "actionable ideas."[33]

In FY 2018, the Wilson Center received a $12 million appropriation from Congress.[34] About one-third of the center's budget comes from annual appropriations, with the remaining funds provided by private donations. There is a wide range of privately funded organizations that maintain programs that are very similar to the work of the Wilson Center.

The Wilson Center has a plan, readily available on its website, specifying how it 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."[35] The Wilson Center can thus clearly operate without federal funds.

Funding the operations of a general think tank that engages in independent research is outside the proper scope of the federal government.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	REJECTED	

DISCRETIONARY

$41.3
SAVINGS IN MILLIONS[36]

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

The Kennedy Center opened in 1971 and serves as the National Center for the Performing Arts and the federal memorial to President John F. Kennedy.[37]

In FY 2018, Congress appropriated $40.5 million for the operation, restoration, and maintenance of the Kennedy Center.[38] Even assuming that the Kennedy Center is a national treasure, legislators should still ask whether using federal taxpayer money to support the arts, culture, and humanities is appropriate.

Charitable donations to the arts, culture, and humanities topped $19.5 billion in 2017, and even that large amount does not account for the personal spending of individuals every year on entertainment provided by arts institutions like the Kennedy Center.[39]

The Kennedy Center should be and can be fully funded by private donations and robust ticket sales. It does not need and should not receive tax dollars paid by Americans, many of whom may never experience the music and theater for which they are paying.

It is not appropriate for the federal government to be subsidizing a performing arts center, nor are these subsidies necessary, as the performing arts are thriving in the Washington, D.C., area—one of the wealthiest regions of the country.

Funding for the performing arts is outside the scope of constitutional federal government obligations.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	REJECTED	Maintains funding at $40 million for FY 2020.

POLICY RIDERS

Prohibit federal efforts to regulate, either directly or indirectly, nonpoint sources of water pollution. The EPA's efforts to address water quality in the Chesapeake Bay are particularly problematic. The agency is effectively seeking to regulate agricultural runoff and other nonpoint sources of pollution (pollution coming from multiple sources over a wide area, as opposed to pollution from a point source that is specific and identifiable).[40] There is even concern that the EPA could determine where farming should be allowed.[41] This type of regulatory scheme could very well be used on a national level as well.[42]

Prohibit retroactive vetoes of Section 404 permits. Under Section 404 of the Clean Water Act, property owners sometimes have to secure dredge-and-fill permits.[43] The EPA has decided that it can retroactively revoke a Section 404 permit that the Army Corps of Engineers has issued, regardless of whether the permit holder is in full compliance with permit conditions.[44] In a 2013 case, *Mingo Logan Coal Co. v. EPA*, the D.C. Circuit Court of Appeals held that the EPA could retroactively veto such permits; the EPA's veto was exercised four years after the Corps issued the permit.[45] Fortunately, on June 26, 2018, the Trump Administration's EPA issued a memo explaining that the agency would prohibit such actions through new regulatory changes.[46] As of this writing, these new proposed regulations had not been published, but Congress should still use its power of the purse to ensure that retroactive vetoes do not occur.

Rein in the EPA's ozone standard. The Environmental Protection Agency finalized a new ozone standard of 70 parts per billion (ppb) in October 2015. This drastic action was premature. States are just now starting to meet the current 75 ppb standard. According to the Congressional Research Service, as of June 2018, 107 million people (one-third of the U.S. population) lived in "nonattainment areas" that have not met the 75 ppb ozone National Ambient Air Quality Standards set by EPA in 2008.[47] When a third 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.[48] The ozone standard has grown 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, especially the poor. 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.

Advance the *Environmental Policy Guide*. Written in collaboration with six other organizations, The Heritage Foundation's *Environmental Policy Guide* includes over 100 specific appropriations and legislative recommendations for reforming environmental policy. Topics include the Clean Air Act, Clean Water Act, Endangered Species Act, National Environmental Policy Act, regulatory process and accountability reform, and toxicology.[49]

Repeal the Renewable Fuel Standard (RFS). By requiring fuel blenders to use biofuels regardless of the cost, the RFS has made most Americans worse off by leading to higher food and fuel expenses. The higher costs paid by American families benefit a select group of special interests that produce renewable fuels. Tinkering around the edges will not fix this unworkable policy. Moreover, the federal government should not mandate which type of fuel drivers use in the first place. Congress should repeal the RFS.[50]

Prohibit the regulation of greenhouse gases and withdraw the endangerment finding. The Obama Administration proposed and implemented a series of climate change regulations in an effort to reduce greenhouse gas emissions from vehicles, heavy-duty trucks, airplanes, hydraulic fracturing, and new and existing power plants. Since conventional carbon-based fuels provide more than 80 percent of America's energy, these restrictions on the use of abundant, affordable energy sources will only inflict economic pain on households and businesses. They will produce no discernible climate benefit while causing hundreds of thousands of jobs and trillions of dollars of gross domestic product to be lost.[51] Even though the Trump Administration has taken positive steps to reverse the previous Administration's climate agenda, Congress should prohibit all federal agencies from regulating greenhouse gas emissions. Congress also should order the Environmental Protection Agency to withdraw its endangerment finding on greenhouse gas emissions, recognizing that greenhouse gas emissions are affecting the climate but that no credible evidence suggests that the Earth is heading toward catastrophic warming.[52]

Prohibit the use of the social cost of carbon in any cost-benefit analysis or environmental impact statement. The EPA is using three statistical models, known as integrated assessment models, to estimate the value of the social cost of carbon, defined as the economic damage that one ton of carbon dioxide (CO_2) emitted today will cause over the next 300 years. However, these models arbitrarily derive a value for the social cost of carbon. Subjecting the models to reasonable inputs for climate sensitivity and discount rates dramatically lowers the estimated figure for the social cost of carbon. Artificially increasing the estimates boosts the projected benefits of climate-related regulations in agency cost-benefit analyses. By placing a significantly high arbitrary price on a ton of carbon dioxide emitted into the atmosphere, the EPA can inflate the benefits of regulation or inflate the costs of a new project, claiming that the project will emit ***X*** tons of CO_2 over its lifetime and inflict ***Y*** damage on the environment.[53] Congress should prohibit all federal agencies from using the social cost of carbon for any purpose, especially regulatory rulemaking.

Prohibit the net acquisition of land and shift federal land holdings to states and the private sector. The federal government's land holdings are greater than the areas of France, Spain, Germany, Poland, Italy, the United Kingdom, Austria, Switzerland, the Netherlands, and Belgium combined—almost a third of the U.S. land mass, including Alaska and Hawaii. Only a fraction of this land is composed of national parks. Federal agencies cannot adequately manage these lands and the natural resources on them. Congress should prohibit land acquisitions that result in a net gain in the size of the federal estate. Congress also should dispose of excess Bureau of Land Management lands, shrink the federal estate, and reauthorize the Federal Lands Transaction Facilitation Act, stipulating that funds generated from land sales will address the Department of the Interior's maintenance backlog.[54]

Repeal or reform the Antiquities Act. National monument designations have stripped economic opportunities from communities. Whether the issue is logging, recreation, conservation, or energy development, these decisions should be made at the local level, not from Washington. For more than a century, the President has had the power to designate land as a national monument unilaterally, without input from Congress or affected states. Although the law states that the President must limit such a designation to the "smallest area compatible with proper care and management of the objects to be protected," Presidents from both parties have ignored that language. For far too long, monument designations have exceeded their statutory limitations. Congress should recognize what Wyoming recognized in 1943 and what the 81st Congress recognized in 1950: The President should not have the ability to declare national monuments unilaterally and arbitrarily and take economic and environmental decisions away from the states and local organizations. Congress should eliminate the President's authority to do so, either by repealing the Antiquities Act altogether or by requiring congressional and state approval for any designation.[55]

Prohibit the EPA from abusing cost-benefit analysis to justify costly air regulations (co-benefits abuse). When the EPA issues a rule to reduce emissions of a certain air pollutant, the direct benefits of reducing those emissions should exceed the costs. However, for years, the EPA has found an improper end run around this commonsense requirement. Even when the rule's stated objective has massive costs and few to no benefits, the EPA points to the "co-benefits" of reducing particulate matter as justification for the rule. This co-benefits abuse has become so egregious that the EPA has issued major rules without even bothering to quantify whether there are benefits associated with their regulatory objectives, instead relying solely or primarily on particulate matter co-benefits.[56] Under the Clean Air Act, criteria pollutants such as particulate matter are addressed through their own specific statutory scheme and should not be addressed through other means such as unrelated air regulations developed under other sections of the CAA.[57]

ENDNOTES

1. Savings of $89.5 million for FY 2020 are based on the FY 2019 appropriations reported in U.S. Environmental Protection Agency, *United States Environmental Protection Agency Fiscal Year 2020 Justification of Appropriation Estimates for the Committee on Appropriations*, March 2019, pp. 57 and 159, https://www.epa.gov/sites/production/files/2019-03/documents/fy-2020-congressional-justification-all-tabs.pdf (accessed March 26, 2019). Heritage experts assume that spending for FY 2019 remains constant in FY 2020.
2. Savings of $17.0 million for FY 2020 are based on the FY 2019 appropriations reported in U.S. Environmental Protection Agency, *United States Environmental Protection Agency Fiscal Year 2020 Justification of Appropriation Estimates for the Committee on Appropriations*, pp. 66, 71, 220, and 225. Heritage experts assume that spending for FY 2019 remains constant in FY 2020.
3. Savings of $94.2 million for FY 2020 are based on the FY 2019 appropriations reported in U.S. Environmental Protection Agency, *United States Environmental Protection Agency Fiscal Year 2020 Justification of Appropriation Estimates for the Committee on Appropriations*, p. 60. Heritage experts assume that spending for FY 2019 remains constant in FY 2020.
4. Savings of $17.1 million for FY 2020 are based on the FY 2019 appropriations reported in U.S. Environmental Protection Agency, *United States Environmental Protection Agency Fiscal Year 2020 Justification of Appropriation Estimates for the Committee on Appropriations*, p. 1010. Heritage experts assume that spending for FY 2019 remains constant in FY 2020.
5. Savings of $17.6 million for FY 2020 are based on the FY 2019 appropriations reported in U.S. Environmental Protection Agency, *United States Environmental Protection Agency Fiscal Year 2020 Justification of Appropriation Estimates for the Committee on Appropriations*, p. 126. Heritage experts assume that spending for FY 2019 remains constant in FY 2020.
6. Savings of $8.74 million for FY 2020 are based on the FY 2019 appropriations reported in U.S. Environmental Protection Agency, *United States Environmental Protection Agency Fiscal Year 2020 Justification of Appropriation Estimates for the Committee on Appropriations*, p. 176. Heritage experts assume that spending for FY 2019 remains constant in FY 2020.
7. United Nations Environment Programme, Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol, *Report of the Eighty-First Meeting of the Executive Committee*, June 22, 2018, http://www.multilateralfund.org/81/English/1/8158.pdf (accessed March 26, 2019).
8. Savings of $12.8 million for FY 2020 are based on the FY 2019 annualized spending level as found in U.S. Environmental Protection Agency, *United States Environmental Protection Agency Fiscal Year 2020 Justification of Appropriation Estimates for the Committee on Appropriations*, p. 182. Heritage experts assume that spending for FY 2019 remains constant in FY 2020.
9. Savings of $7.54 million for FY 2020 are based on the FY 2019 annualized spending level as found in U.S. Environmental Protection Agency, *United States Environmental Protection Agency Fiscal Year 2020 Justification of Appropriation Estimates for the Committee on Appropriations*, pp. 192 and 423. Heritage experts assume that spending for FY 2019 remains constant in FY 2020.
10. Savings of $413.59 million for FY 2020 are based on the FY 2019 annualized spending level as found in U.S. Environmental Protection Agency, *United States Environmental Protection Agency Fiscal Year 2020 Justification of Appropriation Estimates for the Committee on Appropriations*, pp. 197–208 and 259. Heritage experts assume that spending for FY 2019 remains constant in FY 2020.
11. Savings of $8.7 million for FY 2020 are based on the FY 2019 annualized spending level as found in U.S. Environmental Protection Agency, *United States Environmental Protection Agency Fiscal Year 2020 Justification of Appropriation Estimates for the Committee on Appropriations*, p. 230. Heritage experts assume that spending for FY 2019 remains constant in FY 2020.
12. Savings of $1.6 million for FY 2020 are based on the FY 2019 annualized spending level as found in U.S. Environmental Protection Agency, *United States Environmental Protection Agency Fiscal Year 2020 Justification of Appropriation Estimates for the Committee on Appropriations*, p. 242. Heritage experts assume that spending for FY 2019 remains constant in FY 2020.
13. Savings of $6.5 million for FY 2020 are based on the FY 2019 annualized spending level as found in U.S. Environmental Protection Agency, *United States Environmental Protection Agency Fiscal Year 2020 Justification of Appropriation Estimates for the Committee on Appropriations*, p. 227. Heritage experts assume that spending for FY 2019 remains constant in FY 2020.
14. Savings of $5.5 million for FY 2020 are based on the FY 2019 annualized spending level as found in U.S. Environmental Protection Agency, *United States Environmental Protection Agency Fiscal Year 2020 Justification of Appropriation Estimates for the Committee on Appropriations*, p. 257. Heritage experts assume that spending for FY 2019 remains constant in FY 2020.
15. Ibid., p. 237.
16. Savings of $0.3 million for FY 2020 are based on the FY 2019 annualized spending level as found in U.S. Environmental Protection Agency, *United States Environmental Protection Agency Fiscal Year 2020 Justification of Appropriation Estimates for the Committee on Appropriations*, p. 272. Heritage experts assume that spending for FY 2019 remains constant in FY 2020.
17. Savings of $9.5 million for FY 2020 are based on the FY 2019 annualized spending level as found in U.S. Environmental Protection Agency, *United States Environmental Protection Agency Fiscal Year 2020 Justification of Appropriation Estimates for the Committee on Appropriations*, p. 338. Heritage experts assume that spending for FY 2019 remains constant in FY 2020.
18. Savings of $2.0 million for FY 2020 are based on the FY 2019 annualized spending level as found in U.S. Environmental Protection Agency, *United States Environmental Protection Agency Fiscal Year 2020 Justification of Appropriation Estimates for the Committee on Appropriations*, p. 365. Heritage experts assume that spending for FY 2019 remains constant in FY 2020.
19. Savings of $29.3 million for FY 2020 are based on the FY 2019 annualized spending level as found in U.S. Environmental Protection Agency, *United States Environmental Protection Agency Fiscal Year 2020 Justification of Appropriation Estimates for the Committee on Appropriations*, p. 376. Heritage experts assume that spending for FY 2019 remains constant in FY 2020.
20. Savings of $21.6 billion for FY 2020 equals the last reported remaining LWCF balance of $21.6 billion as found in Carol Hardy Vincent, "Land and Water Conservation Fund: Overview, History, and Issues," Congressional Research Service *Report for Members and Committees of Congress*, August 17, 2018, https://fas.org/sgp/crs/misc/RL33531.pdf (accessed March 26, 2019).

21. Ibid.
22. Estimated savings of $155 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019, Public Law 116-6, 116th Cong., February 15, 2019, https://www.congress.gov/116/bills/hjres31/BILLS-116hjres31enr.pdf (accessed March 26, 2019). Heritage experts assume that FY 2019 spending remains constant in FY 2020.
23. H.R. 244, Consolidated Appropriations Act, 2017, Public Law 115-31, 115th Cong., May 5, 2017, https://www.congress.gov/bill/115th-congress/house-bill/244 (accessed March 26, 2019).
24. National Endowment for the Humanities, *Annual Report 2015*, p. 2, https://www.neh.gov/sites/default/files/inline-files/neh_2015_annual_report_final.pdf (accessed March 26, 2019).
25. Charity Navigator, "Giving Statistics," https://www.neh.gov/sites/default/files/inline-files/neh_2015_annual_report_final.pdf (accessed March 26, 2019).
26. Savings of $155 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
27. National Endowment for the Arts, *2015 Annual Report*, p. 2, https://www.arts.gov/sites/default/files/2015%20Annual%20Report.pdf (accessed March 26, 2019).
28. Table 1, "Interior, Environment, and Related Agencies: FY2018–FY2019 Appropriations," in Carol Hardy Vincent, "Interior, Environment, and Related Agencies: Overview of FY2019 Appropriations," Congressional Research Service, updated January 30, 2019, p. 16, https://fas.org/sgp/crs/misc/R44934.pdf (accessed March 26, 2019).
29. Charity Navigator, "Giving Statistics."
30. Elizabeth Harrington, "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 March 26, 2019).
31. Citizens Against Government Waste, *Prime Cuts Summary*, April 2015, p. 34, http://cagw.org/sites/default/files/PrimeCuts2015.pdf (accessed March 26, 2019).
32. Savings of $12 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
33. Woodrow Wilson International Center for Scholars, "About the Wilson Center," https://www.wilsoncenter.org/about-the-wilson-center (accessed March 27, 2019).
34. Table 1, "Interior, Environment, and Related Agencies: FY2018–FY2019 Appropriations," in Vincent, "Interior, Environment, and Related Agencies: Overview of FY2019 Appropriations," p. 16.
35. Woodrow Wilson International Center for Scholars, "Plan for Federal Funding Hiatus," revised August 2015, p. 3, https://www.wilsoncenter.org/sites/default/files/wilson_center_plan_for_possible_lapse_in_federal_appropriation_revised_august_2015.pdf (accessed March 26, 2019). Emphasis in original.
36. Savings of $41.3 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020. Savings include $24.49 million in operations and maintenance and $16.800 million in capital repair and restoration.
37. John F. Kennedy Center for the Performing Arts, "Kennedy Center Plan for Federal Government Shutdown," revised September 26, 2013, http://www.kennedy-center.org/legal/130927_fed_govt_shutdown.pdf (accessed March 26, 2019).
38. Table 1, "Interior, Environment, and Related Agencies: FY2018–FY2019 Appropriations," in Vincent, "Interior, Environment, and Related Agencies: Overview of FY2019 Appropriations," p. 16.
39. Charity Navigator, "Giving Statistics."
40. U.S. Environmental Protection Agency, "Polluted Runoff: Nonpoint Source (NPS) Pollution: Basic Information About Nonpoint Source (NPS) Pollution" last updated August 10, 2018, http://www.epa.gov/polluted-runoff-nonpoint-source-pollution/what-nonpoint-source (accessed March 26, 2019); U.S. Department of the Interior, U.S. Geological Survey, "Water Resources of the United States: Water Basics Glossary," last modified June 17, 2013, https://water.usgs.gov/water-basics_glossary.html (accessed March 26, 2019).
41. See, for example, H. Sterling Burnett, "Farm Bureau Fights Federal Land Grab in Chesapeake Bay Region," Heartland Institute, February 11, 2016, https://www.heartland.org/news-opinion/news/farm-bureau-fights-federal-land-grab-in-chesapeake-bay-region (accessed March 26, 2019), and Gary Baise, "Counties Attack EPA's TMDL Regulations," *Jefferson Policy Journal*, March 2, 2016, http://www.jeffersonpolicyjournal.com/counties-attack-epas-tmdl-regulations/ (accessed March 26, 2019).
42. To learn more about this federal overreach, see Daren Bakst, "Eliminating and Reducing Regulatory Obstacles in Agriculture," Heritage Foundation *Backgrounder* No. 3135, June 28, 2016, https://www.heritage.org/government-regulation/report/eliminating-and-reducing-regulatory-obstacles-agriculture.
43. "Discharge of dredged material" refers to material excavated or dredged from waters of the U.S., and "discharge of fill material" refers to "material placed in waters such that dry land replaces water—or a portion thereof—or the water's bottom elevation changes." U.S. Environmental Protection Agency, Office of Enforcement and Compliance Assurance, Office of Compliance, *Managing Your Environmental Responsibilities: A Planning Guide for Construction and Development*, April 2005, p. 25, https://archive.epa.gov/compliance/resources/publications/assistance/sectors/web/pdf/myerguide.pdf (accessed March 26, 2019). See also the EPA regulations at 33 U.S. Code §323.2, http://www.law.cornell.edu/cfr/text/33/323.2 (accessed March 26, 2019). The regulations provide more specific definitions of dredged material, fill material, and discharge of dredged or fill material. The precise definitions of terms such as "fill material" are a matter of controversy. See Claudia Copeland, "Controversies over Redefining 'Fill Material' Under the Clean Water Act," Congressional Research Service *Report for Congress*, August 21, 2013, http://fas.org/sgp/crs/misc/RL31411.pdf (accessed March 26, 2019).
44. Robert Gordon and Diane Katz, eds., *Environmental Policy Guide: 167 Recommendations for Environmental Policy Reform*, The Heritage Foundation, 2015, p. 8, http://www.heritage.org/research/reports/2015/03/environmental-policy-guide.

45. *Mingo Logan Coal Co. v. EPA*, 714 F.3d 608 (D.C. Cir. 2013), https://scholar.google.com/scholar_case?case=16285162805472090807&q=mingo+logan+coal+v.+epa+714+f.3d+608&hl=en&as_sdt=40000006&as_vis=1 (accessed March 26, 2019).
46. U.S. Environmental Protection Agency, "Section 404 of the Clean Water Act: Memo: Updating the EPA's Regulations Implementing Clean Water Act Section 404(c)." Environmental Protection Agency, last updated February 13, 2019, https://www.epa.gov/cwa-404/memo-updating-epas-regulations-implementing-clean-water-act-section-404c (accessed March 26, 2019).
47. James E. McCarthy and Kate C. Shouse, "Implementing EPA's 2015 Ozone Air Quality Standards," Congressional Research Service *Report for Members and Committees of Congress*, August 16, 2018, https://fas.org/sgp/crs/misc/R43092.pdf (accessed March 26, 2019).
48. 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 March 26, 2019).
49. Gordon and Katz, eds., *Environmental Policy Guide: 167 Recommendations for Environmental Policy Reform*.
50. Nicolas Loris, "Examining the Renewable Fuel Standard," testimony before the Subcommittee on the Interior and Subcommittee on Healthcare, Benefits, and Administrative Rules, Committee on Oversight and Government Reform, U.S. House of Representatives, March 17, 2016, https://www.heritage.org/testimony/examining-the-renewable-fuel-standard.
51. Nicolas D. Loris, "Four Big Problems with the Obama Administration's Climate Change Regulations," Heritage Foundation *Issue Brief* No. 4454, August 14, 2015, http://thf_media.s3.amazonaws.com/2015/pdf/IB4454.pdf.
52. David Kreutzer, Nicolas D. Loris, Katie Tubb, and Kevin Dayaratna, "The State of Climate Science: No Justification for Extreme Policies," Heritage Foundation *Backgrounder* No. 3119, April 16, 2016, https://www.heritage.org/environment/report/the-state-climate-science-no-justification-extreme-policies.
53. Kevin D. Dayaratna, "Methods and Parameters Used to Establish the Social Cost of Carbon," testimony before the Subcommittee on Environment and Oversight, Committee on Science and Technology, U.S. House of Representatives, February 24, 2017, https://docs.house.gov/meetings/SY/SY18/20170228/105632/HHRG-115-SY18-Wstate-DayaratnaK-20170228.pdf.
54. Nicolas Loris, "Transforming the Department of the Interior for the 21st Century," testimony before the Subcommittee on Oversight and Investigations, Committee on Natural Resources, U.S. House of Representatives, December 7, 2017, http://docs.house.gov/meetings/II/II15/20171207/106700/HHRG-115-II15-Wstate-LorisN-20171207.pdf.
55. Katie Tubb, "Why Trump's Upcoming Decision on Federal Lands Matters," Heritage Foundation *Commentary*, August 28, 2017, https://www.heritage.org/environment/commentary/why-trumps-upcoming-decision-federal-lands-matters.
56. Anne E. Smith, *An Evaluation of the PM2.5 Health Benefits Estimates in Regulatory Impact Analyses for Recent Air Regulations*, Final Report Prepared for the Utility Air Regulatory Group, NERA Economic Consulting, December 2011, http://www.nera.com/content/dam/nera/publications/archive2/PUB_RIA_Critique_Final_Report_1211.pdf (accessed March 26, 2019). See also Marlo Lewis, "EPA's PM2.5 Co-Benefits PR Trick Exposed," GlobalWarming.org, June 15, 2016, http://www.globalwarming.org/2016/06/15/epas-pm2-5-co-benefits-pr-trick-exposed-2/ (accessed March 26, 2019).
57. See, for example, C. Boyden Gray, "EPA's Use of Co-Benefits," *Engage*, Vol. 16, Issue 2 (July 2015), pp. 31–33, https://fedsoc-cms-public.s3.amazonaws.com/update/pdf/9JP5LCu5cyJfBZG6qz0BvUfwJu7lLZO3bbePOiNh.pdf (accessed March 26, 2019), and *Murray Energy v. United Sates Environmental Protection Agency*, Brief of *Amicus Curiae* Cato Institute in Support of Petitioners, November 25, 2016, https://www.scribd.com/document/332581815/Murray-Energy-Corp-v-EPA (accessed March 26, 2019). Other CAA statutory sections arguably preclude consideration of criteria pollutants.

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

DISCRETIONARY

$1.7
SAVINGS IN BILLIONS[1]

Eliminate the Job Corps

The Job Corps is an ineffective federal job-training program that should be eliminated. The National Job Corps Study, a randomized experiment that assessed the Job Corps' impact on participants compared to similar non-participants, found that for a federal taxpayer investment of $25,000 per Job Corps participant:

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

If the Job Corps truly improved the skills of its participants, it should have raised their hourly wages substantially. A $0.22 increase in hourly wages suggests that it actually 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 its costs.[2]

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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Cuts funding and closes underperforming centers, along with focusing on older youth, but does not eliminate the program.

DISCRETIONARY

$3.2
SAVINGS IN BILLIONS[3]

Eliminate Workforce Innovation and Opportunity Act Job-Training Programs

Workforce Innovation and Opportunity Act Job-Training Programs are ineffective and should be eliminated. WIOA is very similar to its antecedent program, the Workforce Investment Act of 1998 (WIA). As documented in a 2016 Mathematica Policy Research study, 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, the earnings of members of the full-WIA group were not statistically different from those of the core group. In the fifth quarter, the earnings of the full-WIA group were indistinguishable on average from those of the core group. Even though members of the full-WIA group were more likely to enroll in training and receive one-on-one assistance and other employment services, participation 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 were 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 areas of their training.

Given the vast similarities between WIOA and WIA, Mathematica's findings are equally applicable in assessing the WIOA program.

ADDITIONAL READING

- David B. Muhlhausen, "Do Federal Social Programs Work?" Heritage Foundation *Backgrounder* No. 2884, March 19, 2014.
- Sheena McConnell, Kenneth Fortson, Dana Rotz, Peter Schochet, Paul Burkander, Linda Rosenberg, Annalisa Mastri, and Ronald D'Amico, *Providing Public Workforce Services to Job Seekers: 15-Month Impact Findings on the WIA Adult and Dislocated Worker Programs*, Mathematica Policy Research, May 2016.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Cuts funding for three programs funded by WIOA: the Indian and Native American Program, Migrant and Seasonal Farmworker Training, and the Senior Community Service Employment Program.

DISCRETIONARY

$741
SAVINGS IN MILLIONS[4]

Let Trade Adjustment Assistance Expire

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 that fails to improve participants' earning potential. The program is ineffective and should be eliminated.

A 2012 Mathematica Policy Research study statistically matched TAA participants with a comparison group of workers in the manufacturing sector and from the same local areas. Over the four years examined by the study, TAA participants earned a total of $35,133 less than their counterparts. Additionally, only 37 percent of TAA participants who received job training found employment in the areas of their training. A cost-benefit analysis found that the TAA's benefit to society was a negative $53,802 per participant.

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.
- Peter Z. Schochet, Ronald D'Amico, Jillian Berk, Sarah Dolfin, and Nathan Wozny, Estimated Impacts for Participants in the Trade Adjustment Assistance (TAA) Program Under the 2002 Amendments, Social Policy Research Associates and Mathematica Policy Research, August 2012.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Reforms the TAA but does not eliminate it.

DISCRETIONARY

$10.5
SAVINGS IN MILLIONS[5]

Eliminate Susan Harwood Training Grants

Since 1978, the Occupational Safety and Health Administration has provided Harwood grants to nonprofit organizations to provide safety training to workers. These training grants are ineffective and should be eliminated.

Despite existing for decades, there is no credible evidence that these training grants are effective. Moreover, the Department of Labor is measuring the wrong things to assess program impact. A case in point is the FY 2015 Department of Labor performance report that relies solely on the number of people trained to assess the grant program's performance.[6] The number of people trained provides no information by which to determine 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 they not participated in the program.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$123.4
SAVINGS IN MILLIONS[7]

Bring National Labor Relations Board Funding in Line with Caseloads

Under the National Labor Relations Act, the NLRB 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 reduced workload, however, the NLRB's inflation-adjusted budget has increased by one-sixth since 1990. Reducing the NLRB's budget by 45 percent in FY 2020 would bring its spending in line with the previous funding levels for its caseload and save taxpayers $123 million in FY 2020.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	REJECTED	

DISCRETIONARY

$103.5
SAVINGS IN MILLIONS[8]

Eliminate the Office of Federal Contract Compliance Programs

The mission of the Office of Federal Contract Compliance Programs is to enforce equal employment opportunity laws as applied to federal contractors. By contrast, the Equal Employment Opportunity Commission enforces equal employment opportunity laws as applied to all public and private employers. A separate agency for federal contractors is redundant.

In 1965, President Lyndon Johnson signed Executive Order No. 11246, which prohibited federal contractors from discrimination based on race, color, religion, sex, or national origin. The OFCCP enforces these provisions. It also enforces the Vietnam Era Veterans' Readjustment Assistance Act of 1974 and Section 503 of the Rehabilitation Act of 1973, which, respectively, prevent discrimination against veterans and those with disabilities. The EEOC enforces civil rights laws against workplace discrimination by all employers, which includes discrimination based on age, disability, discrepancy in pay, genetic information, national origin, pregnancy, children, race or color, religion, or sex. The Veterans' Employment and Training Service enforces equal employment opportunity laws that prevent discrimination against veterans. Such redundancy renders the OFCCP unnecessary.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	REJECTED	

LABOR/HHS

DISCRETIONARY

$13.8
SAVINGS IN MILLIONS[9]

Eliminate the Department of Labor's Women's Bureau

The Women's Bureau 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 and hold more than half of the nation's management, professional, and related occupations. The future of the workforce looks just as bright for women, given that they earned more than half of the bachelor's degrees (57.2 percent); master's degrees (59.2 percent); and doctoral degrees (52.7 percent) in 2016.

Both Title VII of the 1964 Civil Rights Act and the Equal Pay Act of 1963 prohibit sex-based discrimination in the workplace. The Equal Employment Opportunity Commission enforces those civil rights laws to ensure that women enjoy equal opportunity in the workplace. The challenges facing female employees are the challenges facing workers as a whole. The Women's Bureau has served the purpose for which it was created in 1920 and has now become obsolete.

ADDITIONAL READING

- Rachel Greszler, "'Pay Gap' Myth Ignores Women's Intentional Job Choices," Heritage Foundation *Commentary*, April 9, 2018.
- Rachel Greszler and James Sherk, "Equal Pay for Equal Work: Examining the Gender Gap," Heritage Foundation *Issue Brief* No. 4227, May 22, 2014.

LABOR/HHS

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Cuts spending for the bureau but does not eliminate it.

DISCRETIONARY

$59.8
SAVINGS IN MILLIONS[10]

Eliminate the Bureau of International Labor Affairs

The International Labor Affairs Bureau (ILAB) was established by President Harry Truman at the behest of U.S. trade unions. Its stated mission "is to promote a fair global playing field for workers in the United States and around the world by enforcing trade commitments, strengthening labor standards, and combating international child labor, forced labor, and human trafficking."[11] ILAB monitors the implementation of labor provisions of free trade agreements and provides grants to unions and aid organizations to promote the welfare of foreign workers. These grants are of doubtful effectiveness and are a poor use of U.S. taxpayer dollars in times of tight budgets.

Labor policies should have a minimal role in trade agreements, seeking only to protect such basic rights as freedom from forced labor and freedom of association. Trade agreements should not be used to pursue liberal policy agendas that impose unnecessary regulations on the labor market. The bureau that oversees the enforcement of labor in trade agreements should therefore be eliminated.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Cuts spending for the bureau but does not eliminate it.

DISCRETIONARY

$268
SAVINGS IN MILLIONS[12]

Federal Personnel Reform: Eliminate "Rest of U.S." Locality Pay

The Federal Employees Pay Comparability Act of 1990 created a new system that allowed for pay adjustments for federal employees who lived in high-cost areas. There are currently 53 General Schedule Locality Areas. Federal employees earn more than the base pay rate by having their salary increased according to the locality adjustment-increase percentage, which in 2019 is a maximum increase of 39.28 percent for federal workers in the San Francisco, California, locality.[13] For example, the base pay salary for a federal employee at GS grade 8, step 4 in 2018 was $43,679. If that employee were to live in Chicago, Illinois, the adjusted salary for that locality would be $55,678.

While most locality areas are centered on metropolitan areas, such as New York or Washington, D.C., an additional locality called "Rest of U.S." (RUS) exists to cover all federal employees that do not fall into one of the other 52 localities. By definition, areas that are in the RUS locality should not be more expensive to live in than the national average, yet the RUS receives a 15.37 percent increase above the base GS schedule, which means that instead of receiving base pay, RUS employees receive at least 15 percent more than the base GS schedule. In some places, RUS federal employees receive more than 30 percent higher pay than the local average.

ADDITIONAL READING

- Rachel Greszler and James Sherk, "Why It Is Time to Reform Compensation for Federal Employees," Heritage Foundation *Backgrounder* No. 3139, July 27, 2016.

LABOR/HHS

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

DISCRETIONARY

$376
SAVINGS IN MILLIONS[14]

Federal Personnel Reform: Tie Pay Increases to Truly Market-Based and Performance-Based Measures

The federal government's pay structure, which relies on a prescribed formula instead of performance, results in an inflated pay system that encourages mediocrity and fails to reward excellence. Heritage Foundation experts have estimated that the wages received by federal employees are 22 percent higher than those of similar workers in the private sector.[15]

Federal employees' higher pay comes in large part from receiving two essentially automatic pay increases: annual cost-of-living-adjustments and so-called performance-based step increases whereby 99.9 percent of federal employees receive raises. Congress should reduce the pay differential between steps 1 and 10 of the GS scale from 30 percent to 20 percent and tie step increases to true performance-based measures instead of tenure alone. Part of the savings should go toward higher performance-based budgets to help attract and retain talented employees. Combined, these changes should lead to a 5 percent reduction in federal pay levels.

ADDITIONAL READING

- Rachel Greszler and James Sherk, "Why It Is Time to Reform Compensation for Federal Employees," Heritage Foundation *Backgrounder* No. 3139, July 27, 2016.
- Kay Coles James, "A Fresh Start for Federal Pay: The Case for Modernization," U.S. Office of Personnel Management *White Paper*, April 2002.

LABOR/HHS

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Eliminates across-the-board pay raises in favor of performance-based pay increases.

MIXED

$46.7
SAVINGS IN BILLIONS[16]

Federal Personnel Reform: Bring Retirement Benefits in Line with the Private Sector

The overall compensation received by federal employees is significantly higher than that of their private-sector counterparts. The biggest source of this compensation premium, which Heritage Foundation experts estimate is between 30 percent and 40 percent of total compensation, is excessive retirement benefits. Federal employees receive up to 18.2 percent of their pay in retirement benefits: between 11.1 percent and 13.2 percent in a defined-benefit pension and up to 5 percent in a 401(k). Among private-sector employees who receive retirement contributions from their employers, the average contribution is between 3 percent and 5 percent.

Congress should bring federal benefits in line with the private sector by shifting all new hires and those with fewer than five years of service to an exclusively thrift savings retirement plan with higher employer contributions. Employees with between five and 20 years of service should have the option to switch to an exclusively thrift savings plan retirement system, freeze their already-accrued Federal Employees Retirement System benefits and receive higher TSP contributions, or maintain their current retirement benefits with FERS plan reforms such as higher employee contributions. This would save taxpayers $206 billion over the next 10 years, make the government more competitive by reducing the share of compensation tied up in retirement benefits, and give workers both more control of their retirement and potentially larger paychecks.

ADDITIONAL READING

- Rachel Greszler and James Sherk, "Why It Is Time to Reform Compensation for Federal Employees," Heritage Foundation *Backgrounder* No. 3139, July 27, 2016.
- Congressional Budget Office, *Comparing the Compensation of Federal and Private-Sector Employees, 2011 to 2015*, April 2017.

LABOR/HHS

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Includes several changes to reduce the generosity of federal employee retirement benefits, primarily by reducing cost-of-living adjustments and increasing employee contributions to the retirement plan.

MANDATORY

$113
SAVINGS IN MILLIONS[17]

Federal Personnel Reform: Eliminate the Special Retirement Supplement

Federal employees who have worked for at least 20 years and who retire at relatively young ages (between ages 57 and 62) receive a "special retirement supplement" that is meant to give them a rough equivalent of Social Security benefits at a time when they are not yet eligible to receive Social Security.[18] This extra benefit in addition to the FERS, TSP, and regular Social Security benefits that federal retirees receive is both unnecessary and excessive. The special retirement supplement can result in federal employees receiving retirement benefits for more years than they spent working.

This benefit is not something to which either the federal government or its employees contribute; instead, the funds come from taxpayers. Eliminating the special retirement supplement would save an estimated $113 million in FY 2020 and $5.3 billion over 10 years.

ADDITIONAL READING

- Congressional Budget Office, *Options for Reducing the Deficit: 2017 to 2026*, December 2016.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$5.7
SAVINGS IN BILLIONS[19]

Federal Personnel Reform: Bring Paid Leave in Line with the Private Sector

Federal employees receive significantly more days of paid leave than similar private-sector employees receive. A federal employee with five years of experience receives 20 vacation days and 13 paid sick days for a total of 33 days (not including 10 paid holidays). The average private-sector employee at a larger company receives 13 days of vacation and eight paid sick days for a total of 21 days of paid leave (excluding holidays).

Congress should bring the amount of paid leave provided to federal employees in line with private-sector paid leave by reducing vacation leave by between three and six days and sick leave by three days so that federal employees receive between 20 and 30 days of paid leave. Alternatively, Congress should consider shifting to a Paid Time Off system that provides between 16 and 27 days of PTO. PTO policies, which do not differentiate between sick and vacation days, have become increasingly common in the private sector and are preferred by many employees.

ADDITIONAL READING

- Rachel Greszler and James Sherk, "Why It Is Time to Reform Compensation for Federal Employees," Heritage Foundation *Backgrounder* No. 3139, July 27, 2016.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$569
SAVINGS IN MILLIONS[20]

Federal Personnel Reform: Eliminate FEHB Retirement Benefits for New Hires

Federal employees receive significantly higher total compensation than their private-sector counterparts receive, including the often overlooked and undervalued advantage of participating in the Federal Employees Health Benefits Program after retirement while paying only a small portion of the total premium. Data published by the Congressional Budget Office in 2002 indicate that the accrual cost of retiree health coverage equaled 6.34 percent of pay.[21] Heritage Foundation experts estimated that eliminating this benefit for new hires would generate $32.5 billion in accrued taxpayer savings over the 2020–2029 period. Private-sector companies almost never provide the same level of highly subsidized health benefits in retirement.

Future health care benefits are of little value to newly hired federal employees because they typically are not received until decades later. Additionally, instead of rewarding tenure, benefits reward workers who are employed by the government in the final five years before they retire. If workers leave federal employment before they reach retirement eligibility age, or if they have less than five consecutive years of employment leading up to retirement, they do not receive the benefits.

Congress should eliminate FEHB retirement benefits for new hires. This would generate significant future cost savings with little impact on the federal government's ability to attract talented workers.

ADDITIONAL READING

- Rachel Greszler and James Sherk, "Why It Is Time to Reform Compensation for Federal Employees," Heritage Foundation *Backgrounder* No. 3139, July 27, 2016.
- Congressional Budget Office, "The President's Proposal to Accrue Retirement Costs for Federal Employees," CBO Paper, June 2002.

LABOR/HHS

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

DISCRETIONARY

$0
(NO SAVINGS)[22]

Federal Personnel Reform: Eliminate the 25 Percent FEHB Premium Requirement

The premium structure for the Federal Employees Health Benefits system drives up total FEHB costs by discouraging federal workers from choosing lower-cost plans. Currently, the government contributes up to 72 percent of the weighted average premiums of all health insurance plans in the FEHB, but employees must pay at least 25 percent, regardless of the cost of the plan they choose. This reduces federal employees' incentives to choose less expensive health care plans—even if those plans are advantageous to them—because 75 percent of the savings goes to the federal government and only 25 percent accrues to them.

Congress should convert the current maximum contribution level to a flat-rate contribution so that workers who choose lower-cost plans can keep all of the savings. This would increase competition among FEHB plans and over time would reduce the average cost to taxpayers of FEHB coverage.

ADDITIONAL READING

- Rachel Greszler and James Sherk, "Why It Is Time to Reform Compensation for Federal Employees," Heritage Foundation *Backgrounder* No. 3139, July 27, 2016.
- Congressional Budget Office, Options for *Reducing the Deficit: 2019 to 2028*, December 2018.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$0
(NO SAVINGS)[23]

Safeguard Private Pension Insurance and Protect Taxpayers from Private Pension Bailouts

The Pension Benefit Guarantee Corporation's multiemployer program faces a shortfall of between $54 billion and $101 billion because a significant portion of the roughly 1,400 multiemployer (private, union-run) pension plans that operate across the U.S. are massively underfunded and have promised $638 billion more than they have set aside to pay. The PBGC provides insurance against private pension losses, but its multiemployer program is on track to run out of money by 2025. If that happens, pensioners will experience significant pension losses, and Congress could pass legislation requiring taxpayers to bail out the PBGC or even to bail out private pension plans directly. A private union pension bailout could cost hundreds of billions of dollars.

Congress should increase multiemployer PBGC premiums and add a variable-rate premium for newly incurred pension liabilities. Congress should also end its preferential treatment of multiemployer pension plans and instead subject multiemployer plans to the same rules that govern other private pension plans. Additionally, policymakers should consider implementing rules both to minimize pension losses within plans and to safeguard pensioners against inviable promises and irresponsible plan management. These changes would help to guard against pension losses for workers and retirees who belong to multiemployer pension plans and protect taxpayers from the risk of a taxpayer bailout of the PBGC or multiemployer pension plans.

ADDITIONAL READING

- Rachel Greszler, "Congress's Multiemployer Pension Committee Should Act Now: 12 Reforms to Protect Pensioners and Taxpayers," Heritage Foundation *Backgrounder* No. 3368, November 20, 2018.
- Rachel Greszler, "Why Government Loans to Private Union Pensions Would Be Bailouts—and Could Cost Taxpayers More than Cash Bailouts," Heritage Foundation *Backgrounder* No. 3283, February 5, 2018.
- Rachel Greszler, "Bankrupt Pensions and Insolvent Pension Insurance: The Case of Multiemployer Pensions and the PBGC's Multiemployer Program," Heritage Foundation *Backgrounder* No. 3029, July 30, 2015.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Improves funding of the Pension Benefit Guaranty Corporation's multiemployer program by requiring higher premiums for underfunded plans.

MANDATORY

$2.9
SAVINGS IN BILLIONS[24]

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

Federal benefits like 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 other federal programs are indexed to the consumer price index 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 reflect changes in the cost of living more accurately.

The chained CPI would correct for the small sample bias and substitution bias problems that are known to affect 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 $2.9 billion in 2020, with savings growing rapidly over time to $44 billion in FY 2029.

ADDITIONAL READING

- Romina Boccia and Rachel Greszler, "Social Security Benefits and the Impact of the Chained CPI," Heritage Foundation *Backgrounder* No. 2799, May 21, 2013.
- Congressional Budget Office, *Options for Reducing the Deficit: 2017 to 2026*, December 2016.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

MANDATORY

$742
SAVINGS IN MILLIONS[25]

Improve Unemployment Insurance Program Integrity

The Unemployment Insurance (UI) program is a federal–state partnership that is intended to replace a portion of the lost earnings of unemployed persons. The Department of Labor estimates that $3.7 billion in overpayments was made in 2017, including $1 billion that is attributed to fraud.[26] Curtailing the amount that is wasted by fraud and overpayment could mean a reduction in state unemployment taxes.

In order to achieve this reduction, existing programs need to be improved. For instance, the Separation Information Data Exchange System (SIDES), which allows states to exchange information on the reasons for a claimant's separation from employment, should be expanded. Additionally, the Secretary of Labor should be empowered to develop sanctions and incentives that will encourage state performance.

ADDITIONAL READING

- Salim Furth, "Cutting Unemployment Insurance Probably Does Create Jobs, But We Don't Know How Many Yet," National Review, The Corner, January 29, 2015.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

LABOR/HHS

MANDATORY

$531
SAVINGS IN MILLIONS[27]

Allow the SSA to Use Commercial Databases to Verify Real Property in the SSI Program

Allowing the Social Security Administration to use commercial databases to verify real property (land and buildings) in the Supplemental Security Income program would reduce improper payments. Real property can be a countable resource for determining SSI eligibility, and authorizing the SSA to use private commercial databases to determine ownership of real property would both lessen recipients' reporting burden and allow the SSA to determine an individual's eligibility for benefits automatically.

Enacting this proposal would still preserve all due process and appeal rights while reducing improper SSA payments.

ADDITIONAL READING

- Romina Boccia, "Here are 5 New Signs Social Security Is Going Insolvent," Heritage Foundation *Commentary*, June 6, 2018.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

MANDATORY

$2.5
SAVINGS IN BILLIONS[28]

Increase the OASDI Overpayment Collection Threshold

When individuals improperly receive more than they were supposed to receive from Social Security, the program recoups those overpayments by withholding a small portion ($10) from the recipient's future monthly benefit checks. However, because the withholding is so low, many overpayments are never fully recouped. The current $10 amount was established in 1960, at which point $10 equaled 12 percent of the average retiree's benefit; today, $10 is less than 1 percent of the average retiree's benefit.

The minimum monthly withholding of $10 should be updated to 10 percent of benefits to reflect rising benefit levels as well as the need to restore the program's financial shortfalls. This change would also bring OASDI policy in line with the SSI program, which uses a 10 percent recovery rule.

ADDITIONAL READING

- Romina Boccia, "Report: Nearly Half of Social Security Disability Beneficiaries Were Overpaid by Government," The Daily Signal, June 22, 2015.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

MANDATORY

$20.3
SAVINGS IN BILLIONS[29]

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

The EITC and ACTC provide refundable tax credits to low-income households. They are designed to promote work but 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 receive EITC and ACTC benefits as well, and ending marriage penalties. In addition, the EITC could be expanded for married couples to help decrease marriage penalties that exist across the rest of the government means-tested welfare system.

ADDITIONAL READING

- Robert Rector and Jamie Bryan Hall, "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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Requires valid-for-work Social Security number to claim the EITC or child tax credit. Requirement "extends to all filers and all qualifying children or dependents claimed on the tax return."

DISCRETIONARY

$2.4
SAVINGS IN BILLIONS[30]

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

The federal government currently pays over 90 percent of the cost of subsidized housing for poor and low-income persons. In FY 2017, the cost was more than $40 billion. Housing needs, availability, and costs vary significantly across states and localities, as does the level of needed and available assistance. Instead of merely perpetuating federally funded programs that often provide substantial benefits for some while leaving others in similar circumstances with nothing, the federal government should begin to transfer responsibility for the administration and costs of low-income housing programs to the states, which are better equipped to assess and meet the needs of their unique populations. The fiscal responsibility of paying for their housing programs would give them the incentive to run these programs 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 replaces federal housing programs with alternative programs designed and funded by state and local authorities.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Reduces funding for rental assistance programs and "recognizes the need for greater contributions from State and local governments."

MANDATORY

$11.0
SAVINGS IN BILLIONS[31]

Eliminate Supplemental Security Income Benefits for Children

The original intent of Supplemental Security Income was to provide cash assistance to adults who are unable to support themselves because of a disability and to the low-income elderly, but 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 benefits for children.

Low-income parents with a disabled child are eligible for cash assistance from the Temporary Assistance for Needy Families 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 arising from a child's disability that are not covered by another program, such as Medicaid, should be provided by SSI.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

MANDATORY

$0
(NO SAVINGS)[32]

Strengthen Work Requirements in the Temporary Assistance for Needy Families Program

Today, the majority of work-eligible TANF recipients are idle, neither working nor preparing for work. This is partly because states are taking advantage of loopholes that allow them to fulfill the work requirement without actually having to move recipients into work activity, but the main reason is that the work-participation rate is too low. Only 50 percent of able-bodied adults are required to participate in work activities, which means 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 part-time workers.

State welfare bureaucracies have generally done little if anything to promote this employment, but they still take the credit. TANF's work requirement should be strengthened so that 75 percent of a state's non-employed TANF caseload is participating in work activities for 20 hours to 30 hours per week.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	Requires that able-bodied, working-age TANF recipients participate in work or work activities in order to receive benefits.

MANDATORY

$1.8
SAVINGS IN BILLIONS[33]

Eliminate Funding for the Social Services Block Grant

The Social Services Block Grant is one of several welfare block grants created in the 1980s. Despite more than $180 billion in inflation-adjusted spending, the SSBG has never served as a vehicle of reform. The services offered through SSBG are ineffective because they are duplicative, poorly targeted, and not funded on the basis of measured performance outcomes.

States and localities are better positioned to address the needs of their target populations that are not already addressed by other federal means-tested programs. Policymakers should end the SSBG, devolve responsibility for its goals back to the states, and restore real federalism to the welfare system.

ADDITIONAL READING

- Robert Rector and Vijay Menon, "Understanding the Hidden $1.1 Trillion Welfare System and How to Reform It," Heritage Foundation *Backgrounder* No. 3294, April 5, 2018.
- Robert Rector and Rachel Sheffield, "Setting Priorities for Welfare Reform," Heritage Foundation *Issue Brief* No. 4520, February 24, 2016.

LABOR/HHS

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$725
SAVINGS IN MILLIONS[34]

Eliminate Funding for the Community Services Block Grant

The Community Services Block Grant is one of several welfare block grants created in the 1980s. Despite more than $25 billion in inflation-adjusted spending, the CSBG has never served as a vehicle of reform. CSBG funds are poorly targeted and not directly linked to measured performance outcomes. States and localities are better positioned to address the needs of their target populations that are not already addressed by other federal means-tested programs. Policymakers should end the CSBG, devolve responsibility for its goals back to the states, and restore real federalism to the welfare system.

ADDITIONAL READING

- Robert Rector and Vijay Menon, "Understanding the Hidden $1.1 Trillion Welfare System and How to Reform It," Heritage Foundation *Backgrounder* No. 3294, April 5, 2018.
- Robert Rector and Rachel Sheffield, "Setting Priorities for Welfare Reform," Heritage Foundation *Issue Brief* No. 4520, February 24, 2016.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$3.7
SAVINGS IN BILLIONS[35]

Eliminate Funding for the Low Income Home Energy Assistance Program

The Low Income Home Energy Assistance program is one of several welfare block grants created in the 1980s. Despite over $120 billion in inflation-adjusted spending, LIHEAP has never served as a vehicle of reform.

States and localities are better positioned to address the needs of their target populations that are not already addressed by other federal means-tested programs. In fact, state policy changes in recent decades have rendered LIHEAP unnecessary. Additionally, endemic fraud and abuse undermine the program's integrity. Policymakers should end LIHEAP, devolve responsibility for its goals back to the states, and restore real federalism to the welfare system.

ADDITIONAL READING

- Robert Rector and Vijay Menon, "Understanding the Hidden $1.1 Trillion Welfare System and How to Reform It," Heritage Foundation *Backgrounder* No. 3294, April 5, 2018.
- Robert Rector and Rachel Sheffield, "Setting Priorities for Welfare Reform," Heritage Foundation *Issue Brief* No. 4520, February 24, 2016.

LABOR/HHS

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$3.3
SAVINGS IN BILLIONS[36]

Eliminate the Community Development Block Grant

In the 1980s, President Ronald Reagan created the Community Development Block Grant along with several other welfare block grants. Operated by HUD, the CDBG was intended to provide housing assistance for low-income families, but its funds have often been funneled to high-income communities and to wasteful pork-barrel projects.

Despite nearly $200 billion in inflation-adjusted spending, there is little measurable evidence that this program works as intended. Policymakers should therefore end federal funding for the CDBG.

ADDITIONAL READING

- Robert Rector and Vijay Menon, "Understanding the Hidden $1.1 Trillion Welfare System and How to Reform It," Heritage Foundation *Backgrounder* No. 3294, April 5, 2018.
- Patrick Louis Knudsen, "Tight Budget? Congress Can Save $42 Billion by Eliminating Bad Government Programs," Heritage Foundation *Backgrounder* No. 2837, August 29, 2013.
- Kathryn Nix and Emily Goff, "Community Development Block Grants: Waste the Continuing Resolution Should Cut," The Daily Signal, February 16, 2011.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

MANDATORY

$440
SAVINGS IN MILLIONS[37]

Require Counting of Income from Ineligible Noncitizens When Calculating Food Stamp Benefits

Food stamp benefits are based on a household's "countable" income. The lower a household's countable income is, the higher its benefits will be. Although U.S. Department of Agriculture guidance says that "all of the ineligible non-citizens' resources are countable for SNAP purposes,"[38] not all states actually count these resources.

There is no reason why the income of a household member should not be counted when it comes to determining food stamp eligibility for the household, even if that member is ineligible for food stamps himself. Although food stamps are ostensibly limited to eligible recipients, they are used to purchase food for the entire household. Therefore, policymakers should require that the income of ineligible noncitizens be counted when determining household eligibility.

ADDITIONAL READING

- Robert Rector and Katherine Bradley, "Reforming the Food Stamp Program," Heritage Foundation *Backgrounder* No. 2708, July 25, 2012.

LABOR/HHS

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Cuts spending by $32 million.

DISCRETIONARY

$1.0
SAVINGS IN BILLIONS[39]

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

In addition to its questionable constitutional status as a federal government function, Head Start 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, which administers Head Start, released a scientifically rigorous evaluation of the program's impact on more than 5,000 participating children. 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 and child care programs. Congress should sunset the federal Head Start program over a period of 10 years to give states time to assume revenue responsibility, if necessary. Congress should begin by reducing Head Start funding by 10 percent in FY 2020. Ultimately, Head Start would be completely phased out by 2029.

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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	REJECTED	Maintains funding at FY 2019 levels.

DISCRETIONARY

$8.8
SAVINGS IN BILLIONS[40]

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

If the federal government is going to continue to spend tax dollars on the quintessentially state and local function of education, federal policymakers should limit and better target education spending by streamlining the labyrinth of federal education programs. Competitive grant programs authorized under the Elementary and Secondary Education Act are ineffective and inappropriate at the federal level. They should be eliminated, and federal spending should be reduced to reflect remaining formula grant 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 federal education spending per pupil has more than doubled. The Every Student Succeeds Act alone authorizes dozens of competitive and formula grant programs, many of which are both redundant and ineffective. Federal education programs have failed to improve K–12 education nationally and have imposed a tremendous bureaucratic compliance burden on states and local school districts. To ensure that state and local school leaders' focus is oriented toward meeting the needs of students and parents rather than satisfying federal bureaucrats, program count and associated federal spending should be curtailed.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Cuts 29 programs, most of which are discretionary spending.

DISCRETIONARY

–$1.2
INCREASE IN BILLIONS[41]

Decouple Federal Student Aid from Accreditation

The federal government's involvement in the accreditation process restricts the flourishing of innovation in higher education. The current process in which accreditors serve as gatekeepers of federal student aid dollars also does very little to ensure that students are getting a quality education that has application in the marketplace. Decoupling federal financing from the accreditation process and allowing states to recognize their own accreditors would bring needed reform and flexibility to the system.

Additionally, students should be granted flexibility with their federal student aid to pursue individual courses that serve their needs rather than being limited to enrolling in a costly and often inefficient degree program. A reformed accreditation process, coupled with lower caps on student lending and elimination of loan forgiveness policies, could provide this needed flexibility for students. This proposal was included in the Higher Education Reform and Opportunity Act of 2017, introduced in the 115th Congress by former Representative Ron DeSantis (R–FL) and Senator Mike Lee (R–UT).[42]

ADDITIONAL READING

- Jamie Bryan Hall and Mary Clare Reim, "Time to Reform Higher Education Financing and Accreditation," Heritage Foundation *Issue Brief* No. 4668, March 28, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

DISCRETIONARY

$2.3
SAVINGS IN BILLIONS[43]

Eliminate the PLUS Loan Program

The PLUS Loan program, which allows parents of undergraduate students and graduate students to borrow from the federal government up to the full cost of attendance at a university, is a considerable driver of tuition inflation. Evidence suggests that virtually unrestricted access to federal student aid leads to tuition inflation. To bring down college costs and reduce dependence on federal student aid programs to finance higher education, policymakers should place strict lending caps on federal student aid and eliminate the PLUS Loan program.

Both graduate students and the parents of undergraduate students can borrow through the PLUS Loan program, which provides federal loans beyond the main federal lending programs. Ultimately, eliminating the PLUS Loan program will put downward pressure on tuition prices, discourage family-level debt, and create space for private lenders to enter the student loan market.

ADDITIONAL READING

- Mary Clare Amselem: "The Case for Private Student Loans," Heritage Foundation *Commentary*, May 23, 2017.
- Mary Clare Amselem, "Seven Essential Policies for a Higher Education Act Reauthorization," Heritage Foundation *Issue Brief* No. 4767, September 22, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

DISCRETIONARY

$5.5
SAVINGS IN BILLIONS[44]

Place Strict Lending Caps on All Federal Aid Programs

Unrestricted access to federal student aid has been a significant contributor to the skyrocketing cost of higher education. Additionally, the federal government originates 90 percent of all student loans, crowding out private lenders and leaving taxpayers on the hook for defaults and loan forgiveness. To drive down college costs and reduce taxpayer exposure to high levels of student debt, policymakers should place lower, strict borrowing caps on federal student loans. This policy would encourage colleges to offer competitive prices to students and allow the private lending market to emerge and offer more options to students.

The Higher Education Reform and Opportunity Act of 2017, introduced in the 115th Congress by former Representative Ron DeSantis (R–FL) and Senator Mike Lee (R–UT), proposes a lending cap of $30,000 for undergraduate students and $40,000 for graduate students. These caps represent sound higher education policy that would protect students and taxpayers alike. Additionally, an annual lending cap of $7,500 would help to prevent excessive lending and put downward pressure on tuition prices.

ADDITIONAL READING

- Mary Clare Amselem, "Soaring Student Debt Costs Us All," Heritage Foundation *Commentary*, August 18, 2017.
- Mary Clare Amselem, "The Case for Private Student Loans," Heritage Foundation *Commentary*, May 23, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	Expands eligibility for the Pell Grant program.

MANDATORY

$7.3
SAVINGS IN BILLIONS[45]

Eliminate the Mandatory Funding Add-On to Pell Grants

Pell Grants are currently funded by a convoluted combination of mandatory and discretionary funds. In the 2019–2020 academic year, students can receive a maximum amount of $5,135 under the discretionary component alone. However, the maximum amount can be increased by $1,060 to $6,195 through the Pell Grant funding add-on, authorized as mandatory funding. Congress should have the discretion to reevaluate the maximum funding for the Pell Grant program annually, which is not currently possible with the Pell add-on because it is included in mandatory spending.

ADDITIONAL READING

- Mary Clare Amselem, "Soaring Student Debt Costs Us All," Heritage Foundation *Commentary*, August 18, 2017.
- David Ditch, "Congress Sees Hundreds of Millions in New Spending as an Afterthought," The Daily Signal, September 28, 2018.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	REJECTED	Eliminates the in-school interest subsidy but does not remove the cap on interest rates.

MANDATORY

$700
SAVINGS IN MILLIONS[46]

Remove the Cap on Interest Rates for Student Loans

The federal direct loan program currently places congressionally determined caps on interest rates for student loans. While current interest rates operate below this cap, such a cap should not exist at all. It should be removed so that the market, not government, can influence loan interest rates. Students make better financial decisions about their academic futures when they are given all of the correct information about their loans and the possibilities for repayment. Interest rates often serve as a valuable tool in that decision-making process.

ADDITIONAL READING

- Mary Clare Amselem, "Seven Essential Policies for a Higher Education Act Reauthorization," Heritage Foundation *Issue Brief* No. 4767, September 22, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Eliminates the Public Service Loan Forgiveness program but offers more generous loan forgiveness terms for Stafford loans.

DISCRETIONARY

$370
SAVINGS IN MILLIONS[47]

Eliminate All Time-Based and Occupation-Based Loan Forgiveness

Americans are struggling under $1.5 trillion in student loan debt. Unfortunately, when students cannot afford to pay off their student loans, American taxpayers end up with that bill because of federal loan forgiveness policies and borrower defaults. Students who take out federal loans can have their loans forgiven after 20 years of payments, and the loans of public service employees are forgiven after just 10 years under current law. The Congressional Budget Office estimates that student loan forgiveness will cost American taxpayers, the majority of whom do not hold bachelor's degrees, $108 billion over the next 10 years.[48]

Not only does loan forgiveness transfer large amounts of student debt onto the backs of taxpayers, but it also encourages excessive borrowing on the part of students, confident that after a certain number of years their loans will be eliminated. To restore fiscal responsibility to higher education and insulate taxpayers from outstanding student loan debt, policymakers should eliminate loan forgiveness.

ADDITIONAL READING

- Mary Clare Amselem, "Time for a Time-Out on Wasteful Federal Student Loan Programs," Heritage Foundation *Commentary*, October 10, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Not addressed, although the Administration is taking steps to reform the rule.

DISCRETIONARY

$0
(NO SAVINGS)[49]

Rescind "Gainful Employment" Regulations on For-Profit Higher Education Institutions

The Higher Education Act stipulates that to be eligible for federal student aid, colleges must prepare students for "gainful employment in a recognized occupation." The U.S. Department of Education aggressively promulgated rules concerning gainful employment during the Obama Administration, and gainful employment regulations primarily affecting for-profit institutions went into effect on July 1, 2015. In particular, these regulations could limit opportunities for non-traditional students, who might 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. It can do this by repealing the gainful employment regulations that took effect on July 1, 2015.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

DISCRETIONARY

$1.2
SAVINGS IN BILLIONS[50]

Eliminate Funding for 21st Century Community Learning Centers

A 2017 Government Accountability Office review of the literature on the 21st Century Community Learning Centers Program (21st CCLC), which provides additional federal funding for after-school programs, found that none of the studies in its review produced "consistently better scores in either math or reading."[51] Research has also demonstrated that 21st CCLC participants are "no more likely to have higher academic achievement" than their non-participating peers and "more likely to engage in some negative behaviors."[52]

In addition to limited positive impacts on participants, funding after-school programs is outside the scope of the federal government. After-school programs should be locally funded or provided through private options.

ADDITIONAL READING

- David B. Muhlhausen, "Trump's Responsible Decision to End an After-School Program that Harms Children," The Daily Signal, March 17, 2017.
- Lindsey M. Burke, Jude Schwalbach, and Jonathan Butcher, "Funding Education Savings Accounts for Military Families by Repurposing the 21st Century Community Learning Centers Program," Heritage Foundation *Issue Brief* No. 4930, December 20, 2018.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$190
SAVINGS IN MILLIONS[53]

Eliminate Comprehensive Literacy Development Grants

Congress should eliminate funding for the redundant and costly Comprehensive Literacy Development Grants. This program was authorized as part of the FY 2010 Consolidated Appropriations Act to advance reading skills for students from pre-school age through grade 12. These grants do not have a proven record of success to justify taxpayer spending, and federal agencies have yet to conduct any rigorous evaluations of the program. As the Department of Education has explained, "Evaluation activities primarily included surveys of teachers and school leaders to gauge perceptions of professional development activities.... A better situation would be to compare the performance of students in the SRCL program to a comparison group with students who have similar characteristics."[54]

Federal and local programs already exist to facilitate the development of childhood literacy. Such educational programs are better handled at the state and local levels and should be managed by the local leaders who understand local contexts and how to target such initiatives effectively. The federal government should not be funding and administering childhood literacy programs.

ADDITIONAL READING

- U.S. Department of Education, Office of Elementary and Secondary Education, EDTASS: Striving Readers Comprehensive Literacy (SRCL), *5.2—National Performance Report: 2014–15*, September 2016.

LABOR/HHS

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$840
SAVINGS IN MILLIONS[55]

Eliminate Federal Supplemental Educational Opportunity Grants

Federal Supplemental Educational Opportunity Grants offer additional needs-based assistance to undergraduate students to help them pay for college. Numerous federal aid programs already exist to help students finance their college education, including direct loan programs and the Pell Grant program for low-income students. Congress already spends upwards of $28 billion every year on the Pell Grant program, which in some circumstances can cover the entire cost of tuition at community colleges. Furthermore, the evidence suggests that excessive federal higher education subsidies lead to tuition inflation.

Federal higher education subsidies should be limited and well targeted. Congress should focus its policy priorities on limiting federal aid programs and eliminating redundant or ineffective programs in order to drive down college costs and restore private lending options for students. There is no evidence that Supplemental Educational Opportunity Grants have been successful in helping students to complete their degrees in a timely manner, and the program should be eliminated.

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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$360
SAVINGS IN MILLIONS[56]

Eliminate GEAR UP

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) is a costly program that exists ostensibly to increase the number of low-income students enrolled in college and help these students navigate the pathway from high school to higher education. The federal government should not be providing funds under the premise that higher education is the sole option for students after high school. Many students would be better served by short-term career-centered programs. GEAR UP adds to already high levels of higher education spending, and there is little evidence that it has met its goal of increasing college readiness for disadvantaged students.

Additionally, it is not the proper role of the federal government to provide taxpayer dollars to create a pipeline from high school to college. GEAR UP should be eliminated, and its functions should instead be handled privately or at the state and local levels, where policymakers are better equipped to increase college preparedness within their school districts.

ADDITIONAL READING

- Lindsey M. Burke, "Advancing School Choice and Restoring State and Local Control of Education Through A-PLUS," Heritage Foundation *Issue Brief* No. 4679, April 5, 2017.
- Lindsey M. Burke, "Reauthorizing the Higher Education Act—Toward Policies that Increase Access and Lower Costs," Heritage Foundation *Backgrounder* No. 2941, August 19, 2014.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$1.2
SAVINGS IN BILLIONS[57]

Eliminate Student Support and Academic Enrichment Grants

Student Support and Academic Enrichment Grants, authorized under the Every Student Succeeds Act of 2015, are awarded to school districts that already receive Title I funds. According to the Department of Education, the program exists to "(1) provide all students with access to a well-rounded education; (2) improve school conditions for student learning; (3) improve the use of technology in order to improve the academic achievement and digital literacy for all students."[58] Ultimately, however, these grants are unlikely to spark meaningful reform in school districts and are outside the scope of the federal government.

Such goals are extremely broad and difficult to quantify, and they do not justify federal involvement. States and localities already dedicate resources to improving school environments and the use of technology. Student Support and Academic Enrichment Grants should be cut from the federal budget.

ADDITIONAL READING

- Lindsey M. Burke, "Advancing School Choice and Restoring State and Local Control of Education Through A-PLUS," Heritage Foundation *Issue Brief* No. 4679, April 5, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$2.1
SAVINGS IN BILLIONS[59]

Eliminate Supporting Effective Instruction State Grants

Supporting Effective Instruction (SEI) state grants are used primarily for class-size reduction and professional development. According to the Trump Administration's FY 2020 budget proposal, "SEI grants are poorly targeted and funds are spread too thinly to have a meaningful impact on student outcomes."[60] There is little if any return on investment from teacher professional development programs, and as Stanford economist Eric Hanushek has documented, the empirical evidence "gives no indication that general reductions in class size will yield any average improvement in student achievement."[61]

Taxpayer dollars should be directed toward constitutionally sound programs with demonstrated evidence of success. Because the heavy taxpayer investment in SEI grants does not meet that standard, this program should be eliminated.

ADDITIONAL READING

- Eric A. Hanushek, "The Evidence on Class Size," Chapter 7 in *Earning and Learning: How Schools Matter*, ed. Susan E. Mayer and Paul E. Peterson (Washington: Brookings Institution Press, and New York: Russell Sage Foundation, 1999), pp. 131–168.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$318
SAVINGS IN MILLIONS[62]

Eliminate Competitive Teaching Grant Programs

Policymakers should eliminate the four competitive teaching grant programs: Supporting Effective Educator Development (SEED); Teacher and School Leader Incentive Grants (TSLIG); and Teacher Quality Partnerships (TQP). All of these programs aim generally to improve teacher quality and differ only slightly in their stated purposes. States and localities all across the country, on the other hand, differ significantly with respect to their hiring needs in public schools.

Distributing grants to these localities to assist them in recruiting high-quality teachers is not properly a function of the federal government. Instead, local policymakers and school leaders should focus their efforts on instituting merit pay and removing outdated policies like "last in first out" to recruit and retain the most qualified public school teachers. The federal government should not use limited taxpayer dollars to supplement state efforts.

ADDITIONAL READING

- Lindsey M. Burke, "Advancing School Choice and Restoring State and Local Control of Education Through A-PLUS," Heritage Foundation *Issue Brief* No. 4679, April 5, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$445
SAVINGS IN MILLIONS[63]

Privatize the Corporation for Public Broadcasting

The CPB was created in 1967 at a time when U.S. households faced very limited broadcasting options. Since then, technology has grown, and the number of media sources for accessing news and broadcasting is much greater. The CPB has already been appropriated $445 million per year in advance federal funding through FY 2021.[64] The President's FY 2019 budget called for rescinding all but $15 million of that amount.

Without federal funding from the CPB, services such as the Public Broadcasting Service and National Public Radio would operate as any other news or broadcasting source in the private sector operates. Both organizations could seek to make up the lost funding by increasing revenues from corporate sponsors, foundations, and members. NPR states that its member stations receive only 4 percent of their overall funding from federal, state, and local governments.[65]

Many nonprofits manage to stay in business without receiving federal funding by being creative and reacting to market fluctuations. Public broadcasters should be no exception. NPR and PBS should find new sponsors, create new shows, and find alternative ways to generate viewership without receiving taxpayer funding.

ADDITIONAL READING

- Mike Gonzalez, "Stop Forcing Taxpayers to Fund Public Broadcasting," Heritage Foundation *Commentary*, November 6, 2017.
- Emily Goff, "Why Big Bird's Federal Subsidies Need to Go," The Daily Signal, October 14, 2012.
- BDO, "Public Broadcasting Service and Subsidiaries: Consolidated Financial Statements and Independent Auditor's Report, Years Ended June 30, 2014 and 2013," October 30, 2014.

LABOR/HHS

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$787
SAVINGS IN MILLIONS[66]

Eliminate the Corporation for National and Community Service

The CNCS is a federal agency created to promote public service and support the institutions of civil society. It operates four main programs—AmeriCorps, Senior Corps, the Social Innovation Fund, and the 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. In 2017, according to the Charities Aid Foundation, 158 million Americans donated money to charity, and 102 million spent time volunteering.[67] Moreover, the CNCS is not using a significant portion of its current federal funding. The FY 2019 Defense and Labor/Health and Human Services appropriation bill rescinded $150 million in unobligated balances from the National Service Trust, which had been created to cover interest on qualified student loans while individuals serve in AmeriCorps.

The CNCS should be eliminated. Charitable giving is an individual choice, and Americans should be free to choose whether they want to give their time and money to charities, which charities they want to support, and how much they want to give. The CNCS deprives individuals of this choice and forces taxpayers to subsidize particular charities chosen by the government. If the hand-picked charities included in the CNCS provide valuable services that Americans deem worthy of their time and money, those charities will have the opportunity to maintain their operations through private donations in the same way that other charitable organizations receive their funds.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$242
SAVINGS IN MILLIONS[68]

Eliminate Funding for the Institute of Museum and Library Services

The IMLS is an independent agency that administers federal funds to libraries and museums. In 2019, Congress appropriated $242 million for the agency. A primary focus of the institute's activity is its Grants to States program, which "annually provides population-based grants to each state's library administrative agency."[69] The agency also administers smaller grants such as the Laura Bush 21st Century Librarian Program, which funds librarian workforce development, and Museums for America, which strive to enhance the ability of museums to serve the public. 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 levels. The federal government should devolve funding decisions for these institutions back to states and localities.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$208.7
SAVINGS IN MILLIONS[70]

Cut the Annual Smithsonian Institution Subsidy by 20 Percent and Cap It at That Amount

The Smithsonian Institution was founded through a donation by James Smithson in 1846. It was established for the purpose of increasing and diffusing knowledge. With 19 museums and galleries, nine research centers, and the National Zoo, the Smithsonian is the world's largest museum and research complex.

The Smithsonian Institution is one of the world's best-known museums. Trust funds, government grants and contracts, and private donations accounted for an estimated 30 percent of its budget in 2018. Between FY 2017 and FY 2018, the Smithsonian's appropriation increased by $180 million, with all but $2 million of the new funding used for the National Air and Space Museum's multi-year revitalization and other facilities projects.

Both public and private institutions often engage in widespread fundraising activities to fund capital projects. The Smithsonian Institution should continue to use its name recognition to expand its private donor base to pay for new projects and recurring expenses instead of asking taxpayers to do so.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	REJECTED	Maintains funding at FY 2019 levels.

DISCRETIONARY

$65
SAVINGS IN MILLIONS[71]

Reduce Funding for the Department of Education's Office for Civil Rights

The 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," essentially rewriting the law to require access to intimate facilities, dorms, and sports programs for students based on self-declared gender identity rather than biology.[72] Moreover, 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.[73]

The Trump Administration has taken steps to correct the previous Administration's actions that undermined the rule of law by rescinding the Obama Administration's gender identity[74] and sexual assault[75] school policies. In addition, the OCR budget should be cut significantly so that schools can make policies that will best serve *all* members of their communities.

ADDITIONAL READING

- Ryan T. Anderson, "Obama Unilaterally Rewrites Law, Imposes Transgender Policy on Nation's Schools," The Daily Signal, May 13, 2016.
- Hans von Spakovsky, "Campus Sexual Assault: Understanding the Problem and How to Fix It," Heritage Foundation *Legal Memorandum* No. 211, July 25, 2017.

LABOR/HHS

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	REJECTED	Increases funding to $125 million from the FY 2019 level of $107 million.

MANDATORY

$115.9
SAVINGS IN BILLIONS[76]

Reform Medical Liability for Federal Health Programs

The current medical liability system does not work for patients or providers. Nor does it promote high-quality, evidence-based care. Providers practice with a threat of potentially frivolous lawsuits, and injured patients often do not receive just compensation for their injuries.

This proposal would reform medical liability and reduce defensive medicine by implementing a set of provisions to reduce the number of high-dollar awards, limit liability, reduce provider burden, promote evidence-based practices, and strengthen the physician–patient relationship. These requirements would apply to any individual who brings a health care lawsuit and who used medical services for which Medicaid, Medicare, and other federal health programs paid, either in whole or in part, including a person who asserts or claims a right to legal or equitable contribution, indemnity, or subrogation arising out of a health care liability claim or action and any person on whose behalf such a claim is asserted or such an action is brought, whether deceased, incompetent, or a minor.

Specifically, the proposal includes placing a cap on non-economic damage awards of $250,000 (increasing with inflation over time); specifying a three-year statute of limitations; allowing courts to modify attorney's fee arrangements; allowing evidence of a claimant's payments from other sources, such as workers' compensation and auto insurance, to be introduced at trial; creating a safe harbor for clinicians who follow evidence-based clinical practice guidelines; and authorizing the Secretary of Health and Human Services to create expert panels and administrative health care tribunals to review medical liability cases.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	Caps non-monetary damages at $250,000, adds a statute of limitations, and includes additional reforms.

LABOR/HHS

MANDATORY

$0
(NO SAVINGS)[77]

End Provider Taxes in Medicaid

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 to increase federal reimbursement beyond the level the state would receive without 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 further reduce it. This policy would stop the "state gaming" of reimbursement and bring greater transparency to the financing of Medicaid.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

MANDATORY

$1.4
SAVINGS IN BILLIONS[78]

Consolidate and Reform the Financing of Graduate Medical Education Programs

Graduate Medical Education (GME) programs provide federal funding to help train physicians. The largest porting of this funding is channeled to teaching institutions in the form of increased Medicare payments. This federal structure ignores geographic disparities, is unresponsive to workforce needs, and lacks accountability and oversight.

Congress should reform the GME program by consolidating GME financing in a single discretionary funding source, shift management responsibilities to the states, and require that funding follow the trainee and not be linked to the teaching institutions.

ADDITIONAL READING

- John S. O'Shea, "Reforming Graduate Medical Education in the U.S.," Heritage Foundation *Backgrounder* No. 2983, December 29, 2014.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	Broadly consistent with recommendation.

MANDATORY

$0

(NO SAVINGS)[79]

Modify Payments to Hospitals for Uncompensated Care in Medicare and Medicaid

The federal government through Medicare and Medicaid provides hospitals with supplemental payments to offset the costs of treating indigent, uninsured patients. The current system of payments to hospitals through uncompensated care payments in Medicare and disproportionate-share payments (DSH) in Medicaid is poorly targeted, insufficiently accountable, and in need of reform.

Under this proposal, both the Medicare and Medicaid formulas for hospital supplemental payments would be consolidated and transferred out of Medicare and Medicaid into a discretionary funding mechanism based on actual hospital claims rather than the current formulas. This reform would bring greater transparency and accountability to the distribution of these payments.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	Broadly consistent with recommendation.

POLICY RIDERS

Strengthen the TANF Program's work requirements. The majority of work-eligible TANF recipients (54.3 percent across the states in FY 2017) are neither working nor preparing for work.[80] This is partly because states take 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, which means that even though the other 50 percent of the caseload may be completely idle, the state is still fulfilling the requirement. Moreover, among the half of TANF recipients that fulfill the work requirements, most are working part time. State welfare bureaucracies have generally done little if anything to promote this employment, but they still take the credit. Congress should strengthen TANF's work requirement 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.[81]

Protect freedom of conscience in health care. 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 federally funded programs 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.[82] The need to codify these protections and give victims a better path to relief is urgent. In August 2014, the California Department of Managed Health Care mandated that almost every health plan in the state, including plans offered by religious organizations, religious schools, and even churches, must include coverage of elective abortions. Complaints to the U.S. Department of Health and Human Services about the state's mandate were dismissed by the Office for Civil Rights after nearly two years of investigation.[83] 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 or her values.

Redirect funding from Planned Parenthood to health centers that are not entangled with abortion services. Taxpayer dollars should not be used to fund elective abortion providers like the Planned Parenthood Federation of America 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 PPFA 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, 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.

Transition Impact Aid into education savings accounts for military families. Although many aspects of military life have been modernized over the past century, the way in which the federal government supports the education of federally connected children has failed to keep pace with new education delivery models. Children of military families continue to be assigned to schools that may or may not meet their learning needs, consigning them to nearby district schools that are closest to their parents' duty station. Washington then provides taxpayer funding to district schools through a federal program called Impact Aid. Instead of filtering the $1.3 billion in federal Impact Aid funding to district schools and then assigning students to those schools based on where their parents are stationed, Impact Aid dollars should be directed to eligible students. All Impact Aid dollars for military-connected children in heavily impacted districts and all funding for children living on base in districts that are not heavily impacted should go directly into a parent-controlled ESA that the family could use to pay for any education-related service, product, or provider that meets the specific needs of their children.[84]

ENDNOTES

1. Savings of $1.719 billion for FY 2020 are based on the FY 2019 appropriated level as specified in H.R. 6157, Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019, Public Law 115-245, 115th Cong., September 28, 2018, https://www.congress.gov/search?q=%7B%22source%22:%22legislation%22,%22search%22:%22cite:PL115-245%22%7D (accessed April 6, 2019). Heritage experts assume that FY 2019 spending remains constant in FY 2020.
2. Peter Z. Schochet, Sheena McConnell, and John Burghardt, *National Job Corps Study: Findings Using Administrative Earnings Records Data, Final Report*, Mathematica Policy Research, October 2003, https://www.mathematica-mpr.com/api/sitecore/MediaLibrary/ActualDownload?fileId=%7BEA39AE2D-BF35-41B0-9FD4-5550A46947C6%7D&fileName=jobcorpsadmin.pdf&fileData=jobcorpsadmin.pdf%20-%20%7BEA39AE2D-BF35-41B0-9FD4-5550A46947C6%7D&fileMime=application%2Fpdf (accessed April 6, 2019). Contract report submitted to U.S. Department of Labor, Employment and Training Division, Office of Policy and Research.
3. Estimated savings of $3.250 billion for FY 2020 are based on the FY 2019 appropriated level as specified in H.R. 6157, Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019, which specifies $3.503 billion for activities including the WIOA, the Second Chance Act of 2007, and the Apprenticeship Act. Of this total, the act specifies $160 million to expand opportunities for apprenticeship programs and lists $93 million for ex-offender activities as authorized under both the WIOA and the Second Chance Act. Estimated savings exclude these $160 million and $93 million amounts. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
4. Estimated savings of $741 million for FY 2020 are based on the FY 2019 full-year spending level as reported in U.S. Department of Labor, *FY 2020 Department of Labor Budget in Brief*, pp. 13 and 14, https://www.dol.gov/sites/dolgov/files/general/budget/2020/FY2020BIB.pdf (accessed April 6, 2019). Heritage experts assume that FY 2019 spending remains constant in FY 2020.
5. Estimated savings of $10.5 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.R. 6157, Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
6. U.S. Department of Labor, *U.S. Department of Labor FY 2015 Annual Performance Report*, https://www.dol.gov/sites/default/files/documents/general/budget/CBJ-2017-V1-01.pdf (accessed April 6, 2019).
7. Estimated savings of $123 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.R. 6157, Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019. This proposal would reduce spending by 45 percent, or $123 million of the appropriated $274 million. Heritage experts assume that FY 2019 spending remains constant in FY 2020. Reducing the NLRB's budget by 45 percent in FY 2020 would bring its spending in line with previous funding levels for its caseload. This would save taxpayers $123 million in FY 2020. The NLRB's projected FY 2019 budget authority is $274 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 45 percent would bring its FY 2020 spending down to $151 million.
8. Estimated savings of $103.5 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.R. 6157, Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
9. Estimated savings of $13.8 million for FY 2020 are based on the FY 2019 full-year spending level as reported in U.S. Department of Labor, *FY 2020 Department of Labor Budget in Brief*, p. 36. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
10. Estimated savings of $59.8 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.R. 6157, Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
11. U.S. Department of Labor, Bureau of International Labor Affairs, "Mission," https://www.dol.gov/agencies/ilab/about-us (accessed April 7, 2019).
12. Estimated savings of $268 million for FY 2020 are based on a GeneralSchedule.org statistic showing that 37,033 federal employees live in areas designated "Rest of U.S." and that the average salary for employees in these areas is $54,297. The 15.37 percent "Rest of U.S." adjustment means that the average salary is $7,234 above the base salary for these areas. Thus, eliminating the "Rest of U.S." locality pay and reverting those areas back to the base GS scale would result in $268 million in savings for FY 2020. GeneralSchedule.org, "Rest of U.S. General Schedule Payscale," https://www.generalschedule.org/localities/rest-of-us (accessed April 6, 2019).
13. FederalPay.org, "General Schedule (GS) Locality Pay Map," 2019, https://www.federalpay.org/gs/locality (accessed April 6, 2019).
14. Estimated savings of $376 million for FY 2020 are based on Heritage Foundation experts' analysis of proposed comprehensive federal employee compensation reforms as detailed in Rachel Greszler and James Sherk, "Why It Is Time to Reform Compensation for Federal Employees," Heritage Foundation *Backgrounder* No. 3139, July 27, 2016, https://www.heritage.org/jobs-and-labor/report/why-it-time-reform-compensation-federal-employees#_ftn3. Savings for FY 2020 have been updated to reflect the most recent, June 2018 federal employment data available from FedScope (fedscope.opm.gov) and to reflect implementation in 2020 as opposed to 2017 as assumed in the original Heritage Foundation report and figures. FY 2020 savings are small compared to this proposal's longer-term savings because the savings compound over time as workers' automatic pay increases compound over time. The long-term effect of the proposal would be to reduce salaries by 5 percent. Total savings over the 2020–2029 period would equal $27.287 billion. This 10-year figure includes effects that interact with other Heritage Foundation experts' proposals to bring federal personnel compensation in line with private-sector compensation.

15. James Sherk, "Inflated Federal Pay: How Americans Are Overtaxed to Overpay the Civil Service," Heritage Foundation *Center for Data Analysis Report* No. CDA10-05, July 7, 2010, http://www.heritage.org/research/reports/2010/07/inflated-federal-pay-how-americans-are-overtaxed-to-overpay-the-civil-service.
16. Estimated savings of $46.701 billion for FY 2020 are based on Heritage Foundation experts' analysis of proposed comprehensive federal employee compensation reforms as detailed in Greszler and Sherk, "Why It Is Time to Reform Compensation for Federal Employees." Savings for FY 2020 have been updated to reflect the most recent, June 2018 federal employment data available from FedScope (fedscope.opm.gov) and to reflect implementation in 2020 as opposed to 2017 as assumed in the original Heritage Foundation report and figures. Retirement savings represent accrual-based savings: the long-term savings generated by the impact of the policy change on 2020 retirement benefit accruals. Since workers earn FERS credits each year but do not actually receive benefits until retirement, it makes sense to list the accrued savings that will occur to the federal government as a result of lower retirement contribution rates. FY 2020 savings include $13.802 billion in accrual-based discretionary savings from permanent changes and $32.898 billion in one-time savings from the buyout option for federal employees to convert their accumulated FERS benefits to TSP contributions with a 25 percent reduction in actuarial value. Total accrual-based savings over the 2020–2029 period would equal $206.253 billion. This 10-year figure includes effects that interact with other Heritage Foundation experts' proposals to bring federal personnel compensation in line with private-sector compensation.
17. Estimated savings of $113 million for FY 2020 are based on the CBO's estimated first-year savings from eliminating the special retirement supplement as found in Congressional Budget Office, *Options for Reducing the Deficit: 2017 to 2026*, December 2016, p. 36, https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/52142-budgetoptions2.pdf (accessed April 6, 2019), and Congressional Budget Office, *Options for Reducing the Deficit: 2019 to 2028*, December 2018, p. 310, https://www.cbo.gov/system/files?file=2018-12/54667-budgetoptions.pdf (accessed April 6, 2019). The most recent 2018 report does not include annual savings estimates, so Heritage analysts applied the overall increase in reported savings of 13 percent (from a total of $4.7 billion in the 2016 report to $5.3 billion in the 2018 report) to each year's previously reported savings. Savings would grow over time, amounting to $5.3 billion over 10 years. All $113 million in savings represents mandatory spending.
18. Reg Jones, "The Special Retirement Supplement," FEDweek, January 22, 2018, http://www.fedweek.com/reg-jones-experts-view/special-retirement-supplement/ (accessed April 6, 2019).
19. Estimated savings of $5.732 billion for FY 2020 are based on Heritage Foundation experts' analysis of proposed comprehensive federal employee compensation reforms as detailed in Greszler and Sherk, "Why It Is Time to Reform Compensation for Federal Employees." Savings for FY 2020 have been updated to reflect the most recent, June 2018 federal employment data available from FedScope (fedscope.opm.gov) and to reflect implementation in 2020 as opposed to 2017 as assumed in the original Heritage Foundation report and figures. Heritage Foundation experts estimate that this reform would reduce federal employment by 2.2 percent and generate total savings of $71.554 billion over the 2020–2029 period. This 10-year figure includes effects that interact with other Heritage Foundation experts' proposals to bring federal personnel compensation in line with private-sector compensation.
20. Estimated savings of $569 million for FY 2020 are accrual-based savings, which means that the actual savings do not accrue to the federal government until the future years when employees do not receive the FEHB benefits they otherwise would have received. Savings estimates are based on a CBO report that estimated the value of FEHB benefits at 6.4 percent of workers' pay. See Congressional Budget Office, "The President's Proposal to Accrue Retirement Costs for Federal Employees," *CBO Paper*, June 2002, https://www.cbo.gov/sites/default/files/107th-congress-2001-2002/reports/accrual.pdf (accessed April 6, 2019). We apply this value to current statistics (June 2018) on the number and wages of federal employees. Total savings over the 2020–2029 period would equal $32.53 billion. This 10-year figure includes effects that interact with other Heritage Foundation experts' proposals to bring federal personnel compensation in line with private-sector compensation.
21. Authors' calculations establish the 6.34 percent of pay cost by comparing the average salary of $54,656 in 2002 to the estimated $3,475 accrual cost of FEHB benefits as reported in Congressional Budget Office, "The President's Proposal to Accrue Retirement Costs for Federal Employees."
22. This proposal has no estimated savings for FY 2020 but would likely generate significant savings over time as it would cause federal workers to desire lower-cost plans and would increase competition among FEHB plans. A CBO analysis of a similar proposal for a flat FEHB contribution alongside limited contribution growth (something that would come naturally through competition and choice under this proposal by Heritage experts) projected savings of $42 billion over 10 years, or $4.2 billion per year. See Congressional Budget Office, *Reducing the Deficit: Spending and Revenue Options*, March 2011, p. 37, https://www.cbo.gov/sites/default/files/112th-congress-2011-2012/reports/03-10-reducingthedeficit.pdf (accessed April 6, 2019).
23. This proposal has no savings in FY 2020 because the PBGC is not a taxpayer-financed entity, and additional funds would be used to improve the solvency of the PBGC and multiemployer pension plans as opposed to reducing taxpayer costs. However, this would increase the probability that pensioners would receive more or all of what their pension plans promised them and what the PBGC is supposed to insure. This proposal would also reduce the risk of a taxpayer bailout amounting to hundreds of billions of dollars.
24. Estimated savings of $2.9 billion in FY 2020 come from Congressional Budget Office, *Options for Reducing the Deficit: 2019–2028*, p. 115.
25. Estimated savings of $742 million for FY 2020 are based on a 20 percent reduction in the total overpayment level of $3.708 billion as reported in U.S. Department of Labor, *Benefit Accuracy Measurement State Data Summary: Improper Payment Information Act Performance Year 2017*, p. 10, https://oui.doleta.gov/unemploy/bam/2017/IPIA_2017_Benefit_Accuracy_Measurement_Annual_Report.pdf (accessed April 6, 2019). Heritage experts assume that the 2017 overpayment level remains constant through FY 2020. All $742 million represents mandatory savings.
26. Ibid. "This report is designed to provide information gathered by the BAM [Benefit Accuracy Measurement] program for Improper Payment Information Act (IPIA) performance year (PY) 2017." Ibid., p. 1.

27. Estimated savings of $531 million in FY 2020 are based on a Social Security Administration estimate of overpayments in the SSI program that includes $3.542 billion due to "Inability to Access Data." Heritage estimates that this proposal would reduce those overpayments by 15 percent in the first year, resulting in $531 million in savings in FY 2020. Heritage experts assume that FY 2017 overpayments remain constant through FY 2020. See Social Security Administration, "Reducing Improper Payments: Major Causes of SSI Improper Payments: Improper Payment Root Cause Category Matrix for FY 2017," https://www.ssa.gov/improperpayments/SSI_majorCauses.html (accessed April 6, 2019). All $531 million represents mandatory savings.
28. Estimated savings of $2.5 billion for FY 2020 come from The Heritage Foundation's Social Security Model. Savings are based on an average overpayment rate of 0.44 percent, which is equal to the average overpayment rate for FY 2013–FY 2017 as found in Social Security Administration, "Reducing Improper Payments: Major Causes of SSI Improper Payments: Improper Payment Root Cause Category Matrix for FY 2017." All $2.5 billion represents mandatory savings.
29. Estimated savings of $20.26 billion for FY 2020 include $23.56 billion per year in savings from reducing fraud and limiting eligibility 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 $20.26 billion. Estimates come from Robert Rector and Jamie Bryan Hall, "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, https://www.heritage.org/sites/default/files/2018-04/BG3162.pdf. This report provides estimated savings for FY 2015. Heritage experts conservatively assume a similar level of savings in FY 2020 with the exception of the savings from the child tax credit, which doubled in 2019 and beyond (including a higher refundable portion) as a result of the Tax Cuts and Jobs Act. The Joint Committee on Taxation estimated that the TCJA's child tax credit provisions increased the cost of the CTC by 126 percent in 2020. See Joint Committee on Taxation, U.S. Congress, "Estimated Budget Effects of the Conference Agreement for H.R.1, The 'Tax Cuts and Jobs Act,' Fiscal Years 2018–2017," JCX-67-17, December 18, 2017, https://www.jct.gov/publications.html?func=startdown&id=5053 (accessed April 6, 2019), and Joint Committee on Taxation, U.S. Congress, *Estimates of Federal Tax Expenditures for Fiscal Years 2016–2020*, JCX-3-17, January 30, 2017, https://www.jct.gov/publications.html?func=startdown&id=4971 (accessed April 6, 2019). Not all taxpayers experienced the same increase in the value of their child tax credit, however. Some low-income families may not receive a full doubling of the credit, and some higher-income families that received only a partial or no child tax credit before will receive the full $2,000 value in 2020. Although most lower-income families that would be affected by this proposal will experience a doubling of their child tax credit value, we conservatively estimate that the child tax credit provisions in this proposal will increase the value of the credit for families by 60 percent, from $7.6 billion (as reported in the November 2016 Heritage report) to $12.2 billion in 2020. All $20.26 billion in savings represents mandatory spending.
30. Estimated savings of $2.360 billion in FY 2020 are based on net projected spending of $47.209 billion for FY 2020 (including $47.601 billion in discretionary spending and a net offsetting revenue of $392 million from mandatory HUD spending categories) as reported in Congressional Budget Office, "The Budget and Economic Outlook: 2019 to 2029: Budget and Economic Data: Spending Projections, by Budget Account," January 2019, https://www.cbo.gov/about/products/budget-economic-data#9 (accessed April 6, 2019). We propose a 10-year, phased-in elimination of federal housing programs excluding those for low-income disabled and elderly populations. According to the CBO, approximately 50 percent of housing assistance goes to elderly and disabled recipients. See Table 2, "Characteristics of Households Receiving Housing Choice Vouchers, Project-Based Rental Assistance, or Public Housing Assistance, 2013," in Congressional Budget Office, *Federal Housing Assistance for Low-Income Households*, September 2015, p. 43, https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/50782-lowincomehousing-onecolumn.pdf (accessed April 6, 2019). Thus, savings of $2.360 billion for FY 2020 are based on reducing half of HUD's budget by 10 percent.
31. Estimated savings of $11 billion in FY 2020 come from Congressional Budget Office, *Options for Reducing the Deficit: 2019 to 2028*, p. 95. The option to "eliminate Supplemental Security Benefits for Disabled Children" includes $1 billion in discretionary spending and $10 billion in mandatory spending in FY 2020, assuming that the option takes effect at the beginning of FY 2020 (October 2019).
32. Heritage experts do not include any savings for this proposal because the federal funding stream for TANF is fixed. However, stronger work requirements would likely reduce federal outlays significantly over the long run.
33. Savings of $1.77 billion for FY 2020 are based on the FY 2019 appropriated level as specified in H.R. 6157, Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
34. Savings of $725 million for FY 2020 are based on Office of Management and Budget, *Fiscal Year 2020 Budget of the U.S. Government: Major Savings and Reforms*, p. 39, https://www.whitehouse.gov/wp-content/uploads/2019/03/msar-fy2020.pdf (accessed April 7, 2019).
35. Savings of $3.690 billion for FY 2020 are based on the FY 2019 appropriated level as specified in H.R. 6157, Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
36. Savings of $3.3 billion for FY 2020 are based on Office of Management and Budget, *Fiscal Year 2020 Budget of the U.S. Government: Major Savings and Reforms*, p. 50.
37. Estimated savings of $440 million for FY 2020 are based on an unpublished preliminary score from the Congressional Budget Office. The $440 million represents the first year of implementation. Over subsequent years, the savings would grow, eventually approaching $1 billion per year in the 10th year. All $440 million represents mandatory savings.
38. U.S. Department of Agriculture, Food and Nutrition Service, Supplemental Nutrition Assistance Program, Guidance on Non-Citizen Eligibility, June 2011, p. 47, https://fns-prod.azureedge.net/sites/default/files/snap/Non-Citizen_Guidance_063011.pdf (accessed April 7, 2019).
39. Estimated savings of $1.006 billion for FY 2020 are based on the FY 2019 appropriated level as specified in H.R. 6157, Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019. Heritage experts assume that FY 2020 spending remains constant at FY 2019 levels. Savings equal 10 percent of the estimated FY 2020 spending level based on a 10-year phaseout of the program.

40. Estimated savings of $8.836 billion for FY 2020 are based on FY 2019 grant levels under the Every Student Succeeds Act as reported in U.S. Department of Education, "Department of Education Fiscal Year 2019 Congressional Action," October 9, 2018, https://www2.ed.gov/about/overview/budget/budget19/19action.pdf (accessed April 7, 2019). This includes elimination of spending on most non-Title I, non-Title VI, and non-Title VII funds under the Elementary and Secondary Education Act ($7.042 billion) and a 10 percent reduction in Title I and Title VII spending ($1.794 billion).
41. Estimated savings of –$1.2 billion (in other words, an additional cost of $1.2 billion) for FY 2020 are based on Heritage experts' estimates as reported in Jamie Bryan Hall and Mary Clare Reim, "Time to Reform Higher Education Financing and Accreditation," Heritage Foundation *Issue Brief* No. 4668, March 28, 2017, https://www.heritage.org/sites/default/files/2017-03/IB4668.pdf. The estimated cost of this proposal in the next year includes its effects on increasing total Pell Grants and federal student loans by making them accessible to students across a wider range of education options. (Additional loans cost the federal government money because we use fair-value accounting, a more accurate measure of federal loans' true costs.) Implementing this proposal in conjunction with the proposals to place strict lending caps on federal student aid programs and eliminate the PLUS Loan program would mitigate its costs in the short run. In the long run, this proposal could lead to savings by increasing competition and driving down college costs.
42. H.R. 4274, Higher Education Reform and Opportunity Act of 2017, 115th Cong., introduced November 7, 2017, https://www.congress.gov/bill/115th-congress/house-bill/4274/all-info (accessed April 8, 2019), and S. 2228, Higher Education Reform and Opportunity Act of 2017, 115th Cong., introduced December 13, 2017, https://www.congress.gov/bill/115th-congress/senate-bill/2228 (accessed April 8, 2019).
43. Estimated savings of $2.3 billion for FY 2020 are based on Heritage experts' estimates as reported in Hall and Reim, "Time to Reform Higher Education Financing and Accreditation."
44. Estimated savings of $5.5 billion for FY 2020 are based on Heritage experts' estimates as reported in Hall and Reim, "Time to Reform Higher Education Financing and Accreditation."
45. Estimated savings of $7.291 billion for FY 2020 are based on the CBO's most recent January 2019 baseline spending projections for mandatory student financial assistance as reported in Congressional Budget Office, "The Budget and Economic Outlook: 2019 to 2029: Budget and Economic Data: Spending Projections, by Budget Account," January 2019, https://www.cbo.gov/about/products/budget-economic-data#9 (accessed April 6, 2019). All $7.291 billion represents mandatory savings.
46. Estimated savings of $700 million for FY 2020 come from Congressional Budget Office, Options for Reducing the Deficit: 2019–2028, p. 115. Heritage uses the "fair-value method" of accounting as this is a more accurate method. All $700 million in savings represents mandatory spending.
47. Estimated savings of $370 million for FY 2020 are based on Congressional Budget Office, "Proposals for Education—CBO's Estimate of the President's Fiscal Year 2019 Budget," https://www.cbo.gov/system/files?file=115th-congress-2017-2018/dataandtechnicalinformation/53901-education.pdf (accessed April 7, 2019). The CBO includes $370 million in FY 2019 savings from "Eliminat[ing] Public Service Loan Forgiveness." It also assumes that FY 2019 is the first year of implementation, so Heritage experts apply the FY 2019 savings level to FY 2020. Savings would increase significantly over time, as more borrowers would no longer be eligible for forgiveness. (The CBO score assumes that the policy applies to new borrowers after implementation of the proposal.)
48. Congressional Budget Office, "H.R. 4508, Promoting Real Opportunity, Success, and Prosperity Through Education Reform Act, as Ordered Reported by the House Committee on Education and the Workforce on December 13, 2017," Cost Estimate, February 6, 2018, pp. 7 and 17, https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/hr4508.pdf (accessed April 8, 2019).
49. Heritage experts do not include any estimated savings for this proposal because its fiscal impact would depend on a range of behavioral responses from both educational institutions and students that cannot reasonably be predicted.
50. Estimated savings of $1.2 billion for FY 2020 are based on Office of Management and Budget, *Fiscal Year 2020 Budget of the U.S. Government: Major Savings and Reforms*, p. 20.
51. U.S. Government Accountability Office, K–12 Education: Education Needs to Improve Oversight of Its 21st Century Program, GAO-17-400, April 2017, p. 17, https://www.gao.gov/assets/690/684314.pdf (accessed April 8, 2019).
52. U.S. Department of Education, Institute of Education Sciences, National Center for Educational Evaluation and Regional Assistance, When Schools Stay Open Late: The National Evaluation of the 21st Century Community Learning Centers Program: Final Report, April 2005, p. xii, https://www2.ed.gov/rschstat/eval/other/cclcfinalreport/cclcfinal.pdf (accessed April 8, 2019).
53. Estimated savings of $190 million for FY 2020 are based on Office of Management and Budget, *Fiscal Year 2020 Budget of the U.S. Government: Major Savings and Reforms*, p. 21.
54. U.S. Department of Education, Office of Elementary and Secondary Education, EDTASS: Striving Readers Comprehensive Literacy (SRCL), *5.2—National Performance Report: 2014–15*, September 2016, p. ix, https://www2.ed.gov/programs/strivingreaders-literacy/performance.html (accessed April 7, 2019).
55. Estimated savings of $840 million for FY 2020 are based on Office of Management and Budget, *Fiscal Year 2020 Budget of the U.S. Government: Major Savings and Reforms*, p. 22.
56. Estimated savings of $360 million for FY 2020 are based on Office of Management and Budget, *Fiscal Year 2020 Budget of the U.S. Government: Major Savings and Reforms*, p. 25.
57. Estimated savings of $1.17 billion for FY 2020 are based on Office of Management and Budget, *Fiscal Year 2020 Budget of the U.S. Government: Major Savings and Reforms*, p. 31.
58. U.S. Department of Education, Student Support and Academic Enrichment Program, "Program Description," https://www2.ed.gov/programs/ssae/index.html (accessed April 9, 2019).

59. Estimated savings of $2.056 billion for FY 2020 are based on Office of Management and Budget, *Fiscal Year 2020 Budget of the U.S. Government: Major Savings and Reforms*, p. 32.
60. Ibid.
61. Erik A. Hanushek, "The Evidence on Class Size," Chapter 7 in *Earning and Learning: How Schools Matter*, ed. Susan E. Mayer and Paul E. Peterson (Washington: Brookings Institution Press, and New York: Russell Sage Foundation, 1999), p. 132, http://hanushek.stanford.edu/sites/default/files/publications/Hanushek%201999%20EvidenceonCLassSize.pdf (accessed April 7, 2019).
62. Estimated savings of $318 million for FY 2020 include $118 million from eliminating the Supporting Effective Educator Development and Teacher Quality Partnerships, based on Office of Management and Budget, *Fiscal Year 2020 Budget of the U.S. Government: Major Savings and Reforms*, p. 33, and $200 million from eliminating Teacher and School Leader Incentive Grants, for which $200 million is requested in U.S. Department of Education, *Innovation and Improvement, Fiscal Year 2020 Budget Request*, p. F-7, https://www2.ed.gov/about/overview/budget/budget20/justifications/f-ii.pdf (accessed April 7, 2019).
63. Estimated savings of $445 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.R. 6157, Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant for FY 2020.
64. Corporation for Public Broadcasting, *Corporation for Public Broadcasting Appropriation Request and Justification FY 2019 and FY 2021*, p. 2, https://www.cpb.org/files/appropriation/justification-FY19-and-FY21.pdf (accessed April 7, 2019).
65. Chart, "Public Radio Station Revenues (FY 2017)," in National Public Radio, "Public Radio Finances: Member Station Revenues," http://www.npr.org/about-npr/178660742/public-radio-finances (accessed April 7, 2019).
66. Estimated savings of $786.7 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.R. 6157, Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
67. Charities Aid Foundation, *CAF World Giving Index 2018*, October 2018, pp. 18 and 22, https://www.cafonline.org/docs/default-source/about-us-publications/caf_wgi2018_report_webnopw_2379a_261018.pdf?sfvrsn=c28e9140_4 (accessed April 7, 2019).
68. Estimated savings of $242 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.R. 6157, Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
69. Institute of Museum and Library Services, "Transforming Communities: Institute of Museum and Library Services Strategic Plan 2018–2022," January 2018, p. 9, https://www.imls.gov/sites/default/files/publications/documents/imls-strategic-plan-2018-2022.pdf (accessed April 7, 2019).
70. Estimated savings of $208.7 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.R. 6157, Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019. Heritage experts assume that FY 2019 spending is reduced by 20 percent.
71. Estimated savings of $65 million for FY 2020 are based on the CBO's most recent January 2019 baseline spending projections as reported in Congressional Budget Office, "The Budget and Economic Outlook: 2019 to 2029: Budget and Economic Data: Spending Projections, by Budget Account," January 2019, https://www.cbo.gov/about/products/budget-economic-data#9 (accessed April 6, 2019). The CBO projects $130 million in spending for FY 2020, and this proposal reduces that amount by 50 percent.
72. Ryan T. Anderson, "Obama Unilaterally Rewrites Law, Imposes Transgender Policy on Nation's Schools," The Daily Signal, May 13, 2016, http://dailysignal.com/2016/05/13/obama-unilaterally-rewrites-law-imposes-transgender-policy-on-nations-schools/.
73. Samantha Harris, "Campus Judiciaries on Trial: An Update from the Courts," Heritage Foundation *Legal Memorandum* No. 165, October 6, 2015, http://www.heritage.org/education/report/campus-judiciaries-trial-update-the-courts.
74. Ryan T. Anderson, "Trump Right to Fix Obama's Unlawful Transgender School Policy," The Daily Signal, February 22, 2017, http://dailysignal.com/2017/02/22/trump-right-to-fix-obamas-unlawful-transgender-school-policies/.
75. Hans von Spakovsky and Elizabeth Slattery, "Betsy DeVos Stands Up for Due Process Rights in Campus Sexual Assault Cases," The Daily Signal, September 8, 2017, http://dailysignal.com/2017/09/08/betsy-devos-stands-due-process-rights-campus-sexual-assault-cases/.
76. Estimated savings of $115.864 billion for FY 2020 are based on estimates from Heritage Foundation staff using the Heritage Center for Data Analysis Health Model, as estimated in 2018 for FY 2019. Heritage experts assume that FY 2020 savings remain the same as estimated for FY 2019. All $115.864 billion in savings represents mandatory spending.
77. Estimated savings of $0 in FY 2020 are based on estimates from Heritage Foundation staff using the Heritage Center for Data Analysis Health Model. Although this policy does not generate savings in FY 2020, it would result in an estimated $409.9 billion in total mandatory savings over the FY 2020–FY 2029 period, and these savings are included in the recommended mandatory entitlement spending levels.
78. Estimated savings of $1.4 billion for FY 2020 are based on a CBO score of a policy that would consolidate and reduce federal payments for graduate medical education at teaching hospitals. Policies of establishing a discretionary grant program with growth limited either to estimates from the CPI-U or to estimates from the CPI-U minus one percentage point would produce $1.4 billion in savings in FY 2020. See Congressional Budget Office, *Options for Reducing the Deficit: 2019 to 2028*, p. 86. All $1.4 billion represents mandatory savings. The CBO estimates 10-year savings totaling $34 billion–$39.5 billion.
79. Estimated savings of $0 in FY 2020 are based on U.S. Department of Health and Human Services, *Putting America's Health First: FY 2020 President's Budget for HHS*, p. 86, https://www.hhs.gov/sites/default/files/fy-2020-budget-in-brief.pdf (accessed April 7, 2019).

80. Table 6C, "Work-Eligible Individuals with Hours of Participation by Work Activity as a Percent of the Total Number of Work-Eligible Individuals, Monthly Average, Fiscal Year 2017," in U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, "Work Participation Rates—Fiscal Year 2017, Temporary Assistance for Needy Families (TANF) and Separate State Programs–Maintenance of Effort (SSP–MOE) Work Participation Rates and Engagement in Work Activities, Fiscal Year (FY) 2017," published June 26, 2018, https://www.acf.hhs.gov/sites/default/files/ofa/wpr2017table06c.pdf (accessed April 7, 2019).
81. For additional detail, see Robert Rector and Rachel Sheffield, "Setting Priorities for Welfare Reform," Heritage Foundation *Issue Brief* No. 4520, February 24, 2016, http://thf-reports.s3.amazonaws.com/2016/IB4520.pdf, and Rachel Sheffield, "Welfare Reform and Upward Mobility Act Can Restart Welfare Reform," Heritage Foundation No. 4619, October 28, 2016, http://thf-reports.s3.amazonaws.com/2016/IB4619.pdf.
82. Melanie Israel, "The Pro-Life Agenda: A Progress Report for the 115th Congress and the Trump Administration," Heritage Foundation *Backgrounder* No. 3280, January 24, 2018, https://www.heritage.org/civil-society/report/the-pro-life-agenda-progress-report-the-115th-congress-and-the-trump.
83. U.S. Conference of Catholic Bishops, Secretariat of Pro-Life Activities, "HHS Refuses to Enforce Weldon Amendment," June 24, 2016, http://www.usccb.org/issues-and-action/religious-liberty/conscience-protection/upload/HHS-Refuses-to-Enforce-Weldon-Amendment-FACT-SHEET.pdf (accessed April 7, 2019).
84. See Lindsey M. Burke, "Military Families Deserve Education Choice: A Response to Carol Burris," Heritage Foundation *Commentary,* April 3, 2018, https://www.heritage.org/education/commentary/military-families-deserve-education-choice-response-carol-burris; Jonathan Butcher, "Giving Every Child in a Military Family the Chance for a Bright Future: Education Savings Accounts, Impact Aid, and Estimated Fiscal Impacts on District Schools," Heritage Foundation *Issue Brief* No. 4824, March 5, 2018, https://www.heritage.org/sites/default/files/2018-03/IB4824_0.pdf; Lindsey M. Burke and Anne Ryland, "A GI Bill for Children of Military Families: Transforming Impact Aid into Education Savings Accounts," Heritage Foundation *Backgrounder* No. 3180, June 2, 2017, https://www.heritage.org/sites/default/files/2017-10/BG3180.pdf; Lindsey M. Burke and Anne Ryland, "Modernizing the Federal Impact Aid Program: A Path Toward Educational Freedom for Military Families and Other Federally Connected Children," Heritage Foundation *Issue Brief* No. 4751, August 10, 2017, https://www.heritage.org/sites/default/files/2017-08/IB4751_0.pdf; and Paul DiPerna, Lindsey M. Burke, and Anne Ryland, *Surveying the Military: What America's Servicemembers, Veterans, and Their Spouses Think About K–12 Education and the Profession*, EdChoice, October 2017, https://www.edchoice.org/wp-content/uploads/2017/10/Surveying-The-Military-by-Paul-DiPerna-Lindsey-M-Burke-and-Anne-Ryland-1.pdf (accessed April 7, 2019).

Legislative Branch

DISCRETIONARY

$1.4
SAVINGS IN MILLIONS[1]

Eliminate Funding for the Stennis Center for Public Service Leadership

The Stennis Center is a legislative program intended as a living tribute to the career of Senator John Stennis (D–MS). It 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.

Numerous private entities provide services similar to those provided by the Stennis Center and can fulfill the Center's goals. The Young Leaders Program at The Heritage Foundation is just one example. Past budgets and appropriations bills have called for elimination of the Stennis Center, and Congress should act on this modest recommendation now.

ADDITIONAL READING

- Justin Bogie, Frederico Bartels, Nicolas D. Loris, and Katie Tubb, "Appropriations 'Mini-bus' Makes Progress in Some Areas, Misses the Mark in Others," Heritage Foundation *Issue Brief* No. 4740, July 25, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	REJECTED	Maintains funding at FY 2019 levels.

DISCRETIONARY

$94.3
SAVINGS IN MILLIONS[2]

Eliminate Funding for Congressional Subsidies for the Affordable Care Act's Health Insurance Exchange

Under Section 1312 (d)(3)(D) of the Affordable Care Act (ACA), Congress voted in 2010 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.[3] This change meant that Members and staff not only would no longer benefit from their employer coverage, but also would no longer receive the employer contribution toward the cost of their health insurance. On August 7, 2013, the Office of Personnel Management (OPM) reversed this change, ruling that Members of Congress and staff—even though they are no longer enrolled in the FEHBP—could continue to receive the employer contribution for coverage in the exchange. The Obama 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.[4]

Because the 2013 OPM ruling was an administrative action, President Donald Trump could reverse the OPM decision administratively. If President Trump does not act, Congress should restore the original intent of the statute and end this special taxpayer subsidy.

ADDITIONAL READING

- Robert E. Moffit, "How Congress Mysteriously Became a 'Small Business' for Obamacare Subsidies," The Daily Signal, May 11, 2016.
- Robert E. Moffit, "Congress and Obamacare: A Big Double Standard," The Daily Signal, November 17, 2013.
- 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.

LEG. BRANCH

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

ENDNOTES

1. Estimated savings of $1.4 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.R. 6157, Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019, Public Law 115-245, 115th Cong., September 28, 2018, https://www.congress.gov/bill/115th-congress/house-bill/6157?q=%7B%22search%22%3A%5B%22pl+115-245%22%5D%7D&r=1 (accessed March 13, 2019), and H.R. 5895, Energy and Water, Legislative Branch, and Military Construction and Veterans Affairs Appropriations Act, 2019, Public Law 115-244, 115th Cong., September 21, 2018, https://www.congress.gov/bill/115th-congress/house-bill/5895/text (accessed March 13, 2019). Heritage experts assume that FY 2019 spending remains constant in FY 2020. Savings include $430,000 in direct spending and up to $1 million in transfers from Navy operations and maintenance.
2. Savings of $94.3 million for FY 2020 include the following data, assumptions, and calculations. The D.C. Health Insurance Exchange reports that as of early 2017, "about 11,000" congressional members and staff were using the exchange for coverage. Louise Norris, "DC Health Insurance Marketplace: History and News of the State's Exchange," healthinsurance.org, February 15, 2019, https://www.healthinsurance.org/dc-state-health-insurance-exchange/ (accessed March 13, 2019). LegiStorm reports that the average age of congressional staff is 31 in the House and 32 in the Senate. LegiStorm, "Congress by the Numbers: 116th Congress (2019–2021)," https://www.legistorm.com/congress_by_numbers/index/by/senate.html (accessed March 12, 2019). The D.C. Health Insurance Exchange provides average premium costs for 2019. D.C. Government, Department of Insurance, Securities and Banking, "Sample 2019 Approved Premiums Compared to 2018," September 17, 2018, https://disb.dc.gov/publication/sample-2019-approved-premiums-compared-2018 (accessed March 13, 2019). For individuals, Heritage experts use the reported premium cost of $3,938 for a gold plan for a 27-year-old purchased in the small-business exchange. This cost likely understates the actual premium cost for congressional staffers because they have an average age between 31 and 32, and premium costs increase with age. No average family premiums are reported for the small-business exchange, so Heritage experts use the average gold family premium of $18,920 from the individual market exchange. Heritage experts assume that 50 percent of the 11,000 employees who receive the subsidy have self-only coverage, 50 percent have family coverage, and the FEHBP subsidy covers 75 percent of employees' premiums. Although exchange health insurance costs have risen significantly each year, Heritage experts conservatively assume that costs hold steady in FY 2020.
3. Edmund 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 Moffit, "Congress and Obamacare: A Big Double Standard," The Daily Signal, November 17, 2013, https://www.dailysignal.com/2013/11/17/congress-and-obamacare-a-big-double-standard/.
4. 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, http://www.heritage.org/research/reports/2013/08/congress-in-the-obamacare-trap-no-easy-escape.

Military Construction, Veterans Affairs, and Related Agencies

MANDATORY

$2
SAVINGS IN MILLIONS[1]

Cap GI Bill Flight Training Benefits

The Department of Veterans Affairs provides educational benefits to veterans under the GI Bill. Veterans can choose to attend public or private universities, and the VA pays the school for tuition and fees. To prevent abuse of the program, the benefit value is capped for private institutions ($22,805 for the 2017–2018 academic year), and for public universities, the limit is the in-state tuition cost.

Typically, in-state public tuition is less than the private university cap. However, tuition for programs in flight training at public schools can exceed the private tuition value limit. While there is nothing objectionable about veterans studying flight training, there is also no reason for the federal government to provide a larger subsidy for one subject (flight training) at one type of school than it provides for other subjects at other types of schools.

This option would place a cap on the subsidy for public school flight training tuition equal to the cap on private school tuition. According to the Congressional Budget Office, this would save $2 million in the first year and $137 million over 10 years.[2]

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

MIXED

$7.9
SAVINGS IN BILLIONS[3]

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

The Department of Veterans Affairs should focus on the unique needs of military medicine. A 2014 Congressional Research Service study revealed that more than one of every 10 VA patients is not a veteran, and the number of non-veterans using VA health care services has increased faster in recent years than has the number of veteran patients.[4] 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 assigned the highest priority. The groups are defined according to such factors as income and disability status. Veterans in Priority Groups (PGs) 7 and 8 do not have compensable service-connected disabilities, and their incomes tend to exceed the VA's national income and geographic income thresholds.

According to the Congressional Budget Office, almost 90 percent of enrollees in PGs 7 and 8 had other health care coverage in 2017.[5] The Department of Veterans Affairs should not be providing benefits for veterans in PGs 7 and 8. Scarce VA health care dollars should be spent first on veterans with the most severe disabilities.

ADDITIONAL READING

- Justin Bogie, "Congress Should Exercise Restraint in Veterans Affairs Funding Bill," Heritage Foundation *Issue Brief* No. 4548, May 17, 2016.
- John S. O'Shea, "Reforming Veterans Health Care: Now and for the Future," Heritage Foundation *Issue Brief* No. 4585, June 24, 2016.

MILCONVA

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

MANDATORY

$1.0
SAVINGS IN BILLIONS[6]

Put a 10-Year Time Limit on Initial Applications for Disability Compensation for Veterans

Currently, military veterans may file for service-related disability benefits no matter how long ago their service ended. First-time applicants at or close to retirement age may file for and receive benefits even if they left the military decades ago. Such applicants represent a significant portion of new enrollees. As of 2012, 43 percent of first-time disability recipients were over the age of 55 despite average tours of duty ending by age 30.

Allowing for long-term effects of service injuries to manifest themselves is necessary and proper. However, after a certain point, this policy runs the risk of causing the military disability system to cover conditions that were primarily the result of post-service activity or the natural aging process.

Conditions such as tinnitus and moderate hearing loss are present in many disability applications. It is impossible to distinguish between hearing damage caused by proximity to gunfire and explosions in the military and hearing damage caused by aging, work environment, and leisure activity post-service. Similarly, determining the primary cause of musculoskeletal conditions can be nearly impossible after enough time has passed.

Offering veterans a 10-year window to apply for disability compensation would provide sufficient time for long-term effects from service to become apparent while also reducing the potential for dubious claims. Such a reform would be in line with changes implemented in the United Kingdom and would save $1 billion in FY 2020 and $19 billion between FY 2020 and FY 2029.

ADDITIONAL READING

- Congressional Budget Office, *Veterans' Disability Compensation: Trends and Policy Options*, August 2014.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

MANDATORY

$9.0
SAVINGS IN BILLIONS[7]

Eliminate Concurrent Receipt of Retirement Pay and Disability Compensation for Veterans

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.

Policy changes instituted in 2004 allowed Defense Department retirees to collect benefits from both programs simultaneously. Under this 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.[8] In FY 2013, more than 2,300 veterans received $100,000 or more each in annual benefits, with the highest annual benefit amounting to more than $200,000.[9]

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 under which veterans' disability payments offset retirement pay would reduce excessive benefits and save taxpayers $9 billion in FY 2020 and $139 billion between FY 2020 and FY 2029.

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.

MILCONVA

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

MANDATORY

$2.4
SAVINGS IN BILLIONS[9]

Narrow Eligibility for Veterans Disability by Excluding Disabilities Unrelated to Military Duties

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 U.S. General Accounting Office (now Government Accountability Office) identified seven conditions that are not likely to be caused or worsened by military service: arteriosclerotic heart disease, chronic obstructive pulmonary disease, Crohn's disease, hemorrhoids, multiple sclerosis, osteoarthritis, and uterine fibroids.[11] This proposal would end veterans' disability compensation for these non-service-related conditions and save $2.4 billion in FY 2020 and $25.7 billion from FY 2020 to FY 2029.

ADDITIONAL READING

- John S. O'Shea, "Reforming Veterans Health Care: Now and for the Future," Heritage Foundation *Issue Brief* No. 4585, June 24, 2016.

MILCONVA

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

ENDNOTES

1. Estimated savings of $2.0 million for FY 2020 are based on estimates from Congressional Budget Office, "H.R. 5449, Navy SEAL Chief Petty Officer William 'Bill' Mulder (Ret.) Transition Improvement Act of 2018, As Ordered Reported by the House Committee on Veterans' Affairs on July 12, 2018," *Cost Estimate*, July 19, 2018, https://www.cbo.gov/system/files/2018-07/hr5649.pdf (accessed March 16, 2019). All $2.0 million represents mandatory savings. Heritage experts assume that the FY 2019 savings and spending levels will apply for FY 2020 because they represent the first year of full implementation of the policy.
2. Ibid.
3. Estimated savings of $7.9 billion for FY 2020 are based on estimates from Congressional Budget Office, *Options for Reducing the Deficit: 2019 to 2028*, December 2018, p. 186, https://www.cbo.gov/system/files?file=2018-12/54667-budgetoptions.pdf (accessed March 13, 2019). The option to "End Enrollment in VA Medical Care for Veterans in Priority Groups 7 and 8" includes $10.7 billion in discretionary savings and $2.8 billion in increased mandatory spending in FY 2020, for a net savings of $7.9 billion.
4. Erin Bagalman, "The Number of Veterans That Use VA Health Care Services: A Fact Sheet," Congressional Research Service *Report for Members and Committees of Congress*, June 3, 2014, http://fas.org/sgp/crs/misc/R43579.pdf (accessed March 16, 2019).
5. Congressional Budget Office, *Options for Reducing the Deficit: 2019 to 2028*, p. 187.
6. Estimated savings of $1.0 billion for FY 2020 are based on estimates from Congressional Budget Office, *Veterans' Disability Compensation: Trends and Policy Options*, August 2014, p. 3, https://www.cbo.gov/sites/default/files/113th-congress-2013-2014/reports/45615-VADisability_2.pdf (accessed March 16, 2019). All $1.0 billion represents mandatory savings. The option to limit initial applications to within 10 years provides an estimated $19 billion in savings over 10 years. Because savings could accumulate over time, we estimate that $1 billion of the total $19 billion would occur within the first year of implementation in FY 2020.
7. Estimated savings of $9.0 billion for FY 2020 are based on estimates from Congressional Budget Office, *Options for Reducing the Deficit: 2017 to 2026*, p. 34, https://www.cbo.gov/system/files?file=2018-09/52142-budgetoptions2.pdf (accessed March 17, 2019). All $9.0 billion represents mandatory savings. The option to "eliminate Concurrent Receipt of Retirement Pay and Disability Compensation for Disabled Veterans" includes $9 billion in mandatory spending in FY 2020. Heritage experts assume that the FY 2018 savings level will apply for FY 2020 (as opposed to the estimated $15 billion level for FY 2020) because it represents the first year of full implementation of the policy.
8. Congressional Budget Office, *Options for Reducing the Deficit: 2017 to 2026*, p. 34.
9. Seto J. Bagdoyan, Acting Director, Forensic Audits and Investigative Service, U.S. Government Accountability Office, letter to The Honorable Tom Coburn, M.D., Ranking Minority Member, Committee on Homeland Security and Governmental Affairs, U.S. Senate, re: "Disability Compensation: Review of Concurrent Receipt of Department of Defense Retirement, Department of Veterans Affairs Disability Compensation, and Social Security Disability Insurance," GAO14-854R, September 30, 2014, p. 4, http://www.gao.gov/assets/670/666267.pdf (accessed March 16, 2019).
10. Estimated savings of $2.4 billion for FY 2020 are based on estimates from Congressional Budget Office, *Options for Reducing the Deficit: 2019 to 2028*, p. 107. All $2.4 billion represents mandatory savings.
11. U.S. General Accounting Office, *VA Benefits: Law Allows Compensation for Disabilities Unrelated to Military Service*, GAO/HRD-89-60, July 1989, https://www.gao.gov/assets/150/147926.pdf (accessed March 16, 2019).

Multiple Subcommittees

DISCRETIONARY

$177.2
SAVINGS IN MILLIONS[1]

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

Federal law requires federal agencies to negotiate "official time" with federal labor unions. This allows federal employees to work for their labor unions while on the clock as federal employees. Taxpayers pay for federal unions to negotiate collective bargaining agreements, file grievances, and 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 $177 million a year.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

DISCRETIONARY

$9.0
SAVINGS IN BILLIONS[2]

Repeal the Davis–Bacon Act

The Davis–Bacon Act requires federally financed construction projects to pay "prevailing wages." In theory, these wages should reflect going market rates for construction labor in the relevant area. However, both the Government Accountability Office and the Department of Labor's 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, which reduces the cost advantage of their non-union competitors, but it also needlessly inflates the total cost of building infrastructure and other federally funded construction by nearly 10 percent. The Congressional Budget Office has estimated that the Davis–Bacon Act applies to approximately a third of all government construction. Many state and local projects are partially or wholly funded with federal dollars and without prevailing-wage restrictions would cost substantially less.

Repealing the Davis–Bacon Act and prohibiting states from imposing separate prevailing-wage restrictions on federally funded construction projects would allow lawmakers to reduce federal construction spending by approximately $8.4 billion in appropriations for the Departments of Transportation, Housing and Urban Development, and Defense and other areas. This would save taxpayers billions of dollars every year without reducing the effective amount of funds available for construction projects.

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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

DISCRETIONARY

$0
(NO SAVINGS)[3]

Extend FCC Spectrum Auction Authority

One of the Federal Communications Commission's primary functions is the assigning of licenses for frequencies on the electromagnetic spectrum. Originally, recipients of these licenses were selected based on an administrative hearing. That may have sufficed when most applicants were seeking radio or television broadcast licenses, but it was not well suited to the licensing of cellphone networks. Not only did the hearings' slow pace conflict with the needs of the fast-growing industry, but the hearings could not predict which applicant would best serve consumers. Nor did it matter, since most licenses were resold soon after they were assigned.

The idea of auctioning spectrum can be traced back to Nobel-prize winner Ronald Coase, who suggested spectrum auctions as early as 1958.[4] It was not until 1993, however, that Congress authorized the FCC to use them. In the 25 years that followed, auctions have served efficiently to get spectrum to those that value it the most. That in turn made the wireless revolution possible, fundamentally improving how Americans live. As a side benefit, over $114 billion in revenue has been generated for the U.S. Treasury.

The original authorization for auctions was to expire in 1998, but Congress extended this date several times, first to 2007, then to 2011, and again to 2012. Current FCC authority, as provided by the Spectrum Pipeline Act, expires in 2022 (or 2025 for specified spectrum, including 30 MHz of spectrum now used by government agencies). After that date, absent congressional action, the FCC's auction authority will expire. To prevent this from happening, the FCC and the Trump Administration have urged Congress to direct the FCC to auction additional spectrum by 2028 and extend FCC auction authority to 2028.

Congress should go farther, however. Auctions are a success story and have become an integral part of the policy infrastructure. The FCC should be given permanent auction authority exercisable in regard to any spectrum, subject only to a finding that an auction would be beneficial to consumers.

ADDITIONAL READING

- James L. Gattuso, "Raising Revenues with the Auction Option for the Telecommunications Spectrum," Heritage Foundation *Issue Bulletin* No. 147, May 11, 1989.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

MULTIPLE

POLICY RIDERS

Eliminate Davis–Bacon requirements and project labor agreements. The Davis–Bacon Act, enacted in 1931, effectively requires construction contractors on federal projects to use union wage and benefit scales and follow union work rules. These rules inflate the cost of federal construction by nearly 10 percent on average. Similarly, project labor agreements (PLAs) require the main contractor of a government contract to sign a collective bargaining agreement as a condition of winning a project bid. Collective bargaining agreements require using union compensation rates, following union work rules, and hiring all workers on federally contracted projects through union hiring halls. PLAs inflate construction costs by 12 percent to 18 percent on top of increased costs attributed to Davis–Bacon and discriminate against the 87 percent of workers who are not members of a union. Eliminating Davis–Bacon and prohibiting PLAs would stretch each federal construction dollar, delivering more infrastructure without the need to increase spending levels. Barring complete repeal, Congress could suspend the rule for projects funded by the appropriations bill or require the Labor Department to use superior Bureau of Labor Statistics data to estimate Davis–Bacon "prevailing wages" so that they more closely reflect market pay. Eliminating Davis–Bacon and PLAs would save more than $100 billion over the next 10 years under current spending levels.

Prohibit government discrimination in tax policy, grants, contracting, and accreditation. In June 2015, the Supreme Court of the United States redefined marriage throughout America by mandating that government entities must treat same-sex relationships as marriages. The Court, however, did not say that private schools, charities, businesses, or individuals must also do so. 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."[5] 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.[6]

Prohibit any agency from regulating greenhouse gas emissions. The Obama Administration proposed and implemented a series of climate change regulations 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 is 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.

Enforce data-quality standards. 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 that is consistent with the Data Access Act, part of the FY 1999 Omnibus Appropriations Act (Public Law 105–277),[7] as well as in compliance with the standards of the Information Quality Act (44 U.S. Code § 3516).[8] 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."[9] However, the OMB 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.[10] Standards must be codified; guidelines are insufficient.

Withhold grants for seizure of private property. 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.[11] 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, to the extent that it is within its power, should 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 were it not for the purpose of economic development. Local governments often use broad definitions of "blight" to seize private property, including non-blighted property that is located in an allegedly blighted area. The only seizures of property that should be allowed are seizures of property that itself is legitimately blighted, such as property that poses a concrete harm to health and safety. Congress should withhold grants for infrastructure development to states or other jurisdictions that invoke eminent domain to seize private property either for economic development (unless the condemnor can demonstrate that the taking would not have occurred but for economic development and is for a public use) or to address blight (unless the property itself poses a concrete harm to health and safety).[12]

ENDNOTES

1. Estimated savings of $177 million for FY 2020 are based on U.S. Office of Personnel Management, *Official Time Usage in the Federal Government: Fiscal Year 2016*, May 2018, https://www.opm.gov/policy-data-oversight/labor-management-relations/reports-on-official-time/reports/2016-official-time-usage-in-the-federal-government.pdf (accessed March 13, 2019). The OPM estimated the cost of official time in FY 2016 at $177.2 million. Absent more recent data, Heritage experts assume the same figure of $177.2 million for FY 2020. This estimate almost certainly understates the true costs of official time, as a 2014 GAO report found significant problems and inaccuracies in agencies' reporting of official time that led to underreporting. See U.S. Government Accountability Office, *Labor Relations Activities: Actions Needed to Improve Tracking and Reporting of the Use and Cost of Official Time*, GAO-15-9, October 2014, https://www.gao.gov/assets/670/666619.pdf (accessed March 13, 2019). Heritage experts do not include any estimated savings for charging unions for their use of federal office space because Heritage experts do not have the necessary data to estimate those savings.
2. Estimated savings of $9.040 billion for FY 2020 were calculated by comparing current public construction spending of $313.6 billion annually as found in press release, "Monthly Construction Spending, January 2019," U.S. Department of Commerce, Economics and Statistics Administration, U.S. Census Bureau, March 13, 2019, https://www.census.gov/construction/c30/pdf/release.pdf (accessed March 13, 2019), to spending levels in the absence of Davis–Bacon. Davis–Bacon increases construction costs by an estimated 9.9 percent as documented in Sarah Glassman, Michael Head, David G. Tuerck, and Paul Bachman, *The Federal Davis–Bacon Act: The Prevailing Mismeasure of Wages*, Beacon Hill Institute at Suffolk University, February 2008, http://www.beaconhill.org/BHIStudies/PrevWage08/DavisBaconPrevWage080207Final.pdf (accessed March 15, 2019). "Using data from the Congressional Budget Office, we estimate that 32% of total public construction spending is subject to the DBA." Ibid., p. 6. According to the CBO, as noted, public construction spending as of January 2019 totaled $313.6 billion, 32 percent of which is $100.352 billion. In the absence of Davis–Bacon's 9.9 percent increase in costs, that spending would cost only $91.312 billion, a difference of $9.040 billion. Heritage experts assume that the FY 2019 public construction costs remain constant in FY 2020 and that federal taxpayers capture all of the value of the savings from eliminating Davis–Bacon.
3. Because the FCC currently holds spectrum auction authority through FY 2025, this proposal would not generate any new sale proceeds, some of which go toward deficit reduction, until FY 2026. Proceeds from auctions are highly variable and depend on the type of spectrum being auctioned and the number of licenses available. From 2013–2017, the FCC held seven spectrum auctions with average proceeds of $8.95 billion per auction. Federal Communication Commission, *Spectrum Auctions: Fiscal Year 2018*, https://www.fcc.gov/sites/default/files/spectrum-auctions-program-2018.pdf (accessed March 15, 2019).
4. R. H. Coase, "The Federal Communications Commission," *Journal of Law and Economics*, Vol. II (October 1959), pp. 1–40.
5. *Obergefell v. Hodges*, 576 U.S. ___ (2015), https://www.supremecourt.gov/opinions/14pdf/14-556_3204.pdf (accessed May 14, 2018).
6. The Heritage Foundation, "People of Faith Deserve Protection from Government Discrimination in the Marriage Debate," *Factsheet* No. 160, July 2, 2015, http://thf_media.s3.amazonaws.com/2015/pdf/FS_160.pdf.
7. See Eric A. Fischer, "Public Access to Data from Federally Funded Research: Provisions in OMB Circular A-110," Congressional Research Service *Report for Congress*, March 1, 2013, https://fas.org/sgp/crs/secrecy/R42983.pdf (accessed March 15, 2019), and Center for Regulatory Effectiveness, "President Signs Data Access Law (P.L. 105-277," http://www.thecre.com/ombpapers/PL105-277.htm (accessed March 15, 2019).
8. See Curtis W. Copeland and Michael Simpson, "The Information Quality Act: OMB's Guidance and Initial Implementation," Congressional Research Service *Report for Congress*, August 19, 2004, https://fas.org/sgp/crs/RL32532.pdf (accessed March 15, 2019).
9. H.R. 4577, Consolidated Appropriations Act, 2001, Public Law 106–554, 106th Cong., December 21, 2000, § 515, https://www.congress.gov/bill/106th-congress/house-bill/4577/text (accessed March 15, 2019).
10. Robert Gordon and Diane Katz, eds., *Environmental Policy Guide: 167 Recommendations for Environmental Policy Reform*, The Heritage Foundation, 2015, http://www.heritage.org/research/reports/2015/03/environmental-policy-guide.
11. *Kelo v. City of New London*, 545 U.S. 469 (2005), https://www.law.cornell.edu/supct/html/04-108.ZS.html (accessed April 12, 2018).
12. 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-kelo-time-for-congress-to-protect-american-propertyowners#_ftn1.

State, Foreign Operations, and Related Programs

DISCRETIONARY

$10
SAVINGS IN MILLIONS[1]

End Funding for the United Nations Intergovernmental Panel on Climate Change and the U.N. Framework Convention on Climate Change

The IPCC was established in 1988 "to provide policymakers with regular scientific assessments concerning climate change, its implications and potential future risks, as well as to put forward adaptation and mitigation strategies. It has 195 member states."[2] The organization's studies[3] have been subject to bias, politicization, and selective data. The IPCC has also been instrumental in confining global-warming research and debate to a narrow, politically correct perspective, claiming that man-made 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 in the Information Quality Act.

Current law prohibits the transfer of U.S. funds to international organizations that grant full membership to the Palestinian territories.[4] 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 PA officially became the 197th party to the UNFCCC on March 17, 2016.[5] As was the case when the Palestinians joined the United Nations Educational, Scientific, and Cultural Organization (UNESCO),[6] this should have triggered a U.S. law prohibiting any future U.S. funding for the UNFCCC. The Obama Administration, however, continued funding based on the argument that the UNFCCC is a treaty, not an international organization.

In fact, the UNFCCC is a treaty-based international organization, and the Framework Convention is the founding legal document upon which the organization and its structure are based. As with UNESCO, the U.S. should enforce this law for the UNFCCC and any other organization that grants full membership to the Palestinian territories.

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 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. 3794, December 6, 2012.
- 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.
- 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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

SFOPS

DISCRETIONARY

$80
SAVINGS IN MILLIONS[7]

End Funding for the United Nations Development Program

The UNDP conducts projects in more than 170 countries around the world. It aspires to be the U.N. system's premier anti-poverty agency, but the impact of the billions of dollars it spends every year on antipoverty programs is unclear. For example, a January 2013 UNDP Evaluation Office report found that the organization spent over $8 billion on anti-poverty activities between 2004 and 2011 but that this focus was lost at the country level:

> At the strategic planning level and at the Executive Board, poverty reduction is accorded top priority. However, by the time it reaches the country level, the focus on poverty reduction often becomes diluted.... Many of [the UNDP's] activities have only remote connections with poverty, if at all.[8]

Moreover, UNDP aid meant to assist suffering populations in many authoritarian countries can inadvertently help perpetuate their suffering. In the past, the UNDP has funded inappropriate activities in Iran, North Korea, Venezuela, and Zimbabwe.[9] The U.S. has ample options for financing antipoverty programs, either bilaterally through U.S. assistance programs or multilaterally through the World Bank or regional development banks, and need not pursue these efforts through a flawed organization like the UNDP.

ADDITIONAL READING

- Ambassador Terry Miller, "The United Nations and Development: Grand Aims, Modest Results," Heritage Foundation *Special Report* No. SR-86, September 22, 2010.
- Brett Schaefer, "Why Does UNDP Continue to Aid Repressive Regimes?" The Daily Signal, August 27, 2010.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

SFOPS

DISCRETIONARY

$32.5
SAVINGS IN MILLIONS[10]

Eliminate Funding for the United Nations Population Fund

For years, the U.S. withheld funding for the UNFPA under the Kemp–Kasten Amendment, which prohibits U.S. international aid from supporting coercive abortion procedures or involuntary sterilization.[11] In 2009, President Barack Obama announced that he would restore funding, and the U.S. has since sent tens of millions of taxpayer dollars to the UNFPA. In FY 2017, the U.S.-provided allocation was $5.8 million.[12]

In a January 23, 2017, memorandum, President Donald Trump directed the "Secretary of State to take all necessary actions, to the extent permitted by law, to ensure that U.S. taxpayer dollars do not fund organizations or programs that support or participate in the management of a program of coercive abortion or involuntary sterilization."[13] In April 2017, the Trump Administration announced that it would withhold $32.5 million in funding from the UNFPA.[14]

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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	Shifts spending to Family Planning and Reproductive Health.

DISCRETIONARY

$193
SAVINGS IN MILLIONS[15]

Enforce the Cap on United Nations Peacekeeping Assessments

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 27.8912 percent in 2019.[16] In the past, appropriations bills allowed payments above the 25 percent cap to avoid arrears. Congress ended this practice for FY 2018 and should continue to enforce the cap and not pay any resulting arrears until the U.N. adopts a scale of assessments that specifies a 25 percent maximum share for any member state.

The Trump Administration has repeatedly stated its desire to reduce the U.S. share of the U.N. peacekeeping budget to 25 percent. President Trump reiterated this objective in his September 2017 speech to the U.N., stating that "[t]he United States bears an unfair cost burden" and "that no nation should have to bear a disproportionate share of the burden, militarily or financially."[17] As noted, Congress should continue to enforce the cap until the U.N. adopts a maximum peacekeeping assessment of 25 percent.

ADDITIONAL READING

- Brett D. Schaefer, "Diplomatic Effort to Reduce America's Peacekeeping Dues Must Start Now," Heritage Foundation *Issue Brief* No. 4781, November 1, 2017.
- 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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

SFOPS

DISCRETIONARY

$359
SAVINGS IN MILLIONS[18]

End U.S. Funding for the United Nations Relief and Works Agency for Palestine Refugees

The UNRWA was established more than 60 years ago as a temporary initiative to address the needs of Palestinian refugees and facilitate their resettlement or repatriation, but by applying refugee status to the descendants of the original refugees, it has caused the problem to grow larger. This is unique to the UNRWA: The definition of "refugee" employed by the United Nations High Commissioner for Refugees (UNHCR), which addresses every other refugee population for the U.N., is consistent with the 1951 Refugee Convention. While UNHCR may classify multiple generations as refugees, they qualify based on the criteria outlined in the 1951 Convention as it currently exists, not on their relationship to the original refugees.

To advance the long-term prospects for peace, the U.S. should encourage winding down the UNRWA to end the refugee status of Palestinians and facilitate their integration as citizens of their host states or resettlement in the West Bank and Gaza, where the Palestinian government should be responsible for their needs. The few remaining first-generation Palestinian refugees and those more recently displaced should be placed under the responsibility of the UNHCR.

In August 2018, the Trump Administration announced that "the United States will not make additional contributions to UNRWA."[19] Congress should work with the Administration to shift responsibility for recent Palestinian refugees to the UNHCR, provide funding to governments that are hosting Palestinians to facilitate integration, and demand that the Palestinians assume responsibility for the services provided by the UNRWA.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	Not addressed, although the Administration has halted U.S. payments to UNRWA, and the budget does not contain a funding request for UNRWA.

SFOPS

DISCRETIONARY

$140
SAVINGS IN MILLIONS[20]

Eliminate Funding for the Global Environment Facility

The GEF manages the Special Climate Change Fund and the Least Developed Countries Fund, with a heavy emphasis on grants and financing for global-warming-adaptation projects. Since its creation by the World Bank and U.N. in 1991, the GEF has been the designated financial mechanism for a number of problematic international agreements, including the U.N. Convention on Biological Diversity, U.N. Framework Convention on Climate Change, Stockholm Convention on Persistent Organic Pollutants, U.N. Convention to Combat Desertification, Minamata Convention on Mercury, and Montreal Protocol on Substances that Deplete the Ozone Layer, as well as a number of international waters agreements such as the U.N. Convention on the Law of the Sea.[21]

According to a 2014 Transparency International report, the GEF lacks transparency in public access to information, anticorruption measures at the fund-recipient level, accountability at the executive level, and participation of project stakeholders.[22] The GEF has allocated funds to help countries meet their respective Paris Protocol climate targets, including paying for green energy projects and "climate friendly" livestock initiatives.[23] Instead of using 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.

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.
- Nicolas D. Loris, "Economic Freedom, Energy, and Development," Chapter 5 in Terry Miller and Anthony B. Kim, *2015 Index of Economic Freedom* (Washington: The Heritage Foundation and Dow Jones & Company, Inc., 2015), pp. 57–67.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

SFOPS

DISCRETIONARY

$1.5
SAVINGS IN MILLIONS[24]

Partially Withhold Assessed U.S. Payments to the Organisation for Economic Co-operation and Development (OECD)

The OECD's mission "is to promote policies that will improve the economic and social well-being of people around the world."[25] In one area, however, the OECD has reliably promoted policies antithetical to that goal: higher taxes. Tax-related work by the OECD's Centre for Tax Policy and Administration and other OECD directorates (for example, on carbon taxes) has focused almost entirely on studies that buttress political arguments for higher taxes and implementation of more intrusive ways to collect them. This focus is driven by high-tax European members of the OECD intent on promoting policies condemning international tax avoidance and evasion in order to prevent the flight of taxes needed to support their generous welfare programs. The ultimate goal of its "Base Erosion and Profit Shifting (BEPS)" Project and a proposed Protocol amending the Multilateral Convention on Mutual Assistance in Tax Matters is to centralize and harmonize global tax rules and increase effective tax rates on international firms.

Numerous economic studies show that tax competition benefits developed and developing economies alike, creating what Nobel-laureate economist Gary Becker calls "a race to the top rather than the bottom by limiting the ability of powerful and voracious groups and politicians in each nation to impose their will at the expense of the vast majority."[26] As Milton Friedman noted, tax competition is a "liberalizing force in the world economy" that "forces governments to be more fiscally responsible."[27]

The United States should continue to withhold $1.5 million of its assessed annual payment to the OECD as long as the OECD continues to support only tax studies that urge OECD members to increase taxes and implement more intrusive tax collection methods. This partial hold could be lifted if and when the OECD undertakes to conduct an equal amount of research on ways to cut government spending, reduce taxation, and make bureaucracies smaller and more efficient.

ADDITIONAL READING

- James M. Roberts and Adam N. Michel, "Trump Cut America's Taxes: Now He Should Defund OECD Efforts to Raise Them," Heritage Foundation *Issue Brief* No. 4861, May 29, 2018.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

SFOPS

DISCRETIONARY

$79.5
SAVINGS IN MILLIONS[28]

Eliminate the U.S. Trade and Development Agency

Created in 1961, the USTDA asserts that it "helps companies create U.S. jobs through the export of U.S. goods and services for priority development projects in emerging economies." Through pilot projects, technical assistance, and other programs, it "links U.S. businesses to export opportunities by funding project preparation and partnership building activities that develop sustainable infrastructure and foster economic growth in partner countries."[29] In practice, however, the USTDA has become little more than another source of taxpayer-subsidized crony corporatism.

The USTDA's activities belong more properly to the private sector. To the extent that the agency continues to have a viable mission, that mission can be achieved by State Department Economic and Commercial Officers using existing budgetary resources.

The best way to promote trade and development is to reduce trade barriers. Another way is to reduce the federal budget deficit and thereby reduce federal borrowing from abroad so that more foreign dollars can be spent on U.S. exports instead of federal Treasury bonds. A dollar borrowed from abroad by a government is a dollar not available to buy U.S. exports or invest in the private sector of the U.S. economy.[30]

ADDITIONAL READING

- James M. Roberts and Brett D. Schaefer, "An Overhaul of America's Foreign Assistance Programs Is Long Overdue," Heritage Foundation *Backgrounder* No. 3247, September 19, 2017.
- "Eliminate the U.S. Trade and Development Agency," in Republican Study Committee, *Securing America's Future Economy: Fiscal Year 2018 Budget*, pp. 150–151.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$1.0
SAVINGS IN BILLIONS[31]

Overhaul U.S. Development Assistance Programs

The broad goals of U.S. assistance programs have long been to assist people in crises, enhance market opportunities for American products and investments by catalyzing economic growth in developing countries, and promote U.S. national security and foreign policy by supporting allies and countering adversaries. These are worthy goals, but U.S. foreign assistance needs to update concepts and priorities, eliminate duplication and waste, and address changing circumstances. Fundamental reform has languished far too long. As a result, many U.S. foreign aid programs can no longer help countries in need or serve U.S. interests effectively.

America's fragmented and micromanaged foreign aid programs, split among more than 25 federal agencies, must be refitted to meet 21st century challenges.

The United States Agency for International Development (USAID) needs to be completely restructured, with its core health and humanitarian missions incorporated into the State Department.

The Millennium Challenge Corporation should take charge of all U.S. development assistance with the goal of graduating all countries from the need for foreign aid.

Properly designed and directed, U.S. foreign aid can support America's national interests by addressing humanitarian crises; promoting policy changes necessary for economic growth led by the private sector, which is the most reliable and sustainable path to development; and advancing U.S. diplomatic and security priorities.

ADDITIONAL READING

- James M. Roberts and Brett D. Schaefer, "An Overhaul of America's Foreign Assistance Programs Is Long Overdue," Heritage Foundation *Backgrounder* No. 3247, September 19, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	Consolidates economic assistance programs into the Economic Support and Development Fund (ESDF) and various humanitarian assistance accounts into the new International Humanitarian Assistance (IHA) account.

SFOPS

DISCRETIONARY

$750
SAVINGS IN MILLIONS[32]

Eliminate the State Department's Assistance for Europe, Eurasia and Central Asia (AEECA) Account

The State Department's AEECA account was established after the Cold War in the early 1990s to assist former Warsaw Pact countries in Central and Eastern Europe and the newly independent states of the former Soviet Union in their transition from Communism to market-based democracy.

Thirty years of funding the attainment of that goal is enough.

Most of the AEECA countries have successfully made the transition and are able to afford to hire their own technical advisors for any additional help they need, and the relatively few that remain trapped in authoritarian socialist systems will not benefit from additional funding by American taxpayers at this point. Any additional U.S. assistance to the AEECA countries should be funded through Economic Support Funds.

ADDITIONAL READING

- James M. Roberts and Brett D. Schaefer, "An Overhaul of America's Foreign Assistance Programs Is Long Overdue," Heritage Foundation *Backgrounder* No. 3247, September 19, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

SFOPS

DISCRETIONARY

$52.5
SAVINGS IN MILLIONS[33]

Eliminate the African Development Foundation and the Inter-American Foundation

The African Development Foundation has been providing relatively small grants to promote economic growth in sub-Saharan Africa since 1984. The Inter-American Foundation has been doing similar work in Latin America since 1969.

These small U.S. agencies are wasteful in the sense that there is no need for them to be stand-alone operations with their own administrative staffs and overhead.

Their objectives can and should be achieved by the Millennium Challenge Corporation or by the U.S.-funded multilateral development banks that these agencies were established to complement (the African Development Bank and Inter-American Development Bank).

ADDITIONAL READING

- James M. Roberts and Brett D. Schaefer, "An Overhaul of America's Foreign Assistance Programs Is Long Overdue," Heritage Foundation *Backgrounder* No. 3247, September 19, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	Provides a small appropriation to facilitate closeout and merger with USAID.

DISCRETIONARY

$160
SAVINGS IN MILLIONS[34]

Close the 15 Smallest USAID Overseas Missions

Facing ongoing federal budget deficits, the United States can no longer afford the luxury of maintaining the extensive foreign aid presence that is reflected by the existence of approximately 100 overseas USAID missions. In some cases, these missions are located in countries that are not critical to the achievement of short-term to medium-term U.S. foreign policy objectives. In other cases, other Western donor nations have more extensive programs in those countries, and there is no need for USAID to duplicate their efforts.

This cut should be seen as a first step toward a comprehensive overhaul of all U.S. assistance programs, which need updated concepts and priorities, elimination of duplication and waste, and transformation to address changing global circumstances. Because fundamental reform has languished far too long, many U.S. foreign aid programs can no longer help countries in need or serve U.S. interests effectively.

ADDITIONAL READING

- James M. Roberts and Brett D. Schaefer, "An Overhaul of America's Foreign Assistance Programs Is Long Overdue," Heritage Foundation *Backgrounder* No. 3247, September 19, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	NOT ADDRESSED	

SFOPS

POLICY RIDERS

Increase oversight of international organizations. U.N. system revenues from assessed and voluntary contributions increased from $14.96 billion in 2002 to $45.72 billion in 2016. The U.S. remains the largest contributor, providing one-fifth of total contributions annually over that period. In 2016, the U.S. provided $9.72 billion to the U.N. system according to the U.N. Chief Executives Board. The Department of State Authorities Act, Fiscal Year 2017,[35] enacted in 2016, requires the Office of Management and Budget to submit an annual report to Congress on U.S. contributions to the U.N. system. In FY 2017, the U.S. Department of State reported that total contributions to the International Organizations totaled $12.124 billion.[36] However, that report does not address the question of whether the U.S. is receiving good value for those contributions. The U.S. should conduct a cost-benefit analysis of U.S. participation in all international organizations and establish a dedicated unit for international-organization issues in the Office of Inspector General for the Department of State.[37] In the FY 2019 budget, the Trump Administration announced that "the Department of State and USAID will review multilateral aid and contributions to evaluate how each multilateral organization to which the United States belongs advances American interests."[38]

Do not fund activities related to unratified treaties. If a treaty has not received the advice and consent of the Senate and has not been properly implemented in U.S. law, the U.S. should not fund any of its activities, either in the U.S. or elsewhere. Treaties are compacts between the nations that are party to them and should therefore be funded by the nations that have legally accepted their obligations. The only exception to this principle is that the U.S. should be able to pay the costs of its own diplomatic delegations that attend meetings related to treaties the U.S. is negotiating or related to treaties to which the U.S. is not a party. This exception, however, does not allow for the funding of treaty bodies or any delegation other than that of the United States.

ENDNOTES

1. Savings of $10 million in FY 2020 are based on recommended contributions in Report No. 115-282, *Department of State, Foreign Operations, and Related Programs Appropriations Bill, 2019*, Committee on Appropriations, U.S. Senate, 115th Cong., 2nd Sess., June 21, 2018, p. 70, https://www.congress.gov/115/crpt/srpt282/CRPT-115srpt282.pdf (accessed March 28, 2019). Heritage experts assume that spending holds steady through FY 2020.
2. Press release, "Summary for Policymakers of IPCC Special Report on Global Warming of 1.50 C. Approved by Governments," Intergovernmental Panel on Climate Change, October 8, 2018, https://www.ipcc.ch/site/assets/uploads/2018/11/pr_181008_P48_spm_en.pdf (accessed March 28, 2019).
3. Intergovernmental Panel on Climate Change, "The Intergovernmental Panel on Climate Change: Reports," https://www.ipcc.ch/ (accessed March 28, 2019).
4. "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." 22 U.S. Code § 287e, https://www.law.cornell.edu/uscode/text/22/287e (accessed March 28, 2019).
5. Announcement, "State of Palestine Joins Convention," United Nations Climate Change, March 15, 2016, https://unfccc.int/news/state-of-palestine-joins-convention (accessed March 28, 2019).
6. This prohibition led the U.S. to withhold funding from UNESCO from 2011 when UNESCO granted the Palestinians full membership through 2018. The U.S. withdrew from UNESCO at the end of 2018.
7. Savings of $80 million in FY 2020 are based on recommended contributions in Senate Report No. 115-281, *Department of State, Foreign Operations, and Related Programs Appropriations Bill, 2019*, p. 70. Heritage experts assume that spending holds steady through FY 2020.
8. United Nations Development Programme, Evaluation Office, *Evaluation of UNDP Contribution to Poverty Reduction*, January 2013, pp. vii and xiv, https://papersmart.unmeetings.org/media2/2357248/evaluation_of_undp_contribution_to_poverty_reduction.pdf (accessed March 28, 2019).
9. Brett 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/.
10. Estimated savings of $32.5 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019, Public Law 116-9, 116th Cong., February 15, 2019, https://www.congress.gov/bill/116th-congress/house-joint-resolution/31 (accessed March 28, 2019). Heritage experts assume that FY 2019 spending remains constant in FY 2020.
11. Daniel Briggs, "The Kemp–Kasten Provision and UNFPA Funding," Americans United for Life, April 23, 2010, http://www.aul.org/2010/04/the-kemp-kasten-provision-and-unfpa-funding/ (accessed March 28, 2019). "The United Nations Fund for Population Activities was established as a trust fund in 1967 and began operations in 1969. In 1987, it was officially renamed the United Nations Population Fund, reflecting its lead role in the United Nations system in the area of population. The original abbreviation, UNFPA, was retained." United Nations Population Fund, "Frequently Asked Questions: What Does UNFPA Stand For?" last updated January 2018, https://www.unfpa.org/frequently-asked-questions#acronym (accessed March 28, 2019).
12. U.S. Department of State, *United States Contributions to International Organizations: Sixty-Sixth Annual Report to the Congress, Fiscal Year 2017*, p. 13, https://www.state.gov/documents/organization/287307.pdf (accessed March 28, 2019).
13. Donald J. Trump, "Presidential Memorandum Regarding the Mexico City Policy," The White House, January 23, 2017, https://www.whitehouse.gov/presidential-actions/presidential-memorandum-regarding-mexico-city-policy/ (accessed March 28, 2019).
14. Nurith Aizenman, "Citing Abortions in China, Trump Cuts Funds for U.N. Family Planning Agency," NPR, April 4, 2017, https://www.npr.org/sections/goatsandsoda/2017/04/04/522040557/citing-abortions-in-china-trump-cuts-funds-for-u-n-family-planning-agency (accessed March 28, 2019).
15. Estimated savings of $193 million for FY 2020 are based on reducing the U.S. share of funding from 27.8912 percent to 25 percent. The approved U.N. Peacekeeping budget was $6.691 billion for July 1, 2018, to June 30, 2019, as found in United Nations General Assembly, "Approved Resources for Peacekeeping Operations for the Period from 1 July 2018 to 30 June 2019," A/C.5/72/25, 72nd Sess., Fifth Committee Agenda, Item 149, July 5, 2018, http://undocs.org/A/c.5/72/25 (accessed March 28, 2019). Heritage experts assume that this spending level holds steady through FY 2020. The projected shares come from Addendum to Report of the Secretary-General, "Implementation of General Assembly Resolutions 55/235 and 55/236," A/73/350/Add.1, 73rd Sess., Agenda Item 149, December 24, 2018, http://undocs.org/en/A/73/350/Add.1 (accessed March 28, 2019).
16. The U.S. peacekeeping assessment is established in three-year sets, the most recent being for 2019–2021. The specific assessment can fluctuate within each three-year scale and also when new scales are adopted using updated economic data. For instance, the U.S. peacekeeping assessment is 27.8912 percent for 2019 and 27.8908 percent for 2020 and 2021. In addition, the U.N. peacekeeping budget can change significantly as new missions are established or existing missions are expanded, contracted, or closed.
17. Donald J. Trump, "Remarks by President Trump to the 72nd Session of the United Nations General Assembly," The White House, September 19, 2017, https://www.whitehouse.gov/briefings-statements/remarks-president-trump-72nd-session-united-nations-general-assembly/ (accessed March 28, 2019).
18. Estimated savings of $359 million for FY 2020 are based on contributions by the United States in FY 2017 as reported in U.S. Department of State, *United States Contributions to International Organizations: Sixty-Sixth Annual Report to the Congress, Fiscal Year 2017*, p. 12.

19. Heather Nauert, Press Statement, "On U.S. Assistance to UNRWA," U.S. Department of State, August 31, 2018, https://www.state.gov/r/pa/prs/ps/2018/08/285648.htm (accessed March 28, 2019).
20. Estimated savings of $140 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
21. See, for example, Global Environment Facility, "About Us," https://www.thegef.org/about-us (accessed March 28, 2019, and Global Environment Facility, "Conventions," https://www.thegef.org/partners/conventions (accessed March 28, 2019).
22. Lisa Elges and Claire Martin, *Protecting Climate Finance: An Anti-Corruption Assessment of the Adaptation Fund*, Transparency International, 2014, https://www.transparency.org/whatwedo/publication/protecting_climate_finance_adaptation_fund (accessed March 28, 2019).
23. Global Environment Facility, "Projects," https://www.thegef.org/projects (accessed March 28, 2019).
24. Calculation based on the following information provided to Heritage analysts by the OECD on February 4, 2019: "In 2016, the assessed contributions from the United States were 20.5 percent of the OECD's core (i.e. assessed) budget. Of the total core contributions budget that year, a total of 3.2 percent—EUR 6.3M from all countries combined—was dedicated to the organization's work on taxation." USD $1.5 million is approximately equal to €6.3 million.
25. Organisation for Economic Co-operation and Development, "About the OECD: Our Mission," https://www.oecd.org/about/ (accessed March 28, 2019).
26. Chris Edwards and Daniel J. Mitchell, *Global Tax Revolution: The Rise of Tax Competition and the Battle to Defend It* (Washington: Cato Institute, 2008), p. 148.
27. Ibid.
28. Estimated savings of $79.5 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
29. U.S. Trade and Development Agency, "Our Mission," http://www.ustda.gov/about/mission (accessed March 28, 2016).
30. Bryan Riley and Anthony B. Kim, "Freedom to Trade: A Guide for Policymakers," Heritage Foundation *Backgrounder* No. 3064, October 20, 2015, http://thf-reports.s3.amazonaws.com/2015/BG3064.pdf.
31. Estimated savings of $1 billion for FY 2020 are based on proposed reforms reported in James M. Roberts and Brett D. Schaefer, "An Overhaul of America's Foreign Assistance Programs Is Long Overdue," Heritage Foundation *Backgrounder* No. 3247, September 19, 2017, https://www.heritage.org/sites/default/files/2017-09/BG3247.pdf. Although a comprehensive overhaul would generate substantial savings, we include only a portion of those savings that can easily be estimated. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
32. Estimated savings of $750 million for FY 2020 are based on proposed reforms reported in Roberts and Schaefer, "An Overhaul of America's Foreign Assistance Programs Is Long Overdue." Heritage experts assume that FY 2019 spending remains constant in FY 2020.
33. Estimated savings of $52.5 million for FY 2020 are based on proposed reforms reported in Roberts and Schaefer, "An Overhaul of America's Foreign Assistance Programs Is Long Overdue." Heritage experts assume that FY 2019 spending remains constant in FY 2020.
34. Estimated savings of $160 million for FY 2020 represents a calculation of the cost of operating the 15 smallest USAID mission around the world, which is 15 percent of the approximately $1.070 billion FY 2018 budget for Program Development and Oversight as reported in U.S. Agency for International Development, *Agency Financial Report: Fiscal Year 2018*, p. 33, https://www.usaid.gov/sites/default/files/documents/1868/USAIDFY2018AFR_508R.pdf (accessed March 28, 2019).
35. S. 1635, Department of State Authorities Act, Fiscal Year 2017, Public Law 114-323, 114th Cong., December 16, 2016, https://www.congress.gov/bill/114th-congress/senate-bill/1635/text (accessed March 28, 2019).
36. U.S. Department of State, *United States Contributions to International Organizations: Sixty-Sixth Annual Report to the Congress, Fiscal Year 2017*, p. 5.
37. 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, https://www.heritage.org/report/us-should-demand-increased-transparency-and-accountability-un-revenues-rise.
38. Office of Management and Budget, Fiscal Year 2019 Budget of the U.S. Government, p. 84, https://www.whitehouse.gov/wp-content/uploads/2018/02/budget-fy2019.pdf (accessed March 28, 2019).

Transportation, Housing and Urban Development, and Related Agencies

MIXED

$317
SAVINGS IN MILLIONS[1]

Eliminate the Transportation Department's Essential Air Service Program

The EAS was established in 1978 as a temporary program to provide subsidies to rural airports following deregulation of the airline industry. Despite the original intention that it would be a temporary program, the EAS still provides millions of dollars in subsidies to these airports. In fact, spending on the EAS has increased faster than inflation by orders of magnitude since 1996 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 planes on nearly one-third of the routes 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 like the EAS. If certain routes are to be subsidized, they should be overseen by state or local authorities, not by the federal government.

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," Heartland Institute, undated.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Reduces spending by $50 million from FY 2019 levels for the discretionary portion of EAS.

DISCRETIONARY

$162
SAVINGS IN MILLIONS[2]

Eliminate the Appalachian Regional Commission

The Appalachian Regional Commission was established in 1965 as part of President Lyndon Johnson's Great Society agenda. The commission duplicates highway and infrastructure construction under the Department of Transportation's highway program in addition to diverting federal funding to projects of questionable merit, such as those meant to support "development and stimulation of indigenous arts and crafts of the region."[3] 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 themselves. This duplicative carve-out should be eliminated.

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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	REJECTED	Maintains funding at FY 2019 levels.

DISCRETIONARY

$150
SAVINGS IN MILLIONS[4]

Eliminate Subsidies for the Washington Metropolitan Area Transit Authority

The WMATA is Washington, D.C.'s local transit authority and the only transit authority to receive direct appropriations from Congress.

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. Metrorail ridership has fallen every year since 2009, including a decline of 13 percent from 2016 to 2017.

Ridership and safety issues come to the fore as Metro's financial picture looks increasingly grim. The agency's budget projection for 2020 shows that fares and parking fees cover only 21 percent of costs, requiring 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 has 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 few consequences. Instead of fixing its manifold issues, the WMATA's strategy has been to demand more money from federal taxpayers, many of whom will likely never use the system. Congress should eliminate subsidies to the WMATA and allow market incentives to turn the WMATA into a more effective transit agency.

ADDITIONAL READING

- Michael Sargent, "Death Spiral or Not, Washington's Metro Is a Total Disaster," *National Interest*, November 4, 2016.
- Ronald D. Utt, "Washington Metro Needs Reform, Not a Federal Bailout," Heritage Foundation *WebMemo* No. 1665, October 16, 2007.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	REJECTED	Maintains funding at FY 2019 levels.

DISCRETIONARY

$397
SAVINGS IN MILLIONS[5]

Eliminate Grants to the National Rail Passenger Service Corporation (Amtrak)

The National Railroad Passenger Corporation, now known as Amtrak, was created by the federal government to take over bankrupt private passenger rail companies. In FY 2018, it received grants totaling more than $1.9 billion.

Amtrak is characterized by an unsustainable financial situation and management that, because it is hamstrung by unions and federal regulations, has failed to improve performance and service for customers. Amtrak's monopoly on passenger rail service stifles competition that could lower costs for 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 notoriously behind schedule, as evidenced by poor on-time performance rates.

Congress should eliminate Amtrak's operating subsidies in FY 2020 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 phaseout, Congress should repeal Amtrak's monopoly on passenger rail service and allow private companies to enter the market and provide passenger rail service where they see a viable commercial market.

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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Reduces spending by $1 billion from FY 2019 levels.

DISCRETIONARY

$815
SAVINGS IN MILLIONS[6]

Close Down the Transportation Department's Maritime Administration and Repeal the Maritime Jones Act

MARAD was created in 1950, and its purpose is to maintain a maritime fleet that can be used during a national emergency. Decades later, it continues to oversee and implement duplicative and crony laws that benefit special interests.

MARAD and the laws it implements are steeped in protectionism and subsidies. For example, its subsidies to small shipyards are a taxpayer-funded 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 and transfer 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.

ADDITIONAL READING

- Wendell Cox and Ronald D. Utt, "How to Close Down the Department of Transportation," Heritage Foundation *Backgrounder* No. 1048, August 17, 1995.
- Brian Slattery, Bryan Riley, and Nicolas D. Loris, "Sink the Jones Act: Restoring America's Competitive Advantage in Maritime-Related Industries," Heritage Foundation *Backgrounder* No. 2886, May 22, 2014.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Reduces spending.

DISCRETIONARY

$2.6
SAVINGS IN BILLIONS[7]

Eliminate the Transportation Department's Capital Investment Grants

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 new transit projects. Because New Starts is a competitive grant program that funds only novel transit projects, not maintenance of existing systems, it gives localities the incentive to build costly and unnecessary transit systems that they can ill afford to operate and maintain instead of devoting their resources to the proper maintenance of existing infrastructure.

Criteria for eligible projects include "congestion relief," "environmental benefits," and "economic development effects" but (tellingly) no longer include "operating efficiencies."[8] 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. These projects are perennially over budget. A review of federal studies examining 15 projects that were completed shows that the projects were over budget by nearly 30 percent on average. Worse, the costs of these expensive rail projects tend to divert funding from more practical services, such as buses needed by low-income residents.

Congress should terminate funding for Capital Investment Grants and allow the states and the private sector to manage and fund transit systems where they are truly effective.

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, Committee on Transportation and Infrastructure, U.S. House of Representatives, December 11, 2013.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Reduces spending by $1.048 billion from FY 2019 levels.

DISCRETIONARY

$36
SAVINGS IN MILLIONS[9]

Privatize the Transportation Department's Saint Lawrence Seaway Development Corporation

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.

ADDITIONAL READING

- Chris Edwards, "Downsizing the Federal Government: Department of Transportation Timeline," 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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	REJECTED	Reduces spending by $12 million from FY 2019 levels; no privatization.

DISCRETIONARY

$900
SAVINGS IN MILLIONS[10]

Eliminate the National Infrastructure Investment (TIGER) Program

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 to fund 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 the TIGER program, 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 line in Detroit, Michigan. TIGER grants amount to "administrative earmarks" because federal bureaucrats (prodded 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 projects 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 state and local transportation agency programs, and squanders federal resources on local projects that have little to do with interstate commerce. These projects should be funded by the local communities that benefit from them. Congress should eliminate the TIGER program.

ADDITIONAL READING

- Baruch Feigenbaum, "Evaluating and Improving TIGER Grants," Reason Foundation *Policy Brief* No. 99, April 2012.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	REJECTED	More than doubles spending compared to levels.

MANDATORY

$3.5
SAVINGS IN BILLIONS[11]

Eliminate the Transportation Department's Airport Improvement Program and Reform Airport Funding

The AIP provides federal grants for capital improvements at public-use airports. The grants are funded primarily by federal taxes on passenger airline tickets and other aviation activities. AIP grants can be used only 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 middleman, redistributing fliers' resources from the most significant airports to those of far less importance. For example, the 60 largest airports in the U.S. serve nearly 90 percent of air travelers and have the greatest need for capital investment, yet they receive only 27 percent of AIP grants. Noncommercial 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 allow airports to fund capital improvements in a local, self-reliant, and free-market manner.

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.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Reduces spending by $1 billion from FY 2019 levels.

MANDATORY

$1.98
SAVINGS IN BILLIONS[12]

Phase Out the Transportation Department's Federal Transit Administration

Created in 1964, the Federal Transit Administration provides grants to state and local governments and transit authorities to operate, maintain, and improve transit systems such as buses and subways.

The federal government began to use federal gasoline taxes, which drivers pay into the Highway Trust Fund (HTF), to support transit in 1983. The transit diversion within the HTF accounts 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, and relieve traffic congestion. Despite billions of dollars in subsidies, however, transit has largely failed in all of these areas.

When it issues grants for streetcars, subways, and buses, the FTA is subsidizing purely local or regional activities. Even worse, federal transit grants give localities perverse incentives to build new transit routes while neglecting maintenance of their existing systems and other infrastructure. Transit is inherently local in nature and should therefore be funded at the local or regional level.

The federal government should phase out the Federal Transit Administration over five years by reducing federal transit funding by 20 percent per year and simultaneously reducing the FTA's operating budget by the same proportion. Phasing out the program would give state and local governments time to evaluate the appropriate role of transit in their jurisdictions and an incentive to adopt policy changes that improve their transit systems' cost-effectiveness and performance.

ADDITIONAL READING

- Wendell Cox, "Transit Policy in an Era of the Shrinking Federal Dollar," Heritage Foundation *Backgrounder* No. 2763, January 31, 2013.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	PARTIALLY INCLUDED	Reduces spending by $1.064 billion from FY 2019 levels.

MANDATORY

$273
SAVINGS IN MILLIONS[13]

Eliminate Allocations to the Housing Trust Fund and Capital Magnet Fund

Allocations to the Housing Trust Fund (administered by HUD's Assistant Secretary for Community Planning and Development) and Capital Magnet Fund (administered by the Treasury Department's Community Development Financial Institutions Fund) ultimately benefit favored housing developments and services desired by special interests. Accountability, transparency, and efficiency also pose significant concerns. These affordable housing funds are unnecessary, enrich the politically connected at taxpayer expense, and expand the government's harmful interference in the housing market.

Furthermore, the approval process ensures that politically connected entities are enriched at taxpayer expense. Even if funds flowed directly from the government to recipients, this would be a concern. The manner in which these programs operate compounds the problem. The federal government transmits the funds through intermediaries (including state governments) to the ultimate recipients, reducing transparency and accountability in the process. Often, those recipients are real estate developers or investment property owners.

Affordability concerns are best addressed by reforming local land use regulations, eliminating rent control, and making it easier for landlords to evict non-paying tenants. Ending contributions to these funds as well as the fees levied to support these funds would save $273 million in FY 2020.

ADDITIONAL READING

- Norbert J. Michel and John L. Ligon, "GSE Reform: Trust Funds or Slush Funds?" Heritage Foundation *Backgrounder* No. 4080, November 7, 2013.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

DISCRETIONARY

$1.6
SAVINGS IN BILLIONS[14]

Eliminate the Home Equity Conversion Mortgage Program

A homeowner can arrange with a lender to receive a set amount of monthly revenue over an extended period of time through a reverse mortgage based on the equity in the house. Each month, the cash flow from the lender to the homeowner, along with the interest payable, is simply added to the mortgage owed on the homes. Many retirees use this method to supplement other retirement income. This allows even retirees with minimal liquid assets to live comfortably without being forced to downsize.

In a traditional mortgage, home equity grows as the value of the home increases and principal is paid down. With a reverse mortgage, the opposite occurs: Home equity typically shrinks as interest payable and principal balance grow in excess of property appreciation. Because reverse mortgages are often issued on properties with a substantial level of equity, these loans are far less risky than standard high loan-to-value mortgages.

The Federal Housing Authority within HUD operates a Home Equity Conversion Mortgage Program (HECM) that guarantees reverse mortgages issued by private lenders. The CBO estimates savings of up to $6.9 billion over 10 years by making loans directly to borrowers rather than guaranteeing those issued by private lenders.[15] A better option is to discontinue the HECM program altogether, providing neither reverse mortgage loans nor guarantees. The private sector is well equipped to service the reverse mortgage market in a way that would enable retirees to remain in their homes while drawing down on equity.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2020)	INCLUDED	

POLICY RIDERS

Eliminate or roll back Davis–Bacon requirements and project labor agreements. The Davis–Bacon Act, enacted in 1931, effectively requires construction contractors on federal projects to use union wage and benefit scales and follow union work rules. These rules inflate the cost of federal construction by nearly 10 percent on average. Similarly, project labor agreements (PLAs) require the main contractor of government contracts to sign a collective bargaining agreement as a condition of winning a project bid. Collective bargaining agreements require using union compensation rates, following union work rules, and hiring all workers on federally contracted projects through union hiring halls. PLAs inflate construction costs by 12 percent to 18 percent on top of increased costs attributed to Davis–Bacon and discriminate against the 87 percent of workers who are not members of a union. Eliminating Davis–Bacon and prohibiting PLAs would stretch each federal construction dollar, delivering more infrastructure without the need to increase spending levels. Barring complete repeal, Congress could suspend the rule for projects funded by the appropriations bill or require the Labor Department to use superior Bureau of Labor Statistics data to estimate Davis–Bacon "prevailing wages" so that they more closely reflect market pay. Eliminating Davis–Bacon and PLAs would save more than $100 billion over the next 10 years under current spending levels.

Eliminate "Buy America" restrictions. Most federally funded infrastructure projects must comply with "Buy America" mandates, which require that certain input components must be manufactured in the United States. This protectionist mandate limits selection and price competition among input manufacturers, which often leads to higher costs for projects. Buy America requires the use of American-made steel, which in recent years has cost more than steel made in Western Europe or China—a price increase of roughly 30 percent in the case of Chinese-made steel. In addition, buses made in the U.S. were found to be twice as expensive as those made in Japan. Overall, Buy America provisions are allowed to increase the cost of an entire project by up to 25 percent before the project agency can apply for a waiver. Ending or waiving this bureaucratic and protectionist mandate would give U.S. infrastructure access to more numerous, better-quality, and less expensive components.

Require the Department of Transportation to study total federal subsidies to passenger transportation. Congress should recommission the 2004 study that detailed the federal subsidies to various modes of transportation. In 2004, the DOT's Bureau of Transportation Statistics produced a report that assessed the federal subsidies to passenger transportation. The report detailed the amount of federal subsidies targeted to rail, transit, air, and highway travelers since 1990 and presented them using comparable metrics. Since 2004, however, the DOT has not updated the report, leaving most policymakers and the traveling public with outdated information about how federal subsidies are distributed among modes of transportation. Reproducing the study on a periodic basis would provide lawmakers and travelers with consistent data regarding the federal government's activities in subsidizing transportation.

Request the Government Accountability Office to examine infrastructure construction costs in the United States. Data and recent reports indicate that infrastructure construction costs in the U.S. exceed those in peer countries, especially with regard to megaprojects. Congress should require the Government Accountability Office to examine and determine the reasons for these excessive construction costs. The GAO should scrutinize all possible factors, from industry practices to government regulation, to provide a clear picture of the shortcomings of current practice.

ENDNOTES

1. Estimated savings of $317 million for FY 2020 are based on $175 million in discretionary savings, based on the FY 2019 appropriated level as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019, Public Law 116-6, 116th Cong., February 15, 2019, https://www.congress.gov/bill/116th-congress/house-joint-resolution/31 (accessed March 12, 2019), and $142 million in mandatory savings for FY 2020, based on the CBO's most recent January 2019 baseline spending projections. See Congressional Budget Office, "The Budget and Economic Outlook: 2019 to 2029: Budget and Economic Data: Spending Projections, by Budget Account," January 2019, https://www.cbo.gov/about/products/budget-economic-data#9 (accessed April 1, 2019). The mandatory savings include payments to the Essential Air Service and Rural Airport Improvement Fund for FY 2020. The discretionary savings estimates are based on FY 2019 enacted levels, and Heritage experts assume that FY 2019 spending remains constant in FY 2020.
2. Estimated savings of $162 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019, and H.R. 5895, Energy and Water, Legislative Branch, and Military Construction and Veterans Affairs Appropriations Act, 2019, Public Law 115-244, 115th Cong., September 21, 2018, https://www.congress.gov/search?q=%7B%22source%22:%22legislation%22,%22search%22:%22cite:PL115-244%22%7D (accessed March 14, 2019). Savings include $155 million appropriated for the Appalachian Regional Commission, as well as half of the $8 million in grants authorized for both the ARC and the Delta Regional Authority, and $3.25 million to be transferred to the ARC from the Federal Aviation Commission. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
3. United States Code, Title 40, Subtitle IV, "Appalachian Regional Development," https://www.arc.gov/about/USCodeTitle40SubtitleIV.asp (accessed March 14, 2019).
4. Estimated savings of $150 million for FY 2020 are based on the FY 2019 appropriated level as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
5. Estimated savings of $397 million for FY 2020 are based on the CBO's most recent January 2019 baseline spending projections. See Congressional Budget Office, "The Budget and Economic Outlook: 2019 to 2029: Budget and Economic Data: Spending Projections, by Budget Account," January 2019. Savings include $139 million in projected operating subsidies. Operating subsidies are assumed to be 21 percent (the ratio observed under the previous accounting system that divided funding between operating subsidies and grants for capital and debt service) of the $663 million in total FY 2020 funding for the Northeast Corridor and National Network. Savings also include $258 million in reduced capital grants, representing a 20 percent reduction in the projected level of $1.29 billion.
6. Heritage experts do not include any savings from repealing the Jones Act. Estimated savings of $815 million for FY 2020 are based on the total FY 2019 appropriated level as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019. Savings exclude the $300 million designated for the Maritime Security Program, which would be transferred to the Department of Defense or Department of Homeland Security. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
7. Estimated savings of $2.553 billion for FY 2020 are based on the total FY 2019 appropriated level as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
8. 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 March 14, 2018).
9. Estimated savings of $36 million for FY 2020 are based on the total FY 2019 appropriated level as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
10. Estimated savings of $900 million for FY 2020 are based on the total FY 2019 appropriated level as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020.
11. Estimated savings of $3.5 billion for FY 2020 are based on the total FY 2019 appropriated level for "Grants-In-Aid for Airports" as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020. All $3.5 billion in savings represents mandatory spending.
12. Estimated savings of $1.98 billion for FY 2020 are based on the total FY 2019 appropriated level as specified in H.J.Res. 31, Consolidated Appropriations Act, 2019. Heritage experts assume that FY 2019 spending remains constant in FY 2020. Savings represent a 20 percent reduction in the total appropriations of $9.9 billion for FY 2019 based on a five-year phaseout beginning in 2020. All $1.98 billion in savings represents mandatory spending.
13. Estimated savings of $273 million for FY 2020 are based on the CBO's January 2019 spending projections. See Congressional Budget Office, "The Budget and Economic Outlook: 2019 to 2029: Budget and Economic Data: Spending Projections, by Budget Account," January 2019. All $273 million in savings represents mandatory spending.
14. Estimated net present value savings of $1.6 billion for FY 2020 are based on incurring new liabilities into the future and previous years' Department of Housing and Urban Development estimated shortfalls in the Home Equity Conversion Mortgage Program. HUD estimates that from 2009–2017, losses to HECM guaranteed mortgages exceeded revenues by $14.2 billion. See Pinnacle Actuarial Resources, *Fiscal Year 2017 Independent Actuarial Review of the Mutual Mortgage Insurance Fund: Cash Flow Net Present Value from Home Equity Conversion Mortgage Insurance-In-Force*, November 10, 2017, https://www.hud.gov/sites/dfiles/Housing/documents/ActuarialMMIFHECM2017.pdf (accessed March 14, 2019).
15. Appendix, "Option A-9, Convert the Home Equity Conversion Mortgage Program Into a Direct Loan Program," in Congressional Budget Office, *Options for Reducing the Deficit: 2019–2028*, December 2018, p. 311, https://www.cbo.gov/system/files?file=2018-12/54667-budgetoptions.pdf (accessed March 14, 2019). The CBO notes that HECM program savings are uncertain and depend on numerous variables. The CBO scores the program as generating profits in some years but does not take into account new liabilities spread out over the lifetime of the program.

Summary Table of Recommendations

TABLE 8

Savings from Recommendations (Page 1 of 4)

SUBCOMMITTEE	PROPOSAL	SAVINGS IN MILLIONS
Agriculture, Rural Development, Food and Drug Administration, and Related Agencies	Repeal the USDA Catfish Inspection Program	$2.6
	Eliminate the USDA Conservation Technical Assistance Program	$754.0
	Eliminate the USDA Rural Business Cooperative Service	$493.0
	Repeal the USDA Agricultural Risk Coverage and Price Loss Coverage Programs	$4,970.0
	Include a Work Requirement for Able-Bodied Adult Food Stamp Recipients	$9,700.0
	End Broad-Based Categorical Eligibility for Food Stamps	$525.0
	Eliminate the “Heat and Eat” Loophole in Food Stamps	$560.0
	Eliminate Funding for the Community Eligibility Provision	$28.0
	Eliminate the USDA Sugar Program	$0
	Eliminate USDA Revenue-Based Crop Insurance Policies	$1,920.0
	Eliminate the USDA Market Access Program	$200.0
	Reduce Premium Subsidies in the Federal Crop Insurance Program	$200.0
Commerce, Justice, Science	Eliminate the Justice Department’s Office of Community Oriented Policing Services	$304.0
	Eliminate Grants Within the Justice Department’s Office of Justice Programs	$1,773.0
	Eliminate Violence Against Women Act Programs and Grants	$498.0
	Eliminate the Legal Services Corporation	$415.0
	Reduce Funding for the Justice Department’s Civil Rights Division	$49.0
	Reduce Funding for the Justice Department’s Environmental and Natural Resources Division	$35.0
	Eliminate the Justice Department’s Community Relations Service	$15.5
	Rescind Unobligated Balances from the Justice Department’s Crime Victims Fund	$12,000.0
	Rescind Unobligated Balances from the Justice Department’s Asset Forfeiture Fund	$666.0
	Eliminate the Commerce Department’s Hollings Manufacturing Extension Partnership	$140.0
	Eliminate the Commerce Department’s International Trade Administration	$495.0
	Eliminate the Commerce Department’s Economic Development Administration	$265.0
	Eliminate the Commerce Department’s Minority Business Development Agency	$40.0
	Eliminate Census Bureau Funding for the Annual Supplemental Poverty Measure Report	$6.2
	Eliminate NASA’s Office of STEM Engagement	$100.0
	Eliminate NASA’s WFIRST telescope	$105.0
	Eliminate National Oceanic and Atmospheric Administration Grants and Education Programs	$273.0
Defense	Cut Non-Defense Research from the Defense Department Budget	$431.0
	Combine Military Exchanges and Commissaries and Reduce Commissary Subsidies	$253.0
	Close Domestic Dependent Elementary and Secondary Schools	$147.0
	Reform Military Health Care	$3,900.0
	Increase Use of Performance-Based Logistics	$9,000.0
	Reduce Excess Infrastructure	$0
	Reform the Basic Allowance for Housing	$434.0
	Replace Military Personnel in Commercial Positions with Civilian Employees	$880.0

heritage.org

TABLE 8

Savings from Recommendations (Page 2 of 4)

SUBCOMMITTEE	PROPOSAL	SAVINGS IN MILLIONS
Energy and Water Development	Focus DOE National Nuclear Security Administration Spending on Weapons Programs	$493.0
	Return Funding for the DOE Office of Nuclear Physics to FY 2008 Levels	$193.0
	Return DOE Advanced Scientific Computing Research to FY 2008 Levels	$517.0
	Eliminate the DOE Advanced Research Projects Agency–Energy Program	$366.0
	Eliminate the DOE Biological and Environmental Research Program	$705.0
	Reduce Funding for the DOE Basic Energy Sciences Program	$605.0
	Eliminate DOE Energy Innovation Hubs	$39.0
	Eliminate the DOE Office of Electricity	$156.0
	Eliminate the DOE Office of Energy Efficiency and Renewable Energy	$2,379.0
	Eliminate the DOE Office of Fossil Energy	$985.0
	Eliminate the DOE Office of Nuclear Energy	$667.0
	Eliminate Funding for DOE Small Business Innovation Research and Small Business Technology Transfer Programs	$270.0
	Liquidate the Strategic Petroleum Reserve and the Northeastern Home Heating and Gasoline Supply Reserves	$25,732.0
	Auction Off the Tennessee Valley Authority	$30,026.0
	Auction off the Four Remaining Power Marketing Administrations	$34,597.0
Financial Services and General Government	Eliminate the Small Business Administration's Disaster Loans Program	$1,700.0
	Reform the Securities and Exchange Commission	$22.0
	Eliminate the Department of the Treasury's Community Development Financial Institutions Fund	$250.0
	Eliminate the Export-Import Bank	$80.0
	Eliminate Funding for the Office of Personnel Management's Multi-State Plan Program	$10.0
	Replace Costly Provisions of Dodd-Frank	$1,870.0
	Reform Fannie Mae and Freddie Mac	$700.0
	Repeal the Rum Excise Tax Cover-Over	$648.0
	Rescind Unobligated Balances from the Treasury Forfeiture Fund	$588.0
Homeland Security	Eliminate FEMA's Fire Grants	$700.0
	Reduce Funding for FEMA's Disaster Relief Fund	$850.0
	Privatize Transportation Security Administration Screening Functions	$470.0
	Reform Payments from the National Flood Insurance Program	$700.0
Interior, Environment, and Related Agencies	Reduce Funding for the EPA's Atmospheric Protection Program	$89.5
	Eliminate the EPA's Radon and Indoor Air Programs	$17.0
	Eliminate Federal Vehicle and Fuels Standards and Certification	$94.2
	Reduce Funding for the EPA's Air and Energy Research Program	$17.1
	Reduce Funding for EPA's Sustainable and Healthy Communities Research Program	$17.6
	Eliminate the EPA's Stratospheric Ozone Multilateral Fund	$8.7
	Reduce the EPA's Compliance Monitoring Program	$12.8
	Eliminate the EPA's Environmental Justice Programs	$7.5
	Eliminate the EPA's Geographic Programs	$413.6
	Eliminate the EPA's Environmental Education Program	$8.7
	Eliminate the EPA's Small Minority Business Assistance Program	$1.6
	Eliminate the EPA's Children and Other Sensitive Populations Coordination Program	$6.5
	Eliminate the EPA's Trade and Governance Program	$5.5
	Reduce the EPA's Civil Rights Program	$0.3
	Eliminate the EPA's Waste Minimization and Recycling Program	$9.5
	Eliminate the EPA's Beach and Fish Programs	$2.0
	Reduce the EPA's Surface Water Protection Program	$29.3
	Eliminate the Land and Water Conservation Fund	$21,600.0
	Eliminate the National Endowment for the Humanities	$155.0
	Eliminate the National Endowment for the Arts	$155.0
	Eliminate Funding for the Woodrow Wilson International Center for Scholars	$12.0
	Eliminate Funding for the John F. Kennedy Center for Performing Arts	$41.3

heritage.org

TABLE 8

Savings from Recommendations (Page 3 of 4)

SUBCOMMITTEE	PROPOSAL	SAVINGS IN MILLIONS
Labor, Health and Human Services, Education	Eliminate the Job Corps	$1,719.0
	Eliminate Workforce Innovation and Opportunity Act Job-Training Programs	$3,250.0
	Let Trade Adjustment Assistance Expire	$741.0
	Eliminate Susan Harwood Training Grants	$10.5
	Bring National Labor Relations Board Funding in Line with Caseloads	$123.4
	Eliminate the Office of Federal Contract Compliance Programs	$103.5
	Eliminate the Department of Labor's Women's Bureau	$13.8
	Eliminate the Bureau of International Labor Affairs	$59.8
	Federal Personnel Reform: Eliminate "Rest of U.S." Locality Pay	$268.0
	Federal Personnel Reform: Tie Pay Increases to Truly Market-Based and Performance-Based Measures	$376.0
	Federal Personnel Reform: Bring Retirement Benefits in Line with the Private Sector	$46,700.0
	Federal Personnel Reform: Eliminate the Special Retirement Supplement	$113.0
	Federal Personnel Reform: Bring Paid Leave in Line with the Private Sector	$5,732.0
	Federal Personnel Reform: Eliminate FEHB Retirement Benefits for New Hires	$569.0
	Federal Personnel Reform: Eliminate the 25 Percent FEHB Premium Requirement	$0
	Safeguard Private Pension Insurance and Protect Taxpayers from Private Pension Bailouts	$0
	Adopt a More Accurate Inflation Index for Social Security and Other Mandatory Programs	$2,900.0
	Improve Unemployment Insurance Program Integrity	$742.0
	Allow the SSA to Use Commercial Databases to Verify Real Property in the SSI Program	$531.0
	Increase the OASDI Overpayment Collection Threshold	$2,500.0
	Reduce Fraud and Marriage Penalties in the Earned Income Tax Credit and Additional Child Tax Credit	$20,260.0
	Return Control of and Fiscal Responsibility for Low-Income Housing to the States	$2,360.0
	Eliminate Supplemental Security Income Benefits for Children	$11,000.0
	Strengthen Work Requirements in the Temporary Assistance for Needy Families Program	$0
	Eliminate Funding for the Social Services Block Grant	$1,800.0
	Eliminate Funding for the Community Services Block Grant	$725.0
	Eliminate Funding for the Low Income Home Energy Assistance Program	$3,690.0
	Eliminate the Community Development Block Grant	$3,300.0
	Require Counting of Income from Ineligible Noncitizens When Calculating Food Stamps Benefits	$440.0
	Sunset Head Start to Make Way for Better State and Local Alternatives	$1,006.0
	Eliminate Competitive and Project Grant Programs and Reduce Spending on Formula Grants	$8,836.0
	Decouple Federal Student Aid from Accreditation	–$1,200.0
	Eliminate the PLUS Loan Program	$2,300.0
	Place Strict Lending Caps on All Federal Aid Programs	$5,500.0
	Eliminate the Mandatory Funding Add-On to Pell Grants	$7,291.0
	Remove the Cap on Interest Rates for Student Loans	$700.0
	Eliminate All Time-Based and Occupation-Based Loan Forgiveness	$370.0
	Rescind "Gainful Employment" Regulations on For-Profit Higher Education Institutions	$0
	Eliminate Funding for 21st Century Community Learning Centers	$1,200.0
	Eliminate Comprehensive Literacy Development Grants	$190.0
	Eliminate Federal Supplemental Educational Opportunity Grants	$840.0
	Eliminate GEAR UP	$360.0
	Eliminate Student Support and Academic Enrichment Grants	$1,170.0
	Eliminate Supporting Effective Instruction State Grants	$2,056.0
	Eliminate Competitive Teaching Grant Programs	$318.0
	Privatize the Corporation for Public Broadcasting	$445.0
	Eliminate the Corporation for National and Community Service	$787.0
	Eliminate Funding for the Institute of Museum and Library Services	$242.0
	Cut the Annual Smithsonian Institution Subsidy by 20 Percent and Cap It at That Amount	$208.7
	Reduce Funding for the Department of Education's Office for Civil Rights	$65.0
	Reform Medical Liability for Federal Health Programs	$115,864.0
	End Provider Taxes in Medicaid	$0
	Consolidate and Reform the Financing of Graduate Medical Education Programs	$1,400.0
	Modify Payments to Hospitals for Uncompensated Care in Medicare and Medicaid	$0

heritage.org

TABLE 8

Savings from Recommendations (Page 4 of 4)

SUBCOMMITTEE	PROPOSAL	SAVINGS IN MILLIONS
Legislative Branch	Eliminate Funding for the Stennis Center for Public Service Leadership	$1.4
	Eliminate Funding for Congressional Subsidies for the Affordable Care Act's Health Insurance Exchange	$94.3
Military Construction, Veterans Affairs	Cap GI Bill Flight Training Benefits	$2.0
	End Enrollment in VA Medical Care for Veterans in Priority Groups 7 and 8	$7,930.0
	Put a 10-Year Time Limit on Initial Applications for Disability Compensation for Veterans	$1,000.0
	Eliminate Concurrent Receipt of Retirement Pay and Disability Compensation for Veterans	$9,000.0
	Narrow Eligibility for Veterans Disability by Excluding Disabilities Unrelated to Military Duties	$2,400.0
Multiple Subcommittees	Stop Paying Federal Employees Who Work on the Clock for Outside Organizations	$177.2
	Repeal the Davis–Bacon Act	$9,040.0
	Extend FCC Spectrum Auction Authority	$0
State, Foreign Operations, and Related Programs	End Funding for the United Nations Intergovernmental Panel on Climate Change and the United Nations Framework Convention on Climate Change	$10.0
	End Funding for the United Nations Development Program	$80.0
	Eliminate Funding for the United Nations Population Fund	$32.5
	Enforce the Cap on United Nations Peacekeeping Assessments	$193.0
	End U.S. Funding for the United Nations Relief and Works Agency for Palestine Refugees	$359.0
	Eliminate Funding for the Global Environment Facility	$140.0
	Partially Withhold Assessed U.S. Payments to the Organisation for Economic Cooperation and Development (OECD)	$1.5
	Eliminate the U.S. Trade and Development Agency	$79.5
	Overhaul U.S. Development Assistance Programs	$1,000.0
	Eliminate the State Department's Assistance for Europe, Eurasia, and Central Asia (AEECA) Account	$750.0
	Eliminate the African Development Foundation and the Inter-American Foundation	$52.5
	Close the 15 Smallest USAID Overseas Missions	$160.0
Transportation, Housing, and Urban Development	Eliminate the Transportation Department's Essential Air Service Program	$317.0
	Eliminate the Appalachian Regional Commission	$162.0
	Eliminate Subsidies for the Washington Metropolitan Area Transit Authority	$150.0
	Eliminate Grants to the National Rail Passenger Service Corporation (Amtrak)	$397.0
	Close Down the Transportation Department's Maritime Administration and Repeal the Maritime Jones Act	$815.0
	Eliminate the Transportation Department's Capital Investment Grants	$2,553.0
	Privatize the Transportation Department's Saint Lawrence Seaway Development Corporation	$36.0
	Eliminate the National Infrastructure Investment (TIGER) Program	$900.0
	Eliminate the Transportation Department's Airport Improvement Program and Reform Airport Funding	$3,500.0
	Phase Out the Transportation Department's Federal Transit Administration	$1,980.0
	Eliminate Allocations to the Housing Trust Fund and Capital Magnet Fund	$273.0
	Eliminate the Home Equity Conversion Mortgage Program	$1,600.0

SOURCES: Heritage Foundation calculations using data and information from various government and non-government sources. When available, savings estimates come from spending levels as enacted in H.J.Res. 31, Consolidated Appropriations Act, 2019, Public Law 116-9, 116th Cong., February 15, 2019; H.R. 6157, Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019, Public Law 115-245, 115th Cong., September 28, 2018; and H.R. 5895, Energy and Water, Legislative Branch, and Military Construction and Veterans Affairs Appropriation Act, 2019, Public Law 115-244, 115th Cong., September 21, 2018. Heritage experts assume that enacted FY 2019 spending levels would hold constant in FY 2020. Spending levels come from the Congressional Budget Office's January 2019 baseline spending projections for FY 2020. If not available in any of these sources, spending levels come from agencies' budgets and were based on their most recently enacted spending levels, which Heritage experts assume would hold constant in FY 2020. If recommendations did not call for a direct reduction in or elimination of a certain program, Heritage analysts relied on their own analyses and those of government organizations and outside experts to estimate the appropriate savings associated with the recommendations.

heritage.org

Heritage Experts by Proposal

TABLE 9

Heritage Experts by Proposal (Page 1 of 4)

SUBCOMMITTEE	PROPOSAL	EXPERT(S)
Agriculture, Rural Development, Food and Drug Administration, and Related Agencies	Repeal the USDA Catfish Inspection Program Eliminate the USDA Conservation Technical Assistance Program Eliminate the USDA Rural Business Cooperative Service Repeal the USDA Agricultural Risk Coverage and Price Loss Coverage Programs	Daren Bakst
	Include a Work Requirement for Able-Bodied Adult Food Stamp Recipients End Broad-Based Categorical Eligibility for Food Stamps Eliminate the "Heat and Eat" Loophole in Food Stamps	Robert Rector
	Eliminate Funding for the Community Eligibility Provision	Lindsey Burke
	Eliminate the USDA Sugar Program Eliminate USDA Revenue-Based Crop Insurance Policies Eliminate the USDA Market Access Program Reduce Premium Subsidies in the Federal Crop Insurance Program	Daren Bakst
Commerce, Justice, Science	Eliminate the Justice Department's Office of Community Oriented Policing Services Eliminate Grants Within the Justice Department's Office of Justice Programs Eliminate Violence Against Women Act Programs and Grants Eliminate the Legal Services Corporation	Justin Bogie
	Reduce Funding for the Justice Department's Civil Rights Division Reduce Funding for the Justice Department's Environmental and Natural Resources Division Eliminate the Justice Department's Community Relations Service	Hans von Spakovsky
	Rescind Unobligated Balances from the Justice Department's Crime Victims Fund Rescind Unobligated Balances from the Justice Department's Asset Forfeiture Fund	Justin Bogie
	Eliminate the Commerce Department's Hollings Manufacturing Extension Partnership Eliminate the Commerce Department's International Trade Administration Eliminate the Commerce Department's Economic Development Administration Eliminate the Commerce Department's Minority Business Development Agency	David Burton
	Eliminate Census Bureau Funding for the Annual Supplemental Poverty Measure Report	Robert Rector
	Eliminate NASA's Office of STEM Engagement Eliminate NASA's WFIRST telescope	Justin Bogie
	Eliminate National Oceanic and Atmospheric Administration Grants and Education Programs	Lindsey Burke
Defense	Cut Non-Defense Research from the Defense Department Budget Combine Military Exchanges and Commissaries and Reduce Commissary Subsidies Close Domestic Dependent Elementary and Secondary Schools Reform Military Health Care Increase Use of Performance-Based Logistics Reduce Excess Infrastructure Reform the Basic Allowance for Housing Replace Military Personnel in Commercial Positions with Civilian Employees	Frederico Bartels
Energy and Water Development	Focus DOE National Nuclear Security Administration Spending on Weapons Programs	Michaela Dodge
	Return Funding for the DOE Office of Nuclear Physics to FY 2008 Levels Return DOE Advanced Scientific Computing Research to FY 2008 Levels Eliminate the DOE Advanced Research Projects Agency–Energy Program Eliminate the DOE Biological and Environmental Research Program Reduce Funding for the DOE Basic Energy Sciences Program Eliminate DOE Energy Innovation Hubs Eliminate the DOE Office of Electricity Eliminate the DOE Office of Energy Efficiency and Renewable Energy Eliminate the DOE Office of Fossil Energy Eliminate the DOE Office of Nuclear Energy Eliminate Funding for DOE Small Business Innovation Research and Small Business Technology Transfer Programs Liquidate the Strategic Petroleum Reserve and the Northeastern Home Heating and Gasoline Supply Reserves Auction Off the Tennessee Valley Authority Auction off the Four Remaining Power Marketing Administrations	Nick Loris and Katie Tubb

heritage.org

TABLE 9

Heritage Experts by Proposal (Page 2 of 4)

SUBCOMMITTEE	PROPOSAL	EXPERT(S)
Financial Services and General Government	Eliminate the Small Business Administration's Disaster Loans Program	Justin Bogie
	Reform the Securities and Exchange Commission	David Burton
	Eliminate the Department of the Treasury's Community Development Financial Institutions Fund	Norbert Michel and Joel Griffith
	Eliminate the Export-Import Bank	Diane Katz
	Eliminate Funding for the Office of Personnel Management's Multi-State Plan Program	Robert Moffit
	Replace Costly Provisions of Dodd-Frank Reform Fannie Mae and Freddie Mac	Norbert Michel and Joel Griffith
	Repeal the Rum Excise Tax Cover-Over	Adam Michel
	Rescind Unobligated Balances from the Treasury Forfeiture Fund	Justin Bogie
Homeland Security	Eliminate FEMA's Fire Grants Reduce Funding for FEMA's Disaster Relief Fund Privatize Transportation Security Administration Screening Functions	David Inserra
	Reform Payments from the National Flood Insurance Program	Diane Katz
Interior, Environment, and Related Agencies	Reduce Funding for the EPA's Atmospheric Protection Program Eliminate the EPA's Radon and Indoor Air Programs Eliminate Federal Vehicle and Fuels Standards and Certification Reduce Funding for the EPA's Air and Energy Research Program Reduce Funding for EPA's Sustainable and Healthy Communities Research Program Eliminate the EPA's Stratospheric Ozone Multilateral Fund Reduce the EPA's Compliance Monitoring Program	Diane Katz and Katie Tubb
	Eliminate the EPA's Environmental Justice Programs	Daren Bakst
	Eliminate the EPA's Geographic Programs Eliminate the EPA's Environmental Education Program Eliminate the EPA's Small Minority Business Assistance Program Eliminate the EPA's Children and Other Sensitive Populations Coordination Program Eliminate the EPA's Trade and Governance Program Reduce the EPA's Civil Rights Program Eliminate the EPA's Waste Minimization and Recycling Program Eliminate the EPA's Beach and Fish Programs Reduce the EPA's Surface Water Protection Program Eliminate the Land and Water Conservation Fund	Diane Katz and Katie Tubb
	Eliminate the National Endowment for the Humanities Eliminate the National Endowment for the Arts Eliminate Funding for the Woodrow Wilson International Center for Scholars Eliminate Funding for the John F. Kennedy Center for Performing Arts	Romina Boccia

heritage.org

TABLE 9

Heritage Experts by Proposal (Page 3 of 4)

SUBCOMMITTEE	PROPOSAL	EXPERT(S)
Labor, Health and Human Services, Education	Eliminate the Job Corps Eliminate Workforce Innovation and Opportunity Act Job-Training Programs Let Trade Adjustment Assistance Expire Eliminate Susan Harwood Training Grants Bring National Labor Relations Board Funding in Line with Caseloads Eliminate the Office of Federal Contract Compliance Programs Eliminate the Department of Labor's Women's Bureau	Rachel Greszler, Romina Boccia, Jeremy Dalrymple
	Eliminate the Bureau of International Labor Affairs	Tori Whiting and Jeremy Dalrymple
	Federal Personnel Reform: Eliminate "Rest of U.S." Locality Pay Federal Personnel Reform: Tie Pay Increases to Truly Market-Based and Performance-Based Measures Federal Personnel Reform: Bring Retirement Benefits in Line with the Private Sector Federal Personnel Reform: Eliminate the Special Retirement Supplement Federal Personnel Reform: Bring Paid Leave in Line with the Private Sector Federal Personnel Reform: Eliminate FEHB Retirement Benefits for New Hires Federal Personnel Reform: Eliminate the 25 Percent FEHB Premium Requirement Safeguard Private Pension Insurance and Protect Taxpayers from Private Pension Bailouts Adopt a More Accurate Inflation Index for Social Security and Other Mandatory Programs	Rachel Greszler
	Improve Unemployment Insurance Program Integrity Allow the SSA to Use Commercial Databases to Verify Real Property in the SSI Program Increase the OASDI Overpayment Collection Threshold	Rachel Greszler and Jeremy Dalrymple
	Reduce Fraud and Marriage Penalties in the Earned Income Tax Credit and Additional Child Tax Credit Return Control of and Fiscal Responsibility for Low-Income Housing to the States	Robert Rector
	Eliminate Supplemental Security Income Benefits for Children	Romina Boccia
	Strengthen Work Requirements in the Temporary Assistance for Needy Families Program Eliminate Funding for the Social Services Block Grant Eliminate Funding for the Community Services Block Grant Eliminate Funding for the Low Income Home Energy Assistance Program Eliminate the Community Development Block Grant Require Counting of Income from Ineligible Noncitizens When Calculating Food Stamps Benefits	Robert Rector
	Sunset Head Start to Make Way for Better State and Local Alternatives Eliminate Competitive and Project Grant Programs and Reduce Spending on Formula Grants	Lindsey Burke
	Decouple Federal Student Aid from Accreditation Eliminate the PLUS Loan Program Place Strict Lending Caps on All Federal Aid Programs Eliminate the Mandatory Funding Add-On to Pell Grants Remove the Cap on Interest Rates for Student Loans Eliminate All Time-Based and Occupation-Based Loan Forgiveness	Mary Clare Amselem
	Rescind "Gainful Employment" Regulations on For-Profit Higher Education Institutions Eliminate Funding for 21st Century Community Learning Centers Eliminate Comprehensive Literacy Development Grants Eliminate Federal Supplemental Educational Opportunity Grants Eliminate GEAR UP Eliminate Student Support and Academic Enrichment Grants Eliminate Supporting Effective Instruction State Grants Eliminate Competitive Teaching Grant Programs	Lindsey Burke
	Privatize the Corporation for Public Broadcasting	Justin Bogie and Michael Gonzalez

heritage.org

TABLE 9

Heritage Experts by Proposal (Page 4 of 4)

SUBCOMMITTEE	PROPOSAL	EXPERT(S)
Labor, Health and Human Services, Education (cont.)	Eliminate the Corporation for National and Community Service Eliminate Funding for the Institute of Museum and Library Services Cut the Annual Smithsonian Institution Subsidy by 20 Percent and Cap It at That Amount	Justin Bogie
	Reduce Funding for the Department of Education's Office for Civil Rights	Melanie Israel
	Reform Medical Liability for Federal Health Programs	Hans von Spakovsky
	End Provider Taxes in Medicaid	Nina Schaefer
	Consolidate and Reform the Financing of Graduate Medical Education Programs Modify Payments to Hospitals for Uncompensated Care in Medicare and Medicaid	Ed Haislmaier
Legislative Branch	Eliminate Funding for the Stennis Center for Public Service Leadership	Justin Bogie
	Eliminate Funding for Congressional Subsidies for the Affordable Care Act's Health Insurance Exchange	Robert Moffit
Military Construction, Veterans Affairs	Cap GI Bill Flight Training Benefits	Romina Boccia and David Ditch
	End Enrollment in VA Medical Care for Veterans in Priority Groups 7 and 8	Romina Boccia
	Put a 10-Year Time Limit on Initial Applications for Disability Compensation for Veterans Eliminate Concurrent Receipt of Retirement Pay and Disability Compensation for Veterans Narrow Eligibility for Veterans Disability by Excluding Disabilities Unrelated to Military Duties	Romina Boccia and David Ditch
Multiple Subcommittees	Stop Paying Federal Employees Who Work on the Clock for Outside Organizations	Rachel Greszler
	Repeal the Davis–Bacon Act	Nick Loris and David Ditch
	Extend FCC Spectrum Auction Authority	James Gattuso
State, Foreign Operations, and Related Programs	End Funding for the United Nations Intergovernmental Panel on Climate Change and the United Nations Framework Convention on Climate Change	James Roberts
	End Funding for the United Nations Development Program	Brett Schaefer
	Eliminate Funding for the United Nations Population Fund	Melanie Israel
	Enforce the Cap on United Nations Peacekeeping Assessments End U.S. Funding for the United Nations Relief and Works Agency for Palestine Refugees	Brett Schaefer
	Eliminate Funding for the Global Environment Facility	Nick Loris and Katie Tubb
	Partially Withhold Assessed U.S. Payments to the Organisation for Economic Cooperation and Development (OECD) Eliminate the U.S. Trade and Development Agency Overhaul U.S. Development Assistance Programs Eliminate the State Department's Assistance for Europe, Eurasia, and Central Asia (AEECA) Account Eliminate the African Development Foundation and the Inter-American Foundation Close the 15 Smallest USAID Overseas Missions	James Roberts
Transportation, Housing, and Urban Development	Eliminate the Transportation Department's Essential Air Service Program Eliminate the Appalachian Regional Commission Eliminate Subsidies for the Washington Metropolitan Area Transit Authority Eliminate Grants to the National Rail Passenger Service Corporation (Amtrak) Close Down the Transportation Department's Maritime Administration and Repeal the Maritime Jones Act Eliminate the Transportation Department's Capital Investment Grants Privatize the Transportation Department's Saint Lawrence Seaway Development Corporation Eliminate the National Infrastructure Investment (TIGER) Program Eliminate the Transportation Department's Airport Improvement Program and Reform Airport Funding Phase Out the Transportation Department's Federal Transit Administration	David Ditch
	Eliminate Allocations to the Housing Trust Fund and Capital Magnet Fund Eliminate the Home Equity Conversion Mortgage Program	Joel Griffith

heritage.org

Founded in 1973, The Heritage Foundation is a research and educational institution—a think tank—whose mission is to formulate and promote conservative public policies based on the principles of free enterprise, limited government, individual freedom, traditional American values, and a strong national defense.

We believe the principles and ideas of the American Founding are worth conserving and renewing. As policy entrepreneurs, we believe the most effective solutions are consistent with those ideas and principles. Our vision is to build an America where freedom, opportunity, prosperity, and civil society flourish.

Heritage's staff pursues this mission by performing timely, accurate research on key policy issues and effectively marketing these findings to our primary audiences: members of Congress, key congressional staff members, policymakers in the executive branch, the nation's news media, and the academic and policy communities.

Governed by an independent Board of Trustees, The Heritage Foundation is an independent, tax-exempt institution. Heritage relies on the private financial support of the general public—individuals, foundations, and corporations—for its income, and accepts no government funds and performs no contract work. Heritage is one of the nation's largest public policy research organizations. Hundreds of thousands of individual members make it one of the most broadly supported think tanks in America.

For more information, or to support our work, please contact The Heritage Foundation at (800) 544-4843 or visit **heritage.org**.

Visit online to download and share at:

heritage.org/BlueprintForBalance

ISBN 978-0-89195-169-8

9 780891 951698 >

The Heritage Foundation

214 Massachusetts Ave., NE
Washington, DC 20002 | heritage.org