BACK IN BLACK

A Deficit Reduction Plan

Senator Tom Coburn, M.D.

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Executive Summary

BACK IN BLACK

Washington is again waiting until the last minute to avoid a "crisis"— a crisis foreseen years in advance and created by Congress itself. For far too long, Washington politicians from both parties have spent money we do not have for things we do not need. As a result, the national debt now exceeds $14 trillion, $4 trillion of which was added in just the past three years. Now those who created this debt want us to believe the only solution is to simply borrow more money.

But any debt increase not accompanied with meaningful savings will only temporarily postpone the inevitable. Real choices must be made to reduce spending, increase revenues, or both. If Washington does not begin making these difficult choices today, those decisions will be made for us tomorrow and the results could be catastrophic. The only guaranteed entitlements for future generations will be debt and lower standards of living.

Our increasing government debt will "result in lower incomes than would otherwise occur, making future generations worse off," warns the non-partisan Congressional Budget Office. "Higher debt would make it harder for policymakers to respond to unexpected problems, such as financial crises, recessions, and wars. Higher debt would increase the likelihood of a fiscal crisis, in which investors would lose confidence in the government's ability to manage its budget and the government would thereby lose its ability to borrow at affordable interest rates."

Special interests and politicians would have us believe any proposed savings resulting from reducing spending will unfairly harm the disadvantaged. This is absolutely not true. The federal budget is bloated with hundreds of billions of dollars of waste, fraud and duplication.

Consolidating overlapping programs can actually improve efficiency while reducing costs. A recent Government Accountability Office (GAO) report exposed how duplication within the federal government is wasting hundreds of billions of dollars *every year*. "This fragmentation can create difficulties for people in accessing services as well as administrative burdens for providers who must navigate various application requirements," GAO noted. "The lack of coordination" caused by duplication poses a "barrier to the delivery of services" to those in need, according to GAO.

Improving the management of programs can also save billions of dollars. The federal government is overpaying pharmaceutical companies nearly $4 million a month for drugs provided by some federal health programs, for example. Likewise, Washington paid over $1 billion in benefits to the deceased over the past decade. Fixing these and other mismanagement will not only save tax dollars, but also ensure more, rather than less, resources to provide aid to eligible beneficiaries.

But in this era of trillion dollar annual deficits, even saving hundreds of billions of dollars is not enough. Tough choices will still be necessary. Everyone is going to feel a pinch. For some it may be a sting. Everyone will be asked to do more with less. This includes Members of Congress,

government employees and contractors, millionaires, and even the White House and Pentagon. We are all in this together and, therefore, we all must be part of the solution.

When we are borrowing forty cents for every dollar we spend, we cannot afford excuses. We must review every department, every program, and every expenditure for potential savings. If you cannot find waste in any part of the federal budget, whether health care programs, defense spending, or even the tax code, it can only be for one reason—you have not looked.

The federal government has become so large, it is impossible to grasp its true size and scope or to pay for its costs. Nearly every corner of the federal government is rife with duplication, mismanagement, and special interest carve outs. Each is protected by an entrenched bureaucracy, a well financed lobbying group, an active and organized constituency, and an entrenched politician, which time and again align to best any efforts to reform, cut, or eliminate government waste. Perhaps there is no better recent example of this phenomenon then when only 15 of 100 senators voted to defund the infamous Bridge to Nowhere in Alaska which had become *the* national symbol of government waste.

Eventually commonsense prevailed when taxpayer outrage accomplished what a vote in the Senate could not. Not only was the bridge stopped, the entire favor factory within Congress that allowed lawmakers to dole out tax dollars to special interests for parochial pet projects long defended by politicians in both parties was shut down. A decade earlier, similar widespread public demand forced Washington to overhaul welfare. These efforts, both of which were made possible with bipartisan support, are the models for returning fiscal sanity to our nation's budget.

The public is again demanding action but Washington is playing a game of partisan budget brinksmanship. The problems we face are too big to be caught up in political posturing and they will not be solved without the cooperation of members of both parties.

Most of our excesses are the result of decades of Congress overstepping the limited powers granted to the federal government by the U.S. Constitution. Government is so vast, complicated, and protected by special interests, it has become nearly impossible for even most lawmakers to navigate. As a result, overly simplistic solutions that will not solve the problem are being proposed, such as "capping" spending at unsustainable levels, reforms to the budget process that cannot guarantee spending reductions, raising taxes on millionaires, or increasing the government's borrowing authority.

A thorough review of the entire federal budget is long overdue. Such an evaluation should not be seen through political or ideological lenses, but as a practical evaluation: What works and what does not? What is a priority and what is not? What is in the national interest and is a special interest? What is necessary today and what has become obsolete? And what is efficient and what is wasteful?

This report does just that. It provides a plan to put the U.S. back in black by identifying $9 trillion in very specific savings that can be achieved over the next decade. These savings are derived from consolidating duplication, weeding out waste, eliminating special interest subsidies, reducing overhead costs, demanding results, and setting priorities.

This plan recognizes all spending is not created equal by asking those with more to take less to ensure those who gave more will not be left with nothing. It ensures health care for wounded combat veterans, while ending unemployment benefits for jobless millionaires.

It ensures initiatives benefitting all Americans continue to receive sufficient support while eliminating those benefitting a select few. Medical research to unlock cures for cancer and other afflictions conducted by the National Institutes of Health would continue to receive modest funding increases every year, while tax breaks for Hollywood movie producers would be ended.

Social Security is protected for future generations by giving more to those with less and less to those with more. The life of Medicare is extended without changing the fundamentals of the program. Our national defense is protected while eliminating over $1 trillion in Pentagon waste and excess. Foreign aid to nations who are making money by loaning the money back to us is cut off while maintaining our commitments to our allies and needy nations who rely upon our continued generosity to combat disease and poverty.

The debt is the real threat to our future and our national security. More than $1.5 trillion is projected to be added to our $14.4 trillion national debt every year for the foreseeable future. These colossal amounts are dwarfed by the $61.6 trillion in additional unfunded obligations promised by the federal government. These commitments include Social Security payments and federal retirement programs, which have been raided by Congress to pay for other programs.

We cannot guarantee retirement programs for the elderly, protect the safety net for the poor, or preserve the American Dream for future generations if we do not end Washington's unsustainable borrowing and spending. While the federal government is bailing out banks, corporations, and government programs and trust funds, we are bankrupting our nation in the process and there is no one who can bail us out when that happens.

To avoid such a catastrophe, this report provides perhaps the most detailed deficit reduction plan ever proposed. It is the result of a thorough review of every federal department, agency, program, and mission. It does not rely on gimmicks. It does not postpone spending cuts to future years. It does not defer decisions to commissions or future generations. It provides honest and thoughtful reasons for savings everywhere in the federal government, from entitlement programs to defense spending, and even the tax code, based upon facts rather than ideology or political posturing.

Taken together, this report provides a balanced plan that protects our priorities but asks *every* American to make some sacrifices today to ensure future opportunities for our children and grandchildren.

METHODOLOGY

To assemble the hundreds of spending reductions and cost saving reforms proposed in *Back in Black*, the Office of Senator Tom Coburn spent thousands of hours thoroughly reviewing department and program missions, performance evaluations, budget justifications, and grant awards, as well as reports and audits issued by the Government Accountability Office (GAO), Inspectors General, the Office of Management and Budget (OMB), the Congressional Budget Office (CBO), and the Congressional Research Service (CRS), the recommendations of a variety of budget and public policy experts, and oversight reports and investigations conducted by Senator Coburn's staff on the Senate Homeland Security and Government Affairs.

For the discretionary savings estimates, cost estimates were derived from multiple entities, including CBO, OMB, and CRS.

Every department and virtually every major government program was evaluated to determine if one or more of the following criteria was applicable:

•**Not Needed** — Serves no vital or essential federal role or has outlived its intended purpose.
•**Does Not Meet Any Need** — Little or no evidence to demonstrate results or effectiveness achieving stated goals.
•**Wasteful** — Significant amounts of silly or unjustifiable expenditures.
•**Duplicative** — Duplicates or overlaps existing government agencies or initiatives.
•**Not a Priority at this Time** — Mission cannot be justified within today's budgetary constraints.
•**Not Cost Efficient** — Benefits do not exceed the costs.
•**Parochial** — Serves a local or special interest with no overriding federal role and exceeds the limited powers granted to Congress enumerated in Article 1, Section 8 of the U.S. Constitution.
•**Mismanaged** — Significant amounts of erroneous, fraudulent and improper expenditures, excessive overhead and administrative costs, or otherwise poorly administered or implemented.

The revenue savings proposed in *Back in Black* relied upon an evaluation of certain components within the tax code by the Office of Senator Tom Coburn as well as research and estimates conducted by the Joint Committee on Taxation, Taxpayer Policy Center, Committee for a Responsible Federal Budget, GAO, CRS, CBO, and the Treasury Inspector General for Tax Administration. The tax expenditures, loopholes, or tax subsidies were evaluated to determine whether one or more of the following criteria applied:

- **Spending** — Provision is spending provided through the tax code.
- **Questionable Policy** — Tax provision incentivizes behaviors with consequences that are not national priorities.
- **High Rate of Waste or Fraud** — Significant amount of improper payments or fraud.
- **Duplicative** — Provision duplicates other benefits provided by the federal government.
- **Special Interest Earmark** — Provision benefits only a narrow group or industry.

Proposals to eliminate, consolidate, reform, or end a provision within the tax code were reached based upon the results of this evaluation.

For the Medicare and Medicaid programs, resources from the National Commission on Fiscal Responsibility and Reform, CBO, and the Department of Health and Human Services' Office of Inspector General were utilized.

For the Social Security and disability programs, numerous reports and recommendations were considered, including those of the Social Security Advisory Board, the SSA Office of Inspector General, and GAO as well as suggestions from CBO were reviewed. Staff also conducted a number of interviews with individuals within SSA, who provided insight on agency practice and interpretation of statutes and regulations.

The Social Security Office of the Actuary analyzed Senator Coburn's proposed reforms to the Social Security OASI and SSDI programs and determined the plan provides trust fund solvency for at least 75 years.

Most of our excesses are the result of decades of Congress overstepping the limited powers granted to the federal government by the U.S. Constitution.

GENERAL GOVERNMENT

With the country facing unprecedented levels of debt, taxpayers expect the federal government to run more efficiently, guarding against careless waste of precious recourses. It is essential Congress, the administration, and federal agencies do everything in their power to cut spending, reduce duplication, and reign in waste, fraud, and abuse. This chapter includes more than 20 recommendations, saving taxpayers billions of dollars frivolously lost every year by an enormous government bureaucracy.

Three Year Freeze on Pay and Bonuses for Federal Employees

Federal workers receive an automatic annual increase known as a cost-of-living-adjustment (COLA). In addition, they can be eligible for recruitment, relocation, retention and performance bonuses worth many thousands of dollars more. [1]

According to the National Commission on Fiscal Responsibility and Reform (Fiscal Commission), COLAs have grown the federal payroll more than five percent in the past two years.[2] This proposal would institute a three-year government-wide freeze on federal pay at every government agency, including the Department of Defense civilian workforce. In addition, this proposal would freeze other bonuses for the same period, saving taxpayers $144.4 billion over ten years.[3]

Reduce the Size of the Federal Workforce by 15 Percent or 300,000

The National Commission on Fiscal Responsibility and Reform recommended a reduction in the federal workforce of ten percent or 200,000 by 2015.[4] In a recent Wall Street Journal op-ed, noted government expert Professor Paul C. Light of New York University recommended reducing mid-level management in government, cutting the number of appointees, mid-level and senior managers by a third, and boosting attrition in these areas by freezing new hires to replace departed managers.[5]

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[1] P. L. 108-411

[2] The National Commission on Fiscal Responsibility and Reform, "The Moment of Truth", December 2010, recommendation 1.10.3, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf.

[3] These are 10-year staff estimates extrapolated from scoring data utilized by the National Commission on Fiscal Responsibility and Reform.

[4] The National Commission on Fiscal Responsibility and Reform, "The Moment of Truth", December 2010, recommendation 1.10.4, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf.

[5] Light, Paul C., "The Easy Way Washington Could Save $1 Trillion," *The Wall Street Journal*, July 7, 2011, http://online.wsj.com/article/SB10001424052702304760604576428262419935394.html, accessed July 13, 2011.

This proposal would reduce the federal workforce by 15 percent, or 300,000 federal employees, over ten years. The reduction would be accomplished through attrition and would allow agencies to hire two new employees for every three who have retired or left the federal government.[6] In addition, this proposal would also require each agency to quarterly track the number of federal employees. In total, this reform will generate savings of $229 billion over ten years.[7]

Reduce the Size of the Federal Contractor Workforce by 15 Percent

This proposal, similar to proposals from the Fiscal Commission and Professor Light, would require all federal agencies, including the Department of Defense, to cut the number of contract employee slots by 15 percent. In its final report, the fiscal commission called for cutting 250,000 contract employees, while Light recommended a reduction of 500,000. [8,9]

According to the Government Accountability Office, "since fiscal year 2006, civilian agencies have obligated over $100 billion annually to obtain a range of services from contractors. Almost 80 percent of contract obligations made by civilian agencies in fiscal year 2010 were for service contracts."[10] As with the Fiscal Commission's proposal, all agencies including DoD would be required to provide an annual headcount of how many employees are working on federal contracts, and what specific jobs they are fulfilling.[11] This proposal would save an estimated $233 billion over ten years.[12]

Reduce and Restrict Government Printing

Encouraging federal employees to hit the print icon less every day could save taxpayers $440 million each year. A report finds that federal agencies – excluding the Department of Defense – spend nearly $1.3 billion a year on office printing.[13] Of these printing costs, the study identifies $440.4 million a year – 34 percent –spent on unnecessary printing.[14] These figures do not include the funds agencies spend to publish various documents for public consumption, but rather the estimated annual printing expenditures based on the average federal civilian employee.

The studies noted few agencies had established or enforced printing guidelines detailing when it was appropriate and inappropriate for employees to print documents. Eighty-nine percent of federal

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[6] The Fiscal Commission also recommended hiring two workers for every three who have retired or left the federal government.
[7] These are 10-year staff estimates extrapolated from scoring data utilized by the National Commission on Fiscal Responsibility and Reform.
[8] The National Commission on Fiscal Responsibility and Reform , $200 billion in Illustrative Savings, November 12, 2010, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.
[9] Light, Paul C., "The Easy Way Washington Could Save $1 Trillion," *The Wall Street Journal*, July 7, 2011, http://online.wsj.com/article/SB10001424052702304760604576428262419935394.html, accessed July 13, 2011.
[10] Government Accountability Office, "OMB Service Contracts Inventory Guidance and Implementation", May 27, 2011, http://www.gao.gov/products/GAO-11-538R.
[11]The National Commission on Fiscal Responsibility and Reform , $200 billion in Illustrative Savings, November 12, 2010, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.
[12] These are 10-year staff estimates extrapolated from scoring data utilized by the National Commission on Fiscal Responsibility and Reform.
[13] Website of the Government Printing Report, "2009 Government Printing Report – A Closer Look at Costs, Habits, Policies, and Opportunities for Savings", Lexmark, May 12, 2009, http://www.governmentprintingreport.com/.
[14] Website of the Government Printing Report, "2009 Government Printing Report – A Closer Look at Costs, Habits, Policies, and Opportunities for Savings," Lexmark, May 12, 2009, http://www.governmentprintingreport.com/.

employees reported their agencies do not have formal printing policies in place.[15] This reduction will save taxpayers an estimated $4.9 billion over ten years.

Reduce Civilian Agencies' Travel Budgets by 75 Percent

The federal government's annual travel budget is $15 billion,[16] and has seen significant growth in the last decade. Non-defense travel grew from $3 billion in 2001 to over $5 billion in 2007.[17]

The President's Fiscal Commission noted that web-based training and teleconferencing makes it much easier for agencies to perform their mission without travel. While this reduction may seem severe, state and local governments are cutting back even more when it comes to travel. California for example, has banned all travel "unless it is mission-critical or there is no cost to the state.[18] Several Maryland counties have reduced or eliminated travel to out-of-state conferences.[19] One Maryland county executive was quoted as saying "'Traveling out-of-state to conferences, and in this economic climate … I'm not going to allow that to occur'".[20]

This proposal would reduce the travel budgets of civilian agencies by 75 percent. In addition to cutting the travel budget, the proposal would also require agencies to hold 10 percent of their travel budget in reserve until the last month of each fiscal year.[21] Reducing the federal government travel budget would save $43.3 billion over ten years.

Eliminate Reemployed Annuitant Double Dip

Under current law, an agency must receive a waiver from the Office of Personnel Management (OPM) to rehire a retiree, also known as an annuitant. In most rehirings, the annuitant continues to receive a full annuity; however, the salary is reduced by the amount of the annuity payment.[22] If an agency claims an urgent need, however, it can hire an individual with both a full salary and a full pension. Such cases, known as "double-dippers," can cost the taxpayer over $55 million a year.[23]

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[15] Website of the Government Printing Report, "2009 Government Printing Report – A Closer Look at Costs, Habits, Policies, and Opportunities for Savings," Lexmark, May 12, 2009, http://www.governmentprintingreport.com/.
[16] The National Commission on Fiscal Responsibility and Reform , $200 billion in Illustrative Savings, November 12, 2010, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.
[17] The National Commission on Fiscal Responsibility and Reform , $200 billion in Illustrative Savings, November 12, 2010, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.
[18] Office of Governor Edmund Brown, "Governor Brown Bans Non-Essential Travel" http://dl5.activatedirect.com/fs/distribution:wl/ze7pzanwmhlzgt/znteu3vaczt2a3/daid/zntlmxqkfk6b1s?_c=d%7Cz
[19] Maryland Association of Counties, "Counties Reducing Travel and Training Budgets", May 14, 2010, http://conduitstreet.mdcounties.org/2010/05/14/counties-reducing-travel-and-training-budgets/.
[20] Maryland Association of Counties, "Counties Reducing Travel and Training Budgets", May 14, 2010, http://conduitstreet.mdcounties.org/2010/05/14/counties-reducing-travel-and-training-budgets/.
[21] Progressive Policy Institute, Return to Fiscal Responsibility II, April 2007, http://www.dlc.org/documents/Fiscal_Responsibility_04302007.pdf.
[22] sections 8344 and 8468 of title 5
[23] Staff estimate. According to CBO, the average retired federal employee retired with 28 years of service and falls within GS grades 10 to 13 (average salary of the four pay scales is $65,551). To come up with this estimate, staff first

The number of "double-dippers" has increased dramatically over the past decade. In 2000, OPM counted over 650 federal employees who received waivers making them eligible for both salary and annuity. [24] By 2007, the most recent numbers available, OPM saw a nearly six-fold increase in their numbers, to over 3,000. [25] The number of double-dippers is assumed to have grown since then, in part due to a provision in the 2010 National Defense Authorization Act, which extended agencies' ability to offer double-dipping to part-time employees.[26]

This proposal eliminates the ability of annuitants to receive both retirement and salary, saving at least $611 million over ten years. Agencies need to do a better job at succession planning which would eliminate, in most cases the need for this practice. This recommendation would not impact the part-time hiring authority provided in the National Defense Authorization Act of 2010.

Reduce the Number of Limousines Owned by Federal Agencies

In the past two years, the federal government's limousine fleet has grown by an astounding 73 percent.[27] The government owned 238 limos in 2008, but by 2010, that number reached 412.[28]

The winner of the most luxury limousine purchases goes to the State Department whose fleet grew from 65 limos in 2008 to 259 in 2010. According to the State Department, the most common type of limo purchased is a Cadillac that has a base price of $60,000.[29] To set an example for the American people and remove the perception of government excess, the federal government should reduce the number of limousines down to 2008 levels and save $115.5 million over ten years.

Reduce Non-Limousine Federal Vehicle Fleet Budget by 20 Percent

This proposal echoes one made by the National Commission on Fiscal Responsibility and Reform.[30] At last count, federal agencies owned or leased over 662,000 cars, vans, sport-utility vehicles,

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calculated an estimated annuitant which would be roughly $18,354. That number was then multiplied by 3,000 - the number of reemployed annuitants; http://www.cbo.gov/ftpdocs/78xx/doc7874/03-15-Federal_Personnel.pdf; OPM retirement computation page, http://www.opm.gov/retire/pre/fers/computation.asp.

[24] Information provided to staff by OPM, OPM's Central Personnel Data File

[25] Information provided to staff by OPM, OPM's Central Personnel Data File

[26] P.L. 111-84.

[27] Joe Eaton, The Center for Public Integrity, May 31, 2011, http://www.iwatchnews.org/2011/05/31/4765/limousine-liberals-number-government-owned-limos-has-soared-under-obama.

[28] Joe Eaton, The Center for Public Integrity, May 31, 2011, http://www.iwatchnews.org/2011/05/31/4765/limousine-liberals-number-government-owned-limos-has-soared-under-obama.

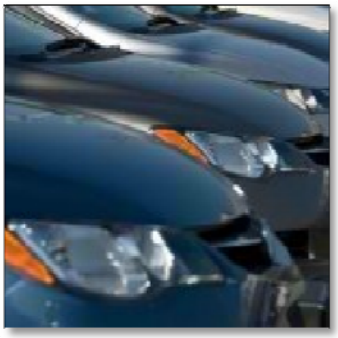
[29] Joe Eaton, The Center for Public Integrity, May 31, 2011, http://www.iwatchnews.org/2011/05/31/4765/limousine-liberals-number-government-owned-limos-has-soared-under-obama.

[30] The National Commission on Fiscal Responsibility and Reform, "The Moment of Truth", December 2010, recommendation 1.10.5, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf

trucks, buses and ambulances.[31] According to the Government Accountability Office, these vehicles consume about one million gallons of fuel per day.[32]

Since 2006, the federal vehicle fleet has grown by five percent. Meanwhile, the cost of maintaining and servicing those vehicles has grown over 25 percent, to $4.6 billion.[33]
It is unclear why some agencies need many of the vehicles they own. For example, the National Science Foundation, which issues grants and does no outdoor field research and the Broadcasting Board of Governors, which counts only nine members, each have 53 SUVs.[34]

In 2009, the Air Force demonstrated that agencies can do what this proposal calls for. It was able to reduce its non-tactical vehicle fleet by more than 3,250, without reducing its ability to conduct its mission.[35] In addition, each agency Inspector General should review the use of their respective agencies' vehicles as part of the effort to find further savings. This proposal would not apply to the Postal Service or the Department of Defense. Reducing the federal vehicle fleet by 20 percent will save the federal government $5.6 billion over ten years.



Prohibit the Use of Project Labor Agreements on Federal Contracts

For decades, Project Labor Agreements (PLAs) have been used by the federal government on large contracts, particularly construction projects. They require bidders on the projects to promise to adhere to union work rules and wage scales, and pay into union pension funds, even when non-union workers are assigned to the project.

Supporters argue PLAs reduce the possibility and cost of disputes and delays which would otherwise flare on worksites that do not have a single, uniform set of employment standards and protections.[36]

However, studies reveal PLAs can reduce competition, increase costs for taxpayers (by some estimates up to 10-12 percent per project), and add layers of bureaucracy and red tape to federal construction projects.[37]

In February 2009, the president issued Executive Order 13502 to encourage executive agencies to consider requiring the use of PLAs when they engage in large-scale construction projects. In the

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[31] General Services Administration, 2010 Federal Fleet report, http://www.gsa.gov/portal/content/242645.
[32] Government Accountability Office, "Opportunities to Reduce Potential Duplication in Government Programs, save Tax Dollars, and Enhance Revenue", page 55, http://www.gao.gov/new.items/d11318sp.pdf.
[33] General Services Administration, 2006 Vehicle Fleet report, http://www.gsa.gov/graphics/ogp/FFR2006_030707_R20065S-s_0Z5RDZ-i34K-pR.pdf.
[34] General Services Administration, Vehicle Management Library, http://www.gsa.gov/portal/content/102943.
[35] General Services Administration, 2009 Vehicle Fleet report, http://www.gsa.gov/graphics/ogp/FedealFleetReport2009rev.pdf
[36] White House, "Executive Order, Use of Project Labor Agreements on Federal Construction Projects," Feb. 6, 2009, http://www.whitehouse.gov/the-press-office/executive-order-use-project-labor-agreements-federal-construction-projects, accessed July 13, 2011.
[37] Sept. 23, 2009 study by the Beacon Hill Institute (BHI), "Project Labor Agreements on Federal Construction Projects: A Costly Solution in Search of a Problem, http://www.beaconhill.org/BHIStudies/PLA2009/PLAFinal090923.pdf

April 13, 2010 *Federal Register*, a final rule was published implementing this Executive Order on construction projects costing more than $25 million.

In a 2009 study, one conservative think tank estimated if the executive order had been in effect in 2008, federal construction projects that year would have cost taxpayers an additional $1.6 billion to $2.6 billion.[38] Regulations implementing PLAs should be repealed to ensure the most efficient use of taxpayer money. Eliminating PLAs would save $17.7 billion over ten years.[39]

Eliminate Hollywood Liaison Offices

Several federal departments and agencies maintain offices and programs for the purpose of helping Hollywood produce movies and television programming, often with the goal of ensuring producers positively portray the federal government. These agencies have at least 14 employees with a combined salary total of $1.2 million,[40] including:[41]

- The Department of Homeland Security, with one federal employee;
- The United States Air Force, with two employees;
- The United States Coast Guard, with three coast guard employees;
- The United States Marine Corps, with four employees; and
- The United States Navy, with four employees.

The Centers for Disease Control's (CDC) Entertainment Education Program collaborates with Hollywood to raise awareness and encourages people to live healthier lives. The CDC has worked with shows such as Grey's Anatomy, and Army Wives.[42] In other words, the CDC spends $1.9 million to ensure that when a made up character in a fictitious TV show talks about a health topic, he or she talks about it accurately.[43]

Taxpayers should ask the question: should the CDC and other federal agencies spend $3.2 million annually to help Hollywood develop its plotlines? If Congress eliminates these offices, taxpayers could see savings of $34.4 million over ten years.

Eliminate the Use of Non-Competitive and Cost Plus Government Contracts

According to OMB, the federal government spends over $500 billion annually on federal contracts.[44] Competition helps to ensure that the government receives the highest-quality products

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[38] Sept. 23, 2009 study by the Beacon Hill Institute (BHI), "Project Labor Agreements on Federal Construction Projects: A Costly Solution in Search of a Problem, http://www.beaconhill.org/BHIStudies/PLA2009/PLAFinal090923.pdf

[39] $1.6 billion was used to calculate the savings over ten years.

[40] Information provided by CRS on November 3, 2010. CRS provided the number of employees in the agencies noted as well as an estimate on salaries.

[41] Information provided by CRS on November 3, 2010.

[42] The Centers for Disease Control, The CDC's Health Out Loud, December 21, 2010, http://blogs.cdc.gov/healthoutloud/2010/12/21/129/.

[43] Oversight report by Senator Tom Coburn, "CDC off Center", June 2007, http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=f016bd58-8e45-45d4-951a-b6b4d1ef3e70.

for the least amount of money. Without competition, earmarks and no-bid contracts have caused the American taxpayer to spend untold billions on wasteful purchases.

According to a 2010 *Government Executive* article, non-competitive contracts have been a systemic and costly problem in the federal government. The article states that "from fiscal 2000 through fiscal 2008, sole-source contracts leapt from $73 billion to $173 billion. Contracts with one bid, meanwhile, skyrocketed from $14 billion to $67 billion."[45] The Government Accountability office found in 2009, the government spent $170 billion on noncompetitive contracts.[46]

Examples of abuse abound:

- A 2007 DoD Inspector General report reported that DoD awarded "sole-source" contracts valued at $2.2 billion to two companies for armored vehicles. The report found that the no-bid contracts risked the lives of U.S. troops in Iraq due to malfeasance in awarding and monitoring of the contracts.[47]
- A 2006 DoD IG report found that for 6 of 14 sole-source purchases reviewed, procurement officials did not provide adequate justification for sole-source procurements.[48]
- The Census Bureau entered into a no-bid contract with the Harris Corporation to produce the handheld computers for the 2010 Census. The contract cost $600 million and handheld computers were a failure.[49]
- The Legal Service Corporation IG found that 37 of the 38 consultant contracts it reviewed had not been competitively bid. [50]
- In February 2008, the Department of Interior Inspector General issued a report that stated "the Department's current practices have abused sole source contracting by: modifying the scope of originally competed contracts, resulting in de-facto sole source contracts; using justifications for other than full and open competition that were questionable or not properly documented in the contract files; and failing to establish fair value pricing for sole source contracts, including Section 8(a) contracts."[51]

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[44] Presidential Memoranda on Contracting, March 4 2009, http://www.whitehouse.gov/the_press_office/Memorandum-for-the-Heads-of-Executive-Departments-and-Agencies-Subject-Government/

[45] Robert Brodsky, *Government Executive,* "Agencies reduce use of noncompetitive, high-risk contracts", July 7, 2010, http://www.govexec.com/dailyfed/0710/070710rb1.htm.

[46] Government Accountability Office, "Opportunities to Reduce Potential Duplication in Government Programs, save Tax Dollars, and Enhance Revenue", http://www.gao.gov/ereport/GAO-11-318SP/data_center_savings/General_government/Promoting_competition_for_the_over_$500_billion_in_federal_contracts_can_potentially_save_billions_of_dollars_over_time#1.

[47] "Procurement Policy for Armor Vehicles, report number D-2007-107, http://www.dodig.mil/Audit/reports/FY07/07-107.pdf.

[48] FY 2005 DoD Purchases Made Through the General Services Administration , http://www.dodig.mil/Audit/reports/FY07/07-007.pdf.

[49]Michael Posner, National Journal Daily, Members Fault Census Bureau For Mismanaging Contract http://www.nationaljournal.com/daily/members-fault-census-bureau-for-mismanaging-contract-20080410?print=true.

[50] Legal Services Corporation, Office of the Inspector General, July 7, 2009, http://oig.lsc.gov/reports/0905/au09-05.pdf.

[51] Department of Interior IG Report, "Sole Source Contracting: Culture of Expediency Curtails Competition in Department of the Interior Contracting", (Report No. W-EV-MOA-0001-2007). Page 8

- That same report highlights a National Park Service's illegal sole source contract for the Washington Monument grounds work that "increased the contract value from $5 million to $44.5 million."[52]
- An April 2006 GAO report found one contract where the Interior Department did not consider any alternatives other than sole-source contracting with 8(a) Alaska Native Corporation firms.[53]

President Obama has made this issue a priority for his administration and has set a goal to reduce contract spending by $40 billion annually. He issued guidance to all federal agency heads outlining problems associated with government contracting, which included "a significant increase in the dollars awarded without full and open competition."[54] While reducing these wasteful contracts is a step in the right direction, Congress should prohibit them altogether to realize at least $2 billion in savings.[55]

Reduce Agency Advertising Budgets by 50 Percent

According to the Congressional Research Service, the government spent almost $1 billion on advertising in 2010.[56] As the number of government programs grows, so does the funding for promoting advertising for these programs. As the CRS report points out, not all advertising for the federal government is controversial, such as advertising for federal job openings and federal property for sale. Advertising, however, to advocate government programs is not as clear cut.[57]

In 2010, the following five agencies spent the most for advertising:[58]

- Department of Defense: $545 million;
- Department of Commerce: $148 million;
- Department of Health and Human Services: $78 million;
- Department of the Treasury: $46 million; and
- Department of Transportation: $37 million.

A 2007 Progressive Policy Institute (PPI) fiscal study called for the reduction in government spending on advertising contracts.[59] While their recommendation was only a 10 percent reduction

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[52] Department of Interior IG Report, "Sole Source Contracting: Culture of Expediency Curtails Competition in Department of the Interior Contracting (Report No. W-EV-MOA-0001-2007)."
[53] Government Accountability Office, "Increased use f Alaska Native Corporation's Special 8(a) Provision calls for Tailored Oversight",GAO-06-399,April 2006.
[54] White House Press Release, "Memo for Heads of Executive Departments and Agencies", March 4, 2009, http://www.whitehouse.gov/the_press_office/Memorandum-for-the-Heads-of-Executive-Departments-and-Agencies-Subject-Government/; http://www.whitehouse.gov/sites/default/files/omb/assets/blog/Update_on_Contracting_Reforms.pdf.
[55] According to the Government Accountability Office, increasing competition in government contracts will save billions of dollars; Government Accountability Office, "Opportunities to Reduce Potential Duplication in Government Programs, save Tax Dollars, and Enhance Revenue", page 55, http://www.gao.gov/new.items/d11318sp.pdf.
[56] Kevin Kosar, Congressional Research Service, Advertising by the Federal Government: an Overview", March 10, 2011.
[57] Kevin Kosar, Congressional Research Service, Advertising by the Federal Government: an Overview", March 10, 2011.
[58] Kevin Kosar, Congressional Research Service, Advertising by the Federal Government: an Overview", March 10, 2011.

in advertising contracts, the PPI study stated that at "a time of increased budget deficits, the federal government must ensure that agencies spend tax dollars wisely. Many of these media contracts and campaigns should not qualify as national priorities."[60] By reducing agencies advertising budgets by 50 percent, it would save $5.6 billion over ten years.

Freeze Federal Locality Pay for Five Years

The Federal Employees Pay Comparability Act of 1990 created locality pay to align salaries for federal employees with private sector pay scales in their geographic area.[61] According to the Office of Personnel Management, locality payments in 2011 were $13.7 billion.[62] In fiscal year 2012, the total payments would be $27.2 billion due to an increase of $13.6 billion from 2011.[63] Freezing locality pay would save an estimated $71 billion over ten years. [64]

Reduce Annual Spending on Federal Government Conferences

This proposal would seek to curb the amount federal agencies can spend on conferences by limiting conference spending for the entire federal government to $100 million annually. The government spent at least $2 billion on conferences between 2000 and 2006.[65] This is unacceptable given our current fiscal crisis.

While training for federal employees is important, these conferences can also be more rest and relaxation than training and coordination. For example, the Social Security Administration spent $770,000 on a conference in 2009 at the Biltmore Hotel in Phoenix, Arizona.[66] "The three-day conference included private dance recitals, paid motivational speakers, and an optional, non-government-funded casino trip."[67] Reducing spending in this area will save at least $1 billion over ten years.

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[59] Progressive Policy Institute, "Return to Fiscal Policy II", April 2007, http://www.dlc.org/documents/Fiscal_Responsibility_04302007.pdf.
[60] Progressive Policy Institute, "Return to Fiscal Policy II", April 2007, http://www.dlc.org/documents/Fiscal_Responsibility_04302007.pdf.
[61] U.S. Department of the Interior, Human Resource Page, http://www.doi.gov/hrm/pmanager/er8f1.html.
[62] U.S. Office of Personnel Management, Cost of Locality Payments, 2012 payments, http://www.opm.gov/oca/payagent/2010/LocalityPayments.asp.
[63] U.S. Office of Personnel Management, Cost of Locality Payments, 2012 payments, http://www.opm.gov/oca/payagent/2010/LocalityPayments.asp.
[64] According to OPM, the cost "estimates do not include government contributions for retirement, life insurance, or other employee benefits that may be attributed to locality pay," therefore the actual cost savings could potentially be higher.
[65] David Fredosso, *The Washington Examiner, "Government Conference Spending Gone Wild!", August 25, 2009,* http://washingtonexaminer.com/blogs/beltway-confidential/2009/08/government-conference-spending-gone-wild.
[66] David Fredosso, *The Washington Examiner, "Government Conference Spending Gone Wild!", August 25, 2009,* http://washingtonexaminer.com/blogs/beltway-confidential/2009/08/government-conference-spending-gone-wild.
[67] David Fredosso, *The Washington Examiner, "Government Conference Spending Gone Wild!", August 25, 2009,* http://washingtonexaminer.com/blogs/beltway-confidential/2009/08/government-conference-spending-gone-wild.

Support the President's Efforts to Reform Federal IT Management and Close Federal Government Computer Data Centers

In December of 2010, the administration released its 25 point plan to reform the way the federal government manages information technology.[68] Highlights of the plan include turnaround or terminate at least one-third of underperforming projects in IT portfolio by June 2012 and shifting to a "Cloud First" policy. [69]

One key point of the plan is reducing the number of federal data centers. According to the Office of Management and Budget, the federal government is operating more computer data centers than it needs, which comes with a hefty price tag. For example, the Government Accountability Office noted that the electricity costs alone run the federal government $450 million annually.[70]

There are roughly 2,100 federal data centers run by federal agencies.[71] The President has proposed closing 137 data centers this year, with a goal of closing 800 or 40 percent by 2015. As of April 2011, 39 of the 137 data centers have been closed.[72] If all of 800 targeted data centers are closed, OMB estimates the American taxpayer will save $3 billion by 2015.[73] Moving forward, Congress needs to give the Administration the support it needs and not bow to political pressures that would hinder agencies ability to close and consolidate these data centers. If enacted properly, the savings could be much higher than expected. According to a Technology CEO Council report, the potential savings could be anywhere between $150-200 billion over ten years.[74]

Eliminate the Financing of Presidential Election Campaigns and Party Conventions

In 1976, the Federal Election Commission (FEC) administered the country's first publicly funded federal election. Publicly funded campaigns are not funded out of the federal treasury, but are

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[68] Kundra, Vivek, Office of Management and Budget, "25 Point Implementation Plan to Reform Federal Information Technology Management", December 9, 2010, http://www.cio.gov/documents/25-Point-Implementation-Plan-to-Reform-Federal%20IT.pdf.

[69] Information provided in the 25 point plan.

[70] Testimony of Gene Dodaro, Government Accountability Office, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue" GAO-11-635T, May 25, 2011, http://www.gao.gov/new.items/d11635t.pdf

[71] Kundra, Vivek, Office of Management and Budget, "25 Point Implementation Plan to Reform Federal Information Technology Management", December 9, 2010, http://www.cio.gov/documents/25-Point-Implementation-Plan-to-Reform-Federal%20IT.pdf.

[72] Walker, Molly, Fierce Government IT, "Federal Data Centers Closures by the Number", April 29, 2011, http://www.fiercegovernmentit.com/story/federal-data-center-closures-numbers/2011-04-29.

[73] Johnson, Nicole Blake, *Federal Times*, "Administration: Closing data centers will save $3 billion", April 27, 2011, http://www.federaltimes.com/article/20110427/IT03/104270305/.

[74] Technology CEO Council, "One Trillion Reasons: How Commercial Best Practices to Maximize Productivity Can Save Taxpayer Money and Enhance Government Services", October 6, 2010, http://www.techceocouncil.org/clientuploads/reports/TCC_One_Trillion_Reasons_FINAL.pdf. GAO's March 2011 report, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue," also cites this study and potential savings, http://www.gao.gov/new.items/d11318sp.pdf.

funded by taxpayers who voluntarily contribute to the fund through their income tax return. A Congressional Research Service report states, "The principal justification behind presidential public financing has been to reduce the need for private money in politics."[75]

This system, however, has clearly failed to reduce the role of private money in the electoral process. According to the Federal Election Commission, "The Obama campaign's total receipts of $745.7 million for the 2008 election are equivalent to more than half of the $1.49 billion provided in public funds to all presidential candidates, parties, and conventions since the inception of the public funding program." and "It was the first time in the history of presidential public financing that a major party nominee declined to accept public funds for the general election."[76] By ending federal funding for presidential election campaigns and party conventions the Congressional Budget Office (CBO) estimates taxpayers would see a savings of at least $617 million over the next ten years.[77]

Ending Duplication in Federal Employment Agencies by Consolidating Functions at the Office of Personnel Management (OPM)

Federal employees and applicants for federal jobs are protected against discrimination, reprisal, and other prohibited practices by a number of independent executive branch agencies. Those agencies cost the taxpayer $487 million in 2010 alone.

Prior to the 1978 Civil Service Reform Act (CSRA), career executive branch employment affairs were handled by the U.S. Civil Service Commission, which sought to separate careers in government from the political pressures of the president's immediate chain-of-command. The CSRA eliminated the Commission and replaced it with the Office of Personnel Management (OPM), the Federal Labor Relations Authority (FLRA), and the Merit Systems Protection Board (MSPB). In 1989, the MSPB was further divided and an independent Office of Special Counsel (OSC) was created.

In addition to the aforementioned agencies, the U.S. Office of Government Ethics (OGE) and Equal Employment Opportunity Commission (EEOC) are in place to advise and protect federal employees. Originally created in 1978 as part of OPM, OGE was made an independent agency in 1989 by the Office of Government Ethics Reauthorization Act of 1988, with the mission to prevent conflicts of interest on the part of government employees and to resolve those conflicts that do occur. Originally created as part of the Civil Rights Act of 1964, the EEOC exists to enforce federal anti-discrimination laws against both private and public sector employers.

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[75] "Public Financing of Presidential Campaigns," Congressional Research Service, Garrett, Sam, January 28, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL34534&Source=search .

[76] "2008 Presidential Campaign Financial Activity Summarized: Receipts Nearly Double 2004 Total," Federal Election Commission, June 8, 2009, http://www.fec.gov/press/press2009/20090608PresStat.shtml.

[77] "H.R. 359 a bill to reduce federal spending and the deficit by terminating taxpayer financing of Presidential election campaigns and party conventions," Congressional Budget Office, January 24, 2011, http://www.cbo.gov/ftpdocs/120xx/doc12049/hr359.pdf.

A newly hired Federal employee would understandably be baffled by these divisions of labor, which may be why the MSPB and EEOC both go out of their way to emphasize "What We Do Not Do" – and identifies *the other* agencies' roles.[78]

Consolidating all of these agencies under the Office of Personnel Management would provide convenient "one-stop shopping" for Federal employees and applicants with conflicts, grievances, and whistleblower disclosures, and provide uniform guidance about ethical conduct. Combining these operations would reasonably be expected to save costs on multiple fronts, including but not limited to office rent, administrative and overhead costs, and personnel expenses.

While the staffs at these different agencies currently specialize in slightly different issues faced by Federal employees and applicants, their missions have significant overlap and are all grounded in the same merit system principles. Additionally, concentrating federal employee protection efforts would simplify many of the rules and regulations other federal agencies have to follow, as well as reducing the amount of liaising needed by ethics officers within agencies, who will no longer have to seek counsel and guidance from multiple sources.

Rather than our current patchwork, this proposal will result in a centralized bank of expertise on Federal workforce laws, rules, and regulations, all housed within the Office of Personnel Management. While divisions of labor may still be necessary within the office (for instance, to protect the anonymity of whistleblowers), bringing the collective resources and knowledge to bear in a single place would yield more efficient, accurate, and economical results for both taxpayers and the Federal employees seeking remedies.

While it is difficult to come up with a dollar amount to quantify the savings this proposal would create, it would eliminate layers of unnecessary bureaucracy and spending, significantly reduce rent and administrative costs, and make it easier for Federal employees to get the support they need in administrative matters.
This proposal would bring the independent executive branch agencies under one roof and reduce their budgets by 50 percent. This consolidation would save the federal government $2.7 billion over ten years.

Below is a brief description of each of the independent personnel agencies and proposed consolidations.

The Office of Special Counsel ($18 million per year)

The Office of Special Counsel (OSC) is a 112-employee agency within the Executive Branch.[79] Its mission is to "safeguard the merit system by protecting federal employees and applicants from prohibited personnel practices, especially reprisal for whistle-blowing."[80] The OSC has four regional offices: Dallas, Detroit, Oakland, and Washington, DC. It

[78] "About MSPB," Merit Systems Board Protection Website, http://www.mspb.gov/About/about.htm. *See also* "Workplace Laws Not Enforced by the EEOC." Equal Employment Opportunity Commission Website. http://www.eeoc.gov/laws/other.cfm, Accessed June 29, 2011.
[79] OSC was created by the Whistleblower Protection Act of 1989
[80] "Introduction to OSC." OSC Website. http://www.osc.gov/Intro.htm. Accessed June 29, 2011.

pays $1.7 million per year to rent office space.[81] OSC received 8,270 requests for assistance or action in 2010, over half of them seeking advisory opinions on Hatch Act matters.[82]

OSC conducts an annual survey of complainants. In the most recent available one from fiscal year 2009, 247 of 273 respondents said they were dissatisfied with the results provided by a complaint filed with OSC, with 200 saying they were "very dissatisfied."[83] The group Public Employees for Environmental Responsibility (PEER) has called OSC "very possibly the least cost-effective expenditure of federal resources made in the name of assisting whistleblowers," and "so profoundly dysfunctional and defensive…it is beyond rehabilitation."[84]

Advocates of the agency will contend that federal employees need an independent advocate they can trust with their allegations of wrongful behavior by their colleagues. In point of fact, an employee's first avenue for claims of wrongful behavior remains the agency OIG. If an employee feels uncomfortable communicating with OIG, most are free to communicate with their Congressional representatives or prosecutors at the DOJ to seek action, as well.

Other defenders of OSC will argue that it ensures meritorious cases proceed before the MSPB. This misstates the actual problem, which is the low threshold for cases to get to the MSPB, as well as the absence of *any* threshold to filing complaints with OSC. Combined with the ability to proceed to MSPB without even contacting OSC in some cases, this encourages employees to file grievances without merit, reflected in OSC's extremely low number of referrals, actions, and mediations.

Some will argue that OSC's most important responsibility is interpreting and enforcing the Hatch Act. Federal Courts have consistently held that the Hatch Act serves compelling governmental interest and should be enforced free of political pressure. While true, this does not require a separate agency to issue guidance. Advisory opinions on the Hatch Act should continue to be issued by career employees at OPM, the true experts on federal employee rights and regulations. Alleged violations of the Hatch Act should be the province of the U.S. Department of Justice's Public Integrity Section, which is led by a career Senior Executive Service prosecutor and entrusted with prosecuting all election crimes.

Finally, OSC shares responsibilities under USERRA with several other Federal agencies. The Department of Labor (DOL) has the Veterans Employment & Training Service (VETS), and the Office of Personnel Management is working with several cabinet agencies to carry out the Veterans Employment Initiative mandated by Executive Order 13518, "Employment of Veterans in the Federal Government."[85] OPM has published several reports on the issue which include in-depth discussions of re-employment rights under USERRA. OPM has even created a website: www.fedshirevets.gov, which describes the USERRA claims process and links would-be claimants to DOL-VETS where they are able to file their complaints.

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[81] U.S. Office of Special Counsel, FY2010 Performance and Accountability Report.
[82] FY2012 Budget of the United States Government, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/oia.pdf at 1279.
[83] U.S. Office of Special Counsel, FY2009 Annual Report to Congress. http://www.osc.gov/documents/reports/ar-2009.pdf
[84] Testimony of Jeff Ruch, PEER Executive Director, before the Senate Homeland Security and Governmental Affairs Committee, March 22, 2007.
[85] Executive Order 13518. November 9, 2009.

The Merit Systems Protection Board ($44 million per year)

The Merit Systems Protection Board (MSPB) is a 211-employee agency within the Executive Branch, created by the CSRA, whose mission is to "protect the rights of federal civil service employees."[86] It does this through hearings and decisions on appeals and complaints raised by Federal employees alleging Merit System Principles violations, sometimes through the Office of Special Counsel, sometimes directly. The MSPB also conducts studies of the civil service and reports to the president and the Congress on the extent to which the federal workforce is free of prohibited personnel practices. The MSPB has 6 regional offices: Atlanta, Chicago, Dallas, Philadelphia, San Francisco, and Washington, DC. It pays $3.9 million per year to rent office space.[87]

Defenders of the MSPB will contend that there needs to be an independent, third-party adjudicatory system for federal employee appeals. However, the judicial system already serves that function – there is no need for a specialized institution just to handle allegations by federal employees, particularly when as it stands, an adverse MSPB decision can be appealed to Federal Court, anyway. Federal courts will issue and enforce their rulings[88], and set clear guidelines and precedents for federal employees moving forward. Furthermore, the burdens of pursuing legal action through the courts will deter frivolous and unnecessary claims, and encourage more mediations and settlements, thereby lowering administrative costs to taxpayers.

Where the MSPB's responsibility to study and analyze OMB and its regulations is concerned, the OMB Office of Inspector General already does that, and can do it better and more efficiently, particularly because of institutional knowledge already housed there. There is no need to keep a separate agency around just to watch and analyze the actions of another agency.

The Office of Government Ethics ($14 million per year)

The Office of Government Ethics (OGE) is a 77-employee agency within the executive branch, established by the Ethics in Government Act of 1978. *Originally part of the Office of Personnel Management*, OGE became a separate agency on October 1, 1989, as part of the Office of Government Ethics Reauthorization Act of 1988. OGE's mission is "to exercise leadership in the executive branch to prevent conflicts of interest on the part of Government employees, and to resolve those conflicts of interest that do occur."[89] The OGE is located in downtown, Washington, DC. It pays $1.5 million per year to rent office space.[90]

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[86] "MSPB", Merit Systems Protection Board Website. http://www.mspb.org/, accessed June 29, 2011.
[87] FY2012 Congressional Budget Justification, Merit Systems Protection Board. http://www.mspb.gov/netsearch/viewdocs.aspx?docnumber=577541&version=579266&application=ACROBAT, accessed June 28, 2011.
[88] Federal Courts disagreed with the MSPB less than 10percent of the time in FY 2010. FY 2010 Performance and Accountability Report, Merit Systems Protection Board. http://www.mspb.gov/netsearch/viewdocs.aspx?docnumber=552737&version=554319&application=ACROBAT
[89] Background and Mission" Office of Government Ethics website, accessed June 7, 2011; http://www.oge.gov/about/background_mission.aspx
[90] FY2012 Explanatory Notes and Annual Performance Plan. OGE Website. http://www.usoge.gov/management/admin_mgmt_rpts/expnts_fy12.pdf

Specifically, OGE is responsible for promulgating and maintaining enforceable standards of ethical conduct for nearly 4 million civilian employees and military members in over 130 Executive Branch agencies and the White House; overseeing a financial disclosure system that reaches approximately 28,000 public and over 325,000 confidential filers; conducting onsite reviews of agency ethics programs; providing education, training, and technical assistance to the over 5,700 ethics officials; conducting outreach to the general public, the private sector, and civil society; and sharing good practices with and providing technical assistance to state, local, and foreign governments and international organizations.

In order for OGE to carry out its mission, it must take advantage of all the resources and expertise available to it. In 2007, then President-Elect Obama promised that "The Obama-Biden administration will give the Office of Governmental Ethics strong enforcement authority with the ability to make binding regulations, and it will work with inspectors general in all the federal agencies to enforce ethics rules, minimize waste and ensure federal officials are not using their offices for personal gain."[91]

The best way to truly empower OGE is to bring it back within OPM, so as to harness all the expertise housed there and facilitate the monitoring of potential ethics issues affecting any federal employee. A truly one-stop federal employment agency will actually facilitate OGE's work and ability to promote good governance across the federal government through standardization and collocation of reporting and forms.

OGE does not need a separate building or budget to be a forceful steward of ethics among federal employees. In fact, designated agency ethics officials will appreciate the ease of dealing with any hiring, merit systems matters, and disclosure issues all at once. Bringing OGE back into OPM creates one-stop shopping not only for federal employees submitting information, but also for the agency officials tasked with tracking the employee's submissions. Furthermore, to the extent that OGE being at OPM may actually lessen the need for individual agency ethics officials, that will save time and energy by freeing those employees to work on other matters.

The Federal Labor Relations Authority ($25 million per year)

The Federal Labor Relations Authority (FLRA) is a 140-employee agency within the Executive Branch created by the CSRA whose mission is to carry out five statutory responsibilities in establishing policies and guidance regarding the labor-management relations of 1.6 million non-postal Federal employees.

Originally created by legislative negotiations that "so muddied the content and intent of the new agency that no one knew what it was supposed to do or how it was supposed to do it,"[92] the FLRA has come in dead-last on the Partnership for Public Service's "Best Places to Work in the Federal Government" survey in 2005, 2007, and 2009.[93]

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[91] "Ethics Agenda." Website of the Office of the President-Elect. http://change.gov/agenda/ethics_agenda/. Accessed June 29, 2011.
[92] "A Short History of the Statute: FLRA 20 years 1979-1999." quoting Carolyn Ban, "Implementing Civil Service Reform" (1984) at 219.) FLRA Website. http://www.flra.gov/twenty_years_short-history. Accessed June 30, 2011.
[93] Brinkerhoff, Noel. "Worst Government Agency Defends Title." Allgov.com website. http://www.allgov.com/ViewNews/Worst_Government_Agency_Defends_Title_90522. Accessed June 29, 2011.

The FLRA currently has seven regional offices: Atlanta, Boston, Chicago, Dallas, Denver, San Francisco, and Washington, DC. It pays $2.5 million per year to rent office space.[94]

Defenders of the Authority will argue that there are millions of federal employees that belong to unions, who will be left without protection in the absence of the FLRA. The FLRA statute is clear that "labor organizations and collective bargaining are in the public interest."[95] This proposal does not change that – what it changes is the forum in which unions and government agencies are expected to dispute. The FLRA was not created to protect employees, their unions, or the federal agencies employing them – it was created to provide an orderly and efficient method for resolving disputes. This is a task OPM can do efficiently and capably. The FLRA's decisions are already subject to review by Federal Courts. Bringing the FLRA under OPM will actually improve the quality of decisions and give them added credibility by improving the access and interaction ALJ's have with federal employment law experts.

The Equal Employment Opportunity Commission ($386 million per year)

The U.S. Equal Employment Opportunity Commission (EEOC) is a 2,539 Employee Commission responsible for enforcing federal laws that make it illegal to discriminate against a job applicant or an employee because of the person's race, color, religion, sex, national origin, age, disability or genetic information. It is also illegal to discriminate against a person because the person complained about discrimination, filed a charge of discrimination, or participated in an employment discrimination investigation or lawsuit. The EEOC currently has 53 field offices around the country. It pays $33.4 million per year to rent office space.[96]

Private Sector. Private sector employees can file a charge online, by mail, or by walking into a local field office. Within 10 days their employer will be notified and the employer is asked to respond to the charge. If mediation is unsuccessful, a formal investigation begins, which may result in subpoenas and eventually litigation.

In fiscal year 2010, the Commission received 99,922 private sector charges. It concluded the year with a pending inventory of 86,338 charges, after providing resolutions in 104,999 cases and securing $319.3 million in monetary benefits for nearly 19,000 people.[97]

Public Sector. Unlike its responsibilities in the private sector, the Commission does not process original complaints of discrimination by federal employees or applicants. Instead, individuals file complaints with EEO Counselors at their own federal agency, who are required to conduct a 'full and appropriate' investigation of the claims raised. The agency will then issue a "final decision." Complainants can request a hearing before an EEOC administrative judge at the conclusion of the investigation. If they do not agree with the final decision or the AJ's decision, they can request reconsideration by the EEOC or in Federal District Court.

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[94] FY2010 Performance Budget Submission to Congress. FLRA Website. http://www.flra.gov/webfm_send/164. Accessed June 29, 2011.
[95] 5 U.S.C. § 7101.
[96] FY2012 Budget Justification. EEOC Website. http://www.eeoc.gov/eeoc/plan/2012budget.cfm#_Toc282609566. Accessed June 30, 2011.
[97] FY2010 Performance and Accountability Report. EEOC Website. http://www.eeoc.gov/eeoc/plan/2010par_performance.cfm. Accessed June 30, 2011.

This proposal would move all EEOC's federal employee and applicant functions under OPM. The charges, litigation, and systemic investigations related to private enforcement should remain unchanged. However, the hearings, appeals, and mediations conducted as part of federal sector enforcement should be moved to OPM.

Defenders of the Commission will allege that forcing the federal sector complaints to OPM will result in less protection for employees who want to report wrongdoing. In fact, this will make reporting wrongdoing easier by allowing federal employees to simply go to OPM rather than having to know and deal with specialized agencies depending on the nature of the complaint. Placing EEO officials at OPM will take full advantage of the institutional knowledge and familiarity with not only discrimination law, but all other protections afforded to federal employees interested in filing grievances. There is no need for this independent Commission to continue addressing these matters where federal agencies are concerned.

End Benefits, Subsidies, and Tax Breaks for Millionaires

Each year the federal government pays billions in cash and benefits to millionaires—Americans reporting an adjusted gross income ("AGI") of $1 million or more.

For example, in terms of cash benefits, in 2008, the Department of Labor's Unemployment Insurance program paid 2,804 people with an AGI of $1 million or more over $18.6 million. In fact, 17 of these reported an AGI of $10 million or more on their 2008 Tax Return.[98]

In the same year, the Social Security Administration paid 56,587 million-dollar-earners over $1.54 billion in retirement benefits. Of these, 2,511 reported an AGI of $10 million or more.[99]

A number of tax breaks also exist for millionaires, just as they exist for less fortunate Americans. In 2008, 34,348 millionaires deducted over $162 million in business expenses, while 209,116 millionaires wrote-off over $7 billion through the mortgage interest deduction.[100]

The purpose behind other payments of federal funds to millionaires is even less clear. For example, the National Endowment for the Arts ("NEA") made a $25,000 grant to multimillionaire[101] Quincy Jones (winner of 27 Grammy Awards[102]) in 2008 through its NEA Jazz Masters program.[103] The

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[98] *See* Internal Revenue Service, Table 1.4, All Returns: Sources of Income, Adjustments, and Tax Items, by Size of Adjusted Gross Income, Tax Year 2008, http://www.irs.gov/taxstats/indtaxstats/article/0,,id=134951,00.html.
[99] *See* Internal Revenue Service, Table 1.4, All Returns: Sources of Income, Adjustments, and Tax Items, by Size of Adjusted Gross Income, Tax Year 2008, http://www.irs.gov/taxstats/indtaxstats/article/0,,id=134951,00.html.
[100] Information provided by the Internal Revenue Service.
[101] CelebrityNetWorth.com, Quincy Jones, http://www.celebritynetworth.com/richest-businessmen/producers/quincy-jones-net-worth/.
[102] The Official Website of Quincy Jones, Biography, http://www.quincyjones.com/about-2/about.
[103] Information provided by the National Endowment for the Arts.

NEA describes this as the "highest honor our nation bestows on jazz artists."[104] It is unclear why the government is handing out cash benefits to those receiving awards of this nature through the private sector.

NEA also honors achievement in Opera and in 2008 made a $25,000 grant to millionaire James Levine.[105] Mr. Levine is an internationally celebrated conductor, Music Director for the Metropolitan Opera, Music Director for the Boston Symphony Orchestra, and a recipient of the Kennedy Center Honor.[106] It is unclear why NEA would need to give Mr. Levine a cash grant to honor his achievement in Opera. In total, in 2008, NEA distributed over $1.8 million in grants to honor artistic lifetime achievement and fellowships to published creative writers.[107]

The United States Department of Agriculture ("USDA") also doles out millions each year in cash benefits to millionaires. For example, in 2010, USDA paid eight millionaires over $74 million through its Wetlands Reserve Program.[108] The Wetland Reserve Program was established to give "landowners the opportunity to protect, restore, and enhance wetlands on their property."[109] Millionaires can afford to "protect, restore, and enhance wetlands" with their own money.

At this point in our country's history, deep in a financial crisis, our government cannot continue to make grants and pay benefits to individuals that do not need them. Means-testing government programs and eliminating benefits to wealthy Americans is a simple step toward fiscal responsibility. Moreover, millionaires do not need these benefits and can easily live without them. The government safety net should provided to those with true need.

Eliminate Carryover of Sick Leave and Cap at 13 Days Annually

Under current law, full-time federal employees receive 13 days of annual sick leave, and there is no limit on how much sick leave they can accrue.[110] In addition, federal employees are able to receive credit for unused sick leave toward their retirement calculation.[111] This policy makes unused sick leave extremely valuable to a federal employee retiring and extremely expensive for the federal government. As CRS points out, "an employee retiring with 30 years of service and a year of

[104] National Endowment for the Arts, Lifetime Honors, National Endowment for the Arts Jazz Masters, http://www.nea.gov/honors/jazz/index.html.
[105] News reports indicate that Mr. Levine made approximately $3.4 million in FY2008 for his work at the Boston Symphony and the Metropolitan Opera. *See* Ben Sisario, *Maestro's Pay Hangs on Unsigned Deal*, The New York Times (April 7, 2010), http://www.nytimes.com/2010/04/08/arts/music/08levine.html. *See also* Geoff Edgers, *James Levine, Salary*, Boston Globe (July 25, 2006), http://www.boston.com/ae/theater_arts/exhibitionist/2006/07/james_levine_sa_1.html; http://www.nea.gov/honors/opera/media/2011-opera-honorees.html.
[106] National Endowment for the Arts, Lifetime Honors, National Endowment for the Arts Opera Honors, James Levine, Conductor, http://www.nea.gov/honors/opera/operaCMS/honoree.php?id=o2008_03.
[107] Information provided by the National Endowment for the Arts.
[108] Information provided by the United States Department of Agriculture.
[109] United States Department of Agriculture, Natural Resources Conservation Service, Wetlands Reserve Program, http://www.nrcs.usda.gov/programs/wrp/.
[110] U.S. Office of Personnel Management, Sick leave general information, http://www.opm.gov/oca/leave/HTML/sickLV.asp.
[111] Curtis Copeland, Congressional Research Service, "Sick Leave: Usage Rates and Leave Balances for Employees in Major Federal Retirement Systems", November 4, 2009.

unused sick leave would get credit for 31 years of service for purposes of annuity computation. If this employee's 'high-three' salary was $50,000, the additional year of service would increase his or her pre-tax retirement annuity by 2%, or $1,000 per year. Therefore, even before indexing for inflation, if the employee received the annuity for 20 years, the unused sick leave would be worth about $20,000."[112]

This benefit is both more generous and more flexible than what is offered by the private sector, or most state and local governments. According to a 2010 federal study, roughly 40 percent of private sector workers do not receive paid sick leave, and 11 percent of state and local public employees do not receive it.[113] On average, private sector workers receive eight days of paid sick leave annually, while public sector state and local employees receive 11 days.[114]

According to a study by a nonprofit association of human resources professionals, only 54 percent of private companies have traditional leave programs that include separate accrual of sick and vacation leave. [115] Of those private companies, only 57 percent allow for carryover of sick leave.[116] While no cost savings has been determined, this proposal would prohibit federal employees from "carrying over" unused sick leave from one year into the next.

Limit Carry Over of Unused Vacation Time and Cap Total Vacation Time at 30 Days/Year

A federal employee may use annual leave for vacations, rest and relaxation, and personal business or emergencies.[117] Under current law, federal employees may carry over a maximum of 30 days if they are employed in the United States, 45 days if you are stationed overseas, and 90 days if you are a member of the Senior Executive Service (SES), or categorized by OPM as a "Senior Level" or "Scientific and Professional" employee.[118]

According to a Human Resources Association report, 65 percent of the private sector allows vacation days to carry over to the next year, but 75 percent of these companies put a limit on the amount of leave time that can accrue.[119] This proposal would allow federal employees, including SES, to carry over half of their unused vacation time accrued. However, vacation days would be capped at 30 days annually including the time carried over from the previous year. The current accrual rates would still apply. While there has not been a cost savings determined, this proposal

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[112] Curtis Copeland, Congressional Research Service, "Sick Leave: Usage Rates and Leave Balances for Employees in Major Federal Retirement Systems", November 4, 2009.
[113]According to OPM, full time employees receive a half day of sick leave for each biweekly pay period – part-time employees receive 1 hour for every 20 hours in a pay status. U.S. Bureau of Labor Statistics, "Paid Sick Leave in the United States", March 2010, http://www.bls.gov/opub/perspectives/program_perspectives_vol2_issue2.pdf.
[114] U.S. Bureau of Labor Statistics, "Paid Sick Leave in the United States", March 2010, http://www.bls.gov/opub/perspectives/program_perspectives_vol2_issue2.pdf.
[115] WorldatWork, "Paid Time off Programs and Practices", May 2010, http://www.worldatwork.org/waw/adimLink?id=38913.
[116] WorldatWork, "Paid Time off Programs and Practices", May 2010, http://www.worldatwork.org/waw/adimLink?id=38913.
[117]U.S. Office of personnel Management, Annual Leave General Information, http://www.opm.gov/oca/leave/HTML/ANNUAL.asp.
[118] U.S. Office of personnel Management, Annual Leave General Information, http://www.opm.gov/oca/leave/HTML/ANNUAL.asp.
[119] WorldatWork, "Paid Time off Programs and Practices", May 2010, http://www.worldatwork.org/waw/adimLink?id=38913.

would save money while better aligning the federal government's taxpayer funded benefits package with the private sector.

Impoundment to Control Congressional Spending

The Impoundment Control Act of 1974 (ICA) was enacted with the purpose of tightening congressional control over presidential impoundments of funds obligated by Congress. Here, impoundment refers to a decision by the president to choose to save funds appropriated by Congress instead of spending them. The ICA also details the procedure that Congress can consider rescissions proposed by the president. The ICA allows the president to propose a rescission when he wishes to withhold funds from permanent obligation or submit a deferral when the withholding of funds is temporary. Funds proposed for rescission by the president may be withheld from obligation for 45 days. At that point, if Congress has not approved the rescission, the president must release the funds and make them available for obligation on the 46th day.[120]

Since the ICA's enactment in 1974, presidents (both Democrat and Republican) have proposed the recession of a total of $76 billion. In fact, President Reagan proposed $15.4 billion in rescissions in 1981, the highest one-year dollar amount to date. Congress can also utilize rescission power and since 1974 has made roughly $197.1 billion in rescissions. Indeed, in 2008, Congress initiated the rescission of over $12 billion.[121] The president, as well as Congress, should be actively looking for ways to save tax dollars and either make a useful reallocation of those funds or use them to pay down the national debt.

Apply Chained-CPI Government-Wide

From the tax code to mandatory spending programs to Social Security, the benefits provided though many federal programs are adjusted each year to account for inflation. The measure currently used to calculate these automatic increases, Consumer Price Index (CPI), is considered by many to be outdated, leading to higher increases in federal spending than actually justified. [122]

The built in cost of automatically increasing benefits by a certain calculation puts this spending on autopilot every year, without any review or adjustment from Congress. It is essential this automatic spending increase be as accurate and conservative as possible, in order to avoid runaway costs that simply cannot be controlled.

The President's National Commission on Fiscal Responsibility and Reform recommended applying a more accurate measure of inflation, Chained-CPI to all government programs currently tied to CPI.[123] This plan adopts the Fiscal Commissions recommendation, which would save at least $62.5

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[120] See *Congressional Budget and Impoundment Control Act*, 2 U.S.C. §§ 681-88.

[121] Statement of Susan A. Poling, Managing Associate General Counsel, United States Government Accountability Office, Testimony Before the Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, Committee on Homeland Security and Governmental Affairs, United States Senate, *Impoundment Control Act: Use and Impact of Rescission Procedures* (Dec. 16, 2009), http://www.gao.gov/new.items/d10320t.pdf.

[122] Goldwein, Marc and Rosenberg, Adam, Moment of Truth Project, "Measuring Up: The Case for Chained CPI," May 11, 2011, http://crfb.org/sites/default/files/MeasuringUp5_11_2011.pdf.

[123] National Commission on Fiscal Responsibility and Reform, "Moment of Truth, Report of the National Commission on Fiscal Responsibility and Reform," December 1, 2010, http://www.fiscalcommission.gov/news/moment-truth-report-

billion over ten years in mandatory spending programs and benefits, such as federal pensions and eligibility for various government programs.[124] [125],

SAVINGS/PROGRAM REDUCTIONS

Three Year Freeze on Pay and Bonuses for Federal Employees
Reduce the Size of the Federal Workforce by 15 Percent or 300,000
Reduce the Size of the Federal Contractor Workforce by 15 Percent
Reduce and Restrict Government Printing
Eliminate Reemployed Annuitant Double Dip
Reduce Agency Travel Budget by 75 Percent for Civilian Agencies
Reduce the Number of Limousine's Owned by Federal Agencies
Reduce Federal Vehicle Fleet Budget by 20 Percent
Prohibit the use of Project Labor Agreements on federal contracts
Eliminate Agencies Hollywood Liaison Offices
Eliminate the use of Non-Competitive and Cost Plus Government Contracts
Reduce Agency Advertising Budgets by 50 Percent
Freeze Federal Locality Pay for Five Years
Reduce Annual Spending on Federal Government Conferences
Support the President's Efforts to Reform Federal IT Management and Close Federal Government Computer Data Centers
Eliminate the Financing of Presidential Election Campaigns and Party Conventions
Ending Duplication in Federal Employment Agencies by Consolidating Functions at the Office of Personnel Management
Apply Chained-CPI Government-Wide
End Benefits, Subsidies, and Tax Breaks for Millionaires
Eliminate Carryover of Sick Leave and Cap at 13 Days Annually
Limit the Carryover of Unused Vacation Time and Cap Total Vacation Time at 30 Days a Year
Impoundment to Control Congressional Spending

GENERAL GOVERNMENT TEN YEAR SAVINGS
Discretionary: $911.5 billion
Mandatory: $62.5 billion
Total: $974.1 billion

national-commission-fiscal-responsibility-and-reform. The Commission plan included this recommendation as part of the illustrative comprehensive tax reform proposal detailed on page 31 of the report.

[124] Additional information on transition to Chained-CPI can be found in the "Reforming the Tax Code and Ending Special Interest Giveaways" section of this report.

[125] Estimate provided by the Joint Committee on Taxation.

UNITED STATES CONGRESS

While families across America continue to struggle to make ends meet, Congress continues to spend lavishly on itself. Leadership requires sacrifice, but right now, the rest of the country is sacrificing and Congress is not. Congress must demonstrate it understands the economic hardships facing the rest of America by reducing its own budget.

Since 2001, Congress has boosted its own budget by 55 percent. At the same time, the average American wage increased by only 23 percent.[126] In real dollars, the budget of the House and Senate has grown by more than $1 billion over the last decade.[127]

As Congress' budget has grown, oversight seems to have shrunk. There are fewer oversight hearings, fewer floor debates over spending priorities and fewer opportunities to vote on important issues. This past spring, GAO issued a 340-page report identifying more than $100 billion in savings that could be found in the federal budget simply by eliminating duplicative programs.[128] That review was a testament to failed congressional efforts of oversight.

Duplication in Federal Programs

Type of Program	Number of Programs
Surface transportation	100+
Teacher quality	82
Economic Development	88
Transportation assistance	80
Financial literacy	56
Job training	47
Homelessness prevention/assistance	20
Food for the hungry	18
Disaster Response/Preparedness – FEMA	17

While Americans are forced to do more with less, Congress is doing less with more. It is time for serious leadership, which should begin by Congress significantly trimming its own budget and eliminating wasteful or low priority spending.

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[126] "National Average Wage Index," http://www.ssa.gov/oact/cola/AWI.html#Series
[127] Email from the Congressional Research Service, June 8, 2011.
[128] "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue, U.S. Government Accountability Office, March 2011, http://www.gao.gov/new.items/d11318sp.pdf

Reduce the Senate and House of Representatives Accounts by 15 percent – $3.82 billion

Since 2000, the combined budget of the House and Senate has grown from $1.2 billion to nearly $2.3 billion.[129] In 2010, the budget for the House of Representatives was $1.4 billion and the budget for the Senate was $926 million, their highest levels in history.

Even with a 15 percent reduction, Congress' budget would still exceed $1.9 billion, approximately the level of funding in 2007. Congress could achieve this cut by reducing salary expenses for staff and cutting back on low-priority spending.

Between 2000 and 2009, the number of House of Representatives staff increased by 11 percent, to 9,808.[130] On the other side of the Capitol, the number of Senate staff has swelled by nearly 25 percent, to 6,099, between 2001 and 2010.[131]

Leadership offices have seen the biggest rise in staff over the last three decades, more than tripling in size since 1977.[132] Congress should consider reorganizing and consolidating its leadership and committee structure to ensure that it is designed to promote oversight, eliminate unneeded turf battles, and rationalize jurisdictions.

Experts and think tanks from all sides agree this is an area of government spending that should be reduced. In 2007, the Progressive Policy Institute proposed cutting congressional staff by 10 percent.[133] The Heritage Foundation has also recommended reducing the House and Senate accounts.[134] And the bipartisan Fiscal Commission recommended cutting Congress' budget by 15 percent.

In addition, Congress should consider eliminating low-priority programs and spending items that do not contribute to these core duties. These include following:

- A benefit House and Senate staffers receive comes in the form of student loan debt repayment. Thousands of congressional staff have taken advantage of the program in recent years, with 3,000 House staff alone getting benefits in 2009.[135] Senate staffers can get

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[129] Email from the Congressional Research Service, June 8, 2011.
[130] "House of Representatives and Senate Staff Levels in Member, Committee, Leadership, and other Offices, 1977-2010," Congressional Research Service, August 10, 2010, report number: R41366, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41366&Source=search
[131] "House of Representatives and Senate Staff Levels in Member, Committee, Leadership, and other Offices, 1977-2010," Congressional Research Service, August 10, 2010, report number: R41366, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41366&Source=search
[132] "House of Representatives and Senate Staff Levels in Member, Committee, Leadership, and other Offices, 1977-2010," Congressional Research Service, August 10, 2010, report number: R41366, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41366&Source=search
[133] "Return to Fiscal Responsibility II," Progressive Policy Institute, April 2007, http://www.dlc.org/documents/Fiscal_Responsibility_04302007.pdf
[134] "Additional $47 billion in spending cuts for the Continuing Resolution," Heritage Foundation, February 11, 2011, http://www.heritage.org/research/reports/2011/02/additional-$47-billion-in-spending-cuts-for-the-continuing-resolution
[135] Website of FactCheck.org, "Congress Not Exempt from Student Loans," January 6, 2011, http://www.factcheck.org/2011/01/congress-not-exempt-from-student-loans/.

$6,000 per year, and $40,000 in a lifetime, to repay any outstanding student loans.[136] House staffers are eligible for an even more, with the opportunity to get $10,000 each year, with a lifetime cap at $60,000.[137] In 2009, both houses of Congress combined to spend $18 million for this program.[138]

- Non-drivers can take advantage of benefits to cover the cost of public transportation. Senators can give staff who take the D.C. Metro a voucher worth up to $230 a month is available to pay their fares. House Members can give their staff as much as $230 a month.[139] Members are not required to pay for this out of their own budgets, but can provide it to their staffs from a separate account.

Achieve Savings by Reducing Printing Costs of Congressional Documents – $312.2 million

In 2010, Congress allotted nearly $100 million for its Congressional Printing and Binding account.[140] But in the digital age, printed copies of Congressional reports and other documents are as likely to grace a landfill as a bookshelf. Indeed, a representative of the Government Printing Office (GPO) recently testified, "70 percent of the GPO's funds are used to digitize legislation, schedules and other federal records, while 30 percent is used to print hard copies."[141]

Therefore, reducing the Congressional Printing account by 30 percent would finally discontinue the common wasteful practice of various congressional documents being printed, distributed, and immediately thrown away. Additionally, it would ensure that digital copies of federal records, such as the Congressional Records, will be available online.

End Funding for the Open World Leadership Center – $133.2 million

The Open World Leadership Center, created by Congress in 2000, sponsors exchange trips for thousands of political leaders and jurists from post-Soviet states to "experience U.S. democracy and free enterprise in action." A noble cause, its importance should nevertheless be evaluated in light of today's pressing budget concerns.

Some already have: Key members of Congress from both parties have recently endorsed shifting funding for the center to private donors. A June conference report discussing this program stated, "The conferees are fully supportive of expanded efforts of the Open World Center to raise private

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[136] Website of FactCheck.org, "Congress Not Exempt from Student Loans," January 6, 2011, http://www.factcheck.org/2011/01/congress-not-exempt-from-student-loans/.
[137] Website of FactCheck.org, "Congress Not Exempt from Student Loans," January 6, 2011, http://www.factcheck.org/2011/01/congress-not-exempt-from-student-loans/.
[138] Website of FactCheck.org, "Congress Not Exempt from Student Loans," January 6, 2011, http://www.factcheck.org/2011/01/congress-not-exempt-from-student-loans/.
[139] "Legislative Branch Appropriations for 2010 Hearing," http://www.gpo.gov/fdsys/pkg/CHRG-111hhrg50439/html/CHRG-111hhrg50439.htm
[140] "Legislative Branch: FY 2012 Appropriations," Congressional Research Service, June 15, 2011, report number: R41870, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41870&Source=search
[141] "GPO Mulls Name Change in PR Offensive," Roll Call, Bade, Rachel, March 21, 2011, http://www.rollcall.com/issues/56_99/-204238-1.html

funding and expect this effort to reduce the requirements for funding from the Legislative Branch appropriations bill in future years."[142]

End Funding for the Stennis Center for Public Service –$4.77 million

Based in Mississippi, the Stennis Center was created by Congress in 1988 and named to honor former Mississippi Sen. John C. Stennis. Its mission is "to promote and strengthen public service leadership in America."[143]

While the center's budget is funded by dividends from an endowment as well as contributions from private organizations, it has repeatedly received earmarks to enhance its budget.

Such continued public funding is questionable when compared to the many more urgent needs for taxpayer dollars. Congress should restrain itself from directing further funding to the center.

Eliminate the Account for Offices for Former Speakers

One expensive perk of office is available exclusively for former Speakers of the House when they retire. Former Speakers can claim nearly $1 million a year for up to five years after they leave Congress to maintain an office for archiving documents and tying up unfinished business.[144] What makes this particularly unique is that no equivalent benefit is available to former majority leaders of the Senate, or to any other individual congressional officeholder.

The money can be used for a wide variety of purposes, including travel, office rent, furniture, a staff, and other expenses such as computers, phones, blackberries, cable, and Internet.[145] Mail sent from the office can be sent free of charge, using the congressional franking privilege.

Freeze Pay for Members of Congress for Three Years – $6 million

Currently members of Congress do not vote themselves pay raises—they receive raises as calculated by a formula. In 2009, members of Congress received a 2.8 percent pay adjustment under the formula established by the Ethics Reform Act, increasing total congressional salary to $174,000.[146]

This plan, like the bipartisan Fiscal Commission, recommends freezing member pay for three years. The Commission's plan stated, "Unlike most Americans, members of Congress benefit from an automatic salary increase every single year – deserved or not. Before Congress can ask the

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[142] "Legislative Branch: FY 2012 Appropriations," Congressional Research Service, June 15, 2011, report number: R41870, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41870&Source=search
[143] Stennis Center for Public Service website, http://www.stennis.gov, visited July 12, 2011.
[144] Skiba, Kathrerine, and Gerry Smith, "Former House Speaker Dennis Hastert's perk costs taxpayers $1 million," *Chicago Tribune*, February 17, 2010, http://www.chicagotribune.com/news/local/ct-met-use-this-hastert-0218-20100217,0,640306.story?page=2.
[145] A report of the Congressional Research Service, Glassman, Matthew Eric, "Former Speakers of the House: Office Allowances, Franking Privileges, and Staff Assistance," May 11, 2010, Report no. RS20099.
[146] "Salaries of Members of Congress: Recent Actions and Historical Tables," Congressional Research Service, Brudnick, Ida, February 9, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=97-1011&Source=search

American people to sacrifice, it should lead by example."[147] Additionally, Congress should completely repeal the provision of law that provides automatic pay adjustments for members.

$4.28 billion in Savings Over the Next Decade

By enacting these reforms, Congress will demonstrate it is serious about fiscal responsibility and understands the economic hardships facing the rest of America. Additionally, ending low-priority spending items will ensure Congress' highest priority is oversight and writing effective legislation.

RECOMMENDATIONS

Reduce the Senate and House of Representatives Accounts by 15 percent
Achieve Savings by Reducing Printing Costs of Congressional Documents
End Funding for the Stennis Center for Public Service
Eliminate Offices for Former Speakers
Freeze Pay for Members of Congress for Three Years

UNITED STATES CONGRESS TEN YEAR SAVINGS
Discretionary: $4.28 billion
Total: $4.28 billion

[147] "The Moment of Truth," The National Commission on Fiscal Responsibility and Reform, December 2010, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf

EXECUTIVE OFFICE OF THE PRESIDENT

With a budget of nearly $830 million, the Executive Office of the President (EOP) funds the day-to-day functions of the White House, including offices of the president, vice president and their staffs, as well as a host of others such as the Council of Economic Advisers, the Office of Management and Budget and the National Security Council.[148]

While President Obama proposed a 3.5 percent cut for his White House budget in 2012, this time of record deficits calls for bolder measures. This plan adopts the recommendation of the President's National Commission on Fiscal Responsibility and Reform, which proposed a 15 percent reduction in the White House budget.[149]

As Congress searches for ways to trim the federal budget, it should take a close look at several White House programs and offices that overlap other White House offices and programs at other federal agencies, particularly the Office of National Drug Control Policy, the Council on Environmental Quality, and the Office of Science and Technology Policy.

These three programs have been cited repeatedly by the Government Accountability Office (GAO) and others for mismanagement, lack of measurable goals, and duplication of efforts. In some instances, previous administrations have tried to prune their authorities and budgets.

Ending these programs and reducing the White House budget would save taxpayers more than $5.4 billion over the next ten years.[150]

Relevant executive branch agencies, and the White House's own cadre of 454 highly-paid expert advisers,[151] can absorb any essential operations and policy functions of the eliminated offices.

Eliminate the Office of National Drug Control Policy - $4.7 billion

Established in 1988, the White House Office of National Drug Control Policy (ONDCP) does little more than pour more bureaucracy and wasteful spending into a vast sea of existing federal drug-related programs.

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[148] Website of the Executive Office of the President, "FY 2012 Congressional Budget Submission," accessed June 18, 2011, http://www.whitehouse.gov/sites/default/files/2012-eop-budget.pdf.

[149] The National Commission on Fiscal Responsibility and Reform, "The Moment of Truth," recommendation 1.10.1, December 2011, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf.

[150] Total White House Budget was $829.9 million in FY 2010, funding for the eliminated offices is removed from this total and the 15% reduction is applied to the remaining White House Budget. Total savings from the eliminated offices is $4.8 billion. Estimate by Staff of Senator Coburn, based on FY 2012 Congressional Budget Submission," accessed June 18, 2011, http://www.whitehouse.gov/sites/default/files/2012-eop-budget.pdf.

[151] , Andrew, "No recession for Obama's 454 White House aides: They'll make $37,121,463 this year," *Los Angeles Times*, July 5, 2011, http://latimesblogs.latimes.com/washington/2011/07/obama-white-house-salaries-soar.html.

Funded at more than $427 million annually,[152] the office is part of the ever-expanding role of the federal government in drug issues. ONDCP is directed to "establish policies, priorities, and objectives for the Nation's drug control program," with goals "to reduce illicit drug use, manufacturing, and trafficking, drug-related crime and violence, and drug-related health consequences."[153]

It shares those goals with 49 different federal agencies, departments, offices and task forces, including but not limited to the Drug Enforcement Administration, the Organized Crime Drug Enforcement Task Force, the Department of Health and Human Services' Substance Abuse and Mental Health Services Administration, the National Institute of Drug Abuse, the Department of Homeland Security's Customs and Border Protection, and U.S. Immigration and Customs Enforcement.[154]

All told, the government spends more than $22 billion annually on federal drug activities.[155] One might think a coordinating office for so many well-funded partners could help reduce waste and improve management. Unfortunately, the GAO has conducted several reviews of ONDCP and repeatedly criticized it for a lack of coordination, tendency to overlap other programs, and an inability to evaluate the effectiveness of its programs to reduce and prevent drug abuse.[156]

Youth Anti Drug Media Campaign

ONDCP oversees a number of anti-drug initatives, including the Youth Anti-Drug Media Campaign and the Drug-Free Communities Support Program. Both have come up short when reviewed by the GAO, lacking in effective drug abuse prevention and general program mismanagement.

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[152] Salaries and expenses for ONDCP staff account for $29 million, while the remaining $398 million is for the Counterdrug Technology Assessment Center, High Intensity Drug Trafficking Areas, and other drug programs, more appropriately handled by the Department of Justice. Funding data: Website of the Executive Office of the President, "FY 2012 Congressional Budget Submission," accessed June 18, 2011, http://www.whitehouse.gov/sites/default/files/2012-eop-budget.pdf.

[153] Website of the Office of National Drug Control Policy, "About," accessed June 18, 2011, http://www.whitehousedrugpolicy.gov/about/index.html.

[154] Government Accountability Office, "Office of National Drug Control Policy: Agencies View the Budget Process as Useful for Identifying Priorities, but Challenges Exist", GAO-11-261R May 2, 2011 http://www.gao.gov/new.items/d11261r.pdf.

[155] Government Accountability Office, "Office of National Drug Control Policy: Agencies View the Budget Process as Useful for Identifying Priorities, but Challenges Exist", GAO-11-261R May 2, 2011 http://www.gao.gov/new.items/d11261r.pdf.

[156] *For example*, Government Accountability Office, "Drug Control: The Office of National Drug Control Policy-Strategies Need Performance Measures," Statement of Henry R. Wray, Director, Administration of Justice Issues General Government Division, November 15, 1993, http://archive.gao.gov/t2pbat4/150348.pdf; Government Accountability Office, "Drug Control: Reauthorization of the Office of National Drug Control Policy," Statement of Norman J. Rabkin Director, Administration of Justice Issues General Government Division, May 1, 1997, http://www.gao.gov/archive/1997/gg97097t.pdf.

Even if they were soundly run, such well-intentioned youth media campaigns may be a questionable use of federal funding given current budget constraints, a lack of measureable results, and similar publically and privately funded efforts.

Established by Congress in 1998, the National Youth Anti-Drug Media Campaign has spent more than $1 billion in taxpayer funding over the last decade to pay for anti-drug commercials, websites, and other ambiguous drug prevention activities. [157] While funded at $180 million in 2002, the annual appropriations have steadily declined, with the program receiving $45 million last year—perhaps a sign of Congress' recognition of the effort's immeasurable and likely nonexistent results.[158]

Unfortunately for both teens and taxpayers, the campaign has not had a measureable impact on reducing youth drug abuse. An August 2006 GAO review of a multi-year evaluation of the Youth Anti-Drug Media Campaign, conducted by Westat, Inc, confirmed the study's results, which found that the federal anti-drug campaign did not reduce drug use nationally.[159]

Drug-Free Communities Support Program

Another anti-drug use youth program operated by ONDCP in coordination with the Substance Abuse and Mental Health Services Administration (SAMHSA), the Drug-Free Communities (DFC) Support Program, distributes grants to more than 700 community coalitions for community efforts to prevent youth abuse of alcohol, drugs, and other harmful and illegal substances.[160] Since 2002, the program has spent nearly $790 million taxpayer funding promoting anti-drug efforts nation-wide, with little measurable impact.[161]

Grants distributed through this program can be used by communities across the country for various activities, including festivals and movie nights. Just last year, Sullivan County New Hampshire received a $125,000 grant through the Drug-Free Communities Program and announced plans to use the anti-drug funding to support a County Theatre Festival, which would have an anti-drug theme that year to "empower youth to make good choices for their lives."[162]

GAO, furthermore, has found the program lacking in management controls. A July 2008 GAO study found program administrators have failed to monitor the program's effectiveness, despite being required by federal laws and regulations to do so. "Without defined oversight activities for

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[157] Website of the National Youth Anti-Drug Media Campaign accessed June 18, 2011, http://www.mediacampaign.org/.
[158] Funding figures compiled by staff from annual congressional appropriations laws.
[159] Government Accountability Office, "ONDCP Media Campaign: Contractor's National Evaluation Did Not Find That the Youth Anti-Drug Media Campaign Was Effective in Reducing Youth Drug Use", GAO-06-818, August 2006, http://www.gao.gov/new.items/d06818.pdf.
[160] Office of National Drug Control Policy website, Prevention Programs, http://www.whitehousedrugpolicy.gov/prevent/prevention_programs.html, accessed July 17, 2011.
[161] Funding figures compiled by staff from annual congressional appropriations laws.
[162] Website of Communities United for Substance Abuse Prevention, accessed June 19, 2011, http://preventionworksnh.org/?p=1003.

ensuring successful completion of the work," GAO wrote, "ONDCP lacks reasonable assurance that required tasks are being performed in accordance with its directives." [163]

Under the auspices of "coordination,' the Office of National Drug Policy has continued to be funded by Congress. However, after more than two decades of funding, taxpayers are still funding a national coordinating office, along with numerous other federal drug programs, while measureable results and lower drug abuse rates remain elusive.

The Office of National Drug Policy should be eliminated and any essential functions should be transitioned to the appropriate federal departments already dedicated full-time to addressing the nation's drug matters. Specifically, if a review by the Government Accountability Office reveals the Counterdrug Technology Assessment Center and the High-Intensity Drug Trafficking Area Program, currently administered by the ONDCP, are not duplicative of existing federal drug-trafficking efforts, these offices, or any essential and non-duplicative functions, could be transitioned to the Department of Justice.

Eliminate the Council on Environmental Quality - $33 million

Funded at $3 million annually, the Council on Environmental Quality (CEQ) office at the White House is tasked with advising the president on environmental matters, overseeing agency activities related to the National Environmental Policy Act and coordinating federal environmental activities.[164] However, much like the Office of National Drug Control Policy, the CEQ is a duplicative executive branch office with ambiguous goals and activities with little to show for its 40-year history other than adding more than $91 million to the national debt.[165]

Perhaps indications that CEQ's authorities and budget are ungainly, President Obama's predecessors attempted to trim the office. In the late 1970s, the Carter administration transferred some of CEQ's authority and activities to the Environmental Protection Agency (EPA). [166] His successor, President Reagan, slashed CEQ's budget by 80 percent.[167]

The president's most recent budget proposes a nine percent increase in the CEQ budget for yet another new and even more duplicative function—handling ocean policy issues. [168] Despite the

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[163] Government Accountability Office, GAO-08-57, "Drug-Free Communities Support Program: Stronger Internal Controls and Other Actions Needed to Better Manage the Grant-Making Process," July 2008, http://www.gao.gov/new.items/d0857.pdf.

[164] Website of the Executive Office of the President, "FY 2012 Congressional Budget Submission," accessed June 26, 2011, http://www.whitehouse.gov/sites/default/files/2012-eop-budget.pdf.

[165] Funding data compiled from annual appropriations bills, information provided by CRS for years 1982 to 2001, and for years 1970-1981 from Report by the Comptroller General of the United States, "The Council on Environmental Quality: A Tool in Shaping National Policy," March 19, 1981, accessed June 26, 2011, http://archive.gao.gov/f0102/114638.pdf.

[166] Report by the Comptroller General of the United States, "The Council on Environmental Quality: A Tool in Shaping National Policy," March 19, 1981, accessed June 26, 2011, http://archive.gao.gov/f0102/114638.pdf.

[167] Karp, James, Pollution Issues, accessed July 17, 2011, http://webcache.googleusercontent.com/search?q=cache:2JgxjHoAHWgJ:www.pollutionissues.com/Pl-Re/President-s-Council-on-Environmental-Quality.html+clinton+administration+eliminate+CEQ&cd=1&hl=en&ct=clnk&gl=us&source=www.google.com#ixzz1PYNuXZ8d.

[168] Website of the Executive Office of the President, "FY 2012 Congressional Budget Submission," accessed June 25, 2011, http://www.whitehouse.gov/sites/default/files/2012-eop-budget.pdf.

current existence of an entire agency dedicated to oceans, the National Oceanic and Atmospheric Administration (NOAA), the White House created the new, unwieldy-titled National Policy for the Stewardship of the Ocean, Coasts, and Great Lakes, as well as a National Ocean Council—to be directed by the CEQ, *not* NOAA.[169] Meanwhile, NOAA's annual budget is more than $4.5 billion, and this year the president requested *a 20 percent increase* for the agency, while also proposing this duplicative effort at the CEQ.[170]

The president's budget details the additional $285,000 needed for this new effort at the CEQ, will be directed to various administrative expenses include salaries, official travel and vehicle rentals, shipping costs, cell phone and wireless communication device charges, printing costs, office furniture, photocopiers, and magazine subscriptions.[171]

A review of its blog reveals the National Ocean Council has done little in the last year. In fact, the blog had a total of only 11 postings.[172] The only recent activity of the Council is a series of "listening sessions" being hosted across the country to collect input as they draft a national strategy on oceans, coasts, and Great lakes—travel costs at taxpayers' expense of course.[173]

Other questionable activities at the CEQ include the new Great Outdoors Initiative. Proposed by the president earlier this year, the new program is directed "to achieve lasting conservation of the outdoor spaces" and plans to do so by creating "accessible parks or green spaces for our children" and establishing "a new generation of great urban parks and community green spaces," among other goals.[174]

According to their report, last year senior administration officials held 51 listening sessions[175] to hear "creative ideas about conservation, recreation, and connecting people to the outdoors." One of their recommendations is to "launch a public awareness initiative to show that experiencing America's great outdoors is fun, easy, and healthy."[176]

Federal promotion of outdoor recreation activities is questionable at best and by most accounts, completely unnecessary and an outright waste of taxpayer funding—especially considering more than 137 million Americans participated in outdoor recreation activities in 2010, according to a

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[169] Website of the Council on Environmental Quality, accessed July 17, 2011, http://www.whitehouse.gov/administration/eop/ceq/initiatives/oceans.
[170] Congressional Research Service R41721, "Commerce, Justice, Science, and Related Agencies: FY2012 Appropriations," May 12, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41721&Source=search.
[171] Website of the Executive Office of the President, "FY 2012 Congressional Budget Submission," accessed June 25, 2011, http://www.whitehouse.gov/sites/default/files/2012-eop-budget.pdf.
[172] Blog of the National Ocean Council, accessed July 17, 2011, http://www.whitehouse.gov/administration/eop/oceans/whats-new.
[173] Blog of the National Ocean Council, accessed July 17, 2011, http://www.whitehouse.gov/administration/eop/oceans/whats-new.
[174] Website of the Council on Environmental Quality, "Great Outdoors Initiative," accessed July 17, 2011, http://www.whitehouse.gov/administration/eop/ceq/initiatives/ago.
[175] Website of the Council on Environmental Quality, "Great Outdoors Initiative," accessed July 17, 2011, http://www.whitehouse.gov/administration/eop/ceq/initiatives/ago.
[176] America's Great Outdoors, "A Promise to Future Generations," February 2011, http://americasgreatoutdoors.gov/files/2011/02/AGO-Executive-Summary-2-7-11.pdf.

2011 report by the Outdoor Industry Association (OIA).[177] The study notes that for the third consecutive year, roughly half of Americans over the age of six enjoyed outdoor recreation, including an increase in the number of diverse participants, as well as a more than 12 percent jump in the number of Americans lacing up their running shoes and hitting the outdoor trails.

President Carter had it right, and 30 years later, with a $10 million budget and more than 17,000 employees, the EPA remains the central federal agency tasked with protecting the environment and administering federal environmental policy.[178] The Environmental Protection Agency is still the most appropriate place for these activities, and the CEQ should be eliminated as the EPA can absorb any necessary functions.

Eliminate the Office of Science and Technology Policy - $77 million

According to the White House, the Office of Science and Technology Policy (OSTP) has "a broad mandate to advise the President and others within the Executive Office of the President on the effects of science and technology on domestic and international affairs."[179] With an annual budget of $7 million, OSTP is similar to both the ONDCP and the CEQ in its duplicative policy role both within the White House and across the government. [180]

The federal government spends more than $25 billion every year through three other entities – the National Science Foundation, the National Aeronautics and Space Administration, and the Office of Science and Technology Policy.[181] The president's domestic policy advisors, combined with those he appoints to run these major federal science agencies should be responsible for carrying out any necessary functions at the OSPT, whose mission is ambiguous at best. Costing taxpayers $147 million during its 35 year existence, compared to many the office utilizes very few federal resources—all the more reason it is unnecessary. [182]

OSTP is home to the National Science and Technology Council, which was created in 1993 as the "principal means within the executive branch to coordinate science and technology policy," and is essentially a meeting of several various science advisors from across the numerous science and technology offices in the executive branch.[183] Yet, in 2009, the president created another council—President's Council of Advisors on Science and Technology, which not only bears nearly the same

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[177] Outdoor Foundation, "Outdoor Recreation Participation, Topline Report, 2011" http://www.outdoorindustry.org/images/researchfiles/OIA_Participation2011Topline.pdf?133.
[178] Website of the Environmental Protection Agency, "FY 2012 Budget in Brief," accessed June 26, 2011, http://www.epa.gov/planandbudget/annualplan/fy2012.html.
[179] Website of the Office of Science and Technology Policy, "About OSTP," accessed July 8, 2011, http://www.whitehouse.gov/administration/eop/ostp/about.
[180] Website of the Executive Office of the President, "FY 2012 Congressional Budget Submission," accessed June 25, 2011, http://www.whitehouse.gov/sites/default/files/2012-eop-budget.pdf.
[181] Congressional Research Service R41721, "Commerce, Justice, Science, and Related Agencies: FY2012 Appropriations," May 12, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41721&Source=search.
[182] Data compiled by the Congressional Research Service for OSTP funding since its inception in 1976.
[183] Website of the Office of Science and Technology Policy, "National Science and Technology Council," accessed July 17, 2011, http://www.whitehouse.gov/administration/eop/ostp/nstc.

name, but also a similar purpose as an "advisory group of the nation's leading scientists and engineers who advise the president" on matters of science and technology.[184]

On its website, the Office of Science and Technology Policy explains that "their work can be thought of as falling into four main topic areas" of federal policy including science, technology, energy/environment, and national security/international affairs. Yet again, it is clear the involvement in these matters is duplicative and wasteful, given the billions of dollars spent at countless agencies throughout the executive branch and even in the White House, dedicated to these same matters.

For example, the president's National Security Council and Homeland Security Council, along with the Joint Chiefs of Staff, the Secretary of State, the Secretary of Defense and many more are responsible for matters of national security and international affairs. As previously noted, the Environmental Protection Agency and NOAA also handle environmental and climate change issues, while the National Institute of Standards and Technology is responsible for technology matters.

Despite these offices, councils, and advisors, with a budget of $3 million, the office is not operating any actual programs related to science and technology, but is merely another office funding salaries of White House staff. According to its budget justification, funding for the office this year will be used to support the Director of OSTP, to operate the National Science and Technology Council and

President's Council of Advisors on Science and Technology, to carry out national security emergency preparedness communications responsibilities, and provide science and technology advice to federal officials during times of national crisis.[185] Given its duplicative nature and ambiguous purpose, this White House office should be eliminated.

EXECUTIVE OFFICE OF THE PRESIDENT TEN YEAR SAVINGS
Discretionary: $5.4 billion
Total: $5.4 billion

[184] Website of the Office of Science and Technology Policy, "About PCAST," accessed July 17, 2011, http://www.whitehouse.gov/administration/eop/ostp/pcast/about.
[185] Website of the Executive Office of the President, "FY 2012 Congressional Budget Submission," accessed July 17, 2011, http://www.whitehouse.gov/sites/default/files/2012-eop-budget.pdf.

THE U.S. JUDICIARY

The Judicial Branch of the federal government is made up of the Supreme Court, lower courts, special courts, and the administrative office of the courts, the Federal Judicial Center, and U.S. Sentencing Commission. While the U.S. Constitution establishes the Supreme Court, Congress is given discretion to determine the shape and structure of the remaining federal judiciary.

The total budget for the Judiciary in Fiscal Year (FY) 2010 was $6.8 billion and the 2012 request is $7.3 billion.[186] According to the Congressional Research Service, 73 percent of the total Judiciary budget is dedicated to the salaries and expenses account for the U.S. Courts of Appeals, District Courts, and Other Judicial Services. This includes justices and judges retired from office or from regular active service, judges of the U.S. Court of Federal Claims, bankruptcy judges, magistrate judges, and other officers, and employees of the federal judiciary.[187] The Judicial Conference of the United States, which oversees the administration of the courts, is implementing reforms expected to save $400 million in 2012.[188]

Reducing Rising Rent Costs by Sharing Courtrooms

Rental payments by the Judiciary have increased dramatically in recent years. The Judiciary spent about $1 billion of its $6.8 billion budget on rent in 2010. The Judiciary's rent payments to the General Services Administration (GSA) increased from $133 million in 1986 to $980 million in FY 2006,[189] according to a 2005 report by the Director of the Administrative Office of the Courts. A 2005 report noted the Judiciary pays more rent in actual dollars to GSA than any other federal agency except the Department of Justice (DOJ). As a percentage of its budget, DOJ pays about 3 percent while the courts pay 22 percent. Controlling the cost of courtroom and judicial office space could save taxpayers millions of dollars every year.

A 2010 Government Accountability Office (GAO) report recognized this problem and developed a model for courtroom sharing. GAO found there is enough unscheduled courtroom time for substantial courtroom sharing and sharing could have "reduced the number of courtrooms needed in

[186]Garrett Hatch, *Financial Services and General Government Appropriations: FY2012 Budget Request Fact Sheet*, Congressional Research Service Report, R41655, June 16, 2011, at 1.
[187]Garrett Hatch, *Financial Services and General Government Appropriations: FY 2011 Appropriations*, Congressional Research Service, R41340, June 14, 2011, at 29.
[188]Statement of the Honorable Julia S. Gibbons, Chair, Committee on the Budget of the Judicial Conference of the United States. Before the Committee on Appropriations, Subcommittee on Financial Services and General Government, United States House of Representatives, April 6, 2011, at 6.
[189]Statement of Leonidas Mecham, Director, Administrative Office of the United States Courts, Judicial Conference of the United States, before the Committee on Transportation and Infrastructure, Subcommittee on Economic Development, Public Buildings and Emergency Management, U.S. House of Representatives, June 21, 2005.

courthouses built since 2000 by 126 courtrooms [or] about 40 percent."[190] GAO notes judges initially raised concerns about sharing, but "overcame those challenges when necessary and no trials were postponed."[191]

Because the cost of rent is such a large portion of the Judiciary's budget, one of the cost saving initiatives developed by the Judicial Conference was a policy where two senior district judges will share one courtroom in new courthouse construction projects starting in 2008. Further savings could result by requiring all senior judges, not just those in new construction.

A significant number of courtrooms could be eliminated if senior judges were required to share when possible. Senior judges "essentially provide volunteer service to the courts" and "typically handle about 15 percent of the federal courts' workload annually."[192] Although it depends on the court and the judge, most senior judges decrease their caseload by 50 percent. Currently, there are 394 senior district court judges across the country.[193] According to a GAO analysis of unscheduled courtroom time, 3 senior judges could share one courtroom.[194] A three to one sharing ratio should be required wherever feasible.

A courtroom sharing policy should also be required for magistrate judges. There are currently 528 full-time and 41 part-time magistrate judges across the country.[195] According to GAO, there is enough unscheduled courtroom time for three district judges to share two courtrooms.[196] Eliminating one-third of the courtrooms would save $99,343,750 annually in rental costs.

Re-establishing the Moratorium on the Construction of New Courthouses

Unneeded courthouse construction is costing taxpayers hundreds of millions of dollars. Thirty-three federal courthouses completed over the last decade "include 3.56 million square feet of extra space consisting of space that was constructed 1) above the congressionally authorized size, 2) due to overestimating the number of judges the courthouses would have, and 3) without planning for

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[190]Statement of Mark L. Goldstein, Director, Physical Infrastructure Issues, Government Accounting Office, *Federal Courthouse Construction, Better Planning Oversight and Courtroom Sharing Needed to Address Future Costs*, Testimony Before the Committee on the Judiciary, Subcommittee on Courts and Competition Policy, U.S. House of Representatives, Sept. 29, 2010, at 1.

[191]Statement of Mark L. Goldstein, Director, Physical Infrastructure Issues, Government Accounting Office, *Federal Courthouse Construction, Better Planning Oversight and Courtroom Sharing Needed to Address Future Costs*, Testimony Before the Committee on the Judiciary, Subcommittee on Courts and Competition Policy, U.S. House of Representatives, Sept. 29, 2010, at 1.

[192]United States Courts website, Frequently Asked Questions, at http://www.uscourts.gov/Common/FAQS.aspx.

[193]United States Courts website at http://www.uscourts.gov/JudgesAndJudgeships/BiographicalDirectoryOfJudges.aspx.

[194]Statement of Mark L. Goldstein, Director, Physical Infrastructure Issues, Government Accounting Office, *Federal Courthouse Construction, Better Planning Oversight and Courtroom Sharing Needed to Address Future Costs*, Testimony Before the Committee on the Judiciary, Subcommittee on Courts and Competition Policy, U.S. House of Representatives, Sept. 29, 2010, at 1.

[195]Phone conversation with Ann McKenna, Administrative Office of the Courts, June 9, 2011.

[196]Statement of Mark L. Goldstein, Director, Physical Infrastructure Issues, Government Accounting Office, *Federal Courthouse Construction, Better Planning Oversight and Courtroom Sharing Needed to Address Future Costs*, Testimony Before the Committee on the Judiciary, Subcommittee on Courts and Competition Policy, U.S. House of Representatives, Sept. 29, 2010, at 1

courtroom sharing among judges," according to a 2010 GAO report.[197] It cost $835 million to construct this extra and unnecessary space. But that price tag does not reflect the total cost. The annual cost to "rent, operate and maintain" these courthouses is $51 million.

A national moratorium on courthouse construction was in place from 2004 to 2006.[198] The moratorium on new courthouse construction should be re-established.

The 2011 budget request from the Judiciary includes "30 additional court security officers for anticipated new and renovated existing space … and enhancements to security systems and equipment."[199] A moratorium would decrease court security costs as fewer new courthouses would mean less security is needed.

Unnecessary space in the St. Louis, Missouri, federal courthouse cost an extra $88.8 million to construct. The 398,000 square feet of unnecessary space will cost taxpayers an additional $2.8 million a year in rent and maintenance.[200]

The 238,000 square feet in unnecessary space included in the Ferguson federal courthouse in Miami, Florida cost an extra $48.5 million to construct and an extra $3.8 million every year for rent, operations and maintenance costs.[201]

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[197]Statement of Mark L. Goldstein, Director, Physical Infrastructure Issues, Government Accounting Office, *Federal Courthouse Construction, Better Planning Oversight and Courtroom Sharing Needed to Address Future Costs*, Testimony Before the Committee on the Judiciary, Subcommittee on Courts and Competition Policy, U.S. House of Representatives, Sept. 29, 2010, at 1.

[198]Statement of the Honorable Julia S. Gibbons, Chair, Committee on the Budget of the Judicial Conference of the United States. Before the Committee on Appropriations, Subcommittee on Financial Services and General Government, United States House of Representatives, April 6, 2011, at 4

[199]Garrett Hatch, *Financial Services and General Government Appropriations: FY 2011 Appropriations*, Congressional Research Service, R41340, June 14, 2011, at 29.

[200] Tom Murse, "Government Overspent on 7 Federal Courthouses," US Government Info, accessed July 7, 2011; http://usgovinfo.about.com/od/moneymatters/tp/7-Overpriced-Federal-Courthouses.htm .

[201] Tom Murse, "Government Overspent on 7 Federal Courthouses," US Government Info, accessed July 7, 2011; http://usgovinfo.about.com/od/moneymatters/tp/7-Overpriced-Federal-Courthouses.htm .

Reducing the Size and Cost of Judiciary Staff

Personnel costs are expected to cost the judiciary an addition $1.4 billion for *existing* court support staff by 2018.[202] This does not include additional staffing amounts.

The FY2011 request for this account was $5.31 billion, an increase of $299 million (5.9 percent) over the FY2010 level of $5.01 billion. According to the budget request, this increase is needed "primarily for inflationary and other adjustments to maintain the courts' current services." Of this total, 33 percent was for court support personnel salaries; 21 percent for judges and chambers staff salaries and benefits; 17 percent for rent; 11 percent for court support personnel benefits; 10 percent for operations and maintenance; and 7 percent for information technology.[203]

The staff of the federal judiciary, like the staff for the executive and legislative branches of government, can be reduced. President Obama's bi-partisan fiscal commission recommended reducing judiciary staff by 10 percent. To meet this goal, judges can share secretaries and share judicial clerks. The judiciary staff should be reduced by 10 percent.

Cost of Senior Judges

The cost of senior judges is difficult to determine because these judges are lumped in with the costs of full time, active judges. However, there are 394 senior district court judges and 112 senior circuit court judges. They all receive full pay and benefits when they either take senior status or retire. District court judges make $174,000 per year and circuit court judges make $184,500. Thus, their salaries alone are $68.6 million (district) and $20.7 million (circuit) for a total of $89.3 million.[204] The total budget for all personnel (not just judges, but clerks, secretaries, etc.) for the district and circuit courts for 2010 was $3,236 million.[205] Also, senior judges' salaries are not stagnant once they retire; they receive all the pay increases active judges receive. Further, allowing judges to take senior status opens up a vacancy on the court, just like a retirement, so it increases the overall cost of the judiciary.

In addition, there is a Judicial Retirement Funds account that received $72 million for the Judicial Officers' Retirement Fund, $6 million for the Judicial Survivors' Annuities Fund, and $4 million for the U.S. Court of Federal Claims Judges Retirement Fund for a total of $82 million in in 2010 mandatory spending.[206]

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[202] Statement of the Honorable Julia S. Gibbons, Chair, Committee on the Budget of the Judicial Conference of the United States. Before the Committee on Appropriations, Subcommittee on Financial Services and General Government, United States House of Representatives, March 19, 2009, at 5.

[203] Garrett Hatch, *Financial Services and General Government Appropriations: FY 2011 Appropriations*, Congressional Research Service, R41340, June 14, 2011, at 36.

[204] U.S. Courts Website at www.uscourts.gov.

[205] Office of Management and Budget, The Appendix, Budget of the United States Government, Fiscal Year 2012 Judicial Branch, Courts of Appeals, District Courts, and Other Judicial Services, *at* http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/jud.pdf.

[206] Office of Management and Budget, The Appendix, Budget of the United States Government, Fiscal Year 2012 Judicial Branch, Judicial Retirement Funds *at* http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/jud.pdf.

Adjusting Civil Court Filing Fees to Cost of Living Increases

The Judiciary could offset some costs it incurs by increasing civil court filing fees. The current filing fee of $350 has not been adjusted since 2006. The Judiciary should link the fees to annual cost of living increases. The fees brought in approximately $87.4 million in 2009. If the fees were tied to cost of living adjustments, the Judiciary would have collected an additional $9 million.

The filing fee for the U.S. Tax Court is $60.[207] These fees should also be adjusted to annual cost of living increases.

Reducing Cost of Grounds Maintenance

The Supreme Court received $15 million in appropriated funds in 2010 for building and grounds maintenance and has requested $9 million for 2012. The maintenance fund has an estimated $23 million in unobligated balances it will carry over in 2012.[208] It appears the appropriations for these purposes have exceeded the amount needed or above what could be spent. These unobligated balances should be used to pay for future maintenance and the total annual appropriation should be reduced by 20 percent.

Controlling the Growth of Administrative Costs

The Administrative Office of the Courts (AOC) provides a wide range of administrative, management, program, and information technology services to the U.S. courts, but the increase in budget request from $83 million in 2011 to $89 million in 2012 is not justified.[209] Funding should be maintained at 2011 levels.

Focusing the Mission and Downsizing the Cost and Size of the U.S. Sentencing Commission

The U.S. Sentencing Commission collects, analyzes, and distributes information on Federal crime and sentencing issues, serving as an information resource for Congress.[210] It also establishes sentencing policies, advises policymakers on the development of crime policy, and provides training for judges, prosecutors, probation officers and the defense bar.

The Commission, in large part, performs many functions Congress can and should perform itself. It also collects duplicative statistics similar to those compiled by the Bureau of Justice Statistics and the FBI.

The cost, size, and mission of the Commission should be significantly downsized. The total amount paid for salaries of the commissioners and their staff should be reduced by 50 percent. To help achieve this reduction, the number of commissioners should be reduced from seven to three. The

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[207] United States Tax Court website, updated September 1, 2010; http://www.ustaxcourt.gov/fees.htm .
[208] Office of Management and Budget, The Appendix, Budget of the United States Government, Fiscal Year 2012 Judicial Branch, Courts of Appeals, District Courts, and Other Judicial Services, *at* http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/jud.pdf.
[209] Garrett Hatch, *Financial Services and General Government Appropriations: FY 2011 Appropriations*, Congressional Research Service, R41340, June 14, 2011.
[210] United States Sentencing Commission website, "About the Commission." http://www.ussc.gov/About_the_Commission/index.cfm.

Commission also spends $1 million on travel.[211] These costs are unnecessary and should be eliminated.

SAVINGS/PROGRAM REDUCTIONS

Reduce total budget of Courts of Appeals, District, and other judicial services by two percent
Re-establish Courts of Appeals and District Court Building Moratorium
Court of Appeals and District Court rental fees senior judges sharing
Court of Appeals and District Court Rental Fees Magistrate Judges sharing
Reduce Court of Appeals and District Court staff by 10 percent
Reduce total budget of legal activities and U.S. Marshals by 2 percent
Reduce staff budget for Supreme Court by 10 percent
Reduce Supreme Court transportation spending by 20 percent
Reduce Supreme Court Grounds maintenance by 20 percent
Maintain Court Security funding at 2010 levels
Maintain 2010 personnel spending levels for Administrative Office of the Courts
Eliminate travel for U.S. Sentencing Commission
Reduce number of commissioners from 7 to 3 and the overall salary costs for U.S. Sentencing Commission by 50 percent

THE JUDICIAL BRANCH TEN YEAR SAVINGS
Total: $7.78 billion

[211] Office of Management and Budget, The Appendix, Budget of the United States Government, Fiscal Year 2012 Judicial Branch, Courts of Appeals, District Courts, and Other Judicial Services, *at* http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/jud.pdf.

DEPARTMENT OF AGRICULTURE

The U.S. Department of Agriculture (USDA) is tasked with providing assistance and expertise for rural communities in the areas of agricultural production, natural resources, rural development, nutrition, forestry, statistical data, and international aid and development. For Fiscal Year (FY) 2011, USDA received a total of $148 billion. USDA program funding is generally established by Congress every five years in what is called "the farm bill." Ninety-seven (97) percent of the 2008 farm bill funding was spent on four titles: Nutrition (67%), Farm Commodity Support (15%), Conservation (9%), and Crop Insurance (8%).

Our nation's farmers and ranchers play an essential role in providing safe and healthy food in the U.S. and around the world. The volatile nature of their industry demands they be some of the most resourceful and business savvy individuals in our country. As some of the hardest workers in our economy, farmers and ranchers often, but not always, toil for small profit margins under the demand of high input costs. With this fact in mind, the federal government can play a productive role in providing access to capital, particularly for small farming operations. However, the current size and scope of the bureaucracy does not match the efficiency that farmers expect from their own operations.

The USDA currently employs over 120,000 individuals in 16,000 offices and field locations.[212] The agency notes that if it were a private company, it would be the sixth largest in the United States.[213]

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[212] Mimms, Sara, "USDA Confronts Challenge of Youth Recruitment," *Government Executive* January 20, 2011, http://www.govexec.com/story_page.cfm?articleid=46917&oref=todaysnews.

[213] United States Department of Agriculture, Office of the Chief Financial Officer website, http://www.ocfo.usda.gov/, last accessed on January 26, 2011.

Today there is one USDA employee for every eight farmers (those that list farming as their principle source of income), or overall, one USDA employee for every 18 farms.

Reforming this agency must focus on providing a bureaucracy that matches the efficiency of the 21st century farm. The current subsidy framework provided by Uncle Sam ensures farmers are covered by taxpayers at nearly every angle of risk. Unlike other industries, farmers are made nearly whole through a variety of formula-based programs called the "farm safety net."

It is worth noting that net farm income (a measurement in the increase of wealth from production) is projected to reach $94.7 billion in 2011, the second highest level measured in 35 years. This represents a substantial increase of $15.7 billion or 19.8 percent increase from the 2010 forecast. Crop prices alone are expected to rise at record rates by 14 percent in 2011.[214] The question Congress must ask is not whether there will be a safety net but whether there will be one that works for farmers and taxpayers alike and that recognizes our nation's fiscal situation**.**

End excessive farm programs to establish a true and sustainable safety net for farmers by maintaining crop insurance and loan guarantees

USDA's Farm Service Agency (FSA) serves as the delivery point for farm credit (Direct and Guaranteed for Ownership and Operating Loans), Disaster Assistance, and Commodity Programs.[215] The FSA has thousands of support staff requiring $1.5 billion for salaries and expenses.[216]

The federal government has long provided credit to farmers who cannot obtain it elsewhere. In this role, FSA serves as a lender of last resort for farmers who cannot overcome economic circumstances, and it should continue to function within this role but in a limited manner only as it relates to guaranteeing loans. It should always be questioned whether it is a good idea to put taxpayers on the hook for loan applicants who are denied by commercial lenders and farm credit institutions; however, capitalizing farmers is the most efficient way to promote independence and sustainable business practices without creating long-term dependency among the agricultural community.

While USDA has arguably played a productive role in capitalizing the farm economy, its efforts have gone far beyond this focus. USDA now covers farmers from every angle: crop insurance for most crops, payments to noninsured farmers for crops not covered by crop insurance, disaster assistance, direct payments for commodities, counter-cyclical payments (or ACRE), and marketing assistance loans.

For its part, crop insurance is a longstanding risk management tool for most major crops as its original mission was to prevent the need for ad hoc disaster assistance, weather-related plant disease, and insect infestations. In the 1980s the federal crop insurance program spent about $500

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[214] U.S. Department of Agriculture website, Economic Research Service, "2011 Farm Sector Income Forecast, "http://www.ers.usda.gov/briefing/farmincome/nationalestimates.htm, accessed July 15, 2011.
[215] 2,300 local service centers nationwide
[216] U.S. Department of Agriculture Website, FY 2012 Budget Summary and Annual Performance Plan, Pages 15-16, http://www.obpa.usda.gov/budsum/FY12budsum.pdf, accessed July 15, 2011.

million annually but in recent years the cost has increased to about $5-8 billion.[217] A part of crop insurance now allows for Catastrophic Coverage without farmers even paying a premium and is fully subsidized by the federal government.

The farm safety net should be reformed to serve solely as a risk management tool intended to promote the capitalization of farmers. Additional income support programs, such as direct payments, counter-cyclical payments, ACRE, and marketing assistance loans should be ended. Farmers should be protected against the unpredictable, and often volatile, nature of farming by a mature risk management tool like crop insurance and supplemented by loan guarantees.

The following programs encapsulate farm commodity safety net programs

(A)**Eliminate direct payments for commodities to save $64 billion over ten years**[218]
Direct payments were created in the 1996 Freedom to Farm Act as transition payments for a limited number of years to allow farmers to gradually be released from federally-directed farming policies and assistance. These were intended to be temporary and nature, yet, Congress has continued these subsidies without regard to their original intent.
Direct payments are fixed annual payments based on a farm's historical plantings, historical yields, and a national payment rate but do not depend on market prices. Ten crops are eligible (wheat, corn, sorghum, barley, oats, cotton, rice, soybeans, minor oilseeds, and peanuts) but fruits, vegetables, and wild rice are excluded. However, these payments do not provide assistance when farmers actually need it. Rather, they provide income support for one particular industry; have been the subject to considerable abuse; and are not indexed to appropriate market factors.

A 2008 GAO report found direct payments have gone to wealthy and deceased farmers in the past as well as those who do not generate the majority of their income from farm activities. The report states, "…of the 1.8 million individuals receiving farm payments from 2003 through 2006, 2,702 had an average adjusted gross income (AGI) that exceeded $2.5 million and derived less than 75 percent of their income from farming, ranching, or forestry operations, thereby making them potentially ineligible for farm payments."[219] Experts have pointed out that a majority of direct payments are received by those without imminent risk to crop or price.[220]

The President's Fiscal Commission proposed reducing direct payments by approximately $3 billion. Additionally, the Iowa Farm Bureau recently recommended ending them altogether as well.[221] Other groups have also called for sizable reductions in these payments.

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[217]CRS Report: R40532, "Federal Crop Insurance: Background and Issues," Congressional Research Service, December 13, 2010, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R40532&Source=search, accessed July 15, 2011.
[218] "Agricultural Policy and the Next Farm Bill" presentation Slide 29, Congressional Research Service, May 11, 2011.
[219] GAO-09-67 Federal Farm Programs: USDA Needs to Strengthen Controls to Prevent Payments to Individuals Who Exceed Income Eligibility Limits, Government Accountability Office, October 2008, http://www.gao.gov/new.items/d0967.pdf.
[220]"Economists offer budget driven farm bill proposals," AgriNews website, December 16, 2010, http://www.agrinews.com/economists/offer/budget/driven/farm/bill/proposals/story-3138.html, accessed July 15, 2011.
[221]Nixon, Ron, "In Battle Over Subsidies, Some Farmers Say No," June 23, 2011, http://www.nytimes.com/2011/06/23/us/23crop.html?pagewanted=all, accessed July 15, 2011.

(B) **Eliminate Counter-cyclical payments to save $1.85 billion over ten years**
Counter cyclical payments are another component of the farm safety net, providing assistance from a different angle than direct payments. These payments are crop-specific based on national average farm prices. Unlike direct payments, these payouts vary inversely with market prices, which could promote overproduction. When prices (not revenue) fall below a certain level, farmers receive payments based on market prices. The program does not stipulate a farmer actually produce any of the commodity for which he or she receives a payment.

(C) **Eliminate the Average Crop Revenue Election** (**ACRE) program**. This could save $4.9 billion depending on participation. ACRE was intended as a more suitable alternative for Counter Cyclical payments but generally seeks to achieve the same goal. This program pays a farmer when two conditions are met: (1) state-level revenue for a crop (determined after harvest) falls below a guaranteed level, which is determined before harvest, to prevent making payments in the case one or the other does well; and (2) the farmer experiences an individual crop revenue loss on a farm. The second trigger provides an additional safeguard, so farmers can be eligible for payment if they are not profitable individually even when commodity prices are high.

Created in 2008, this program has experienced low participation rates due to the complexities of the program. It requires significantly more data from farmers and is inherently more difficult to explain. It is still too early to tell whether it could be a more efficient and cost-effective program than counter-cyclical payments.

Counter-cyclical payments have historically functioned as a risk management tool by safeguarding against market downturns. However, since the crop insurance program was strengthened in the 1980s and 1990s, along with other federal assistance, these payments, including ACRE, now function more like income support programs. The next Standard Reinsurance Agreement—the process periodically used by USDA to renegotiate the terms of the crop insurance program among producers, the government, and insurance companies—should be used address any shortcomings in the crop insurance to meet the needs of eliminating counter-cyclical payments and SURE.

If an individual is farming, it is likely because he or she already possesses the understanding of the risks associated with production and is sufficiently savvy to maneuver around economic hazards of the business. For any shortcomings, crop insurance and loan guarantees are sufficient.

(D) **Eliminate Marketing Loan Assistance Program**. This could save $3.5 billion, depending on commodity prices. This program provides another artificial buffer against market prices, could potentially encourage overproduction, and is vulnerable to abuse.

Marketing Loan Assistance provides short-term loans, using the crop as collateral and a guaranteed floor price or cash payments for staple crops covered under direct payments plus cotton, wool, mohair, and honey.[222] Program costs have ranged from $1 billion to $7 billion annually.

Previously, farmers simply kept their loans and forfeited their collateralized crop if market prices fell below target levels. The program paid for loan costs and crop storage. Now most marketing loan subsidies simply bypass the loan process altogether and provide a subsidy payment termed a "loan deficiency payment."

[222] These payments are also described as Loan Deficiency Payments.

Many have also questioned whether this program is serving the right group of people. A Washington Post investigation revealed that farmers do not necessarily have to suffer through low commodity prices to receive the subsidy. Farmers can receive a federal loan using their crop as collateral during a time of low prices. When prices rise, they can then sell the crop on the markets. According to the report, "Despite its name [loan deficiency payment], it is neither a loan nor, in many cases, payment for a deficiency. It is just cash paid to farmers when market prices dip below the government-set minimum, or floor, if only for a single day."[223]

The idea to support farmers in times of low prices came during the Great Depression. By the 1980s, the federal government decided to purchase surplus crops that could not otherwise be sold in the markets. Loan Deficiency Payments were a way to cushion farmer revenues when prices fell below a certain threshold. As GAO reported first in 2009, the program functioned more like a source of guaranteed income rather than interim financing for risk aversion, which caused the cost of the program to skyrocket.[224]

Eliminate the following programs created in the 2008 farm bill to assist after natural disasters

USDA operates a robust crop insurance program with the specific intent of eliminating the need for ad hoc disaster assistance.[225] Nevertheless, emergency disaster assistance continues. The Noninsured Crop Disaster Assistance Program (NAP) already provides payments to producers for crops not eligible under the crop insurance program. Crops includes feed and specialty crops, among others. Additionally, NAP provides payments for low yields, loss of inventory, or being prevented from planting due to natural disasters. The following programs do the same thing and should be eliminated.

1. Supplemental Revenue Assistance Payments (SURE) ($974 million in FY2010) is the largest of the 2008 farm bill programs that essentially makes permanent the "ad hoc" disaster assistance that has been become common for Congress to authorize. It provides payments for crop production and/or quality losses due to natural disasters. SURE goes further than crop insurance by providing payments equal to the deductable up to 90 percent of the crop's value. It is not the taxpayers' responsibility to ensure farmers have little to no risk. GAO found that FSA has had trouble implementing ad hoc disaster assistance in the past.[226]

2. Livestock Forage Disaster Program (LIP)($92 m in FY 2010) provides payments for grazing losses due to drought or fire (on public lands for fires), which is duplicative of NAP

3. Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish (ELAP)($21 million)

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[223]Morgan, Dan, Cohen, Sarah, Gaul, Gilbert M., "Growers Reap Benefits Even in Good Years," Washington Post, July 3, 2006, http://www.washingtonpost.com/wp-dyn/content/article/2006/07/02/AR2006070200691_pf.html, accessed July 15, 2011.

[224] GAO/RCED-00-9, "Marketing Assistance Loan Program Should Better Reflect Market Conditions, Government Accountability Office," November 1999; http://www.gao.gov/new.items/rc00009.pdf.

[225]CRS Report: RS21212, "USDA Agriculture Disaster Assistance," Congressional Research Service," January 6, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RS21212&Source=search.

[226] GAO-10-548, "Crop Disaster Programs, Lessons Learned Can Improve Implementation of New Crop Assistance Program," Government Accountability Office, June 2010; http://www.gao.gov/highlights/d10548high.pdf.

4. Tree Assistance Program ($2 million) provides payments to orchardists and nursery tree growers to replant trees after natural disasters. This is not a priority of the federal government nor a staple crop for consumption.

End FSA Direct Ownership and Operating Loans but Maintain Guaranteed Loans

FSA loans are intended to provide high risk borrowers with temporary loans when they are unable to obtain credit from a commercial lender or farm credit institution. Alternatively, the Farm Credit System is a quasi-federal extension, cooperatively owned and federally chartered with the mission of lending to farmers. FCS accounts for approximately 40 percent of total farm debt. [227]

According to a 2006 GAO study, USDA's farm loan program has shown significant financial and policy shortcomings over the years, including billions of dollars in losses due to mismanagement and weak lending practices. The program was previously placed on GAO's "High Risk" list, because delinquent borrowers held over $11 billion of the agency's outstanding loans, which is a violation of the criteria used to evaluate applicants.[228][229] While many of these problems have been addressed through the 1996 farm bill, FY 2010 tables show millions in defaults or outstanding balances.

However, these losses are acceptable. Safeguards must be established by eliminating excessive assistance programs. Fortunately, the farm sector's solvency remains strong at this time. USDA projects debt-to-asset and debt-to-equity ratios will decline in 2011 from 11.3 to 10.7 and 12.8 to 12.0 respectively.[230]

FSA *Guaranteed* Farm Loans should remain intact. These loan guarantees provide lenders (e.g., banks, Farm Credit System institutions, credit unions) with a guarantee of up to 95 percent of the loss of principal and interest on a loan for the same purposes of a direct loan but without restriction on refinancing existing debts.[231] Direct loans provide the smallest percentage of credit for farm debt but are the most expensive for taxpayers. Term limits on farm loans, which extend the number of years farmers are eligible to participate were originally imposed to encourage farmers to "graduate" to commercial credit. These should remain in place rather than being suspended periodically as Congress has been known to do.[232]

Farmers and ranchers apply to an agricultural lender, which then arranges for the guarantee. The FSA guarantee permits lenders to make agricultural credit available to farmers who do not meet the lender's normal underwriting criteria. FSA guaranteed loans (up to $1.119 million) are for both Farm Ownership (for purchase of farmland, construction or repair of buildings or fixtures, develop

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[227] CRS Report: RS21977, "Agricultural Credit: Institutions and Issues", Congressional Research Service, April 12, 2011, http://www.crs.gov/Products/RS/PDF/RS21977.pdf.
[228] Department of Agriculture website, Farm Service Agency, Direct Loan Program, March 3, 2011; http://www.fsa.usda.gov/Internet/FSA_File/flp_direct_farm_loans.pdf, accessed July 15, 2011.
[229] GAO-06-912R, "*Farm Loan Programs: GAO Reports on USDA Lending Practices*, Government Accountability Office," June 28, 2006, http://www.gao.gov/new.items/d06912r.pdf.
[230] Department of Agriculture website, Economic Research Service, Briefing Room, Farm Income and Costs: Assets, Debt, and Equity Forecast to Increase in 2011," http://www.ers.usda.gov/Briefing/FarmIncome/Wealth.htm, accessed July 15, 2011.
[231] GAO-06-912R, "Farm Loan Programs: GAO Reports on USDA Lending Practices," Government Accountability Office, June 28, 200, http://www.gao.gov/new.items/d06912r.pdf.
[232] Not applicable for guaranteed farm ownership loans

farmland to promote soil and water conservation, or to refinance debt) and Operating purposes (to purchase livestock, farm equipment, feed, seed, fuel, farm chemicals, insurance, and other operating expenses, minor building improvements, costs associated with land and water development, family living expenses, and refinance debt). Like the Direct Loan Program, a percentage of Guaranteed Loan funds are targeted to beginning farmers and ranchers and minority applicants.

Reduce USDA Conservation Programs by 60 percent to consolidate programs to save $48 billion over ten years

Our nation's natural resources and available farm land are scarce resources and treasures to those who live on or near them, farm them, or otherwise enjoy them. It is critical many of these plots be protected from misuse, neglect, and overdevelopment. Fortunately, these goals most often are shared by landowners themselves or other interested stakeholders. However, any initiative that simply pays farmers to take actions they would take anyway should be viewed with extreme caution.

What these programs did not take into consideration is that it is often in the best interest of the farmers and landowners to take many of the same measures that conservation programs seek to encourage on their own initiative. For any shortcomings, often state conservation initiatives are best positioned to address.

Furthermore, the existing network of conservation programs show significant overlap and inefficiencies. According to the non-partisan Congressional Research Service, there are more than 20 federal conservation programs in existence today with very little to distinguish them from one another. The number, scope, and overall funding of these programs has expanded in recent years as well. This growth can cause some confusion over which problems and conditions each program addresses, and specific program characteristics and performance.[233]

Before the number of conservation programs expanded, early initiatives targeted soil erosion and irrigation, essentially helping farmers achieve their production goals. In the 1980s, however, conservation initiatives began to grow out of concern for the environmental impact of farming itself. For example, NRCS recently funded nine greenhouse gas projects in 24 states at $7.4 million.[234] The current structure of USDA conservation programs does not ensure for the optimal use of taxpayer dollars. Administering multiple programs to achieve similar policy goals lacks the efficiency that can be achieved by producers taking the intended measures on their own. According to a USDA study, standard economic policy theory would say that an optimal strategy for conservation initiatives would address each policy goal through a separate policy instrument *only when* implementation and administrative costs for programs are negligible. In the case of conservation programs, USDA acknowledges these costs are high and can reach up to 50 percent of total program funds.[235]

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[233] CRS Report: R40763, "Agricultural Conservation: A Guide to Programs," Congressional Research Service, June 7, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R40763&Source=search.

[234] Department of Agriculture website, Natural Resources Conservation Service, "USDA Funds Projects to Reduce Greenhouse Gas Emissions in 24 States", June 8, 2011, http://www.nrcs.usda.gov/news/releases/2011/cig_ghg_6.8.11.html, accessed July 15, 2011.

[235] Report: ERR-19, "Balancing the Multiple Objectives of Conservation Programs," Department of Agriculture, Economic Research Service, May 2006, pages 1-4, 31, http://www.ers.usda.gov/publications/err19/err19.pdf, accessed June 29, 2011.

Increased administrative and implementation costs can significantly impact the efficiency and cost of programs with additional contracts to be processed and conflicting environmental goals of separate programs. For example, if a recipient of one program agrees to install vegetation cover on a plot of land near a river or stream to guard against erosion, protect wildlife, or enhance aesthetics, he or she could be turned away by each of the separately administered programs, because vegetation cover does not provide enough benefits in any single category despite the measure providing more benefits in total than another measure that may qualify for one program.[236]

In addition, USDA conservation programs are inconsistent with other existing federal policies. For example, USDA subsidizes the planting of crops, primarily through direct payments, marketing loans, and federal biofuels policies such as the Renewable Fuels Standards. At the same time, the U.S. Environmental Protection Agency (EPA) is encouraging the removal over 30 million acres of farm land from crop production. The federal prompting of farmers to shift away from balanced crop rotations and towards federally-directed crop cultivation while USDA programs encourage farmers to suspend farming altogether are inconsistent. EPA's recent decision to increase the federal blend wall, the maximum amount of ethanol allowed to be blended in the nation's fuel supply, could compound the conflict of conservation policies. In addition to concerns with food supply, policies that will result in additional acres of farm land for corn planting will (artificially) expand markets for ethanol production and run counter to the Administration's goals for conservation.

These types of conservation initiatives are best addressed by state and local governments and producers themselves. Moreover, structural flaws limit the overall efficient use of taxpayer dollars and effectiveness in achieving program goals. Many of the programs themselves have considerable overlap in goals and in practice. This proposal reduces conservation funding by 75 percent to phase out existing programs while honoring ongoing contracts. Any contract holders wishing to opt out of a program should have their land released without penalty.

The following provides descriptions of the various federal conservation programs:

Working Land Programs pay farmers to implement initiatives while keeping land in production.

Three key programs focus on keeping farmland in production. Each of the programs has nearly identical goals and services. Each seek to financially reward "bad actor" producers who USDA would prefer implement better conservation measures on their lands. Each has the same eligibility limits and application requirement. The main differences are that Agriculture Management Assistance program (AMA) is limited to 13 states, and Wildlife Habitat Incentive Program (WHIP) has a focus on wildlife (despite the others also including wildlife as part of their eligible practices to qualify.

Both EQIP and WHIP have paid a few individuals who exceeded the $1 million adjusted gross income limitation for benefits. EQIP paid three individuals a total of over $385,000, and WHIP one individual in both FY 2009 and FY 2010 $100,000 and $187,540 respectively.[237]

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[236] Report: ERR-19, "Balancing the Multiple Objectives of Conservation Programs," Department of Agriculture, Economic Research Service, May 2006, pages 1-4, 31, http://www.ers.usda.gov/publications/err19/err19.pdf, accessed June 29, 2011.

[237] Letter to Senator Tom Coburn, U.S. Department of Agriculture, February 18, 2011.

The Environmental Quality Incentives Program (EQIP)
This program provides financial and technical assistance to producers and landowners to plan and install structural, vegetative, and land management practices to address resource concerns. EQIP is the largest 'working lands' program with 60 percent of the funding going towards livestock producers. It received $1.238 billion in FY2011.

Conservation Innovation Grants
This is a subprogram of EQIP that was reauthorized in 2008 farm bill to award competitive grants to state and local agencies, non-governmental organizations, tribes, and individuals who implement innovative conservation techniques and practices. Approximately $25 million was available for this program in FY 2011.

Eligible practices include pollution reduction, precision agriculture, and establishing a tribal partnership for regional habitat conservation. The 2008 farm bill expanded eligibility for grants to include targeting air quality concerns, such as greenhouse gas emission. Precision agriculture can be done through GPS systems that are implemented by farmers irrespective of this program. It allows them to minimize their input costs and maximize their time.

Agricultural Water Enhancement Program
This is a subprogram of EQIP created by 2008 farm bill that provides financial and technical assistance for water and quality and quantity purposes. Congress provided $74 million in FY 2011 and $60 million in FY 2012 and annually thereafter.

The Wildlife Habitat Incentive Program
This program provides technical and financial assistance to develop upland wildlife, wetland wildlife, threatened and endangered species, fish and other types of wildlife habitat. Participants receive 75 percent of the cost of implementing a multi-year contract of conservation measures**.** It received $85 million in FY 2011.

The U.S. Fish and Wildlife's Invasive Species component operates *Habitat Restoration Programs*[238]to protect, restore, and maintain the health of the Nation's valuable fish and wildlife resources through technical assistance, financial assistance, and education.[239] FWS' *Habitat and Resource Conservation* program provides conservation planning, ecological technical assistance for various species, including those that are declining or threatened. FWS received $16 million in FY 2010 for wildlife habitat and management. The Fisheries Program was provided $148.345 million.[240] These two programs could be consolidated into the Fish and Wildlife initiative to operate more efficiently with reduced funding levels.

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[238] Fish and Wildlife Service website, Invasive Species, Habitat Restoration Programs, January 13, 2009, http://www.fws.gov/invasives/habitat-restoration.html, accessed July 15, 2011.
[239] Fish and Wildlife Service website, Fisheries and Habitat Conservation, Fisheries Program History, April 26, 2010, http://www.fws.gov/fisheries/fisheries.html, accessed July 15, 2011.
[240] Conference Report: Report 111-316, Page 83, "Department of the Interior, Environment, and Related Agencies Appropriations Act, 2010," http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_reports&docid=f:hr316.111.pdf.

The Agricultural Management Assistance Program
This program provides cost-sharing assistance with contracts (1-10 years) to producers in 16 states where participation in crop insurance has been historically low.[241] Funding is often used for water management and irrigation, tree planting, soil erosion, pest management, organic farming, develop value-added processing, and enter into futures contracts to reduce risk. Congress provided $15 million annually for FY2008-FY2012 and $10 million annually thereafter.

Conservation Stewardship Program (formerly the Conservation Security Program)
The Conservation Security Program was terminated in the 2008 farm bill (existing contracts are honored totaling $203.4 million FY2011 and $197.1 million in FY 2012) and replaced with the Conservation Stewardship Program, which received $649 million in FY 2011 (authorization reduced by $39 million). Its FY 2012 request is $787 million.[242]

Both programs generally serve the same purpose by providing financial and technical assistance to improve soil, water, air, energy, plant and animal life, and other conservation purposes on tribal and private lands.

Before the 2008 farm bill replaced the Conservation Security Program, it operated under a 3-tier approach, which identified "good actor" producers on three levels according to the extent a producer had already implemented good conservation techniques on their lands. Payments would then be made to maintain their existing practices and to incentivize producers to move into the next tier by implementing better conservation measures.

Payments to landowners are based on the costs of installing conservation measures, foregone income, and the value of the expected environmental outcomes. Whereas both CSP programs target "good actor" producers who already implement good conservation practices, Conservation Stewardship minimizes the component of the program that seeks to maintain good practices and maximizes incentives to beyond them with improvements upon the good practices, such as farm nutrient management plan, no-till practices, reducing pesticides, energy reductions procedures, etc.

While Conservation Stewardship Program made progress by minimizing payments to farmers for what they are already doing, this program is unnecessary, because the payments it makes to incentivize producers to implement further conservation measures are likely already attainable by the producers themselves without payments. Moreover, the Conservation Security Program is still operating despite its replacement.

Land Retirement and Easement Programs pay farmers to temporarily make changes to land use or management for environmental purposes. Alternatively, the easements component of these programs imposes a permanent land use restriction.

The purpose of land retirement conservation programs, beginning in the 1980s, was to reduce agricultural production at a time of low commodity prices. These programs were set to up to increase prices for producers and not unlike the origins of USDA's school meal programs when the

[241] 814 contracts were implemented at the end of FY 2010 to eligible states: CT, DE, HI, MD, MA, ME, MV, NH, NJ, NY, PA, RI, UT, VT, WV, and WY.
[242] These are estimates though as the program is funded according to acres rather than dollar amount. There is an average expectancy of $18/acre.

federal government purchased excess supplies of commodities for the primary purpose of controlling prices during the Great Depression. It distributed them to those in need as a secondary goal.

With many commodity and livestock prices (wheat, corn, sorghum, soybeans, cotton, milk, cattle, and hogs) and net farm income reaching record highs, these land retirement programs have outlived their original purpose.[243] In fact, many producers are calling for a way to break their CRP contracts, so they can get back to producing while prices are elevated.[244]

Conservation Reserve Program (CRP)
This program pays farmers with annual rental payments normally over ten-year contract periods to retire land or replace crops on erodible and environmentally sensitive land with long-term resource conserving plantings to improve/conserve soil, water, air, wildlife, and for carbon sequestration. The maximum amount of enrollable acres is 32 million acres. There are currently 749,013 active contracts on 415,953 farms. It received $1.911 billion in FY 2010, $2 billion in FY 2011.

CRP puts land retirement in competition with commodity prices. According to a USDA study, "If high prices become the norm, landowner interest in CRP may wane as they weigh the expected returns to farming against the CRP payment… This could lead to fewer acres being offered to the program, with a commensurate drop in ecosystem services."[245] The study found that maintaining interest in the program would most likely require USDA to increase payments to farmers.

A 2004 study revealed that by taking land out of production, CRP may be associated with negative economic impacts as demand for supplies from farmers decline. Farm suppliers and related businesses that depend on farmers and ranchers to buy inputs have experienced temporary net job losses from the disruption in purchasing patterns of farmers.[246]

This program has also been attributed to keeping financially vulnerable farmers in business when they otherwise would not operate a sustainable operation. While it is questionable to pay farmers not to farm, a more suspect use is to use CRP as a source of revenue for uneconomical farming operations.

Conservation Reserve Enhancement Program (CREP)
This subprogram partners with states that contribute 20 percent of the cost of a project in order to achieve a higher investment and wider participation.

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[243]"Agricultural Policy and the Next Farm Bill," Congressional Research Service, May 11, 2011. ISSN: 1554-9089, "World Agricultural Supply and Demand Estimates," Department of Agriculture, June 9, 2011, http://www.usda.gov/oce/commodity/wasde/latest.pdf. CRS Report: R40152, "U.S. Farm Income," Congressional Research Service, February 16, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R40152&Source=search.
[244]Electronic mail release, Ron Hays Oklahoma Farm News Update, "Oklahoma Groups a Part of the Campaigning for Easy Out for CRP," May 12, 2011. National Grain and Feed Association website, "NGFA, 71 Other Groups Urge Congress to Reform CRP During Consideration of 2012 Farm Bill," May 5, 2011, http://www.ngfa.org/full_story.cfm?id=3134, accessed July 15, 2011.
[245]Report: ERR-110, "The Influence of Rising Commodity Prices on the Conservation Reserve Program," Department of Agriculture website, Economic Research Service, February 2011, http://www.ers.usda.gov/Publications/ERR110/ERR110_ReportSummary.pdf.
[246] "The Conservation Reserve Program: Economic Implications for Rural America/AER-834," Department of Agriculture, Economic Research Service, http://www.ers.usda.gov/Publications/aer834/aer834b.pdf.

Farmable Wetlands Program
This subprogram enrolls up to 1 million acres of small and isolated wetlands.

The Wetlands Reserve Program
This program provides financial and technical assistance to purchase easements and enter into restoration agreements to protect and restore wetlands. The 2008 farm bill expanded its parameters to include croplands, grasslands, and certain wildlife habitats. The program was funded $425 million in FY 2010.

In 2009, two individuals with adjusted gross incomes over $1 million received a total of over $10 million in program benefits each. In 2010, USDA paid eight individuals a total of over $74 million. Each of the payment recipients had adjusted gross income that exceeded $1 million.[247]

The Farmland Protection Program
This program provides funding to state, local, and tribal governments and non-governmental organizations to help purchase conservation easements in order to limit the conversion of farmland to non-agricultural uses**.** The 2008 farm bill amended the program from protecting topsoil to protecting the land's agricultural uses more generally**.** It received $175 million in FY 2011.

For FY 2009 and FY 2010, the program placed an income limitation for program benefits of $1 million unless the Secretary of Agriculture granted a special waiver. In FY 2009, USDA paid an individual whose adjusted gross income exceeded $1 million a total of $630,000 in benefits.[248]

Grassland Reserve Program
This program provides long-term rental agreements and easements to assist landowners and producers restore and protect grasslands while maintaining them to where they can still function as grazing lands using common management practices. It was funded at $120 million in FY 2011.

In FY 2010 one individual still received a total of over $2.79 million in benefits despite exceeding $1 million of adjusted gross income.

Healthy Forest Reserve Program
This program assists landowners in restoring and enhancing forest ecosystems with long term agreements and permanent easements. It received $9.75 million during the period between FY 2009 – FY 2012.

Voluntary Public Access and Incentives Program
This program pays farmers and ranchers to make their land available for recreational activities, such as for wildlife (hunting, fishing, bird watching, etc.). It provides grants to state and tribal governments to expand or create new programs.[249] It was funded at $50 million from FY 2009-2012--$50 million.

[247] Letter to Senator Tom Coburn, Department of Agriculture, February 18, 2011.
[248] U.S. Department of Agriculture, letter to Senator Tom Coburn, February 18, 2011.

The policy goals of this program are inherently functions of markets. Landowners are already financially incentivized to make land available to recreationalists for a variety of purposes. The program does not address a market failure and is not a priority in this economic climate.

Maintain Watershed programs ($70 million FY 2010 enacted)
USDA's watershed programs partner with local sponsors to carry out initiatives relating to soil conservation, flood prevention, conservation, development, utilization and disposal of water, watershed surveys, and dam and flood structure rehabilitation.

Watershed programs are inherently different from conservation programs, providing flood protection and dam rehabilitation for deteriorating water and flood control infrastructure that cause dangerous threats to surrounding communities.

Reduce funding for Rural Development ($3.43 billion FY 2010 enacted) by $2.43 billion for a 10-year savings $26.9 billion

While serving legitimate purposes, Rural Development programs predominately duplicate existing programs of nearly every other agency in the federal government. The Rural Development program administers 40 housing, business, community infrastructure and facilities programs, as well as energy, healthcare, and telecom programs, many of which are duplicative of initiatives of other agencies, yet under the guise of exclusively serving "rural" residents. Rural populations are generally *not* excluded from programs with the same purpose that serve the general population. According to the Congressional Research Service, "More than 88 programs administered by 16 different federal agencies target rural economic development."[250]

Many of these duplicative programs do not even serve the population that they are advertised as serving. In 2008, an investigation into Rural Development loan operations revealed:

> *More than three decades after the loan program was created, USDA officials still don't know whether it works. Funds have gone to firms that have hired foreign workers instead of Americans. Millions more have gone to failing and bankrupt businesses. Most of the jobs are not new. Many are low-tech and low-wage*[251]

The report goes on to detail how the agency has lost nearly $1.5 billion since its inception while guaranteeing $14 billion in loans to private banks. Other loans have gone towards a country club in Montana, a movie theater in North Carolina, a water park in South Carolina, a beach resort in New Jersey, a car wash in Delaware, and forty-seven snowmobile clubs. Over 1 in 5 loans from the Business and Industry Guaranteed Loan program result in a loss.[252]

Other questionable expenditures from these Rural Developmement Programs:

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[250] Congressional Research Service, Tadlock Cowan, RL31837, An Overview of USDA Rural Development Programs, April 29, 2011; http://www.crs.gov/Products/RL/PDF/RL31837.pdf
[251] Washington Post, Gilbert M. Gaul, "The USDA's Losing Effort," December 5, 2007; http://www.washingtonpost.com/wp-dyn/content/story/2007/12/04/ST2007120402047.html?hpid=topnews
[252] Washington Post, Gilbert M. Gaul, "The USDA's Losing Effort," December 5, 2007; http://www.washingtonpost.com/wp-dyn/content/story/2007/12/04/ST2007120402047.html?hpid=topnews

- $54 million loan to the Mohegan Indian tribe for its Mohegan Sun casino, which is one of the highest grossing casinos in the country, earning more than $1.3 billion in 2009. The loan was intended to help communities with less than 20,000 people.[253]
- $1.6 million in loans to Aztec Environmental Inc., an asbestos-removal company in Florida, that created hundreds of jobs in Guatemala and eventually went out of business.[254]
- RD's Business & Industry Guaranteed Loans helped revive the Potosi Brewery in Wisconsin that was previously dormant for over 30 years by providing $3.3 million (after being increased due to cost overruns). The plan is for those brews to pay off the loans. [255]
- $2.5 million low-interest loan to the Birthplace of Country Music Association for the construction of its "Smithsonian style" Cultural Heritage Center in downtown Bristol[256257]
- By allowing homebuyers to borrow up to 102 percent of the value of home to prevent making a down payment, it duplicates other HUD home loan initiatives.[258]
- Duplicates other arms of USDA by providing loans for ethanol plants[259] and funded the failed Green County Biodiesel Inc., biorefinery in Chelsea, Oklahoma.[260] Dallas Tonsager, Undersecretary for Rural Development, stated his agency is having trouble finding lenders willing to make loans even with government guarantees from his programs. [261]
- A Tennessee county spent $10,000 in federal rural development grant to update its tourism web site[262]
- $12,500 went to Milk and Honey Soap LLC for marketing of its soaps and lotions made from goat milk and beeswax online[263]
- $15,617 for Red Caboose Winery in Texas that produces 10,000 cases of wine annually[264]
- The Community Facility Grant Program was created in 1996 to be used in conjunction with the loan program to develop community centers, hospitals, and fire stations. For example, it

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[253] ABC News, Coulter King and Marianne de Padua, "Mohegan Sun Casino Owners Received $54 Million In Stimulus Money, June 17, 2010; http://abcnews.go.com/Blotter/mohegan-sun-casino-owners-received-54-million-stimulus/story?id=10889408

[254]Washington Post, Gilbert M. Gaul, "The USDA's Losing Effort," December 5, 2007; http://www.washingtonpost.com/wp-dyn/content/story/2007/12/04/ST2007120402047.html?hpid=topnews

[255] U.S. Department of Agriculture, Rural Development, Kevin Tuttle, "Brewery returns with help from Rural Development; http://www.rurdev.usda.gov/rd/stories/2009/WI-Potosi.pdf

[256] "$2.5 Million in Federal Funds Advances Birthplace of Country Music Cultural Heritage Center," Believe in Bristol website, Downtown Bristol Blog, January 15, 2010, http://believeinbristol.org/blog.php?id=15, accessed July 15, 2011.

[257] Mclean, Mac, "BCMA receives $2.5 million loan for cultural heritage center," TriCities.com, January 16, 2010, http://www2.tricities.com/news/2010/jan/16/bcma_receives_25_million_loan_for_cultural_herita-ar-238384/, accessed July 14, 2011.

[258] American Chronicle, "Fact Sheet: News on the Recovery Act," January 17, 2010, http://www.americanchronicle.com/articles/view/137142, accessed July 14, 2011.

[259]"Agriculture Secretary Vilsack Announces Recovery Act Support to Help Rural Businesses Create Jobs," Department of Agriculture, Funding Announcement, May 7, 2010.

[260] "Green Country Biodiesel finishes expansion," Biodiesel Magazine website, May 1, 2006, http://www.biodieselmagazine.com/articles/875/green-country-biodiesel-finishes-expansion., accessed July 15, 2011. "USDA funding renewable energy programs," Delta Farm Press, March 14, 2011, http://deltafarmpress.com/government/usda-funding-renewable-energy-programs, accessed July 14, 2011.

[261] Hagstron, Jerry, "Going to Waste?" Congress Dailey A.M. Edition, June 30, 2010.

[262] Nelson, Gary, "County accepts grant money for tourism Web site," Crossville Chronicle, February 25, 2010, http://www.crossville-chronicle.com/local/local_story_054154247.html, accessed July 14, 2011.

[263] "Milk and Honey Soap lands federal grant," New Mexico Business Weekly website, July 27, 2010, http://albuquerque.bizjournals.com/albuquerque/stories/2010/07/26/daily21.html, accessed July 14, 2011.

[264] "A Texas Winery Saves Energy and Money Thanks to USDA Grant," Department of Agriculture website, USDA Blog, January 11, 2011, http://blogs.usda.gov/2011/01/11/a-texas-winery-saves-energy-and-money-thanks-to-usda-grant/, accessed July 14, 2011.

funded the Keweenaw National Historic Park-Village of Calumet Theater Building (Michigan) and the Greening of the Upper Peninsula Children's Museum (Michigan)[265]

- The Monterey County Vintners and Growers Association received $276,084 grant from Rural Development to promote a cooperative of local wines across the country. The money was intended to go towards in-store displays and advertising material on paper around the neck of the wine bottles.[266]
- Additionally, grants in the amounts of $98,500 and $199,000 went towards promoting wine tours and developing a signature series of wines respectively.[267]

President Obama's Administration recommended the termination of several Rural Development programs, including: Health Care Services Grant Program, High Energy Cost Grants, Multifamily Housing Revitalization Demonstration Program, Public Broadcasting Grants, and Community Facilities Grants

This proposal prioritizes Rural Development initiatives by ensuring funds are only allocated to communities with the greatest need and fewest local resources.

Rural Development—Energy
Rural Development energy initiatives are expected to cost $1.5 billion over ten years.

These activities focus on Bioenergy programs and grants for procurement to support biorefineries, assisting farmers and rural small businesses in purchasing renewable energy systems, and user education programs. The Department of Energy **Biomass Program** primarily conducts research and development of biofuels, including generation and conversion technologies. These types of projects also receive a significant amount of tax dollars for grant programs that invest in biorefineries and bioenergy projects.[268] Moreover, the Stimulus provided a total of $800 million for bioenergy projects, including $480 million for the Solicitation for Integrated Pilot and Demonstration-Scale Biorefineries, and $176 million for Commercial-Scale Biorefinery Projects

USDA administers at least seven other bioenergy promotion programs:

- The **Biomass Crop Assistance Program**[269] – operated by the Commodity Credit Corporation – provides grants and loan guarantees to commercial scale biorefineries that produce advanced biofuels, such as cellulosic ethanol from wood chips. Its costs are estimated at $429 million through FY 2016.[270]

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[265] "Stabenow, Levin: Senate Approves More Than $45 Million in Critical Funding for Michigan," Official website of U.S. Senator Carl Levin, Newsroom, August 4, 2009, http://levin.senate.gov/newsroom/press/release/stabenow-levin-senate-approves-more-than-45-million-in-critical-funding-for-michigan/?section=alltypes
[266] http://www.montereyherald.com/business/ci_15233641?nclick_check=1, accessed July 14, 2011.
[267] "Business Briefs: Monterey County vintners get USDA grant," Monterey County Herald, June 5, 2010, http://www.montereyherald.com/business/ci_15233641?nclick_check=1, accessed June 2, 2011.
[268] Department of Energy website, Energy Efficiency & Renewable Energy, Biomass Program, Funding Opportunities, March 15, 2011, http://www1.eere.energy.gov/biomass/financial_opportunities.html, accessed July 15, 2011.
[269] Hagy III, William F., "Biofuels Commercialization: The Role in Fostering Investment" presentation, Department of Agriculture, Rural Development, http://www1.eere.energy.gov/biomass/pdfs/Biomass_2009_Commercialization_I_Hagy.pdf, accessed July 15, 2011.
[270] FY 2010 Explanatory Notes, Department of Agriculture, Commodity Credit Corporation, http://www.obpa.usda.gov/20ccc2010notes.pdf, accessed July 15, 2011.

- The **Biorefinery Program for Advanced Fuels Program**[271] - operated by the Farm Service Agency (funded by its Commodity Credit Corporation) – provides payments to producers to increase production of ethanol and biodiesel. It received mandatory funding (in millions) of $55, $55, $85, and $105 from FY 2009 to FY 2012. It received discretionary funding of $25 million for each FY 2009 through FY 2012.

- The **Biobased Products and Bioenergy Program**[272] - operated by Rural Development – finances technology necessary to convert biomass into biobased products and bioenergy.

- The **Biorefinery Repowering Assistance Program**[273] provides payments to biorefineries to replace fossil fuels used to produce heat or power in biorefineries with renewable biomass. It received $35 million in FY 2009 and authorized an additional $15 per year through 2012.

- The **New Era Rural Technology Competitive Grants Program** for technology development, applied research, and/or training to develop an agriculture-based renewable energy (bioenergy and pulp and paper manufacturing) workforce to serve rural communities with total funding of $850,000.[274]

- The **Feedstock Flexibility Program** – operated by the Farm Service agency (funded through the Commodity Credit Corporation) – for Bioenergy Producers that encourages the domestic production of biofuels from surplus sugar in the market. *However, USDA announced it will not operate this program in Fiscal Year 2010, because there is not expected to be a surplus of sugar.

- The **Rural Energy for America Program**[275] - operated by Rural Development – provides grants and loan guarantees to agriculture producers and rural small businesses for the purchase of renewable energy systems, energy audits, and making energy efficiency improvements. It received mandatory funding (in millions) of $55, $60, $70, and $70 from FY 2009 through FY 2012. It received discretionary spending of $25 million for each FY 2009 through FY 2012. This financial assistance for improvements also includes wind, solar, biomass and geothermal projects.

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[271] Hagy III, William F., "Biofuels Commercialization: The Role in Fostering Investment" presentation, Department of Agriculture, Rural Development, http://www1.eere.energy.gov/biomass/pdfs/Biomass_2009_Commercialization_I_Hagy.pdf, accessed July 15, 2011.
[272] Department of Agriculture website, Rural Development, Business and Cooperative Programs, Biobased Products and Bioenergy Program, http://www.rurdev.usda.gov/rbs/biomass/biomass.htm, accessed July 15, 2011.
[273] Hagy III, William F., "Biofuels Commercialization: The Role in Fostering Investment" presentation, Department of Agriculture, Rural Development, http://www1.eere.energy.gov/biomass/pdfs/Biomass_2009_Commercialization_I_Hagy.pdf, accessed July 15, 2011.
[274] Rural Assistance Center website, Funding, New Era Rural Technology Competitive Grants Program, March 15, 2011, http://www.raconline.org/funding/funding_details.php?funding_id=2269, accessed July 15, 2011.
[275] Hagy III, William F., "Biofuels Commercialization: The Role in Fostering Investment" presentation, Department of Agriculture, Rural Development, http://www1.eere.energy.gov/biomass/pdfs/Biomass_2009_Commercialization_I_Hagy.pdf, accessed July 15, 2011.

Foreign Agricultural Service

Eliminate four export marketing programs under the Foreign Agricultural Service's prevent duplication and promotion of corporate welfare.

These programs cost taxpayers over $250 million annually. Ending these programs could save $2.8 billion over ten years and allow scarce foreign aid dollars to serve those suffering from hunger and malnutrition.

There are several federal programs that assist exporters in providing opportunities in international markets (listed below). The most prominent is the Market Access Program (MAP). MAP was established by Section 203 of the Agricultural Trade Act of 1978,[276] and it allocates $200 million annually to subsidize advertising, market research, and travel around the globe for various trade groups, cooperatives, corporations, and their members or employees.

Many, if not all of these subsidies goes towards activities and obligations that rightly belong to private companies and their trade associations. MAP's penetration into private market functions in particular has gone so deep, one beneficiary noted: "It's like an extension of the business now."[277]

The beneficiaries of MAP are some of the most profitable in the country. For example, the California wine industry received over $7 million from MAP while having US sales of nearly $18 billion in 2009.

Another example is the Cotton Council International (on behalf of the American cotton industry) that received over $20 million from MAP and $4.7 million from the Foreign Market Development Program (FMDP) in 2010 when USDA estimated cotton revenues of $5.3 billion and prices were on their way to their highest since the civil war.[278]

Other examples include subsidizing wine tasting trips to Europe and Asia for California winemakers, a demonstration and tasting tour in the UK for candy mints, liquor mixology demonstrations in Russia, and promotions for well known corporate brands like Sunkist, Welch's (Grape Juice), and Blue Diamond (Almonds).

While it is promoted as an annual merit based award, in reality MAP has become a permanent subsidy to some of the nation's most profitable agricultural sectors. In fact, 57 of the 76 associations or cooperatives awarded assistance between 2000 and 2010 received it in all of the previous ten years. In fact, many of the associations have been subsidized since the inception of the program.[279]

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[276] Department of Agriculture website, Foreign Agricultural Service, "Fact Sheet: Market Access Program," December 2009, http://www.fas.usda.gov/info/factsheets/mapfact.asp, accessed January 26, 2011.
[277] "Report to the Community Summer 2010," Southern United States Trade Association, http://www.susta.org/downloads/2009annualrpt.pdf, accessed July 15, 2011.
[278] "Bloom Times," The Economist, January 20 2011, http://www.economist.com/node/17965505, accessed June 29, 2011.
[279] Congressional Research Service, compiled data tables, staff estimates, January 14, 2011

Despite all of this, it is not clear that the program is having any substantial impact on American agriculture's total share of global exports. In fact, American agricultural exporters are actually losing market share to their foreign competitors.[280]

FAS export programs include:

Foreign Market Development Program (FMDP)
The goals and objectives of the Market Access Program are considerably duplicated with the FMDP.

The Administration recently noted the significant overlap among the FMDP and MAP. It observes that "the program overlaps with other Department of Agriculture trade promotion programs, including the Foreign Market Cooperator Program (as the FMDP was previously known), which also provides funding for overseas marketing."[281]

In fact, all but two of the 22 associations that received FMDP's $34.5 million in 2010, also received MAP assistance. All told, these 20 groups received more than $115 million in 2010 from the two overlapping USDA programs.

Emerging Markets Program
The Emerging Markets Program is described as a "market access program that provides funding for technical assistance activities intended to promote exports of U.S. agricultural commodities and products to emerging markets in all geographic regions, consistent with U.S. foreign policy. The program is authorized by the Food, Agriculture, Conservation, and Trade Act of 1990, as amended. The EMP regulations appear at 7 CFR part 1486. Funding is set at $10 million each fiscal year from the Commodity Credit Corporation from now through the end of the current Farm Bill."[282]

Like the FMDP, the Emerging Markets Program counts many of the same beneficiaries as MAP. In fact more than 27 of the 2010 EM programs awards went to MAP recipients. For instance:

- In addition to the nearly $400,000 it received from MAP in 2010, the Brewers Association received a $65,000 boost from the EM program "for craft beer seminars in Brazil and China."[283]
- The California Export Council, which obtained $859,622 from MAP in 2010, also received $120,000 from the EM program for its China Moon Cake Project.[284]
- The Organic Trade Association, which received $376,953 from MAP, earned more than $165,000 from the EM program for Chinese and Indian "familiarization tours" of the American organics industry.[285]

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[280] Data and Chart provided by Mike Donnelly, Congressional Research Service, February 8, 2011.
[281] Terminations, Reductions, and Savings: Budget of the U.S. Government Fiscal Year 2011," President Barack Obama, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/trs.pdf.
[282] Department of Agriculture, Foreign Agricultural Service, "Fact Sheet: 2008 Emerging Markets Program," http://www.fas.usda.gov/info/factsheets/emofact.asp, accessed July 15, 2011.
[283] Newsletter: August 2010," Brewers Association, http://www.brewersassociation.org/pages/business-tools/export-development-program/Newsletter, accessed July 14, 2011.
[284] "FY 2010 Emerging Markets Program Allocation," Foreign Agricultural Service website, http://www.fas.usda.gov/info/fiscal2010/EMP.asp, accessed July 15, 2011.

- The American Soybean Association, having received $5.75 million from MAP in 2010, also obtained nearly $500,000 for various promotion activities from the EM program.[286]
- The Alaska Seafood Marketing Institute, with more than $4.6 million from MAP in 2010, also received a $15,000 grant from the EM program to perform a market feasibility study for the Brazilian market.[287]

Technical Assistance for Specialty Crops
This program provides $8 million annually for specialty crop association to overcome technical barriers in other nations. MAP recipients represent the single largest group of TASC grant recipients.[288]

Dairy Export Incentive Program
This program allows the "U.S. Department of Agriculture to pay cash to exporters as bonuses, allowing them to sell certain U.S. dairy products at prices lower than the exporter's costs of acquiring them."[289] The US Dairy Export Council already receives $4.5 million annually via MAP.[290]

The Following Export Programs are maintained:

The Export Credit Guarantee Program
Supplier Credit Guarantee Program
The Facility Guarantee Program
Quality Samples Program

End Foreign Agricultural Service International Aid, Title I International Assistance ($210 million), and Reduce Title II Food for Peace Grants ($1.84 billion) by half to save $12.5 billion over ten years.[291]

The missions of the Foreign Agricultural Service (FAS) are to provide food aid and technical assistance to foreign countries and improve foreign market access for U.S. products and create new markets for them. FAS has the primary responsibility for USDA's international activities—market development, trade agreements and negotiations. FAS is also responsible for collection and analysis of statistics and market information.

The discretionary international food assistance programs at FAS are administered through USAID, the UN, and nongovernmental organizations, which creates an inherent conflict of interest in having

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[285] "FY 2010 Emerging Markets Program Allocation," Foreign Agricultural Service website, http://www.fas.usda.gov/info/fiscal2010/EMP.asp, accessed July 15, 2011.
[286] "FY 2010 Emerging Markets Program Allocation," Foreign Agricultural Service website, http://www.fas.usda.gov/info/fiscal2010/EMP.asp, accessed July 15, 2011.
[287] "FY 2010 Emerging Markets Program Allocation," Foreign Agricultural Service website, http://www.fas.usda.gov/info/fiscal2010/EMP.asp, accessed July 15, 2011.
[288] Foreign Agricultural Service website, "FY 2010 Technical Assistance for Specialty Crops Program Allocation," http://www.fas.usda.gov/info/fiscal2010/TASC.asp, accessed July 15, 2011.
[289] Foreign Agricultural Service website, "Dairy Export Incentive Program," http://www.fas.usda.gov/excredits/deip/deip-new.asp, accessed July 15, 2011.
[290] Congressional Research Service, data compiled January 14, 2011
[291] Congressional Research Service, Melissa D. Ho and Charles E. Hanrahan, R41072, International Food Aid Programs: Background and Issues, February 3, 2010, http://www.fas.org/sgp/crs/misc/R41072.pdf.

FAS—with its primary mission of assisting U.S. farmers and exporters—to conduct foreign agriculture development (not to address hunger).

International Food Aid

In 2010, the U.S. was the global leader in international food aid, providing nearly $2.3 billion to address world hunger.[292] The role of USDA is primarily to serve as a conduit for private international aid organizations.

USDA's role has caused multiple inefficiencies that render taxpayer dollars less effective and potentially undercutting the large sums of private donations that could be administered and delivered more efficiently by non-profit organizations. The Global Harvest Initiative, a leading global hunger and food insecurity organization, recently said that private investment will be most important to address world hunger problems.[293]

U.S. non-governmental organizations (NGOs) are already leaders in international food aid. While some organizations leverage substantial amounts of funding from the U.S. and the United Nations, many have sufficient name recognition and global goodwill to raise the necessary funding without federal assistance. Some organizations receive more than half of their funding from private donations—nearly $800 million (74.9 percent) for World Vision, $300 million (57.6 percent) for Save the Children operates on over, and over $285 million (50.4 percent) for CARE.[294]

CARE is a leading humanitarian organization dedicated to alleviating global poverty and one of the largest food suppliers internationally. In 2007, CARE rejected funding--$45 million annually from the Food for Peace Title II Grants—from the federal government, because, "…the way U.S. aid is structured causes rather than reduces hunger in the countries where it is received." Rather than addressing hunger in a timely manner, this program structure undermines local farmers and weakens food production in targeted areas.[295]

The U.S. can no longer afford to provide services that fail to achieve the level of efficiency taxpayers deserve. A primary concern is USDA's longstanding practice of "monetizing" food aid. This 50-step process includes procuring domestic commodities to ship and sell internationally through contracts structured as grants with private aid organizations that then apply the earnings from sales to food assistance and development projects elsewhere overseas.

In 2007, the U.S. Government Accountability Office (GAO) found this to be an inefficient use of resources. In its 2011 report, GAO confirmed its earlier findings and determined that USDA is not required to achieve reasonable levels of cost recovery on monetization transactions, meaning the

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[292]GAO-11-636, "International Food Assistance, Funding Development Projects through the Purchase, Shipment, and Sale of U.S. Commodities Is Inefficient and Can Cause Adverse Market Impacts," Government Accountability Office, June 2011, http://www.gao.gov/new.items/d11636.pdf.

[293]Global Harvest Initiative website, Enhancing Private Sector Involvement in Agricultural and Rural Infrastructure Development, http://globalharvestinitiative.org/policy/Private_Sector_Rural_Development.htm. Miller, Josh, "Private Sector Emerges as Key Partner in Food Aid," Devex Business News, November 4, 2010, http://www.devex.com/en/articles/private-sector-emerges-as-key-partner-in-food-aid, accessed July 15, 2011.

[294] Congressional Research Service, Memorandum to Senator Tom Coburn, "Public and Private Revenues of Selected U.S. Non-governmental Organizations," June 30, 2011.

[295]Ellen Massy, "Mutiny Shakes U.S. Food Aid Industry," International Press News, August 23, 2007, http://ipsnews.net/news.asp?idnews=39000, July 15, 2011.

federal government spends more procuring domestic commodities to sell overseas than it earns from their sales to fund international development projects. The process of converting cash to commodities and then back to cash again resulted in $219 million in costs that could otherwise have been used for development.

Over one-third of the transactions failed to achieve import price parity that would have provided a reasonable market price for U.S. commodities. Further, GAO found that the agency conducts insufficient monitoring of sales prices, reporting techniques, and information management systems. Finally, GAO found monetization could displace commercial trade and discourage local food production, yet USDA does not conduct its own market analysis to determine whether its efforts are disrupting markets, results of which have caused U.S. organizations to reject federal funding as noted above.[296]

Finally, the Congressional Research Service recently revealed[297] the federal government gave $1.4 billion in foreign aid to 16 countries to whom the U.S. owes $10 billion each. According to the U.S. Treasury Department, the largest holder of U.S. debt is China, owning $1.1 trillion Treasury bonds and having received $27.2 million in foreign aid in FY2010. Brazil held $193.5 billion in Treasury securities and received $25 million in foreign aid, Russia had $127.8 billion and received $71.5 million, and India held $39.8 billion and received $126.6 million from the U.S. [298]

Borrowing money from countries who receive our aid is dangerous for both the donor and recipient. If countries can afford to buy U.S. debt, they can afford to fund their own assistance programs.

Private entities, nonprofits, and non-governmental organizations need to raise sufficient funds and distribute them more efficiently on their own. If we are to truly assist the world's poor countries with food security and development, we must first stabilize our nation's fiscal downturn to ensure delivery.

Under this proposal, these remaining programs would be consolidated into the Office of the United States Trade Representative along with related export programs within the Department of Commerce and the Small Business Administration as discussed in another section of this report.

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[296] GAO-07-560, "Foreign Assistance: Various Challenges Impede the Efficiency and Effectiveness of Foreign Aid," Government Accountability Office, April 2007, http://www.gao.gov/products/GAO-07-560. Veillette,Connie Center for Global Development, "New GAO Report on U.S. Food Aid and Monetization: Reforms Needed," June 24, 2011, http://blogs.cgdev.org/mca-monitor/2011/06/new-gao-report-on-u-s-food-aid-and-monetization-reforms-needed.php, accessed July 15, 2011. Bjerga, Alan, "U.S. International Food-Aid Spending Called Inefficient," Bloomberg, June 23, 2011, http://www.bloomberg.com/news/2011-06-23/u-s-international-food-aid-spending-called-inefficient-1-.html, accessed July 15, 2011.

[297] Congressional Research Service, Marian Leonardo Lawson, Memorandum to the Honorable Tom Coburn, *FY 2010 U.S. Foreign Assistance to Major Holders of U.S. Treasury Securities*, May 13, 2011, http://coburn.senate.gov/public/index.cfm/2011/6/report-finds-u-s-foreign-aid. FOX News, *U.S. Offers Foreign Aid to Countries Holding Billions in Treasury Securities*, June 3, 2011, http://www.foxnews.com/politics/2011/06/02/us-offers-foreign-aid-to-countries-holding-billions-in-treasury-securities/

[298] Congressional Research Service, Marian Leonardo Lawson, Memorandum to the Honorable Tom Coburn, *FY 2010 U.S. Foreign Assistance to Major Holders of U.S. Treasury Securities*, May 13, 2011, http://coburn.senate.gov/public/index.cfm/2011/6/report-finds-u-s-foreign-aid. FOX News, *U.S. Offers Foreign Aid to Countries Holding Billions in Treasury Securities*, June 3, 2011, http://www.foxnews.com/politics/2011/06/02/us-offers-foreign-aid-to-countries-holding-billions-in-treasury-securities/

Eliminate FAS international training and education programs within the McGovern-Dole International Food for Education ($210 million in FY 2010)

This fund was created in the 2002 farm bill. Today it supports projects in 36 countries with commodity, transportation, and implementation costs for organizations to implement 10-15 projects using donations of around 90,000 metric tons of U.S. farm commodities.[299]

In addition to providing actual food assistance through in-school meals and take-home rations, this program supports teacher training, nutrition education, and fostering parental involvement all in other countries.

GAO found USDA does not conduct sufficient performance monitoring over this fund itself nor hold its partnering organizations to its measurement standards, ultimately compromising some of the core missions of the programs. The GAO audit also found USDA has failed to closeout grants in timely manner, resulting in at least $850,000 in unused or misused funds. Thirty-six percent of grants are eligible to be closed but remained open.[300]

Reduce the Food for Peace Title II Grants by half from $1.84 billion in FY 2010 enacted to $920 million.

In 2009, GAO reviewed USAID's plans and actions to improve its evaluation, monitoring, and implementation of nonemergency food assistance programs. It found USDA provides weak performance monitoring of the fund's implementation and failed to evaluate performance on completed projects.

Many of the foreign activities that FAS describes in its mission statement are activities that USAID hires them to do. USAID's Food for Peace office co-manages food aid programs with FAS. This includes monitoring and analysis of international climate change policies, legislation, and activities[301]

There is also a concern that federal funds are being wasted on administering international hunger initiatives. There is a need, not only to reduce duplication, but also to establish sound reporting requirements that will allow Congress to properly monitor and assess the effectiveness of funds appropriated for global hunger initiatives. To do this, there must be new transparency measures that guarantee transparency, measurement, and performance provisions for each international hunger initiative.

Suggested provisions include the following: 1) the name of the entity receiving federal funding; 2) the amount of federal funds an entity receives annually under each of the programs; 3) a description of the purpose of each funding action; 4) whether or not the goals and purposes of the programs and

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[299] Department of Agriculture website, Foreign Agricultural Service, "Fact Sheet: McGovern-Dole International Food for Education and Child Nutrition Program," March 2011, http://www.fas.usda.gov/excredits/FoodAid/FFE/mcdfactsheet.asp, accessed July 14, 2011.

[300] GAO-11-544, International School Feeding, USDA's "Oversight of the McGovern-Dole Food for Education Program Needs Improvement," Government Accountability Office, May 2011, http://www.gao.gov/new.items/d11544.pdf.

[301] Department of Agriculture website, USDA Blog, Category: Climate Change, http://blogs.usda.gov/category/climate-change/, accessed July 14, 2011.

initiatives are being expressly met; 5) how the goals and purposes of the programs and initiatives are being expressly met; 6) what measurement is being applied to the programs and initiatives to determine if the goals are being met; 7) the number of paid individuals employed through the program; 8) the number of individuals or families receiving benefits through the programs; and 9) the total percentage of federal funds spent on food.

Agricultural Research

Reduce funding for USDA's National Institute of Food and Agriculture ($1.486 billion FY 2010 enacted) by 20 percent to save $3.2 billion over ten years.[302]
Agricultural research is both critical and costly and will facilitate developments in food science and biofuels for future generations. USDA has played a worthwhile role in facilitating research among federal, state, and university research initiatives.

While some USDA agricultural research entities have promoted valuable scientific discovery, NIFA is often dominated by special interests and a vehicle of earmark–driven projects. Created in 2009, National Institute of Food and Agriculture (NIFA) is a newer version of USDA's previous Cooperative State Research, Education, and Extension Service (CSREES), a primary vehicle for earmark-driven grants. While NIFA's competitiveness has increased over that of CSREES, it has both strayed significantly from USDA's core expertise and taken on initiatives that other areas or agencies are already involved in. The general purview of NIFA is duplicative in three of the five areas covered by other federal agencies – climate change, energy, and obesity.[303] The remaining two – hunger and food safety – are also shared with other agencies. For example, it operates the Institute of Bioenergy, Climate, and Environment, Institute of Food Safety, and Institute of Youth, Family, and Community.[304]

USDA already operates three in-house research arms – the Agricultural Research Service, the Economic Research Service, and the National Agricultural Statistics Service. Other federal agencies are also conducting and incentivizing research on a range of agricultural issues. The National Science Foundation recently announced a new initiative in collaboration with the Bill and Melinda Gates Foundation and international partners, entitled *Basic Research to Enable Agricultural Development* (BREAD). This initiative will primarily support research in plant genomics.[305] The Center for Disease Control's NIOSH program operates an Agriculture, Forestry, and Fishing program that conducts research and is funded at over $22 million for FY 2011[306] There are currently five non-university, non-profit organizations conducting significant levels of agricultural research and at least 34 private foundations whose activities could primarily be agricultural research. The total assets of these organizations reached approximately $1.3 billion in 2010.[307]

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[302] Hangstrom, Jerry, "New USDSA Research Agency Already Wants More Money," National Journal Daily, February 9, 2011, http://www.nationaljournal.com/congressdaily/cda_20091009_8900.php, accessed July 15, 2011.
[303] Hagstrom, Jerry, "New USDA Research Agency Already Wants More Money," CongressDaily, October 9, 2009, http://www.nationaljournal.com/congressdaily/cda_20091009_8900.php.
[304] Department of Agriculture website, National Institute of Food and Agriculture, offices, http://www.csrees.usda.gov/about/offices/pdfs/offices_new.pdf, accessed July 15, 2011.
[305] National Science Foundation website, Funding, Division of Integrative Organismal Systems, http://www.nsf.gov/funding/pgm_summ.jsp?pims_id=503403, accessed July 14, 2011.
[306] Congressional Research Service, NIOSH Program Portfolio FY 2011 Estimates spreadsheet, June 22, 2011
[307] "Agricultural Research Organizations presentation," Ernst & Young LLP, June 21, 2011.

While progress continues to be made from these efforts, especially at the local level where the university and extension network infrastructure is in place, benefits from such research is captured most efficiently when driven by private capital—from both industry and philanthropy—according to market demands. Without full market accountability, federally-directed research can be misguided.

Examples of non-priority grants

- $6.9 million to help farmers cope with climate change and climate variability (NIFA, Agriculture and Food Research Initiative)[308]
    - According to one of the grant recipients, the money is going towards giving farmers a favor: "The team's basic approach is to address climate variability—a well-known, constant challenge for producers—and use it as a bridge to discuss climate change, a long-term process…'It's difficult if you start talking to a farmer about what may happen at the end of the century if they're worried about what may happen at the of the year.'"
    - In Fiscal Year 2010, NIFA awarded 13 grants to address climate change for a total of over $53.7 million.[309]
- $3.8 million to Virginia Tech to enhance East Coast grape and wine production[310]
    - Virginia is ranked fifth in the nation in wine grape production with a total economic impact of $362 million annually through the state's 180 wineries.[311]
- $46 million for 28 specialty crop projects, defined as fruits and vegetables, tree nuts, dried fruits and horticulture and nursery crops, including floriculture. [312]

Domestic Food and Nutrition Programs (Food and Nutrition Service, FNS)

Providing temporary benefits to Americans who have encountered financial hardship is a just and worthy priority. USDA's Food and Nutrition Services administers over 70 programs to address child nutrition specifically and domestic hunger more generally, costing taxpayers over tens of

[308]"University of Florida-led teams awarded $6.9 million for climate change projects," University of Florida News, June 30, 2011, http://news.ufl.edu/2011/06/30/climate-change-grants/, accessed July 14, 2011.
[309] Department of Agriculture website, National Institute of Food and Agriculture, FY 2010 Climate Grants, June 23, 2011, http://www.nifa.usda.gov/newsroom/news/2011news/climate_change_awards.html, accessed July 14, 2011.
[310]"New Effort to Enhance East Coast Wine Production," NewsPlex, October 30, 2010, http://www.newsplex.com/home/headlines/Va_Tech_Wins_38M_Grape_And_Wine_Grant_106375408.html, accessed July 15, 2011.
[311] "Virginia Tech Awarded $3.8 Million to Stimulate Eastern U.S. Wine Industry," Virginia Tech News website, October 23, 2010, http://www.vtnews.vt.edu/articles/2010/10/102910-cals-wine.html, accessed July 14, 2011.
[312] Department of Agriculture website, National Institute of Food and Agriculture, USDA Grants Invest in Specialty Crop Research and Education Activities, October 25, 2010, http://www.nifa.usda.gov/newsroom/news/2010news/10252_scri_awards.html, accessed July 14, 2011.

billions of dollars annually. It is also important to ensure the integrity of taxpayer investments by narrowly targeting those who need benefits the most while preventing those who do not. As it stands though, these programs have shown signs of fraud, abuse, and many of them overlap, are inefficient, and are without evidence to demonstrate their effectiveness, according to a review by the Government Accountability Office (GAO).

GAO focused its review on 18 federal programs that "focus primarily on providing food and nutrition assistance to low-income individuals and households." These programs cost $62.5 billion in fiscal year 2008. At the same time, GAO found food insecurity has continued to rise (10-12 percent over the last decade and nearly 15 percent or 17 million households in 2008) despite increased enrollment in domestic food assistance programs. In fiscal year 2010, the federal government spent over $90 billion on nutrition programs. The complex, multi-layer approach to domestic nutrition assistance and the varying data collection for similar programs have increased the cost of administering them, which account for between 10 and 25 percent of the total costs.[313]

"According to USDA and academic researchers, there are several reasons why participation in food assistance programs may not be clearly associated with improvements in food insecurity." While research suggests participation in seven of programs reviewed "is associated with positive health and nutrition outcomes," GAO found "little is known about the effectiveness of the remaining 11 programs because they have not been well studied." GAO goes on to describe the array of federal food programs as a "complex network" that "show signs of program overlap, which can create unnecessary work and lead to inefficient use of resources." For example, some of the programs provide comparable benefits to similar target populations. Further, overlapping requirements create duplicative work for both service providers and applicants."

"Our work has shown that overlap among programs can create an environment in which participants are not served as efficiently and effectively as possible. Additionally, program overlap can create the potential for unnecessary duplication of efforts for administering agencies, local providers, and individuals seeking assistance. Such duplication can waste administrative resources and confuse those seeking services," according to GAO. Such a failed structure ultimately hurts those the programs are intended to help.

Some examples provided by GAO questioning program ineffectiveness include:

- The Supplemental Nutrition Assistance Program, (SNAP, formerly known as the Food Stamp program), is the largest federal nutrition assistance program. While meeting many of its goals, GAO reports it "is inconclusive regarding whether SNAP alleviates hunger and malnutrition in low-income households, another program goal. While studies show the program increases household food expenditures and the nutrients available to the household, research finds little or no effect on the dietary or nutrient intake of individuals."

- "There is conflicting and inconclusive evidence on the National School Lunch Program's effects on other outcomes related to the goal of safeguarding the health and wellbeing of children such as childhood obesity." In fact, one study referenced by GAO reveals "school

[313] GAO-11-714T, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue, Government Accountability Office, June 1, 2011, http://www.gao.gov/new.items/d11714t.pdf.

lunch eaters were more likely to be obese or overweight and to have higher body mass index (BMI) scores by 3rd and 5th grade than 'brown-baggers.'"

- There was conflicting research on whether the School Breakfast "program increases the frequency that students eat breakfast."

- A review of the School Breakfast Pilot Program, which is aimed at providing "universal free meals, found no effect on general measures of health or cognitive development."

Clearly, many of these programs are outdated and ripe for streamlining. This makes sense when considering GAO describes the programs' inception as "piecemeal" development over decades. All signs seem to point to the need to clean up the programs we have instead of just increasing the enrollment and program spending. Food insecurity continues to rise while the programs are not achieving their goals. The GAO report describes the origins of the programs as "piecemeal" development over decades.

Reform the Supplemental Nutrition Assistance Program (SNAP, previously known as the food stamp program) and reduce its funding by $10 billion annually to save $100 billion over ten years.

This is the largest domestic food assistance program and accounts for the largest portion of spending in the farm bill (over 60 percent). It provides critical benefits to those who have fallen on hard times. Especially in the wake of the financial crisis, this funding became more important than ever. At the same time, SNAP has been the subject of numerous government accountability reviews, media reports, and first-hand accounts of fraud and abuse among participants.

For example, participation in SNAP increased every month from December 2007 to September 2009 and 22 percent from 2008 to 2009.[314] Yet, according to GAO, "literature is inconclusive regarding whether SNAP alleviates hunger and malnutrition in low-income households, another program goal." In fact, a 2008 GAO report found $2.2 billion in improper payments under the SNAP program.[315]

In a 2010 letter to administrators, USDA wrote that States have run the program in a way that is "problematic and resulted in a more complex and difficult enrollment process." Kevin Concannon goes on to state that "States consider other options (in administering SNAP), such as tapping nonprofit organizations that can provide assistance to potential applicants and improving the use of technology such as call centers, online applications, and electronic case filing systems. [316]

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[314] GAO-10-346, "Domestic Food Assistance: Complex System Benefits Millions, but Additional Efforts Could Address Potential Inefficiency and Overlap among Smaller Programs," Government Accountability Office, April 2010, http://www.gao.gov/new.items/d10346.pdf

[315] GAO-08-438T, "Improper Payments: Status of Agencies' Efforts to Address Improper Payment and Recovery Auditing Requirements," January 31, 2008, http://www.gao.gov/new.items/d08438t.pdf

[316] Jackson, Henry C., "USDA: States struggle to administer food stamps," RealClearPolitics, November 24, 2009, http://www.realclearpolitics.com/printpage/?url=http://www.realclearpolitics.com/news/ap/politics/2009/Nov/24/usda__states_struggle_to_administer_food_stamps.html, accessed July 15, 2011.

Approximately 20,000 people sign up for food stamps every day.[317] Eligibility has spread to college campuses,[318] largely due to the relaxed eligibility requirements.[319] Adam Sylvain, a sophomore at a university in Virginia told of a recent conversation with friends in his dorm room. "My roommate told me he applied for food stamps, and they told him he qualified for $200 a month in benefits…He's here on scholarship and he saves over $5,000 each summer in cash," Sylvain continued. "A few of our other friends who were in the room also said if there were able to, they would get food stamps … They think that if they're eligible it's the government's fault, so they might as well."[320]

SNAP benefits are unfortunately going to provide luxury products rather than essential ones to those who are not considered in serious need of assistance. One student commented on the wide range of available purchases with program benefits, "I'm sort of a foodie, and I'm not going to do the 'living off ramen' thing," he said, recounting a meal he had prepared of roasted rabbit with butter, tarragon and sweet potatoes. "I used to think that you could only get processed food and government cheese on food stamps, but it's great that you can get anything."[321] Students and young adults with college degrees and luxurious tastes are allowed to ignore the intent of federal food assistance and realize the benefits for "just about anything edible, including wild-caught fish, organic asparagus and triple-crème cheese."[322] At the same time, students at this particular university can buy a meal plan for $1,275, which provides ten meals per week for the semester or $71 per week.

Congress should consider the significant (and appropriate) role local non profits and individuals could play in addressing the same needs as SNAP and other federal food programs seek to address. Additionally, five policy revisions should be made to SNAP to strengthen its safeguards in order to prevent abuse while still allowing those who need them most to benefit. Taking these steps will reduce total payments, and Congress should reduce funding in a corresponding amount by approximately $10 billion annually to save $100 billion over ten years (according to the CBO baseline of $700 billion[323]).

1. Terminate "categorical eligibility," which allows individuals to automatically qualify for food stamps if they are enrolled in the Temporary Assistance for Needy Families (TANF) program or certain other assistance programs. Program rules suggest enrollment in TANF establishes a circumstance of need, qualifying an individual for SNAP but could unnecessarily increase

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[317] Kulczuga, Aleksandra, "Universities encourage students to enroll in food stamp program," The Daily Caller, April 6, 2010, http://dailycaller.com/2010/03/27/universities-encourage-students-to-enroll-in-food-stamp-program/, accessed July 15, 2011.
[318] DeHaven, Tad, "Food Stamps on Campus," CATO Institute, March 31, 2010, http://www.cato-at-liberty.org/2010/03/31/food-stamps-on-campus/, accessed July 15, 2011.
[319] Bleyer, Jennifer, "Hipsters on food stamps," Salon, March 15, 2010, http://www.salon.com/life/pinched/2010/03/15/hipsters_food_stamps_pinched/index.html, accessed July 15, 2011.
[320] Kulczuga, Aleksandra, "Universities encourage students to enroll in food stamp program," The Daily Caller, April 6, 2010, http://dailycaller.com/2010/03/27/universities-encourage-students-to-enroll-in-food-stamp-program/, accessed July 15, 2011.
[321] Bleyer, Jennifer, "Hipsters on food stamps," Salon, March 15, 2010, http://www.salon.com/life/pinched/2010/03/15/hipsters_food_stamps_pinched/index.html, accessed July 15, 2011.
[322] Bleyer, Jennifer, "Hipsters on food stamps," Salon, March 15, 2010, http://www.salon.com/life/pinched/2010/03/15/hipsters_food_stamps_pinched/index.html, accessed July 15, 2011.
[323] Congressional Research Service, using CBO baseline (March 2011), Jim Monke, May 11, 2011, Slide 38, CBO Baseline for Mandatory Agriculture and Farm Bill Programs

enrollment, because of TANF's relaxed criteria as well as the assumption that assistance from one program is insufficient.

2. Establish Income Requirement to address shortcomings in 35 states that do not set asset limits for eligibility. In 35 states, "there is no limit on the amount of assets certain households may have to be determined eligible" and " as a result, households with substantial assets but low income could be deemed eligible for SNAP," according to GAO.[324] "A minor tempest hit Ohio's Warren County after a woman drove to the food stamp office in a Mercedes-Benz and word spread that she owned a $300,000 home loan-free. Since Ohio ignores the value of houses and cars, she qualified" for SNAP.[325]

3. Establish Work Requirement to prevent an environment of dependency for participants who are not incentivized to actively seek employment—limit program participation to two years of consecutive eligibility.

4. Limit product selections to purchases of bare essentials instead of luxuries. These should include meats (beef, poultry, seafood), eggs, beans, nuts, bread, cereal, rice, fruits and vegetables, milk, yogurt, and cheese.

5. Require states to establish laws that allow state officials to investigate and prosecute food stamp trafficking and other fraud. Some state legislatures have not provided the necessary authority to seek out abuse of SNAP and are unaware what their fraud rate is.[326]

6. Prohibit SNAP purchase made outside of the state in which the benefits card was issued
In January of 2011, SNAP benefit cards issued in Missouri were used to purchase $3,521,974 worth of food and withdraw $362,682 in cash *outside of Missouri*, often in far off states such as Hawaii, Alaska, and California, according to an investigation by St. Louis television station KMOV News 4.[327] KMOV also found a single household received benefits for 31 people and another household received benefits for 19 people.[328]

7. Prohibit cash withdrawals from ATMs at casinos, tobacco retailers, liquor stores, and bars
In California, state officials "failed to notice for years that welfare recipients could use the state-issued cards to withdraw taxpayer cash" at tribal casinos and state-licensed poker rooms, according to *The Los Angeles Times*. During that time, millions of dollars intended for food

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[324] Kay E. Brown, Director of Education, Workforce, and Income Security Issues for the Government Accountability Office before the Subcommittee on Department Operations, Oversight, Nutrition, and Forestry, Committee on Agriculture, U..S House of Representatives, July 28, 2010, http://www.gao.gov/new.items/d10956t.pdf.
[325] Jason DeParle and Robert Gebeloff, "Food Stamp Use Soars, and Stigma Fades," The New York Times, Page A1, November 28, 2009, http://www.nytimes.com/2009/11/29/us/29foodstamps.html?pagewanted=4.
[326] http://www.eagletribune.com/local/x1221291800/Food-stamp-fraud-goes-largely-unchecked-due-to-lack-of-resources..
[327] Nagus, Chris, "Missouri welfare benefits being spent in Hawaii," KMOV News 4 (St. Louis, Missouri), March 2, 2011, http://www.kmov.com/news/local/Missouri-Welfare-Benefits-Being-Spent-in-Hawaii-117256028.html, accessed July 15, 2011.
[328] Nagus, Chris "Missouri's top food stamp recipients," KMOV News 4 (St. Louis, Missouri), February 28, 2011; http://www.kmov.com/news/broke/Missouris-Top-Food-Stamp-Recipients--117105578.html, accessed July 15, 2011.

assistance and other welfare support were withdrawn in casinos by Electronic Benefits Transfer (EBT) cardholders.[329]

More than $300,000 in SNAP benefits was redeemed at tobacco retailers in Oklahoma City between July 2009 and March 2011, according to data provided by the Oklahoma Department of Human Services and reported by *The Tulsa World.*[330]

Signs are posted to automated teller machines (ATM) located in some bars in Pennsylvania state, "We Accept Access Cards."[331] An "ACCESS" card is a plastic card beneficiaries may use "to obtain cash or Food Stamp benefits, in addition to medical benefits." [332]

Reduce funding for USDA's domestic nutrition assistance ($17 billion FY 2010 enacted by 10 percent to save $18.7 billion over ten years.

GAO recently studied 18 of the 70 identified federal hunger programs. Of these 18, only 7 were found to have sufficient reported data to assess their overall effectiveness. However, little is known about the effectiveness of the remaining 11 programs, because they have never been well studied. Only two of the 11 programs had been studied at all.

For the remainder of programs, no academic literature could be found that addressed the outcomes in relation to the goals. This leaves an enormous question mark as to whether taxpayer funded federal hunger programs are functioning properly, accomplishing their goals, and operating most efficiently; yet, Congress continues to fund them.

Most food assistance programs have specific and often complex administrative procedures that federal, state, and local organizations follow to help manage each program's resources. Federal agencies dedicate staff time and resources to separately manage the programs even when a number of the programs are providing comparable benefits to similar groups and could be consolidated.

Overlapping eligibility requirements create duplicative work for providers and applicants. Local providers are often tasked with collecting similar information, such as an applicant's income and household size – multiple times because this information is difficult to share, largely due to incompatible software across programs. It also makes it difficult for applicants to apply and participation.

GAO suggests that consolidation could reduce administrative expenses by eliminating duplicative efforts, such as eligibility determination and data reporting. In the same manner, this proposal

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[329] Dolan, Jack, "California welfare recipients withdrew $1.8 million at casino ATMs over eight months," Los Angeles Times, June 25, 2010, http://articles.latimes.com/2010/jun/25/local/la-me-welfare-casinos-20100625, accessed July 15, 2011.

[330]Ginnie Graham and Gavin Off, "Food stamps equal big money," The Tulsa World, April 24, 2011, http://www.tulsaworld.com/news/article.aspx?subjectid=11&articleid=20110424_11_A1_Retail460109&archive=yes, accessed July 15, 2011.

[331] On-Site staff investigation, Pennsylvania, April 24, 2011

[332] "Medical Assistance: Using the ACCESS Card to Obtain Medical Services," Pennsylvania Department of Public Welfare website, accessed April 25, 2011, http://wwwo.dpw.state.pa.us/foradults/healthcaremedicalassistance/medicalassistanceusingtheaccesscardtoobtainmedicalservices/index.htm..

would reduce funding for the remainder of child nutrition programs, allowing USDA to consolidate and streamline its smaller and less-known programs.

Eliminate FEMA's Emergency Food and Shelter National Board Program ($200 million FY 2010 enacted), transfer 15 percent of funds to USDA's Emergency Food Assistance Program and require USDA to adopt any responsibilities currently being met by FEMA and not currently being met by USDA. This is estimated to save $1.6 billion over ten years.

Both programs provide groceries and prepared meals to needy individuals through local government and non-profit entities. Providing comparable benefits to similar population but managing the programs separately is an inefficient use of federal funds.

The sheer volume of federal hunger programs and the fact they are scattered among several agencies prevent them from being utilized and benefiting those they seek to help. GAO cited a director of a nongovernmental organization and who administers the FEMA program who explained that it is often unclear what federal food assistance programs are available to non-governmental organizations or which ones are best suited for his organization's mission and resources.

Eliminate the Summer Seamless option of the National School Lunch Program and maintain the Summer Food Service Program.

The two programs have different reporting requirements and reimbursement rates but are otherwise similar. This difference makes schools choose between the Summer Food Service Program's higher reimbursement rate and the Seamless Summer Option's fewer reporting requirements.

These programs primarily differ in their reporting requirements and reimbursement rates. One school official told GAO his school had to choose between higher reimbursement rate or fewer reporting requirements.

These two programs provide comparable benefits to similar populations and are managed separately, which is an inefficient use of federal funds.

Eliminate the U.S. Department of Defense Fresh Fruit and Vegetable Program

The Department of Defense Fresh Fruit and Vegetable program was an Administration initiative that began in 1995 when eight states began allocating their entitlement commodity funding toward DOD's produce. 43 States plus Indian reservations now participate and Congress set a $50 million annual funding level in the last farm bill. Either States or their schools place orders with DoD directly. USDA does not administer this program, but Congress funds it to purchase the produce.

This program is meant to supplement the National School Lunch Program for kids who come from low-income households. It was a decent program in the 1990s but is an inefficient way to get healthy food to schools. In recent years, DoD's purchasing practices have become more central/regional rather than local, thus, nullifying its original purpose. It will likely be phased out in the next farm bill anyway. Moreover, at least in one Oklahoma school, DOD prices are significantly higher than what is available locally (see attachments).

However, USDA's program remains close to its original mission of providing fresh, local produce. USDA's Fresh Fruit and Vegetable Program - States get mandatory funding allocation of $110 million per year based on school populations. Not every school participates, and schools then pay for the local, fresh produce they want. This program is available to all children regardless of income.

Eliminate "strengthening the agricultural economy" as a stated goal of food and nutrition programs, such as SNAP and other programs with the same goal anywhere they exist (Food Distribution Program on Indian Reservations)

Food Stamps were created during the Great Depression largely to buy up excess supplies of U.S. crops, which coincides with the goal of "strengthening the agricultural economy." However, this consideration could conflict with the stated goals of the programs as currently operated. The school programs are aimed at propping up commodity prices and less about nutrition or safety.

As with Dairy Management, Inc. whose purpose it is to take surplus dairy products off the market and, as a result, promote unhealthy eating habits under the guise of official nutrition standards, this core component could result in unhealthy or excessive allowance of food stamps.

Eliminate the Department of Health and Human Services' Grants to American Indian, Alaska Native, and Native Hawaiian Organizations for Nutrition and Supportive Services ($27.3 million FY 2008 enacted) to save $303 million over ten years.

This program provides grants to the elderly and tribal groups, transfer funds to USDA's Food Distribution Program on Indian Reservations, which also targets American Indians and non-Indian households that reside on Indian –designated land. USDA already operates the Food Distribution Program on Indian Reservations, which serves the elderly and low-income households in Indian country.

Reduce funding for the Forest Service ($6 billion FY2010 enacted) by half to save $33.3 billion over ten years

The Forest Service currently manages 193 million acres in 44 states and territories or approximately 30 percent of all public lands. The agency seeks to improve forest health, conduct research, and provide financial and technical assistance, and other land management activities. It operates five research and development stations, 80 experimental forests and ranges, a forest products laboratory, two technology and development centers, and a geospatial service and technology center.[333]

This program funds maintains, repairs, and improvements on National Forest System roads and trails. The President's budget proposal recommends reducing this account by $100 million to reflect the declining need to construct new roads or other infrastructure in lieu of repairing or decommissioning old ones. Additionally, the agency now uses revenues from land exchanges for some of these activities.

[333] Fiscal Year 2012 Budget Overview, U.S. Forest Service, http://www.fs.fed.us/aboutus/budget/2012/justification/FY2012-USDA-Forest-Service-overview.pdf

In 2009, the Government Accountability Office (GAO) found the Forest Service was falling short in some key areas. While GAO notes some improvements, it found the agency is still struggling to manage its funds efficiently, particularly relating to wildfire management and a lack internal financial safeguards that would demonstrate how the agency's spending relates to the its goals.[334]

Agency leaders are taking advantage of Congress's willingness to throw money at the fire issue. With an increasingly large share of the Forest Service bureaucracy dependent on the extra funding that comes around each fire season, the agency blindly puts out almost all fires. Even people within the Forest Service fear that the agency's traditional commitment to conservation is being lost in an orgy of spending on fire-related activities. [335]

The Forest Service also continues to experience internal mismanagement, particularly relating to gathering of data sets necessary to implement strategic plans. Despite some recent improvements, GAO notes the Forest Service has yet to establish sufficient internal controls.[336] USDA's Inspector General also found the Forest Service could not meaningfully compare its cost data with its performance measures.[337]

One responsibility of the Forest Service has been to acquire and release land parcels as part of its land exchange process. GAO found the agency could not provide assurance that taxpayers were receiving a fair market value for these exchanges. Although the Forest Service agreed with GAO's recommendation to develop a system that ensures the public interest is being served, the agency has yet to address the issue.

Additionally, it has yet to reconcile its workforce planning with its overall strategic plan, which is needed to carry out the agency's directives and specifically threatens wildfire management. Further, it calls into question whether or not the Forest Service actually has the appropriately skilled workforce to accomplish the agency's goals.

The Forest Service operates law enforcement measures on its managed lands to respond to various illegal activities, including human and drug smuggling. However, the agency has not put forth a risk-based law enforcement plan that would ensure it is efficiently allocating scarce resources.

Fire Management

The Forest Service has received significant increases for wildfire management. The U.S. Government Accountability Office (GAO) has continued to find the Forest Service's wildfire management strategy incomplete while the agency has made poor management decisions regarding prescribed burnings over many decades.[338] A series of reports beginning in 1999 and congressional

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[334] GAO-11-423T, "Forest Service: Continued Work Needed to Address Persistent Management Challenges," March 10, 2011, http://www.gao.gov/products/GAO-11-423T.
[335] O'Toole, Randal, "The Forest Service," Cato Institute, August 2009, http://www.downsizinggovernment.org/agriculture/forest-service, accessed July 15, 2011.
[336] GAO-11-423T, "Forest Service: Continued Work Needed to Address Persistent Management Challenges," March 10, 2011, http://www.gao.gov/products/GAO-11-423T.
[337] 08401-11-FM, "Audit Report: Forest Service's Financial Statements for Fiscal Years 2010 and 2009," Department of Agriculture Office of Inspector General, November 2010; http://www.usda.gov/oig/webdocs/08401-11-FM.pdf.
[338] GAO-11-423T, "Forest Service: Continued Work Needed to Address Persistent Management Challenges," Footnote 3, March 10, 2011, http://www.gao.gov/products/GAO-11-423T.

statute have both recommended and required the Forest Service to present a cohesive strategy, which it has failed to do. As it stands, there is no assurance for taxpayers that the agency will employ cost-containment methods.

More specifically, GAO has consistently documented the agency's failure to implement strategic steps to managing wildfires, such as long-term options for reducing hazardous fuels and responding to fires. Currently, the agency relies on its own judgment rather than relevant data, leaving its efforts vulnerable to ineffectiveness. GAO found the agency's "Planning, Appeals, and Litigation System," which is intended to monitor such information to make decisions, excluded pertinent information. Moreover, the data it did include was not always accurate.

End the Forest Stewardship Program that provides assistance to landowners to encourage sound environmental management of non-industrial private forest lands ($500,000 FY2010 enacted).

This program is not an original function of the forest service and, since it addresses privately owned lands, it fails to acknowledge the incentive landowners have to maintain the health of their properties, nor does it take into account outside resources available to them. The program explicitly duplicates the USDA Wildlife Habitat Incentive Program (WHIP) that also offers assistance for "non-industrial private forest lands," and various aspects of the large and better funded programs like the Conservation Reserve Program (CRP) and Conservation Stewardship Programs. [339]

Eliminate Agency 'Environmental Literacy' Programs

In FY 2010, the FS spent more than $5 million on "environmental literacy" programs to promote forest management awareness, particularly focused on urban populations and youth.[340] By the agency's own admission, "environmental literacy programs and activities are funded through over a dozen other agency programs." These efforts, while informative, duplicate existing programs of the Department of the Interior, Agriculture, Environmental Protection Agency, and the National Oceanic and Atmospheric Administration (NOAA). [341] Given the extensive overlap, FS Environmental Literacy programs should be eliminated. This will result in at least **$52.4 million** in savings over ten years.

International Forest Program

While the FS struggles to meet its obligations as one of the largest land management agencies in the federal government, many Americans might be surprised to learn the agency spends millions of dollars each year to assist other nations "[promote] sustainable forest management internationally through the delivery of technical assistance, policy development, and disaster preparedness and response by trained forestry experts." [342] The White House has recommended eliminating this program because it overlaps with significant programs of the U.S. Agency for International Development (USAID) and "is not consistent with the Forest Service's mission to sustain the health, diversity, and productivity of the Nation's forests and grasslands to meet the needs of present and

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[339] Natural Resource Conservation Service website, "Wildlife Habitat Incentive Program," April 20, 2011, http://www.nrcs.usda.gov/programs/whip/, accessed July 15, 2011.

[340] FY 2012 Budget Justification, Page 3-31, Forest Service, http://www.fs.fed.us/aboutus/budget/2012/justification/FY2012-USDA-Forest-Service-budget-justification.pdf.

[341] Environmental Protection Agency website, "Summary of Activities with Federal Agencies," http://www.epa.gov/enviroed/iag.html, accessed July 14, 2011.

[342] Terminations, Reductions, and Savings: Budget of the U.S. Government Fiscal Year 2011," President Barack Obama, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/trs.pdf.

future generations."[343] Termination of the program will save taxpayers **$98.2 million** over ten years.

Reduction of Duplicative Forest Service Research and Development Activities
While the FS has important research needs, like wildfire and pest management and forest inventory, it funds a number of research areas outside its core responsibilities and duplicated by other agency research initiatives. For example, the FS has research devoted to recreation, water, air and soil, and wildlife and fish—all areas where other agencies more well established, better funded efforts. Where the FS has unique needs, it should work with those agencies in designing research priorities.

For instance, recent research activities have included the National Kids Survey, "focused on identifying patterns in how youth 6-19 years old spend time outdoors" as well as research on how to foster ecotourism. [344]

By eliminating non-essential research programs, the FS can save $71.8 million next year and **$718** million over the next ten years.

Economic Action Program (EAP) overlaps with other USDA and federal community development initiatives
The program is "designed to provide technical and financial assistance to communities and groups to enhance rural economies through the utilization of forest and related natural resources."[345] According to the White House, which has also proposed eliminating the program, EAP overlaps with USDA rural development programs and is "not targeted." By the administration's own admission, the program has funded activities with little bearing to management of the forest system, including wastewater design systems and water musical festival. More pointedly, the Government Accountability Office (GAO) found more than 80 economic development programs, much like the EAP. This program should be terminated immediately, resulting in **$50 million** in savings over ten years.

End the Urban and Community Forestry Program
This program has accomplished and outlived its purpose. Many states maintain their own urban forestry programs and even high schools are partnering with local companies on the issue.[346] Maintaining vegetation in the midst of expanding urban communities is critical to the health and well-being of our nation's metropolitan areas and the citizens that inhabit them. Fortunately, interested parties at every level are now involved financially and educationally in the planting, improving, and maintaining aspects of community and urban forestry.

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[343] Terminations, Reductions, and Savings: Budget of the U.S. Government Fiscal Year 2011," President Barack Obama, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/trs.pdf.
[344] FY 2012 Budget Justification, Page 5-4, Forest Service, http://www.fs.fed.us/aboutus/budget/2012/justification/FY2012-USDA-Forest-Service-budget-justification.pdf.
[345] Terminations, Reductions, and Savings: Budget of the U.S. Government Fiscal Year 2011," President Barack Obama, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/trs.pdf.
[346] McDonald, Kyle, "Setting roots in the green industry: n Ken's Urban Forestry program, with Davey Tree, teaches career skills, recordpub.com, June 7, 2011, http://www.recordpub.com/news/article/5046340, accessed July 15, 2011.

Conflicting Incentives

Eliminate USDA funding portion of Dairy Checkoff to prevent conflicting and unfair marketing efforts—Cheese promotion vs. obesity initiatives

On one hand, the federal government seeks to promote healthy food and discourage unhealthy choices and over-consumption; on the other hand, it is promoting the same unhealthy food and has spent hundreds of millions of dollars on cheese consumption.[347]

A USDA nonprofit corporation that functions as an agriculture marketing initiative—Dairy Management (est. 2003)—operates on a budget of $140 million and 162 on staff. It is primarily funded by the Dairy Checkoff program (est. 1983)—a mandatory 15 cent per hundredweight producer tax (approximately 2 cents per gallon) on all domestically and commercially produced and marketed milk. However, it also receives approximately $5 million annually in taxpayer dollars through USDA itself, which appoints some of its board members who approve the marketing campaigns and major contracts.

The purpose of the checkoff program is to promote U.S. dairy products, conduct research and nutrition education, increase human consumption of dairy products and reduce milk surpluses.[348] Health trends in recent years have increasingly moved towards healthier choices and, in doing so, have created a surplus of whole milk and milk fat.

To shore up the surpluses, Dairy Management's focus was aimed at families whose inclination to consume cheese outweighs their concern with health risks.[349] They began promoting increasing amounts of cheese consumption in processed foods, home cooking, and certain products, particularly in the fast food industry.

In the pizza business, Dairy Management spent $12 million on a marketing campaign for cheese consumption. It partnered with Domino's Pizza to increase sales by increasing the amount of cheese one each pizza by 40 percent where one slice contains two-thirds of a day's maximum recommended saturated fat, potentially causing heart disease. The New York Times commissioned a lab analysis of "the Wisconsin" and found that one quarter of the pizza contained 12 grams of saturated fat, approximately 75 percent of USDA's recommended daily maximum saturated fat of 15.6 grams.

Already Americans are consuming nearly triple the amount of cheese (33 pounds annually) as found during the 1970s. Still, Dairy Management claimed diets that are high in dairy products promote weight loss. The NYT's investigation found this claim to be unfounded and cited Dr. Neal Barnard,

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[347] "Cheese industry should do its own marketing," The Daily Review, November 13, 2010, http://thedailyreview.com/opinion/cheese-industry-should-do-its-own-marketing-1.1063145, accessed July 15, 2011.
[348] Department of Agriculture website, Agricultural Marketing Service, Research and Promotion Programs, March 17, 2011, http://www.ams.usda.gov/AMSv1.0/ams.fetchTemplateData.do?template=TemplateN&navID=IndustryMarketingandPromotion&leftNav=IndustryMarketingandPromotion&page=DairyProducerCheckoffPrograms&description=Dairy+Producer+Checkoff+Programs, accessed July 15, 2011.
[349] Documents on Marketing Cheese, The New York Times, http://documents.nytimes.com/documents-on-marketing-cheese#document/p1, accessed July 15, 2011.

president of the Physicians Committee for Responsible Medicine—an advocacy group that challenged Dairy

Management's health claims—stated, "If you want to look at why people are fat today, it's pretty hard to identify a contributor more significant than this meteoric rise in cheese consumption. Nevertheless, in its report to Congress, USDA presents its successes in the number of pounds of cheese consumed.[350]

Meanwhile, USDA's Center for Nutritional Policy and Promotion receives $6.5 million and sets official dietary guidelines (formerly the food pyramid) that are formulated into nutritional standards for school meal programs and others. USDA seems to be talking out of both sides of its mouth. "More whole milk is being processed into cheese and the government - which advises against over-consumption of high-fat dairy products as a means to fight obesity and improve public health - has been phenomenally successful in increasing cheese consumption."[351]

Domino's is not the only restaurant chain assisted by USDA. Other partners of Dairy Management during the George W. Bush and Obama Administrations include Taco Bell, Pizza Hut (cheese inside crust[352]), Burger King, and Wendy's, amounting to a growth in the sale of cheeses by nearly 30 million pounds.[353]

Finally, such market promotion creates an inherent conflict of interest as certain restaurants are given preferential treatment from the government to the detriment of their industry competitors. According to the NYT investigation, Dairy Management went so far as to assist in developing and testing new pizza concepts.

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[350] "Report to Congress on the National Dairy Promotion and Research Program and the National Fluid Milk program, Department of Agriculture, The New York Times, July 1, 2007, http://documents.nytimes.com/documents-on-marketing-cheese#document/p16, accessed July 15, 2011.

[351] "Cheese industry should do its own marketing," The Daily Review, November 13, 2010, http://thedailyreview.com/opinion/cheese-industry-should-do-its-own-marketing-1.1063145, accessed July 15, 2011.

[352] http://documents.nytimes.com/documents-on-marketing-cheese#document/p3

[353] http://www.nytimes.com/2010/11/07/us/07fat.html?pagewanted=2

USDA 10-yr Savings (billions)

Commodities	**$ 83.70**
Disaster Pymt	**$ 21.00**
FSA Loans	**$ 19.148**
Conservation	**$ 25.40**
Rural Dvlpt	**$ 27.00**
FAS Export	**$ 02.8**
FAS Food Aid	**$ 12.50**
Research	**$ 02.9**
SNAP	**$ 100.00**
Nutrition	**$ 18.70**
Forest Service	**$ 33.30**
	$ 346.4

DEPARTMENT OF AGRICULTURE DEVELOPMENT TEN YEAR SAVINGS

Total: $346.4 billion

THE DEPARTMENT OF COMMERCE

Created in 1903, the U.S. Department of Commerce (originally called the Department of Commerce and Labor) recently celebrated the passage of more than 100 years in existence. Its mission today is to "promote job creation, economic growth, sustainable development and improved standards of living for all Americans by working in partnership with businesses, universities, communities and our nation's workers."[354] The activities of the department in carrying out this mission are diverse, but among its core functions are:

1. Monitoring and projecting national weather trends;
2. Promoting U.S. companies abroad to facilitate export opportunities abroad;
3. Administering the decennial Census and various other surveys;
4. Regulating open-sea fishing;
5. Subsidizing high-risk technological research;
6. Funding broadband development in underserved areas; and
7. Awarding patents to American businesses.

The Commerce Department is home to a number of agencies and bureaus that perform these tasks, including: the Census Bureau, the Economic Development Administration (EDA), the Patent and Trademark Office (USPTO), the National Institute for Standards and Technology (NIST), the National Oceanic and Atmospheric Administration (NOAA) which includes the National Weather Service, the National Telecommunications and Information Administration (NTIA), the International Trade Administration, and the Minority Business Development Agency.[355]

In Fiscal Year 2010, total appropriations for DOC were $14.1 billion, including a large once-a-decade appropriation for the decennial Census, as well as additional funding provided through the American Recovery and Reinvestment Act (stimulus).[356] If these additional expenditures were not present, as in a typical year when Census appropriations are much smaller, the total appropriation for 2010 would otherwise have been $7.86 billion.[357]

More than 60 percent of DOC's budget is used for managing and regulating oceans and the fishing industry as well as for monitoring national weather patterns through the National Oceanic and Atmospheric Administration (NOAA). The next biggest components of the budget are the Census

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[354] Department of Commerce website, "About the Department of Commerce," http://www.commerce.gov/about-department-commerce, accessed July 14, 2011.
[355] Department of Commerce website, Organizational Chart, http://www.commerce.gov/sites/default/files/documents/migrated/Department%20Organization%20Chart.pdf, accessed July 16, 2011.
[356] Office of Management and Budget, Department of Commerce Fact Sheet, http://www.whitehouse.gov/omb/factsheet_department_commerce/, accessed July 16, 2011.
[357] Department of Commerce website, Press Release, "Commerce Department 2012 Budget Cuts Spending, Invests in Priorities to Help America Win the Future," February 14, 2011, http://www.commerce.gov/news/press-releases/2011/02/14/commerce-department-2012-budget-cuts-spending-invests-priorities-help.

Bureau (15 percent), the NIST (10 percent), the International Trade Administration (6 percent) and EDA (less than 4 percent). The remaining agencies account for approximately five percent of the Commerce budget. USPTO's budget is approximately $2 billion, but the agency is self-funded through fees charged for patents.[358]

This proposal would transfer more than 90 percent of DOC functions to other federal agencies, consolidate many of these functions into others with which they overlap and wind down the Department of Commerce. The total savings realized from consolidating duplicative programs and eliminating low-priority initiatives is at least $26.84 billion over ten years.

Transferring and Consolidating Department of Commerce Programs

National Oceanic and Atmospheric Administration

NOAA was created under President Nixon and provides scientific, technical, and management expertise to (1) promote safe and efficient marine and air navigation; (2) assess the health of coastal and marine resources; (3) monitor and predict the coastal, ocean, and global environments (including weather forecasting); and (4) protect and manage the nation's coastal resources.[359]

In his most recent State of the Union Address, however, President Obama mentioned the work of NOAA to highlight a larger problem related to duplication within the federal government. In his now famous example, the President spoke of salmon regulation: "Then there's my favorite example: the Interior Department is in charge of salmon while they're in fresh water, but the Commerce Department handles them in when they're in saltwater. And I hear it gets even more complicated once they're smoked."[360] One of the programs he referred to is administered by NOAA. While NOAA's wildlife component mirrors and sometimes duplicates programs within the Department of Interior, NOAA also administers numerous commercial fishery programs, which mirror programs within the Department of Agriculture (UDSA).

NOAA's existence outside of the Department of the Interior, as it turns out, is more an accident of history than the result of thoughtful planning. It was supposed to be combined with the Fish and Wildlife Service at Interior when it was created in 1970. But, because President Nixon, who created the agency by executive order, was in a spat with Secretary of the Interior Wally Hickel over the handling of Vietnam, he "temporarily" housed NOAA within DOC.[361] The environmental

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[358] President's FY 2012 Budget request for the USPTO, February 14, 2011, http://www.uspto.gov/about/stratplan/budget/fy12pbr.pdf.

[359] CRS Report: R41161, "Commerce, Justice, Science, and Related Agencies: FY2011 Appropriations," Congressional Research Service, July 14, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41161&Source=search.

[360] Negrin, Matt, "3 decent jokes in Obama's speech," *Politico 44*, January 26, 2011, http://www.politico.com/politico44/perm/0111/fun_house_a9b9dac6-c043-4bba-92f5-9e66195eb23b.html.

[361] Palmer, Brian, "One Fish, Two Fish, Who Regulates You, Fish*?" Slate*, January 26, 2011, http://www.slate.com/id/2282622/.

component of NOAA should be transferred to the Department of Interior (DOI), which regulates wildlife everywhere else.

Plans to move NOAA's functions to Interior have had broad support for several decades. As far back as 1992, the *New York Times* editorial board advocated for a similar policy, calling it "an eminently sound idea" and something that "would bring coherence to environmental policy."[362]

In addition to its environmental functions, NOAA also has a large climate and weather research component. Most of this funding is directed to the National Environmental Satellite, Data, and Information Service (NESDIS) and the National Weather Service (NWS).[363] In order to provide coverage for weather forecasts and climate measurements it funds an expensive weather satellite program, which itself is comprised of two different satellite systems. NOAA's management of its satellite program, however, has been highly ineffective.[364] In part, this has arisen from NOAA's lack of experience with such complex technology, leading the agency to contract with NASA to build NOAA's satellites and then reimburse NASA for all of the costs. NOAA rather than NASA, however, operates the satellites.

Not surprisingly, these two duplicative and overlapping satellite systems have experienced significant cost overruns, delays, and performance failures. Known as the National Polar-Orbiting Operational Environmental Satellite System (NPOESS), it was initially expected to cost $6.5, but its current $14 billion cost is expected to increase even further.[365] This, despite a reduction to four satellites instead of the original six NOAA intended to purchase.[366]

The other satellite system, Geostationary Operational Environmental Satellite-R Series (GOES-R), initially carried a $6.2 billion cost estimate, but despite also decreasing the number of satellites to be purchased from four to two, the system's cost still increased by $1.5 billion to a total of $7.7 billion.[367]

The Inspector General found that "the Department does not have coherent policies to guide systems acquisition or effective oversight mechanisms."[368] In a 2008 report, the Inspector General found that "related government spending has ballooned in recent years… Over the next 2 years, the

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[362] Editorial, "Cleaning Up Environmental Policy," *New York Times*, November 27, 1992, http://www.nytimes.com/1992/11/27/opinion/cleaning-up-environmental-policy.html.
[363] National Environmental Satellite, Data, and Information Service website, http://www.nesdis.noaa.gov/; National Weather Service website, http://www.weather.gov/.
[364] United States Department of Commerce Office of Inspector General, "Top Management Challenges Facing the Department of Commerce", December 20, 2010, http://www.oig.doc.gov/Pages/Top%20Management%20Challenges,%20December%202010.aspx.
[365] United States Department of Commerce Office of Inspector General, "Top Management Challenges Facing the Department of Commerce", December 20, 2010, http://www.oig.doc.gov/Pages/Top%20Management%20Challenges,%20December%202010.aspx.
[366] United States Department of Commerce Office of Inspector General, "Top Management Challenges Facing the Department of Commerce", December 20, 2010, http://www.oig.doc.gov/Pages/Top%20Management%20Challenges,%20December%202010.aspx.
[367] United States Department of Commerce Office of Inspector General, "Top Management Challenges Facing the Department of Commerce", December 20, 2010, http://www.oig.doc.gov/Pages/Top%20Management%20Challenges,%20December%202010.aspx.
[368] United States Department of Commerce Office of Inspector General, "Top Management Challenges Facing the Department of Commerce", December 20, 2010, http://www.oig.doc.gov/Pages/Top%20Management%20Challenges,%20December%202010.aspx.

Department of Commerce will spend an average of approximately $3 billion annually on goods and services. The 2010 decennial census and two critical NOAA satellite systems will account for roughly a third of these annual expenditures. All three of these programs have already suffered significant cost overruns and schedule delays because of poor acquisition management."[369]

In 2010, Congress spent more than $1.1 billion for both satellite systems, constituting more than 23 percent of NOAA's entire budget.[370] Instead of operating these satellites, Congress should remove this responsibility from NOAA outright and require NASA to administer this program. This proposal would achieve savings of 20 percent, or $220 million, to the federal government in 2012, and $2.44billion over ten years, through reducing administrative costs. It would also limit additional cost overruns, and help NOAA to focus on its core responsibilities.

NOAA also spends $367 million annually on climate change research. This came as part of an overall $2.163 billion that the government spent on climate research in 2010.[371] It is in addition, however, to $12.6 billion for energy efficiency and climate change technology research. While NOAA claims the mantle of lead climate research agency, and would like to create a "Climate Service," it is not actually the top federal funder of climate research. NOAA is one of thirteen departments and agencies conducting this type of research, and is dwarfed by National Aeronautics and Space Administration (NASA).

In 2010, the following agencies provided funding for climate research:[372]

- NASA spent $1.075 billion on research "to improve the ability to forecast global and regional climate change and natural disasters" – research also conducted by NOAA. NOAA and NASA also fund satellites used to monitor the earth's climate;
- The National Science Foundation (NSF) spent $287 million on climate change research last year – primarily non-biomedical academic research;
- The Department of Energy (DOE) spent $235 million for biological and environmental research;
- The Department of the Interior (DOI) is planning to create eight regional climate science centers "to address current and future impacts of climate change on our land, water, wildlife, cultural heritage and tribal resources." While these efforts will be done in cooperation with NOAA, NOAA is also planning to create six regional climate centers of its own.[373] These programs, most in their infant stages, received at least $61 million in 2010 for research, and have been targeted for further expansion;
- The Department of Agriculture (USDA) received $103 million for climate change research, including $50 million for the National Institute of Food and Agriculture;
- The Environmental Protection Agency (EPA) spent $21 million last year;

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[369] OIG-19384, "Top Management Challenges Facing the Department of Commerce," United States Department of Commerce Office of Inspector General, November 18, 2008, http://www.oig.doc.gov/OIGPublications/OIG-19384.pdf.
[370] "FY2011 Budget Summary: Chapter 7, NOAA Special Exhibits," National Oceanic and Atmospheric Administration, http://www.corporateservices.noaa.gov/~nbo/fy11_bluebook/Chapter_7_Special%20Exhibits.pdf.
[371] Report to Congress, "Federal Climate Change Expenditures Report to Congress," President Barack Obama, June 2010, http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/FY2011_Climate_Change.pdf.
[372] Report to Congress, "Federal Climate Change Expenditures Report to Congress," President Barack Obama, June 2010, http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/FY2011_Climate_Change.pdf.
[373] Reilly, Sean, "NOAA readies request to create new climate service agency," *Federal Times*, September 23, 2010, http://www.federaltimes.com/article/20100923/AGENCY01/9230303/1001.

- The U.S. Agency for International Aid and Development (USAID) spent $36 million last year climate change research;
- The Office of Science and Technology Policy (OSTP) received funds to work with NOAA, NASA, NSF, USGS, the DOE, and other federal agencies to coordinate the various climate observations, climate change adaptations, and civil and military environmental observation systems;[374]
- The Smithsonian spent $7 million on salaries for climate change researchers;
- The Department of Health and Human Services' (HHS) National Institutes of Health (NIH) spent $4 million on climate change research;
- The Centers of Disease and Control (CDC) appropriated $7.5 million on environmental health research on climate change;
- The Department of Transportation (DOT) spent $1 million on climate change research; and
- $13 million was given to the International Panel on Climate Change (IPCC) and the United Nation's Framework Convention on Climate Change.[375] The IPCC has come under scrutiny in recent times as some have questioned the scientific accuracy of its report, claiming that it contains political bias.[376]

Congress should consolidate these various funding programs into a new office dedicated to weather research within the National Science Foundation (NSF) and reduce overall expenditures for this research. Within this entity, there would be a division in charge of all climate change research and serve as one-stop shop for other agencies to address their climate change concerns. Congress would also reduce annual appropriations to $1 billion for this research as result of eliminating duplicative and overhead expenses. Streamlining these programs would enable more effective and focused research. Savings to the government in 2012 would be $1.163 billion, $170 million within NOAA; and $11.63 billion over ten years, $1.7 billion within NOAA.

NOAA's National Marine Fisheries Service (NMFS) funds a variety of programs for the fishing and aquaculture industries.[377] While most of the NMFS budget is for general science, it also promotes exports, gives operating assistance, and provides other direct benefits to businesses:

Fisheries Finance Program – This program provides direct government loans for the "cost of construction or reconstruction of fishing vessels, fisheries facilities, aquacultural facilities and individual fishing quota in the Northwest Halibut/Sablefish Fishery."[378] $69 million was obligated for this program in 2009.[379]

Capital Construction Fund Program – This program helps replace or improve their fishing vessels by enabling fishermen to construct, reconstruct, or acquire fishing vessels with before-tax,

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[374] Conference Report to Accompany H.R. 3288: Report 111-366, http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_reports&docid=f:hr366.111.pdf.
[375] Conference Report to Accompany H.R. 3288: Report 111-366, http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_reports&docid=f:hr366.111.pdf.
[376] Report to Congress, "Federal Climate Change Expenditures Report to Congress," President Barack Obama, June 2010, http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/FY2011_Climate_Change.pdf.
[377] National Marine Fisheries Service website, "About Us", http://www.nmfs.noaa.gov/aboutus.htm.
[378] NOAA Fisheries Office of Management & Budget Website, "Fisheries Finance Program," http://www.nmfs.noaa.gov/mb/financial_services/ffp.htm, accessed July 14, 2011.
[379] Catalog of Federal Domestic Assistance, Fisheries Finance Program, https://www.cfda.gov/index?s=program&mode=form&tab=step1&id=37c280c1acf556c255dba16df4086eb8.

rather than after-tax dollars.[380] The amount accumulated by deferring tax on fishing income, when used to help pay for a vessel project amounts an interest-free loan from the Government.[381] Created in 1936 and used to build up the U.S. marine fleet, this benefit contributed to the overcapitalization of the U.S. fleet.[382] Consequently, this program is no longer necessary and barely used. This budget recommends eliminating this program.

National Marine Aquaculture Initiative Sea Grants – This grant program funds research intended to aid the domestic marine aquaculture industry. It awards funds almost exclusively for university research on a variety of topics, including offshore aquaculture, recirculating aquaculture systems, shellfish farming, alternative feeds for aquaculture, and new species research.[383] While the program has funded some worthwhile efforts, other funding sources exist for similar research, including USDA's Cooperative State Research, Education, and Extension Service (CSREES),[384] as well as other NOAA programs such as habitat conservation grants,[385] U.S. Fish and Wildlife's National Fish Hatchery system,[386] state and regional funding opportunities and industry-led efforts. Roughly $10.8 million was appropriated for this program in FY10.[387] Eliminating this grant program would save $10.8 million in 2012 and $120 million over the next decade.[388]

Fisheries Disaster Assistance – This program provides grants to fishing communities (including boat owners, operators, crew, and fish processors) that are affected by hurricanes, algae blooms, fishing restrictions, and other commercial fishery failures.[389] Since 1994, federal fishery failures have been declared on 27 occasions and nearly $827 million in federal funding has been appropriated for fishery disaster relief ($257 million in 2008).[390] Direct federal financial assistance has been provided to fishermen and fishing communities in the form of grants, job retraining, employment, and low interest loans. Assistance has also included fishery data collection, resource restoration, research, and fishing capacity reduction programs to prevent or lessen the effects of future disruptions to fisheries.[391] In one case, $13.4 million was earmarked by Congress for

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[380] NOAA Fisheries Office of Management and Budget, "Capital Construction Fund Program," http://www.nmfs.noaa.gov/mb/financial_services/ccf.htm, accessed July 14, 2011.
[381] NOAA Fisheries Office of Management and Budget, "Capital Construction Fund Program," http://www.nmfs.noaa.gov/mb/financial_services/ccf.htm, accessed July 14, 2011.
[382] Press Release of Sen. Ron Wyden, "Wyden, Murkowski Bill Would Lift Restrictions on Fishermen's Use of Capital Construction Accounts," April 28, 2010, http://wyden.senate.gov/newsroom/press/release/?id=55db7a30-8ecc-4221-a20f-e03e7bc794b2.
[383] National Oceanic and Atmospheric Administration website, "National Marine Aquaculture Initiative", http://aquaculture.noaa.gov/funding/grants.html, accessed July 16, 2011.
[384] CSREES sponsors regional aquaculture centers like the Northeastern Regional Aquaculture Center, http://www.nrac.umd.edu/
[385] NOAA Habitat Conservation National Marine Fisheries Service, "Northeast Region Funding Opportunities," http://www.habitat.noaa.gov/funding/northeast.html, accessed July 14, 2011.
[386] U.S. Fish & Wildlife Service National Fish Hatchery System, "National Fish Hatchery System," http://www.fws.gov/fisheries/nfhs/, accessed July 14, 2011.
[387] National Marine Fisheries Service Website, "2010 National Marine Aquaculture Initiative Grants," http://aquaculture.noaa.gov/pdf/2010_NMAI_project_blurbs_for_website.pdf, accessed July 14, 2011
[388] National Marine Fisheries Service Website, "2010 National Marine Aquaculture Initiative Grants," http://aquaculture.noaa.gov/pdf/2010_NMAI_project_blurbs_for_website.pdf, accessed July 14, 2011
[389] Office of Sustainable Fisheries, "Fishery Disaster Assistance", http://www.nmfs.noaa.gov/sfa/sf3/disaster.htm accessed July 16, 2011.
[390] Congressional Research Service Report: RL34209, "Commercial Fishery Disaster Assistance," Congressional Research Service, February 22, 2011, http://www.crs.gov/Pages/Reports.aspx?ProdCode=RL34209#_Toc235866209.
[391] Congressional Research Service Report: RL34209, "Commercial Fishery Disaster Assistance," Congressional Research Service, February 22, 2011, http://www.crs.gov/Pages/Reports.aspx?ProdCode=RL34209#_Toc235866209.

fishermen to provide business and health care relief in Massachusetts in 2007 because the previous Administration wouldn't approve emergency funds.[392]

Fishing Capacity Reduction Program – This program enables federal funds to be used to buy back vessels and/or fishing permits in order to eliminate overfishing. This program can be enacted during normal or disaster times.[393] Because of overcapitalization within the American fishing industry, caused in part by federal incentives such as the Capital Construction Fund program, there is a need to reduce the fleet in certain areas. As an example, it is likely that a $23.5 million subsidized loan[394] will be awarded for this program for a capacity reduction initiative in Alaska.[395] This budget recommends eliminating this program.

Saltonstall-Kennedy Grant Program – Created in 1954, this program takes a percentage of tariffs levied on fishery product imports in large part to pay to assist the domestic fishery industry. This program funds research into aspects of U.S. fisheries,[396] such as a continuous study to develop marketing strategies for Great Lakes cod.[397] Recently, the Congressional Research Service found that NOAA was using these funds to cover operating expenses instead of providing it to businesses. These funds have also been subject to congressional earmarks, including a $10 million earmark to a fisheries marketing board chaired by the son of a member of Congress.[398] While some have questioned the need for taxpayers to subsidize business marketing strategies, this program has been primarily been used to supplement NOAA funding. This budget recommends using the funds raised for NOAA only for deficit reduction, resulting in savings of $104.6 million in FY12, and $1.16 billion over ten years.

Many of these programs duplicate the work performed by the others on the list as well as additional federal programs such as federal Economic Injury Disaster Loans (within the Federal Emergency Management Agency), which provide working capital at low interest rates to assist in the recovery of businesses harmed by a disaster.[399] More importantly, USDA also regulates and subsidizes much of the aquaculture industry. Under this proposal, NOAA's commercial programs would be consolidated within USDA's Aquaculture program and the disaster assistance program would be consolidated within FEMA.

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[392] "Governor Patrick Announces $13.4 Million in Relief Funds for Fishing Industry," Governor Deval Patrick, http://www.mass.gov/?pageID=gov3pressrelease&L=1&L0=Home&sid=Agov3&b=pressrelease&f=080509_fishing_industry&csid=Agov3, accessed July 14, 2011.

[393] NOAA Fisheries Office of Management & Budget Website, "Fishing Capacity Reduction Programs," http://www.nmfs.noaa.gov/mb/financial_services/buyback.htm, accessed July 14, 2011.

[394] 50 CFR Part 600, Docket No. 100825389–1276–01, "Fishing Capacity Reduction Program for the Southeast Alaska Purse Seine Salmon Fishery," National Marine Fisheries Service, May 23, 2011, http://www.nmfs.noaa.gov/mb/financial_services/docs/se_ak_purse_seine_salmon_buyback_pr_05_23_11.pdf.

[395] "Capacity Reduction Program for the Southeast Alaska Purse Seine Salmon Fishery," Southeast Revitalization Association, February 2010, http://www.peggywilson.com/wp-content/uploads/2011/02/HB_365-Capacity_Reduction_Summary-SE_Revitalization_Assn1.pdf

[396] NOAA Fisheries Office of Management & Budget Website, "Saltonstall-Kennedy Grant Program," http://www.nmfs.noaa.gov/mb/financial_services/skhome.htm, accessed July 14, 2011.

[397] "The Saltonstall-Kennedy Grant: Fisheries Research and Development," Department of Commerce National Oceanic and Atmospheric Administration National Marine Fisheries Service, August 1, 2008, http://www.nmfs.noaa.gov/mb/financial_services/skpdfs/s-k_annual_report08.pdf.

[398] Gaines, Richard, "Report: Congress ate away at seafood promo dollars," *Gloucester Times*, March 29, 2011, http://www.gloucestertimes.com/local/x106231105/Report-Congress-ate-away-at-seafood-promo-dollars.

[399] Small Business Administration Website, "Disaster Loans," http://www.sba.gov/financialassistance/borrowers/guaranteed/dalp/index.html, accessed July 14, 2011.

Other programs funded by NMFS include:

Pacific Coast Salmon Recovery Fund (PCSRF) – This program, established by Congress in fiscal year 2000, provides nearly $70 million a year to select state governments to protect, restore, and conserve Pacific salmon and steelhead populations.[400] It was highlighted as duplicative by the President in his 2011 State of the Union address as the U.S. Fish and Wildlife Service within DOI also operates a program to protect endangered species of salmon.[401] This budget recommends consolidating this program with duplicative efforts and reducing appropriations by $40 million in fiscal year 2012, and $444 million over ten years.

Habitat Restoration – Several NMFS programs in this category are aimed at improving the conditions of coastal and marine habitat to ensure its health and sustainability. These efforts foster clean coastal waters and rebuild productive commercial and recreational fisheries, recover protected species, support tourism worth billions of dollars annually, and protect coastal communities from storms and flooding.[402] In 2010, $202 million was appropriated for this function.[403]

Law Enforcement – NOAA's Office of Law Enforcement enforces environmental and fishing laws aimed at conserving and protecting marine resources and their natural habitat. This includes protecting fish stocks from depletion and marine mammals from extinction.[404] In FY10, $107 million was appropriated for this function.[405]

[400] 2010 Report to Congress, "Pacific Coastal Salmon Recovery Fund FY 2000-20009," NOAA Fisheries Service, http://www.nwr.noaa.gov/Salmon-Recovery-Planning/PCSRF/upload/PCSRF-Rpt-2010.pdf.
[401] U.S. Fish & Wildlife Service Website, "What is the U.S. Fish and Wildlife Service doing about salmon?" http://www.fws.gov/salmonofthewest/fws.htm, accessed July 14, 2011.
[402] National Oceanic and Atmospheric Administration Website, "Habitat Conservation: About Us," http://www.habitat.noaa.gov/aboutus/index.html, accessed July 14, 2011.
[403] CRS Report: R41613, "Fishery, Aquaculture, and Marine Mammal Issues in the 112th Congress," Congressional Research Service, July 1, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41613&Source=search#_Toc297297665.
[404] National Oceanic and Atmospheric Administration Office of Law Enforcement, "Top Stories," http://www.nmfs.noaa.gov/ole/, accessed July 14, 2011.
[405] CRS Report: R41613, "Fishery, Aquaculture, and Marine Mammal Issues in the 112th Congress," Congressional Research Service, July 1, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41613&Source=search#_Toc297297665.

While more than $5 million in NOAA funds have been awarded since FY2000 to the National Aquarium Institute, which administers the National Aquarium housed at the Herbert Hoover, NOAA does not manage the aquarium.

Consolidating NOAA programs with existing programs already in place at DOI, USDA, NASA, FEMA and a national research agency would lead to a reduction in overhead costs and increased efficiency and effectiveness. As a result of consolidation and other reforms eliminating duplicative and low priority spending taxpayers will save more than $1.168 billion in 2012 and $11.68 billion over ten years within DOC.

Total Estimated Savings at NOAA: $11.68 billion

International Trade Administration & Bureau of Industry and Security

The International Trade Administration (ITA) seeks to develop the export potential of U.S. firms and to improve the trade performance of U.S. industry.[406] The Bureau of Industry and Security (BIS) enforces U.S. export laws consistent with national security, foreign policy, and short-supply objectives.[407]

These two agencies comprise approximately seven percent of DOC's budget. There are, however, numerous trade-related federal programs in several different federal agencies that overlap with its functions. Transferring these programs, including ITA and BIS to the U.S. Trade Representative (USTR) would enable a unified, pro-export approach that is more helpful for American businesses while also reducing overhead expenses.

The Obama Administration and the Center for American Progress have both endorsed similar recommendations to consolidate the various trade-related programs as well as for streamlining their administration.[408] President Obama also announced his National Export Initiative (NEI) in his 2010

[406] International Trade Administration, "About ITA", http://trade.gov/about.asp.

[407] Bureau of Industry and Security, "About Us", http://www.bis.doc.gov/about/index.htm.

[408] Center for American Progress, A Focus on Competitiveness: Restructuring Policymaking for Results, December 1, 2010, http://www.americanprogress.org/issues/2010/12/focus_on_competitiveness.html.

State of the Union address (formalized by Executive Order 13534), which seeks to double U.S. exports by 2015 to help generate 2 million new U.S. jobs.[409]

Consolidating all of the following programs under one agency and removing restrictions on what type of businesses are eligible for assistance would remove special interest provisions within these current programs and ensure businesses looking to expand to foreign markets know where to go for assistance. Consolidating programs would also enable more funds to be spent on trade enforcement – a major need for many businesses already serving foreign markets.

The following programs would be consolidated into a single entity that focuses entirely on coordinating trade policy, coordinating trade enforcement and dispute resolution, expanding market access for U.S. businesses through trade promotion, market research and other methods:

1. The Office of the U.S. Trade Representative (USTR), receives about $50 million a year to develop and coordinate trade policy, resolve disagreements, oversee negotiations with other countries, and frame issues for presidential decision.[410] USTR also seeks to expand market access for American goods and services, oversee trade infringements (including WTO and IPO issues). USTR includes an Office of Economic Affairs, which supports trade negotiating and related activities with economic statistical and analytical inputs, and an Office of Market Access and Industrial Competitiveness (MAIC), which seeks to remove trade barriers through enforcement and other measures.

2. Many of the same tasks are also performed by the International Trade Administration (ITA). This $447 million agency is known as the primary trade promotion agency.[411] As mentioned earlier, ITA's mission is to create prosperity by strengthening the competitiveness of U.S. industry, promoting trade and investment, and ensuring fair trade and compliance with trade laws and agreements.[412] Within ITA, there is the Manufacturing and Services (MAS) office which is "dedicated to enhancing the global competitiveness of U.S. industry, expanding its market access, and increasing its exports."[413] ITA also has the U.S. Commercial Service, which promotes trade/exports through its trade specialists in 107 U.S. cities and in more than 80 countries by helping companies access global markets. This help includes market research and counseling through the export process.[414] ITA even has an Import Administration to enforce trade laws to prevent "unfair foreign pricing and government subsidies."[415]

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[409] International Trade Administration website, "National Export Initiative Looks to Increase Exports and Create Jobs", http://trade.gov/press/publications/newsletters/ita_0210/nei_0210.asp accessed July 16, 2011.
[410] USTR website, "About Us", http://www.ustr.gov/about-us.
[411] President's FY 2012 Budget request for the Department of Commerce, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/com.pdf.
[412] International Trade Administration, "About ITA", http://trade.gov/about.asp.
[413] International Trade Administration Website, "Manufacturing and Services," http://www.trade.gov/mas/index.asp, accessed July 14, 2011.
[414] International Trade Administration Website, "U.S. Commercial Service," http://www.trade.gov/cs/, accessed July 14, 2011.
[415] International Trade Administration Website, "Import Administration," http://trade.gov/ia/, accessed July 14, 2011.

3. USDA's Foreign Agricultural Service (FAS), "works to improve foreign market access for U.S. products, build new markets, [and] improve the competitive position of U.S. agriculture in the global marketplace"[416] among other things, and received $180 million in 2010.

4. UDSA's Market Access Program (MAP) uses funds from the Commodity Credit Corporation to help U.S. producers, exporters, private companies, and other trade organizations finance promotional activities for U.S. agricultural products. Activities financed include consumer promotions, market research, technical assistance, and trade servicing.[417] This program was funded at $200 million for FY10. [418] President Obama suggested in his FY2011 budget reducing funding for MAP because "it overlaps with other Department of Agriculture trade promotion programs and its economic impact is unclear."[419]

5. In the Small Business Jobs Act (P.L. 111-240) last year, a new trade promotion office was created within Small Business Administration. The Office of International Trade's mission is to enhance the ability of small businesses to compete in the global marketplace.[420] Additionally, a three-year trade and export promotion pilot program, known as the State Trade and Export Promotion (STEP) Grant Program, to make grants to carry out export programs that assist eligible small business concerns was created.[421] More than $30 million is appropriated annually for these programs for the next two years.

6. As mentioned earlier, BIS's mission is to advance U.S. national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued U.S. strategic technology leadership.[422] It received $100 million in FY10.[423]

7. The Export-Import Bank provides direct loans, guarantees, and insurance to help finance U.S. exports when the private sector is unable or unwilling to do so, with the goal of contributing to U.S. employment.[424] Congress, as part of its legislative responsibilities, approves annual funding for an upper limit on the Export-Import Bank's administrative and program expenses. While this entity is intended to be self-sustaining, using offsetting collections generated from fees charged for their services and other sources to operate, it relies on the government's backing to insure its loans. The Export-Import Bank has put taxpayers at risk of having to pay

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[416] USDA Foreign Agricultural Service Website, "About the Foreign Agricultural Service," http://www.fas.usda.gov/aboutfas.asp, accessed July 14, 2011.
[417] USDA Foreign Agricultural Service Website, "Market Access Program (MAP)," http://www.fas.usda.gov/mos/programs/map.asp, accessed July 14, 2011.
[418] Terminations, Reductions, and Savings: Budget of the U.S. Government Fiscal Year 2011," President Barack Obama, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/trs.pdf.
[419] Terminations, Reductions, and Savings: Budget of the U.S. Government Fiscal Year 2011," President Barack Obama, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/trs.pdf.
[420] Small Business Administration Website," Office of International Trade," http://www.sba.gov/about-offices-content/1/2889, accessed July 14, 2011.
[421] Grants.Gov Website, "Office of International Trade – Small Business Jobs Act of 2010," http://www.grants.gov/search/search.do?mode=VIEW&oppId=75293, accessed July 14, 2011.
[422] Bureau of Industry and Security U.S. Department of Commerce Website, "About the Bureau of Industry and Security," http://www.bis.doc.gov/about/index.htm, accessed July 14, 2011.
[423] President's FY 2012 Budget request for the Department of Commerce, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/com.pdf.
[424] The Export-Import Bank website, http://www.exim.gov/about/index.cfm.

off tens of billions of dollars in debt should some of their investments default.[425] The Export-Import Bank claims to fund only "credit and country risks that the private sector is unable or unwilling to accept,"[426] yet, taxpayers are not supposed to be concerned that some of these investments will default.

8. The Overseas Private Investment Corporation (OPIC) provides political risk insurance and finance to support U.S. investment in developing countries.[427] OPIC is also self-sustaining, using offsetting collections generated from fees charged for their services and other sources to operate, while relying on the federal government to back its loan guarantees. Congress, as part of its legislative responsibilities, approves an annual appropriation that sets an upper limit on OPIC's administrative and program expenses.

9. The United States Trade and Development Agency (USTDA) is an independent federal agency intended to help spur economic growth in developing countries by facilitating the export of U.S. goods and services to those countries. [428] It funds project planning activities, pilot projects, and reverse trade missions (e.g. paying for foreign procurement officials to visit the U.S. to encourage them to contract with U.S. companies)[429] in an attempt to increase exports while creating sustainable economic growth in emerging markets.[430] USTDA also provides grant funding to overseas project sponsors for the planning of projects that support the development of modern infrastructure and an open trading system. USTDA also works with industry trade associations and private industry to expand sales opportunities overseas. This agency is duplicative of other independent agencies, U.S. foreign aid efforts, and private venture capitalism and investment. This entity received $55.2 million in 2010.

Under the most recent appropriations, more than $1 billion is appropriated for these trade/export assistance programs across 6 different federal entities annually. By consolidating these programs and concentrating federal efforts on trade policy development, trade enforcement and dispute resolution and trade promotion, businesses would benefit. This proposal also recommends eliminating government-backing and funding for the Export-Import bank, OPIC, and USTDA, resulting in additional savings of at least $55 million 2012 and $552 million over ten years.

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[425] James, Sallie, "Time to X Out the Ex-Im Bank," The CATO Institute, July 6, 2011, http://www.cato.org/pubs/tpa/tpa-047.pdf.
[426] Export-Import Bank of the United States Website, "Mission," http://www.exim.gov/about/mission.cfm, accessed July 14, 2011.
[427] Overseas Private Investment Corporation , "Doing Business with Us", http://www.opic.gov/doing-business-us.
[428] United States Trade and Development Agency Website, "USTDA At-a-Glance," http://www.ustda.gov/about/ataglance.asp, accessed July 16, 2011.
[429] United States Trade and Development Agency Website, "USTDA At-a-Glance," http://www.ustda.gov/about/ataglance.asp, accessed July 14, 2011.
[430] United States Trade and Development Agency Website, "USTDA At-a-Glance," http://www.ustda.gov/about/ataglance.asp, accessed July 14, 2011.

If taxpayers are to fund federal programs on trade promotion for American businesses, they should at least be protected from funding a fragmented, wasteful approach that prioritizes special interest groups and isn't readily accessible to the average businessman. This proposal aims to achieve this goal and save $455.2 million in FY12 and $4.552 billion over ten years. Within DOC, $221.3 million would be saved in 2012 and $2.46 billion over ten years.

Total Ten-Year Savings Within ITA and BIS: $2.64 billion

Economic and Statistics Administration & Bureau of the Census

The Economic and Statistics Administration (ESA) provides information on the state of the economy and analytical support to department officials in meeting their policy responsibilities. The Bureau of the Census, within ESA, collects, compiles, and publishes a broad range of economic, demographic, and social data. These two entities typically make up 16.5 percent of the total DOC budget.

The U.S. Census Bureau has one of the oldest missions in our nation's history: conducting the once-a-decade population count that is used to apportion the House of Representatives. While this is by far its most prominent function, the agency also boasts being the world's largest statistical agency. As such, its goals extend far beyond the decennial census and are: "to provide timely, relevant, and accurate current and benchmark measures of the U.S. population, economy, and governments in order to facilitate this mission."[431]

The nature of the Census Bureau's work means that its budget is highly cyclical, rising steadily throughout a given decade, and then falling sharply following the decennial census. In recent years, however, annual budgets for the Census have remained close to $1 billion, with $1.15 billion in funding provided for FY2011.[432] Much of this money goes toward planning for the decennial, but significant portions remain for the bureau's many other programs as well.

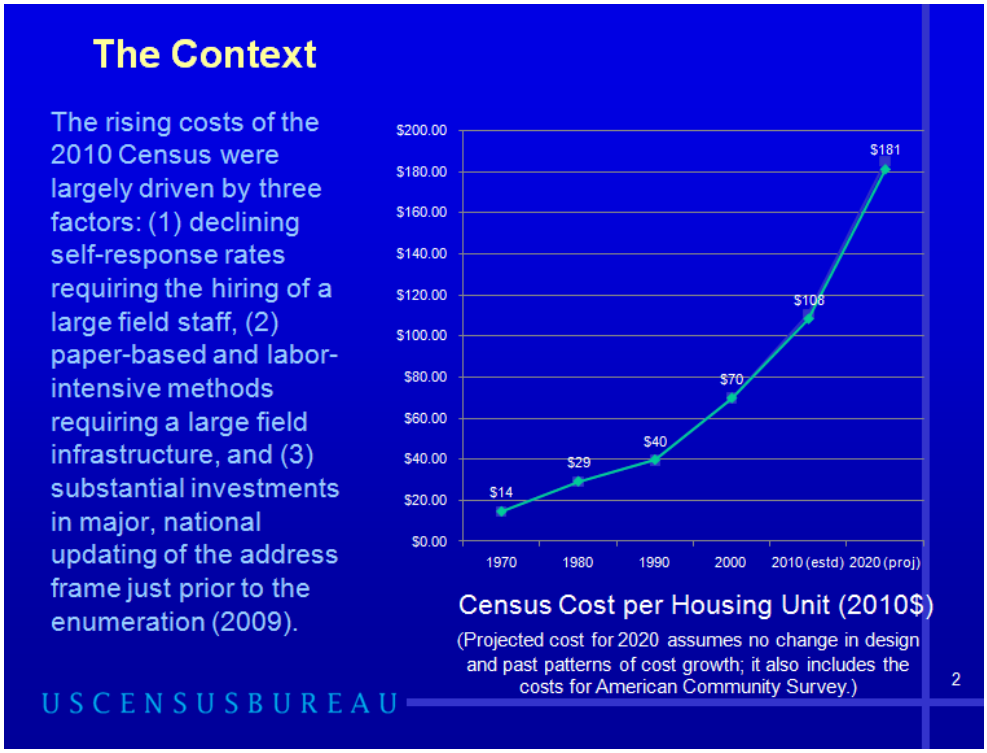
Some of the other programs include the American Community Survey, the Census of Governments, the Economic Census, the Population and Housing Census, 35 different demographic surveys,[433] and dozens of economic surveys.[434] After the decennial, the next most expensive survey the bureau conducts is the American Community Survey (ACS), costing taxpayers approximately $247.5 million per year.[435]

Statisticians and marketing executives are quick to praise the surveys for the data they provide, but many Americans feel uncomfortable with the intrusiveness of the agency's compulsory

[431] "Budget Estimates, Fiscal Year 2012, As Presented to Congress," U.S. Census Bureau, February 2011, http://www.osec.doc.gov/bmi/budget/12CJ/Census_Bureau_FY_2012_Congressional_Submission.pdf.
[432] CRS Report: 41721, "Commerce, Justice Science, and Related Agencies: FY2012 Appropriations," Congressional Research Service, May 12, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41721&Source=search.
[433] "Survey Abstracts," U.S. Census Bureau Demographic Surveys Division, March 2010, http://www.census.gov/aboutus/surveyabstracts.pdf.
[434] U.S. Census Bureau Website, "Review of Economic Statistical Programs," http://www.census.gov/econ/overview/#multisector, accessed July 12, 2011.
[435] U.S. Census Bureau, "Budget Estimates, Fiscal Year 2012, As Presented to Congress," February 2011, http://www.osec.doc.gov/bmi/budget/12CJ/Census_Bureau_FY_2012_Congressional_Submission.pdf.

questionnaires, especially the ACS.[436] Concern about personal privacy is such a frequent complaint, in fact, that the bureau established a webpage dedicated to explaining in detail "why we ask" each ACS question.[437] A sample of the questions include details on an individual's marital status, health insurance coverage, mortgage or rent amount, and even whether a person has "serious difficulty walking or climbing stairs" or "dressing or bathing."[438] Failure to answer even a single question, results in aggressive follow-up from the agency and a possible $5,000 fine.

One of the biggest problems facing the Census Bureau is poor financial management, which has led in recent years to billions of dollars being wasted. The cost of the 2010 Census was the highest in history, topping out at $14.7 billion, more than twice the $6.5 billion cost in 2000. Agency officials are already estimating that the 2020 Census will cost as much as $30 billion to complete.[439] As the following chart illustrates, whereas in 2000 it cost upwards of $70 to count each household, it will cost at least $181 in 2020.



Source: U.S. Census Bureau

Much of the cost increase is the fault of the agency's poor planning, according to the inspector general. In its final report on the 2010 Census, the IG attributed the high cost to "to escalating IT

[436] OIG-11-0303-I, "Census 2010: Final Report to Congress," U.S. Department of Commerce, Office of Inspector General, Census Bureau, June 27, 2011, www.oig.doc.gov/OIGPublications/OIG-11-030-I.pdf.
[437] U.S. Census Bureau American Community Survey Website, "Questions on the form and why we ask," http://www.census.gov/acs/www/about_the_survey/questions_and_why_we_ask/, accessed July 12, 2011.
[438] U.S. Census Bureau Website, Sample form of the American Community Survey for 2011, http://www.census.gov/acs/www/Downloads/questionnaires/2011/Quest11.pdf.
[439] OIG-11-0303-I, "Census 2010: Final Report to Congress," U.S. Department of Commerce, Office of Inspector General, Census Bureau, June 27, 2011, www.oig.doc.gov/OIGPublications/OIG-11-030-I.pdf.

costs and major flaws in the bureau's cost assumptions." [440] The "escalating IT costs" were largely attributable to bad decision-making at the Census Bureau. Despite the fact that warning signs arose early and oversight bodies issued sound advice for correction, the advice was both spurned and ignored, leading to an out-of-control cost spiral.

At a Senate hearing in June 2006, the director of the Census, Louis Kincannon, engaged in the following back-and-forth, now in hindsight a sad demonstration of the agency's unpreparedness:

> **Senator Coburn.** What happens if they do not work? What is your plan B?
> **Mr. Kincannon.** They will work. They have worked. You might as well ask me what happens if the Postal Service refuses to deliver the census forms.
> **Senator Coburn.** I am not asking it facetiously. I am asking you what happens if there is a computer glitch and these handheld devices do not work? What is the plan B?
> **Mr. Kincannon.** The computer devices have been tested and proven to work.
> **Senator Coburn.** All I want you to do is answer my question. What if they do not work?
> **Mr. Kincannon.** We have a big problem then.
> **Senator Coburn.** So are you going to have to hire more people to do the non-response?
> **Mr. Kincannon.** I do not believe that condition will obtain, so I do not--
> **Senator Coburn.** So there is no planning. So, as we have talked about planning for what-ifs and-
> **Mr. Kincannon.** We could hire more people. Yes, we could hire more people, sir.
> **Senator Coburn.** Is it not true that GAO has said that this handheld device is a huge risk in their testimony?
> **Mr. Kincannon.** I do not know the precise formulation of words, but they say there is a risk associated with using handhelds.
> **Senator Coburn.** So your testimony to me is that there is no alternative plan if that does not work?
> **Mr. Kincannon.** We have no reason to believe that there is any systematic risk in all the handhelds. That system will work.
> **Senator Coburn.** Your testimony today is if that does not work – if GAO's concerns happen to be borne out – there is no alternative plan if it does not work?
> **Mr. Kincannon.** We would have to hire more people to conduct traditional pencil and paper non-response follow-up.
> **Senator Coburn.** As we did in 2000?
> **Mr. Kincannon.** Yes, and 1940.[441]

For the 2010 Census, officials hoped that technology would be the answer to bringing costs down, both through putting the survey online and by modernizing the door-to-door experience. Problems quickly developed, however, and largely centered on a $600 million contract awarded to the Harris Corporation for developing handheld computers for use in collecting information door-to-door. It was this same contract that the Director of the Census repeatedly told Congress was the "*key* to

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[440] OIG-11-0303-I, "Census 2010: Final Report to Congress," Office of Inspector General, Census Bureau, June 27, 2011, www.oig.doc.gov/OIGPublications/OIG-11-030-I.pdf.

[441] Transcript of a hearing of the Senate Subcommittee on Federal Financial Management, Government Information and International Security, *$11 Billion and Counting: The 2010 Census*, June 6, 2006. http://coburn.senate.gov/ffm/index.cfm?FuseAction=Files.View&FileStore_id=87b412f7-a1ba-40ca-bfb0-be424f4026c3

leveraging technology to improve the quality of Census results and *to control the costs*."[442] Finally moving beyond pen and paper, one former Director of the Census Bureau called the modernization effort a "significant improvement" over the way data had been collected in the past.[443]

In the process, a second contract was awarded to Lockheed Martin for, among other things, the development of the online system.[444] Mismanagement forced the Census Bureau to abandon both the Internet (March 2006) and the handheld computers (April 2008)[445] as a means of collecting data, despite earlier assurances that such action was unlikely. In place of technology, the Bureau decided to revert back to an entirely paper-based system – exactly the same way census data was collected 200 years ago. According to the Census Bureau, the reason for abandoning technology and reverting to paper was its own failure to communicate what it wanted to the contractors.[446]

According to the Government Accountability Office (GAO), the Census Bureau was warned repeatedly that problems would mount if it failed to define what it wanted the contractor to do.[447] Instead of taking action, the Bureau kept changing its mind about what it wanted. As late as January 16, 2008 – nearly two years after the contract was awarded – the Census Bureau made 400 changes to the contract for handheld computers.[448]

Poor management by the Bureau has diminished the role that technology played in the 2010 census to the point of embarrassment. Americans ultimately took their Census by paper at the same time that more than 100 million people filed their federal taxes online.[449] Even as of 2008 the Pew Internet and American Life Project reported that 75 percent of all adults were actively online. That percentage increased to between 85-90 percent for adults under the age of 50.

The impact of abandoning technology in the 2010 Census was a $3 billion overrun.[450] This brought the total price tag of the 2010 Census to roughly $14.7 billion – more than double the cost of the 2000 census.

With the recent completion of the 2010 Census, though, many of the same problems remain. An April 2011 GAO report, while finding that some problems had been addressed, warned that "while

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[442] Kincannon, Louis, "Testimony before the House Subcommittee on Information Policy, Census and National Archives in a hearing titled *A Review of the Census Bureau's Risk Management Activities for IT Acquisitions*," December 11, 2007.
[443] Kincannon, Louis, "Testimony before the Subcommittee on Federal Financial Management, Government Information and International Security in hearing titled *Offline and Off Budget: The High Cost of Low-Tech Counting*," June 6, 2006, http://hsgac.senate.gov/public/_files/060606Kincannon.pdf.
[444] U.S. Census Bureau Website, "2010 Decennial Response Integration System (DRIS) Contract," October 5, 2005, http://www.census.gov/procur/www/2010dris/index.html.
[445] Secretary Carlos Gutierrez, "Testimony before the Committee on Homeland Security and Governmental Affairs," April 15, 2008, http://hsgac.senate.gov/public/_files/041508Gutierrez.pdf.
[446] Secretary Carlos Gutierrez, "Testimony before the Committee on Homeland Security and Governmental Affairs," April 15, 2008, http://hsgac.senate.gov/public/_files/041508Gutierrez.pdf.
[447] GAO-08-685T, "2010 Census: Census at Critical Juncture for Implementing Risk Reduction Strategies," Government Accountability Office, April 15, 2008, http://www.gao.gov/new.items/d08685t.pdf.
[448] Nagesh, Gautham, "Census Bureau facing huge cost increase, possible delays in 2010 effort," *Government Executive*, March 5, 2008, http://www.govexec.com/dailyfed/0308/030508n1.htm.
[449] Internal Revenue Service Website, "Information for e-file," http://www.irs.gov/efile/, accessed July 14, 2011.
[450] Nagesh, Gautham, "Mismanagement, Not Technology, Caused Census Handheld Trouble, Auditors Say," *Government Executive*, April 9, 2008. http://governmentexecutive.com/story_page.cfm?filepath=/dailyfed/0408/040908n1.htm.

2020 might seem distant, several issues suggest that it is not too early for stakeholders to start considering the improvements necessary to make the next national headcount as cost-effective as possible."[451]

In light of these issues, this proposal recommends the following:

Spin Off the Census Bureau as an Independent Agency. In 1902, President Theodore Roosevelt oversaw the opening of the independent Census Bureau.[452] While it was eventually moved underneath of the modern Commerce Department, it should once again be made independent, answerable directly to the President. At the same times, across the federal government there are dozens of statistical programs in various different agencies. This proposal seeks to consolidate ESA and the Census with the Bureau of Labor Statistics and other Statistical agencies into one "Census" department in charge of collecting all and dispensing all statistical information for the federal government. Consolidating these statistical entities should enable a cut of at least 20 percent in reduced administrative and duplication costs and promote more effective gathering and utilization of statistics across the federal government and for Americans. Estimated savings government-wide would be 20 percent of total spending on statistical agencies and departments and $199.4 million within DOC in FY12, $1.994 billion over ten years.

Conduct the 2020 Census Online. The Census Bureau should develop the means of conducting its 2020 decennial census online. In its final report on lessons learned from the 2010 Census, the inspector general stated, "By not using the Internet and administrative records as key decennial data collection methods for 2010, the Census Bureau turned aside promising cost reductions and data quality improvements. Cost savings from Internet use could potentially have accrued from reducing paperwork and associated data capture costs—for the 2010 decennial, the bureau processed over 164 million paper forms—and less expensive field work, with a smaller temporary work force. Quality could likely have improved through easier access to foreign-language Internet questionnaires and automated checks of census responses for consistency and completeness."[453] While cost estimates vary, the reduction in paper, office space and staff required for a paper-based census has previously resulted in savings of $1.3 billion.[454] The estimated ten-year savings for implementing this reform is $2 billion.

Put the American Community Survey Online and Make it Voluntary. The American Community Survey should be put online and should no longer be considered compulsory. Significant savings could be achieved, as with the decennial, in putting the survey online and drastically reducing its need for paper. In fiscal year 2011, the ACS received $247.5 million.[455] Making these reforms would save an estimated 20 percent in administrative cost, or $50 million in FY12, and $500 million over ten years.

These reforms would save American taxpayers $449.4 million in FY10 and $4.494 billion over ten years within DOC and millions more across all agencies.

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[451] GAO-1-496T, "2010 Census: Preliminary Lessons Learned Highlight the Need for Fundamental Reforms," Government Accountability Office, April 6, 2011, http://www.gao.gov/new.items/d11496t.pdf.
[452] U.S, Census Bureau website, "History", http://www.census.gov/history/www/census_then_now/1902_census_act/.
[453] OIG-11-0303-I, "Census 2010: Final Report to Congress," U.S. Department of Commerce, Office of Inspector General, Census Bureau, June 27, 2011, www.oig.doc.gov/OIGPublications/OIG-11-030-I.pdf.
[454] Letter from Census Director Louis Kincannon to Sen. Tom Coburn, August 31, 2006.
[455] http://www.osec.doc.gov/bmi/budget/12CJ/Census_Bureau_FY_2012_Congressional_Submission.pdf.

Estimated Ten-Year Savings Within ESA: $4.49 billion

United States Patent and Trademark Office

The United States Patent and Trademark Office (USPTO) examines and approves applications for patents claimed for inventions and registration of trademarks.[456] It operates as a self-sustaining entity, relying on application fees to fund its operation. Because the operations of USPTO are already highly independent of the Commerce Department, it is not necessary that it remain under DOC. Instead, it should become a separate, self-sustaining entity with continued Congressional oversight.

The two major operational problems at the USPTO are 1) the growing number of unexamined patent applications, or "backlog," and 2) the increased time it takes for a an examiner to review a patent application, or "pendency." Currently, the USPTO has a backlog of over 706,000 applications waiting for a patent examiner to take his first action. In addition, total overall pendency (from filing to final action) is approximately 33 months.[457] One of the primary reasons for these long waiting periods is lack of resources at the PTO. Since 1992, Congress has expended revenue collected from patent application fees and spent it on unrelated government purposes. In total $800 million has been siphoned away from USPTO for unrelated federal spending.[458]

One of the keys to patent reform is allowing the USPTO to keep all of its fees in order to effectively budget for its operations. The Senate recently passed the America Invents Act, which contained a provision that would allow the USPTO to retain and use its application fees to address these problems immediately. [459] Because USPTO will be able to keep their fees, no additional Congressional appropriations will be necessary for USPTO. Additionally, addressing the delay in application review and low-quality patents will increase technological and economic development.

National Telecommunications and Information Administration

National Telecommunications and Information Administration (NTIA) advises the President on domestic and international communications policy, manages the federal government's use of the radio frequency spectrum, and performs research in telecommunications sciences.[460] NTIA historically makes up less than one percent of the DOC budget and received $40 million in appropriations in 2010.[461]

Half of NTIA's annual budget goes to the Public Telecom Facilities Grant Program (PTFP). PTFP is intended to help public broadcasting stations, state and local governments, Indian Tribes, and nonprofit organizations construct telecom facilities. Since 2000, this grant program has primarily

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[456] United States Patent and Trademark Office, "About Us", http://www.uspto.gov/about/index.jsp
[457] United States Patent and Trademark Office Website, "Data Visualization Center Patents Dashboard," http://www.uspto.gov/dashboards/patents/main.dashxml, accessed June 10, 2011.
[458] Scott Shane, *Bloomberg Businessweek*, "Let the Patent Office Keep Its Money", July 5, 2011. http://www.businessweek.com/small-business/let-the-patent-office-keep-its-money-07052011.html
[459] America Invents Act, S. 23, 112th Cong. § 20 (2011)
[460] National Telecommunications and Information Administration, http://www.ntia.doc.gov/
[461] President's FY2012 Budget request for the Department of Commerce, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/com.pdf.

funded public television stations' conversion to digital broadcasting. The President has twice[462] recommended eliminating PTFP because its primary purpose has become obsolete and funding public broadcasting would be duplicative.[463] In FY2010, PTFP received $20 million in appropriations anyway.[464] NTIA and USDA's Rural Development agency were recently both tasked with administering the same $8 billion broadband grant program. This program was authorized in the stimulus and was panned by critics as potential "cyberbridge to nowhere"[465] and "Broadband to Nowhere."[466] While this program is expiring, this budget recommends transferring the remaining programs within NTIA and USDA Rural Development's Telecommunications Loans and Grants programs (which received $28.96 million for its Rural Broadband Access Loan and Loan Guarantee Program and $17.976 million for the Community Connect Grant Program,[467] and $37.755 million for the telemedicine and distance learning grants and loans[468]) to the Federal Communications Commission (FCC), which is focused on regulating and promoting telecommunications development.[469] Including the recommended program cut, these reforms would result in savings of $41 million in FY12, $24 million within DOC. Over ten years these reforms would save taxpayers $455 million and $266.4 million within DOC.

Estimated Ten-Year Savings Within NTIA: $266.4 million

National Institute of Standards and Technology

The National Institute of Standards and Technology (NIST) was created in 1988 to increase the competitiveness of the U.S. industry. It is comprised of various research programs as well as two commercial welfare programs supporting business development and high-risk research. NIST makes up approximately 10 percent of funding in DOC and received $856.6 million in 2010.[470]

Two programs within NIST that would be eliminated are the Hollings Manufacturing Extension Partnership Program (HMEP) and the Technology Innovation Program (TIP). Both programs provide subsidies to businesses that do not require public assistance to compete in the marketplace. HMEP, through non-profit extension centers throughout America, provides consulting services for manufacturers. According to its website, "As a result [of MEP's consulting], our clients achieve **higher profits, save time and money, invest in physical and human capital,** and **create and**

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[462] "Terminations, Reductions, and Savings: Budget of the U.S. Government Fiscal Year 2010," President Barack Obama, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2010/assets/trs.pdf.
[463] "Terminations, Reductions, and Savings: Budget of the U.S. Government Fiscal Year 2011," President Barack Obama, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/trs.pdf.
[464] Terminations, Reductions, and Savings: Budget of the U.S. Government Fiscal Year 2010," President Barack Obama, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2010/assets/trs.pdf.
[465] David M. Herzenhorn, "Internet Money in Fiscal Plan: Wise or Waste?," February 3, 2009, New York Times, http://www.nytimes.com/2009/02/03/us/politics/03broadband.html?_r=2&ref=todayspaper
[466] L. Gordon Crovitz, "Congress Approves Broadband to Nowhere: Why the U.S. lags in Internet speed." February 1, 2009, The Wall Street Journal, http://online.wsj.com/article/SB123353476246637693.html?mod=todays_us_opinion.
[467] CRS Report: RL33816, "Broadband Loan and Grant Programs in the USDA's Rural Utilities Service," Congressional Research Service, June 17, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL33816&Source=search#_Toc296334686.
[468] Congressional Research Service e-mail to the Office of Senator Tom Coburn, July 12, 2011.
[469] Federal Communications Commission Website, "What We Do," http://www.fcc.gov/what-we-do, accessed July 14, 2011.
[470] President's FY2012 Budget request for the Department of Commerce, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/com.pdf.

retain thousands of jobs."[471] While these services are also offered through private consulting firms, entities can get the same services for free as a result of HMEP and federal taxpayers.

In 2007, the Office of Management and Budget found that "the program only serves a small percentage of small manufacturers each year"[472] and that one-fifth of all companies aided by HMEP had more than 250 employees. HMEP centers were intended to become self-sustaining but have received a steady stream of federal funding topping $1.5 billion. The Office of Management and Budget (OMB) also found that survey results from the Modernization Forum indicate that about half of the partnership's clients believe the services they obtained from HMEP are available other places, although at a higher cost."[473] The Congressional Budget Office lists this termination as a potential source of savings for taxpayers.[474] This program received $125 million in the Appropriations Bill for FY2010.[475] It also duplicates the Small Business Development Centers (SBDC's), which are meant to service small businesses in achieving economic success with consulting advice they may not be able to afford.[476]

TIP, formerly known as the Advanced Technology Program (ATP), is a grant program that funds "high-risk, high-reward research in areas of critical national need."[477] Funding is awarded to both commercial and non-profit private entities.[478] Entities receiving funds often have been unable to attract private sources of funding, raising questions about the appropriateness of putting public capital at risk for the same projects. ATP assisted dozens of Fortune 500 companies, including hundreds of millions in funding to IBM, General Electric, General Motors, 3M, and Motorola, and others.[479] Once it was discovered, Congress changed the program's name. In total, $2.87 billion has been appropriated for ATP and TIP, including $69.9 million in 2010. While TIP is not supposed to fund these large companies, it still subsidizes corporate research and duplicates private venture capitalism funding. An analysis by the Office of Management and Budget in 2007 concluded that "there is little need for" this program.[480] TIP is also duplicative of:

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[471] National Institute of Standards and Technology, Hollings Manufacturing Extension Partnership Website, "About the Manufacturing Extension Partnership," http://www.nist.gov/mep/about.cfm, accessed on July 14, 2011.
[472] ExpectMore.gov, "Program Assessment," Office of Management and Budget, http://www.whitehouse.gov/omb/expectmore/summary/10000040.2002.html, accessed July 14, 2011.
[473] Pub. No. 3191, "Budget Options Volume 2," Congressional Budget Office, August 2009 http://cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf.
[474] Pub. No. 3191, "Budget Options Volume 2," Congressional Budget Office, August 2009 http://cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf.
[475] Conference Report to Accompany H.R. 3288: Report 111-366, http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_reports&docid=f:hr366.111.pdf.
[476] Small Business Administration Website, "Office of Small Business Development Centers New," http://www.sba.gov/aboutsba/sbaprograms/sbdc/index.html, accessed July 14, 2011.
[477] National Institute of Standards and Technology, Technology Innovation Program Website, "Welcome," http://www.nist.gov/tip/, accessed July 14, 2011.
[478] DeHaven, Tad and Chris Edwards, "Downsizing the Federal Government: Business Subsidies," *Cato Institute*, February 2009 http://www.downsizinggovernment.org/commerce/subsidies.
[479] Riedl, Brian, "Corporate Welfare at Its Worst: Advanced Technology Program," *Capitalism Magazine*, August 12, 2005, http://www.capitalismmagazine.com/politics/welfare/4347-corporate-welfare-at-it-s-worst-advanced-technology-program.html.
[480] ExpectMore.gov, "Program Assessment," Office of Management and Budget, http://www.whitehouse.gov/omb/expectmore/summary/10000040.2002.html, accessed July 14, 2011.

- The Small Business Innovative and Research Program (SBIR), which requires that the eleven federal agencies with significant research and development budgets above $100 million set aside 2.5% of R&D funds for small businesses. Funding is made available under this program for high-technology research.
- The Research and Technology Development grant program is funded through the Department of Defense "to support and stimulate basic research, applied research and technology development at educational institutions, nonprofit organizations, and commercial firms, which may have military or dual-use application."[481]
- Office of Experimental Program to Stimulate Competitive Research within the National Science Foundation funds research and product development.[482]
- Venture capitalism firms flourish by identifying and investing in high risk or emerging technologies with great potential and a chance for success. If Congress wants to encourage more investment in emerging technologies, it should lower the high corporate tax rate and encourage more private investment.

This budget recommends transferring the remaining programs within NIST to a national research agency, to be created along with other federal research agencies. Including program eliminations within NIST, this budget recommends consolidating NIST with a federal research agency for savings of $375 million in 2012 and $4.16 billion over ten years.

Estimated Ten-Year Savings Within NIST: $4.16 billion

Economic Development Administration

EDA provides grants for economic development projects in economically distressed communities and regions. It comprises four percent of DOC's budget ($293 million in FY10). EDA was created as part of President Lyndon Johnson's War on Poverty in 1965. While EDA's stated purpose is to help economically distressed communities[483] attract jobs and business, this program has become a Congressional favorite, often seen as a source for congressional earmarks. Orson Swindle, a former Director of the EDA, called the program a "congressional cookie jar," and former Democrat Senator and wasteful spending critic William Proxmire argued that the EDA "deserves to die."[484] President Reagan recommended eliminating EDA,[485] listing three specific reasons: 1) Lack of focus; 2) Lack of effectiveness; and 3) Increased market inefficiency due to political meddling.[486] Unfortunately, these arguments also apply today.

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[481] Federal Grants Wire Website, "Research and Technology Development (12.910)," http://www.federalgrantswire.com/research-and-technology-development.html, accessed July 14, 2011.l

[482] National Science Foundation Office of Integrative Activities Website, "About EPSCoR," http://www.nsf.gov/od/oia/programs/epscor/about.jsp, accessed July 14, 2011.

[483] Economically distressed communities are defined as areas with an unemployment rate at least one percentage point greater than the national average; per capita income that is 80 percent or less of the national average; or a special need, as determined by EDA; 13 CFR 301.3

[484] DeHaven, Tad, "EDA's Delusions of Grandeur," *Cato Institute*, January 22, 2010, http://www.cato-at-liberty.org/edas-delusions-of-grandeur/.

[485] DeHaven, Tad, "Downsizing the Federal Government: Economic Development Administration," Cato Institute, February, 2009, http://www.downsizinggovernment.org/commerce/eda#_edn32.

[486] Palmer, John Logan, "The Reagan Experiment," Pg. 264, http://books.google.com/books?id=clik4pH4vGQC&pg=PA264&lpg=PA264&dq=Reagan+EDA&source=bl&ots=Ch3lDam26j&sig=lVA2HRGzbr5mBTUMuQ8AZK2X0cs&hl=en&ei=C4TuTduFCOja0QGw4cjeAw&sa=X&oi=book_result&ct=result&resnum=1&ved=0CBgQ6AEwAA#v=onepage&q&f=false.

GAO has repeatedly reviewed this program and found that EDA relies on "self-reported data to assess the effectiveness of its grants." GAO concluded this self-reporting may lead to "inaccurate claims about program results, such as jobs created." Despite having already highlighted this problem in 1999 and 2005, GAO found EDA still rarely verifies self-reported data.

In a March 2011 GAO report on duplication within the entire federal government, auditors found are at least 80 federal economic development programs at four agencies: DOC, HUD, USDA, and SBA. GAO found that each one of these programs appears to overlap with at least one other program in funding certain economic development activities. These programs are administered in a fragmented and duplicative manner that discourages the maximum efficiency and fails to ensure constituents can easily find and apply for assistance. In total, between $6.2 and $6.5 billion was appropriated on these 80 programs, with $2.9 billion going to economic development efforts.[487] In a previous 2005 study, at least 180 economic development programs were identified within more than a dozen different agencies costing taxpayers about $17.9 billion annually on community development, regional development, and other economic development ($188 billion if including various infrastructure, educational, housing, and research programs intended to promote economic development).[488]

Several think tanks have suggested eliminating or reducing spending for EDA, including the Democrat Leadership Council[489] and the Center for American Progress.[490] This proposal eliminates EDA. This elimination would save taxpayers $293 million in FY12 and $3.25 billion over ten years.

Estimated Ten-Year Savings Within EDA: $3.25 billion

Minority Business Development Agency

The Minority Business Development Agency (MBDA) seeks to promote private and public sector investment in minority businesses. MBDA is dedicated to advancing the establishment and growth of minority-owned firms in the United States through a network of minority business centers and strategic partners.[491] It comprises less than one percent of DOC's budget. The need for MBDA is unclear in light of the many similar programs operated in other federal agencies. These include:[492]

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[487] GAO-11-651T, "Economic Development: Efficiency and Effectiveness of Fragmented Programs Are Unclear," Government Accountability Office, May 25, 2011, http://www.gao.gov/new.items/d11651t.pdf.
[488] Drabenstott, Mark, "A Review of the Federal Role in Regional Economic Development," Center for the Study of Rural America & Federal Reserve Bank of Kansas City, May 2005, ftp://urban.csuohio.edu/utility/ledebur/622-722/Nov%206%20%20Federal%20Policy/Supplemental%20Resources/drabenstott%20federalreview.pdf.
[489] Weinstein Jr., Paul and Campbell, Katie, "Return to Fiscal Responsibility II," Progressive Policy Institute, April 2007, http://www.dlc.org/documents/Fiscal_Responsibility_04302007.pdf.
[490] Ettlinger. Michael, and Linden, Michael, "A Thousand Cuts: What Reducing the Federal Budget Deficit Through Large Spending Cuts Could Really Look Like," Center for American Progress, September 2010, http://www.americanprogress.org/issues/2010/09/pdf/athousandcuts.pdf .
[491] Minority Business Development Agency Website, "About Minority Business Development Agency," http://www.mbda.gov/?section_id=2, accessed July 14, 2011.
[492] Small Business Administration website, http://www.sba.gov/.

- SBA's Section 8(a) Business Development Program, which is intended to assist small businesses owned and operated by racial and ethnic minorities with training, technical assistance, and contracting opportunities in the form of set-asides and sole-source awards.
- SBA Small Business Development Centers for women, Native Americans, Veterans, and all other small business;
- SBA's Office of Native American Affairs and Native American Outreach to encourage Native Americans to create their own businesses.
- Numerous minority outreach programs within federal agencies, including within DOT.[493]

Additionally, of the total budget in 2010 of $31.5 million, just $12 million went toward grants.[494] These funds are also earmarked, such as $200,000 earmark to create "a Native American business enterprise" for one particular tribe.[495] A 2005 Department of Commerce Inspector General report also found that the MBDA's claims of running successful programs that helped businesses were generally not substantiated because of unreliable performance data.[496] Eliminating the MBDA would save $31.5 million in FY12 and $350 million over ten years.

Estimated Ten-Year Savings Within MBDA: $350 million

DEPARTMENT OF COMMERCE TEN YEAR SAVINGS
Discretionary: $26.84 billion
Total: $26.84 billion

[493] Examples include the Minority Business Resource Center Program (loans for disadvantaged, racial minorities, and women businesses for transportation-related projects) and the Minority Business Outreach (funds may be used for business opportunities related to any mode of transportation).
[494] "USAspending.gov," http://usaspending.gov/explore?tab=By%20Agency&maj_contracting_agency=13&mod_agency=1352&comingfrom=searchresults&fromfiscal=yes&carryfilters=on&fiscal_year=2010, accessed July 14, 2011.
[495] Consolidated Appropriations Act, 2010, P.L. 111-117, http://origin.www.gpo.gov/fdsys/pkg/CRPT-111hrpt366/pdf/CRPT-111hrpt366.pdf.
[496] FSD-17252, "Value of MBDA Performance Measures Undermined by Inappropriate Combining of Program Results and Unreliable Performance Data From MBOC Program," Department of Commerce Inspector General, October 7, 2005, http://www.oig.doc.gov/Pages/ValueofMBDAPerformanceMeasuresUnderminedbyInappropriateCombiningofProgramResultsandUnreliablePerform.aspx.

DEPARTMENT OF DEFENSE

The severity of our fiscal crisis is not lost on our senior military leaders. In fact, Chairman of the Joint Chiefs of Staff Admiral Mullen stated the national debt is our nation's greatest national security threat.[497] In light of this threat, the Department of Defense can and must play a role in bringing our budgets into balance.

Despite the sacrifice, heroism, and professionalism our military personnel show in Iraq and Afghanistan, America's defenses are decaying, despite increasing budgets. The ongoing corrosion and growing expense have been with us for decades, and span numerous presidents and political parties.

Over the last thirty years, Congress increased annual appropriations to the Department of Defense by about 44 percent in constant, inflation adjusted dollars.[498] Today's non-war defense budget is larger than the total defense budget during the Vietnam War when we had over 500,000 troops fighting overseas.[499]

However, this significant increase has not increased the size and strength of our military as traditionally measured. Despite higher levels of funding, active duty troop levels have decreased by 30percent, the number of Navy ships is down 45percent, and the Air Force's fighter and attack aircraft are down more than 50 percent.[500] Former Secretary Robert Gates noted in a speech last year that current submarines and amphibious ships are three times as expensive as their equivalents during the 1980s and we have fewer of them.[501]

The Government Accountability Office (GAO) releases an annual report of cost overruns of major weapon systems. Between 2001 and 2008, they found nearly $300 billion in cost overruns and schedule delays for major defense acquisition programs.[502]

Rising personnel and benefit costs are another factor. Given our continued military operations, this requires adequate funding to recruit and retain military personnel. However, Congress chose to

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[497] CNN Wire Staff, "Mullen: Debt is top national security threat," August 27, 2010, http://articles.cnn.com/2010-08-27/us/debt.security.mullen_1_pentagon-budget-national-debt-michael-mullen?_s=PM:US.

[498] Unless otherwise noted, all historical dollar figures are adjusted for inflation. Defense Business Board, "Reducing Overhead and Improving Business Operations: Initial Observations," July 22, 2010, Slide 8, http://dbb.defense.gov/reports2010.shtml.

[499] Unless otherwise noted, all historical dollar figures are adjusted for inflation.

[500] Defense Business Board, "Reducing Overhead and Improving Business Operations: Initial Observations," July 22, 2010, Slide 8, http://dbb.defense.gov/reports2010.shtml.

[501] Gates, Robert, "Navy League Sea-Air Space Exposition, Remarks as Delivered," Gaylord Convention Center, National Harbor, Maryland, May 3, 2010, http://www.defense.gov/speeches/speech.aspx?speechid=1460.

[502] GAO 08-467SP, "Defense Acquisitions: Assessments of Selected Weapon Programs," Government Accountability Office, March 2008, http://www.gao.gov/new.items/d08467sp.pdf.

structure its pay and benefits increases across the spectrum of military personnel and retirees rather than target pay and benefits increases directly towards those serving in war zones. Even after the Quadrennial Review of Military Compensation and other non-partisan experts recommended Congress change the way they compensate our military, Congress decided not to enact major reforms in this area.[503]

The cuts listed below are savings options that should be considered as part of plans to reduce our $14.6 trillion debt. Former Secretary of Defense Robert Gates recently stated "the defense budget, however large it may be, is not the cause of this country's fiscal woes," but it "must be at least part of the solution."[504]

Some of the options listed here, especially those dealing with the overall size of our military, will be hotly debated. However, we would hope each proposal would be debated on its merits. As an example, an option to reduce the number of aircraft carriers from eleven to ten is not equivalent to an option of permanently decommissioning every single aircraft carrier in the Navy's fleet.

It should also be noted what is not included in these proposals. Under this plan, the Army will return to its pre-war size but not be cut further. The Navy will remain nearly the same size as will the Air Force as measured in total number of ships and combat wings. Key modernization programs, even the Joint Strike Fighter, will continue. Procurement of ships such as the Virginia class submarine and the USS Gerald Ford, the newest aircraft carrier, will continue as well. The nation's nuclear deterrent will remain robust. Pay levels will not be cut or frozen for active duty military service members. In fact if the option regarding defense commissaries and post exchanges is adopted, active duty military pay will increase.

While the options below represent $1 trillion in savings, the reduced spending from these options listed below would put the Pentagon back on the level of annual funding it had just five years ago at the height of the Iraq surge.

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[503] The Tenth Quadrennial Review of Military Compensation, February 2008, http://www.whs.mil/library/doc/Tenth.pdf.

[504] Banusiewicz, John, "Defense Cuts Must Be Part of Nation's Fiscal Solution, Secretary Says," American Forces Press Service, May 24, 2011, http://www.defense.gov/news/newsarticle.aspx?id=64062.

Non-Defense Spending at the Department of Defense

Spending and Duplication by Other Federal Agencies

One area of significant costs at the Department of Defense (DOD) that receives more attention than military personnel costs, weapons procurement, or earmarks is spending within the Department of Defense that is not a core mission of the Pentagon.

Some of these functions, such as grocery store operations, have been performed by the military or on military installations for over a hundred years. Others, such as the Congressionally-directed Medical Research Program, are more recent additions to the Pentagon's roles and missions.

Regardless of the amount of time these non-military organizations have existed as part of the military, they (and all DOD support programs and activities) should be evaluated regularly on whether or not they are a priority and that it is still appropriate to continue them.

Some nonmilitary defense spending provides noncash compensation benefits for our military and their families. Ideally this would aid in both recruitment and retention of the all-volunteer military. Other nonmilitary defense spending is intended to create benefits for society at large not by increased national security but by breakthroughs in medical research or commercial adoption of technology.

Consolidate DoD Administered Grocery and Retail Stores ($9.1 billion[505])

The Defense Commissary Agency operates a worldwide chain of 252 grocery stores on military bases around the world for military members, their families, and retirees. In 2009, it totaled nearly $6 billion in sales.[506] If the Defense Commissary Agency (DeCA) were a corporation, it would easily be one of the largest grocery store chains in the United States.[507] However, unlike private sector grocery stores, the Defense Commissary Agency is heavily subsidized by taxpayers.

The three separate Post Exchange systems, which sell retail goods similar to Wal-Mart on military bases, had combined annual sales around $12 billion. Unlike the Defense Commissary Agency, they do not receive appropriations from Congress. They fund their operations based on sales. However, some of their costs, such as expenses for transporting merchandise overseas, are paid from defense appropriations by other parts of the DOD. [508]

DeCA states it returns more than two dollars in benefits (through lower costs of groceries) to military members and their families for every dollar in appropriated funds.[509] However, the

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[505] Unless otherwise noted, savings are over 10 years,
[506] Defense Commissary Agency, "Annual Report 2009," http://www.commissaries.com/press_room/documents/AnnualReport.pdf, Accessed May 10, 2011.
[507] CNN, "Fortune 500 Food and Drug Stores," http://money.cnn.com/magazines/fortune/fortune500/2011/industries/148/index.html, Accessed May 12, 2011.
[508] CBO Report, "Reducing the Deficit: Spending and Revenue Options," Congressional Budget Options, March 2010, pages 84-85, http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf.
[509] Defense Commissary Agency, "Strategic Plan FY 2007 – FY 2013," http://www.commissaries.com/documents/insidedeca/strat_plan_2007_2013.pdf, page 5, Accessed May 12, 2011.

Congressional Budget Office (CBO) previously questioned this analysis.[510] The conclusion assumes members of the military would have purchased the exact same items at full retail price at other commercial grocery stores.

The Defense Commissary Agency charges items at cost plus a five-percent surcharge.[511] This surcharge is intended to offset the costs of new commissaries and maintenance and repair of current commissaries. However, the cost of DeCA employees – including salaries, health care and pension benefits – are funded with taxpayer money and not from the five-percent surcharge.[512] [513]

DeCA received approximately $1.27 billion in congressional appropriations last year and President Obama requested $1.37 billion – an increase of $100 million – for Fiscal Year 2012.[514] The Defense Commissary Agency employs nearly 18,000 workers. [515]

The Congressional Budget Office has suggested eliminating the subsidy for the commissary over a five-year period, and requiring it to self-fund more like the military's retail stores. CBO estimated prices would be about seven percent higher, or about $400 per year for the average military family.[516] DOD could supplement the existing military pay benefit of Basic Allowance for Subsistence (BAS) by this amount and still save billions of dollars for deficit reduction. The CBO also estimated consolidation of the post exchanges would provide organizational and administrative benefits. [517]

Increasing military pay across the board and allowing military members to shop at the stores of their choice (or choose to save the money) would increase their quality of life. It would also certainly help achieve the purpose of the commissary benefit: recruitment and retention through higher pay and benefits.

The Congressional Budget Office also previously noted the Department of Defense "cannot target commissary benefits to those pay grades and skills that it most needs to retain."[518] Some of the funds saved from this proposal could be used instead for targeted enlistment and retention bonuses.[519]

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[510] Congressional Budget Office, "The Costs and Benefits of Retail Activities at Military Bases," page 5, October 1997, http://www.cbo.gov/ftpdocs/1xx/doc158/retail.pdf.
[511] The Defense Commissary Agency received approximately $1.27 billion in congressional appropriations last year and President Obama has requested $1.37 billion – an increase of $100 million – for Fiscal Year 2012. The Defense Commissary Agency employs nearly 18,000 workers.
[512] Defense Commissary Agency, "About Us," http://www.commissaries.com/about_us.cfm, Accessed May 10, 2011.
[513] USAJOBS, "Federal Employment Information Fact Sheets: Benefits of Working for the Federal Government," http://www.usajobs.gov/EI/benefits.asp, Accessed May 10, 2011.
[514] Department of Defense Comptroller, "FY 2012 President's Budget, Exhibit RF-1 FY 2012 President's Budget," February, 2011, pages 84-85. http://comptroller.defense.gov/defbudget/fy2012/fy2012_rf1.pdf
[515] Defense Commissary Agency, "About Us," http://www.commissaries.com/about_us.cfm, Accessed May 10, 2011.
[516] CBO Report, "Reducing the Deficit: Spending and Revenue Options," Congressional Budget Options, March 2010, pages 84-85, http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf.
[517] CBO Report, "Reducing the Deficit: Spending and Revenue Options," Congressional Budget Options, March 2010, pages 84-85, http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf.
[518] Congressional Budget Office, "The Costs and Benefits of Retail Activities at Military Bases," page 4, October 1997, http://www.cbo.gov/ftpdocs/1xx/doc158/retail.pdf.
[519] Asch, Beth; et. al, "Cash Incentives and Military Enlistment, Attrition, and Reenlistment," Rand Corporation, 2010, page 111 http://www.rand.org/content/dam/rand/pubs/monographs/2010/RAND_MG950.pdf.

Close Department of Defense Elementary Schools ($10 billion)

The Department of Defense operates 64 schools on 16 military installations in the United States called the Domestic Dependent Elementary and Secondary Schools (DDESS).

Today 26,000 students are taught by 2,300 teachers who are employees of the Department of Defense. A number of schools here in the United States were originally justified because the post-World War II military was racially integrated while some of the local schools where military bases were located were still segregated.[520]

Despite generous funding -- $468 million in 2010 -- a recent report by the Center for Public Integrity noted "Conditions are so bad [on military-run schools] that some educators at base schools envy the civilian public schools off base, which admittedly have their own challenges." Also, "Some of the new schools in town make our schools look like a prison," says David C. Primer, who uses a trailer as a classroom to teach students German at the vaunted Marine headquarters in Quantico, Va., just 30 miles south of the nation's capital, in one of the country's most affluent suburbs.[521]

The Department of Defense must provide quality educational opportunities for the children of our men and women in uniform serving overseas where English-speaking schools are not available and the overseas schools appear to be meeting that goal.

However, the rationale for operating schools in the United States no longer exists.

Last year the National Commission on Fiscal Responsibility and Reform recommended ending the system and allowing those students to attend local schools.[522] If adopted, this option could save $1.1 billion in Fiscal Year 2015.[523]

Close DoD Run Science, Technology, Education, and Mathematics Programs for Elementary School Students ($1.7 billion)

The National Defense Education Act, passed in 1958 in the wake of the Soviet Union's launch of Sputnik, made it a priority of the government to ensure young men and women would pursue careers in science and mathematics in order to ensure our nation could develop the technology to defend our nation.

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[520] Domestic Dependent Elementary and Secondary Schools, "DDESS/DODDS – Cuba History," http://www.am.dodea.edu/ddessasc/aboutddess/description_history.html, Accessed May 12, 2011.
[521] Lombardi, Kristen, "Daddy, Why is My School Falling Down?" Newsweek, June 27, 2011, http://www.newsweek.com/2011/06/26/military-children-s-schools-in-disrepair.html.
[522] National Commission on Fiscal Responsibility, "The Moment of Truth: Report of the National Commission on Fiscal Responsibility and Reform," Dec. 1, 2010, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf, accessed July 15, 2011.
[523] The program was initially established when schools in the South were segregated, however it is no longer clear why the system is still necessary, or why the Defense Department plans to spend $1.2 billion for FY 2011-FY 2015 to rebuild these schools, raising the cost per student from $51,000 in FY 2011 to $81,000 in FY 2015.

Today the Department of Defense operates over 100 distinct programs to encourage students to study science, technology, engineering and mathematics (STEM).[524] These are in addition to 207 other federal programs at other federal agencies.[525]

America's scientific and technological advantage is one of our key national strengths. The federal government has a role in ensuring we create the next generation of scientific and engineering leaders so that transformational discoveries are made here in the United States by Americans. However, it is not clear the Department of Defense is an agency that needs to devote hundreds of millions of dollars to encourage K-12 children to study math and science, especially when many other federal agencies are already doing so. For example, the K-12 programs at DOD are directly duplicative of programs at the Department of Education's programs for encouraging students to one day enter into a STEM career. But, the Department of Education should take the lead – and be responsible for funding – any DOD programs to encourage STEM study that are geared toward K-12 children. The federal government, mostly through the Department of Education and National Science Foundation, but also including NASA, and the Departments of Agriculture and Energy, funded in 2007 (the most recent year that data is available) at least 19 programs at over $500 million annually for K-12 programs for encouraging and preparing students for STEM careers and study.[526]

The Department of Defense employs 35,000 scientists and engineers, more than any other federal agency.[527] It has an interest in ensuring there will be a future workforce. There may be some need for DOD to continue funding graduate and post-graduate programs toward national security research as it does today.

To the extent the Department of Defense could use its military equipment to create interest in math and science, it should be reimbursed by other federal agencies for any costs associated with such use. Of course, before that happens, the Government Accountability Office or some other group needs to evaluate all federal programs to determine which STEM efforts are working and which are not.

Reduce Spending at the Congressionally Directed Medical Research Program on Non-Military Specific Diseases ($250 million)

This proposal would reduce spending at the Congressionally Directed Medical Research Program (CDMRP) on non-military specific diseases and transfer that responsibility to the National Institutes

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[524] Office of the Under Secretary of Defense, Acquisition, Technology, and Logistics, "Survey of DOD Science, Technology, Engineering, and Mathematics (STEM) Programs," 2010, http://www.acq.osd.mil/rd/organization/docs/STEM_Program_Survey.pdf, Accessed July 15, 2011.

[525] GAO Report 06-114, "Federal Science, Technology, Engineering, and Mathematics Programs and Related Trends," Government Accountability Office, October 2005, http://www.gao.gov/new.items/d06114.pdf.

[526] Department of Education, "Report of the Academic Competitiveness Council," May 2007, page 51, http://www2.ed.gov/about/inits/ed/competitiveness/acc-mathscience/report.pdf, Accessed May 16, 2011.

[527] Miller, Cynthia, "Defense Department Embraces STEM Education Outreach," National Defense Magazine, January 2011, http://www.nationaldefensemagazine.org/archive/2011/January/Pages/DefenseDepartmentEmbracesSTEMEducationOutreach.aspx.

of Health. The CDMRP exists to "find and fund the best research to eradicate diseases and support the war fighter for the benefit of the American public."[528] It began in 1992 as a congressional earmark for breast cancer research. [529] Over the last two decades, Congress funded CDRMP with nearly $6.5 billion for research into a variety of non-military diseases conditions with nearly $600 million for 2010. [530] Some projects directly relate to military concerns such as $463 million research effort into psychological health and traumatic brain injury. However, some other projects such as $2.6 billion for breast cancer, $47.8 million for lung cancer, $113 million for prostate cancer, and $4.4 million for food allergies, have a vague connection to the military.

Research on these diseases is specifically directed by the defense committees in Congress during consideration of the annual appropriations bills.[531] In contrast, the spending bills that provide funding for the National Institutes of Health generally do not appropriate specific levels of research funding for specific diseases, allowing the Institute's professional scientists to do so.[532] This option would transfer funding for cancer research that affects the general population back to NIH and reduce the administrative costs of administering this research for savings.

Reduce Funding for the National Guard Counterdrug Program ($250 million)

This option would continue to fund the National Guard in counterdrug missions to federal operations such as radar support and interdiction of drug traffickers. However, funding would be reduced for duplicative support of drug programs for local law enforcement and promotion of anti-drug messages to youth that are performed by other federal agencies.

The National Guard Counterdrug Program provides "military support for local, state, and federal Law Enforcement Agencies and Community Based Organizations" to combat illicit drugs and "threats to the Homeland."[533] However, some aspects of the programs appear to be outside the core mission of the National Guard, or duplicate existing agencies.

For example, the National Guard Counterdrug School System provides training at no charge to law enforcement personnel and community-based organizations.[534] Courses include:

- **Grant Writing** – "Will provide the participant with the fundamental skills needed to research, develop, write, and submit competitive grant proposals."[535]

[528] U.S. Army Medical Research and Materiel Command, "Congressionally Directed Medical Research Programs: Annual Report," September 30, 2010, page 1, http://cdmrp.army.mil/pubs/annreports/2010annrep/2010annreport.pdf.
[529] U.S. Army Medical Research and Materiel Command, "Congressionally Directed Medical Research Programs: Annual Report," September 30, 2010, page 1, http://cdmrp.army.mil/pubs/annreports/2010annrep/2010annreport.pdf.
[530] U.S. Army Medical Research and Materiel Command, "Congressionally Directed Medical Research Programs: Annual Report," September 30, 2010, page 1, http://cdmrp.army.mil/pubs/annreports/2010annrep/2010annreport.pdf.
[531] CRS Report RL33537, "Military Medical Care: Questions and Answers," page 16, May 14, 2009, http://www.fas.org/sgp/crs/misc/RL33537.pdf.
[532] CRS Report R41705, "The National Institutes of Health (NIH): Organization, Funding, and Congressional Issues," Congressional Research Service, March 16, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41705&Source=search.
[533] National Guard "Counterdrug Program: About Us," http://ngbcounterdrug.ng.mil/aboutus/Pages/default.aspx, Accessed May 16, 2011.
[534] National Guard "Counterdrug Program: Counterdrug Schools," http://ngbcounterdrug.ng.mil/programs/Pages/CounterdrugSchools.aspx, Accessed May 16, 2011.

- **Everest Challenge** – "Convey to youth the message that seemingly insurmountable goals can indeed be attained through proper planning, hard work and appropriate lifestyle commitments."[536]
- **Ropes – 3 days at Camp Murray,** "The ROPES Course is designed for groups and teams to build communication, trust, and social/emotional learning skills. These skills are then used in the community as a tool to help prevent illicit drug use and abuse among youth and adults."[537]

These programs are outside the Guards' mission and duplicates the efforts of other agencies, such as $395 million for formula-based state grants for substance abuse prevention for adolescents through the Department of Health and Human Services and $75.4 million through the Department of Education to prevent drug use and violence.[538]

The National Guard Counterdrug Program received $225.7 million in Fiscal Year 2010.[539] This option reduces annual spending for the National Guard Counterdrug Program by $25 million. This option would not affect spending on other youth programs such as the National Guard Youth ChalleNGe program.

Ending the National Guard Counterdrug Program for youth intervention and local law enforcement education would not end DOD's efforts in counterdrug activities. Also, the Department of Defense could continue to conduct counterdrug missions, such as detecting and interdicting drugs entering the United States. The Department of Defense's counternarcotics activities include detection and interdiction as well as training for foreign countries. These activities were funded by $6.1 billion from the Department of Defense over the six year period from Fiscal Year 2005 to Fiscal Year 2010.[540]

DoD Tuition Assistance Program ($4.9 billion)

The Department of Defense Tuition Assistance Program gives active-duty service members the opportunity to take college course and be reimbursed for the tuition. However, this program duplicates the Montgomery GI Bill, administered through the Department of Veterans Affairs, which allows soldiers to utilize GI bill benefits while on active duty.[541]

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[535] Regional Counterdrug Training Agency Course Description, "Grant Writing," http://rcta.orbund.com/varsity/custom/rcta/course_details.jsp?subjectid=1462, Accessed May 16, 2011.
[536] Multijurisdictional Counterdrug Task Force Training Course Description, "Everest Challenge," http://www.mctft.com/traditional_training/view_course.aspx?pID=PDOX0053, Accessed May 16, 2011.
[537] Western Regional Counterdrug Training Center Course Description, "Ropes", http://www.wrctc.org/(X(1)S(sl0mz555vn425d3y53fuis45))/default.aspx?act=EBCoursesDetail.aspx&startrow=1&coursesid=97&menuitemid=158&menusubid=, Accessed May 17, 2011.
[538] Office of National Drug Control Policy, "FY 2012 Budget Request," White House, http://www.whitehousedrugpolicy.gov/publications/policy/12budget/exec_summary.pdf, pages 7-10, Accessed May 17, 2011.
[539] Office of Legislative Liaison, "FY 12 Department of Defense Budget Request," National Guard Bureau, February 14, 2011, http://www.ng.mil/ll/Tab2.aspx.
[540] GAO Report 10-594R, "DOD Counternarcotics Measures," Government Accountability Office, April 30, 2010, http://www.gao.gov/new.items/d10594r.pdf.
[541] "The Montgomery GI Bill – Active Duty," Department of Veterans Affairs, http://www.gibill.va.gov/documents/pamphlets/ch30_pamphlet.pdf.

This option would reduce spending by around 90 percent from $500 million per year to $50 million per year, and limit it to use as a retention tool where the military services have a critical-needs shortage of military personnel.

Under current law, the Department of Defense Tuition Assistance program provides any active-duty service member a benefit equivalent to $250 per credit hour up to $4,500 per year.[542] Active-duty troops are allowed to take courses that are more expensive than this, but must pay the difference out-of-pocket or through student loans.[543]

Similar to the Defense Commissary Agency, the military's tuition assistance program is promoted to enhance recruiting, readiness, and retention for the military. But the DOD Tuition Assistance Program may not meet these three goals in a cost-effective manner.

Earlier this year the Government Accountability Office (GAO) issued a report critical of the Department of Defense's oversight of the Tuition Assistance Program.[544] They found:

- DOD's reviews of schools receiving the tuition assistance benefit are limited to only those that have a presence on the military installation where the service member is based. In Fiscal Year 09, that accounted for only 29 percent of courses paid for through Tuition Assistance benefits. The remaining 71 percent of the courses paid for through Tuition Assistance were distance learning and were not subject to these quality reviews.

- Only one of the services—the US Army—requires follow-up reporting indicating actions were taken in response to the quality review's findings. DOD is conducting no quality review in 2011. DOD plans to bid out a new contract in order for quality reviews to resume in 2012.

Additionally, the DOD Tuition Assistance program is not targeted toward those who served in combat zones or multiple tours in Iraq or Afghanistan. In fact, those who deploy to war zones the most are least able to take advantage of this benefit as they generally cannot take courses while in combat units in Iraq or Afghanistan.

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[542] DOD Voluntary Education Office "Tuition Assistance payments," http://apps.mhf.dod.mil/pls/psgprod/f?p=VOLED:SUB:0::::COHE,TITLE,IMG:257590,Programs,257789, Accessed May 17, 2011.

[543] Military Tuition Assistance benefits are paid out on a reimbursable basis, after a service member successfully completes his or her approved courses and must earn a "C" or better for undergraduate courses and a "B" or better for graduate classes

[544] GAO Report 11-300, "DOD Education Benefits: Increased Oversight of Tuition Assistance is Needed," March 2011, http://www.gao.gov/new.items/d11300.pdf.

Health Care

A military service member who served for twenty years and has not been injured by service is currently entitled to extremely low-cost health care for life. This benefit is extended to spouses and dependents. This benefit is not awarded in relation to the amount of time spent overseas or deployed to combat. For example, some beneficiaries of the general health care plan for retirees did not serve in Iraq or Afghanistan. By contrast, uninjured veterans of the current conflicts who leave the military without serving 20 years are not entitled to any of these health care benefits. The following options make changes to TRICARE, the civilian component of the Military Health System that provides certain benefits to retirees and their families.

Reform TRICARE Standard and Prime for Military Retirees and Dependents ($115 billion)

This option would retain TRICARE Standard and TRICARE Extra for military retirees, but limit TRICARE Prime to active duty soldiers and their dependents. This option would not allow military retirees to use TRICARE Prime, a managed care benefit which is the TRICARE option with the lowest out-of-pocket cost.[545]

Under this option, working-age military retirees enrolled in TRICARE would pay greater monthly fees, comparable to private sector health plans. The expenses for a single retiree would be approximately $2000 per year and $3500 for a family.

However, the maximum out-of-pocket expenses for military retirees and their families under this plan would be $7,500 per retiree with dependents. Deductions would be raised to $350 for a single retiree in 2012 and $500 in 2017. For a retiree with dependents, this deduction would be raised to $700 in 2012 and $1050 in 2017.

Military retirees and their dependents could still receive care at no cost at military treatment facilities. The Congressional Budget Office estimates that many military retirees would use employer-health plans in lieu of staying on TRICARE as three-quarters of military retirees are currently eligible to receive health care through their employer.

The combined effect of this proposal would save $115 billion over the next ten years. This option would not affect active-duty members of the military and their families nor would it affect military retirees that are eligible for Medicare.

Increase Cost Sharing for Pharmaceuticals Under TRICARE ($26 billion)

In 2009, the Department of Defense (DOD) spent more than $8 billion on outpatient pharmacy benefits.[546]

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[545] Active-duty personnel would continue to be enrolled automatically in TRICARE Prime, and Prime enrollment would remain available for dependents of active-duty personnel. The enrollment fee and most cost sharing would continue to be waived for active-duty service members and their dependents.

[546] Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options", page 82, March 2011, http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf.

Current retirees and other users of TRICARE pay three dollars every 30 days for generic prescription drugs and nine dollars every 30 days for brand-name prescription drugs from retail pharmacies.[547] Under this option those fees would rise to fifteen dollars for generics and twenty-five dollars for brand-name drugs. Additional copayments would apply if the prescription drug were not on the TRICARE formulary.

Active-duty service members would not be affected by this change, though their family members would pay the three dollar generic and nine dollar brand-name copayment. The Congressional Budget Office estimates this option would save $26 billion over the next 10 years. [548]

Introduce Minimum Out-of-Pocket Requirements Under TRICARE for Life ($43 billion)

TRICARE For Life (TFL) is a second payer for health care after Medicare for Medicare-eligible military retirees. With TRICARE For Life, military retirees pay very little for their health care upon reaching the age of 65. The Department of Defense (DOD) currently has no way to manage the cost of this care, which has risen in recent years.

This option would require out-of-pocket copayments for military retirees that become eligible for Medicare. [549] Under this option military retirees would be responsible for the first $550 in health care half of the cost of care not covered by Medicare – up to $3,025. At that point all further costs would be paid by TRICARE. This option would retain around 75-80 percent of a medical benefit program that was introduced nine years ago. For a retired enlisted non-commissioned officer total medical costs would consume only 15 percent of their retirement pay. Any expenses beyond this amount would be borne by the government.[550] Of course, this retiree would also be receiving Social Security payments as well as have access to any investments made through the Thrift Savings Plan (TSP).

[547] Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options", page 82, March 2011, http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf.
[548] Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options", page 82, March 2011, http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf.
[549] Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options", page 19, March 2011, http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf.
[550] Estimates from the Military Compensation Calculator at http://militarypay.defense.gov/mpcalcs/Calculators/FinalPayHigh3.aspx.

Weapons Systems and Hardware

Joint Strike Fighter

The F-35 Joint Strike Fighter is the Department of Defense's (DOD) costliest weapon systems ever.[551] Full costs of the F-35 throughout its useful life are estimated to be over $1 trillion. The Department of Defense and eight allied nations plan to purchase thousands of the aircraft over the next twenty years.[552]

Unfortunately, the F-35 program is years behind schedule and billions over budget. Begun over fifteen years ago, the initial idea was to pursue a common platform for the entire U.S. military for a multirole fighter. Congress and DOD should take this time during the budget debate to determine the future of the Joint Strike Fighter before we commit to full rate production.

Two reasonable and modest options presented. The combination of these options would preserve the Joint Strike Fighter program, save money over the long-term, and give the military services the plane they need and want to perform their service-specific mission.

Air Force: Full Support of Joint Strike Fighter, Negotiate a Multi-Year Procurement ($7 billion)

Under current Air Force plans, it will buy 602 F-35A Joint Strike Fighters by 2020. At a per-unit procurement cost of $133 million (the cost assumed by the Air Force), it will spend $70 billion in the next nine years on the Joint Strike Fighter.[553] This option would lock in a multiyear procurement of the Joint Strike Fighter and assume 10 percent savings to achieve through a multiyear purchase, comparable to savings possible from previous multiyear procurements and remarks from officials from Lockheed Martin.[554]

As repeatedly stated, the F-35 Joint Strike Fighter is going to be the workhorse of the fighter fleet for at least the next three decades. The DOD should finish operational testing of this version, stabilize costs, and enter into a multiyear procurement of F-35s in order to save $7 billion over the next ten years. As the Air Force is planning to eventually buy nearly 1,800 planes, this amount of savings could be doubled for the 2021-2030 timeframe.

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[551] Ferran, Lee, "F-35 Fighter: Price Goes Up $771 Million on Most Expensive Defense Program," ABCNews.com, July 14, 2011, http://abcnews.go.com/Blotter/lockheed-martin-35-fighters-cost-771/story?id=14071402, accessed July 15, 2011.
[552] CRS RL30563, "F-35 Joint Strike Fighter Program," Congressional Research Service, July 5, 2011.
[553] Rolfsen, Bruce, "Plan lays out aircraft acquisition through 2040," Air Force Times, March 6, 2010, http://www.airforcetimes.com/news/2010/03/airforce_30_year_plan_030610w/.
[554] Younossi, Obaid, et. al, "F-22A Multi-Year Procurement Program: An Assessment of Cost Savings," Rand Corporation, 2007, http://www.rand.org/pubs/monographs/MG664.html.

Navy and Marine Corps: Cancel the Joint Strike Fighter and Replace with F/A-18 Super Hornet ($18 billion)

This option would cancel the F-35 Joint Strike Fighter for the Navy and Marine Corps and allow two services to purchase F/A-18 Super Hornets instead. This option, first proposed by CBO, would also save $18 billion through 2021.[555]

The Navy and Marine Corps have less need for the new F-35 Joint Strike Fighter as the F/A-18 Super Hornet is a relatively new plane compared to the F-16 for the Air Force. The F/A-18 Super Hornet also provides service-specific capabilities for the Navy and Marine Corps. However, this option would not replace the AV-8 Harriers of the Marine Corps. This option assumes Marine ground forces would not enter an area with contested airspace without the support of an aircraft carrier for close air support.[556] This option also allows for future development of combat drones and unmanned aerial vehicles that will change the needs for naval aviation in the future.

Reduce Aircraft Carriers From 11 to 10, Navy Air Wings from 10 to 9 ($7 billion)

The option to reduce the United States' aircraft carrier fleet and Navy Air wings by one each could save over $7 billion over the next ten years, according to the CBO. [557] This would be accomplished by retiring the USS George Washington in 2016 rather than have it refurbished and having the air wing eventually retired and not replaced with newer planes.[558]

Under current plans the Navy will have only 10 aircraft carriers from 2013 to 2015 due to the planned decommissioning of the USS Enterprise and the 2015 delivery of the USS Gerald Ford.[559] An eleven aircraft carrier strategy was needed during the Cold War when there was the possibility naval forces could be needed against the Soviets in the Mediterranean Sea, the Atlantic Ocean, and the Pacific Ocean. Under this option there would be five or six carriers available within 90 days for mobilization against any conventional threats that arose. Recent actions in Libya suggest this option in very workable. Indeed, the U.S. military conducted air operations in Libya without the benefit of an aircraft carrier. They did so from air bases in Italy and other bases in Europe, with allies,[560] as well as from amphibious assault ships.[561]

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[555] Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options", page 88, March 2011, http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf.
[556] Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options", page 88, March 2011, http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf.
[557] Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options", pages 90-91, March 2011, http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf.
[558] Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options", pages 90-91, March 2011, http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf.
[559] Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options", pages 90-91, March 2011, http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf.
[560] Kington, Tom "Libya Proving Value of Carrier Jets for Italian Navy," Defense News June 20, 2011, http://www.defensenews.com/story.php?i=6862656&c=FEA&s=SPE.
[561] Kington, Tom, "Harrier Ops Making Case for F-35B," Defense News, March 28, 2011, http://www.defensenews.com/story.php?i=6072569.

Delay Fielding of the Army's Ground Combat Vehicle ($7 billion)

Delaying, but not canceling, the fielding of the Army's Ground Combat Vehicle could reduce the need for appropriations by $14 billion over the next ten years.[562]

The Army's Ground Combat Vehicle is designed to replace some of its current armored vehicles that transport infantry soldiers. With the purchase of MRAP vehicles there appears to be less of an urgent need for the Army to acquire a brand-new armored vehicle. The Ground Combat Vehicle would not replace all of the current Bradley Fighting Vehicles or other vehicles currently used in this role. Thus, instead of purchasing a new Ground Combat Vehicle, the Army could use some of the savings for upgrades and improvements to the existing Bradley Fighting Vehicle as well as determine if other vehicles, such as the MRAP variants developed for Iraq and Afghanistan, can meet the needs of the military for this capability.

Terminate the Medium Extended Air Defense System (MEADS) Program ($13 billion)

The military could save $13 billion over the next ten years by terminating the Medium Extended Air Defense System (MEADS) program and instead upgrade and improve the Patriot systems to provide the same air-defense capability.[563]

MEADS is a joint venture by Germany, Italy, and the United States to procure a mobile air defense system. The United States provides most of the funding under a cost-sharing agreement with Germany and Italy. Questions have been raised about the MEADS program and whether or not it will meet the requirements of the Army when it is fully deployed.[564] According to former defense officials, neither Germany nor Italy has budgetary plans to actually purchase the MEADS system that is being designed today.[565]

The Patriot system is the current air defense system used by the Army and several other allied nations. This option would end development of MEADS and invest $3 billion in upgrades to the Patriot system which could provide comparable critical air-defense capability.

Reduce Nuclear Weapons Force Structure ($79 billion)

This option would reduce the size of the nuclear weapon stockpile to levels within the START treaty limits and make the following changes:[566]

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[562] Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options", pages 94-95, March 2011, http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf.
[563] Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options", page 96, March 2011, http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf.
[564] Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options", page 96, March 2011, http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf.
[565] Whitlock, Craig, "Pentagon resists Army's desire to stop development of MEADS missile system," Washington Post, March 9, 2010, http://www.washingtonpost.com/wp-dyn/content/article/2010/03/08/AR2010030804865.html.
[566] Kosiak, Steven, "Spending on US Strategic Nuclear Forces: Plans and Options for the 21st Century," Center for Strategic and Budgetary Assessments, 2006, http://www.csbaonline.org/wp-content/uploads/2007/03/2006.09.01-US-Strategic-Nuclear-Forces-Spending.pdf.

- Reduce the size of the Intercontinental Ballistic Missile (ICBM) force from 500 to 300.
- Maintain a 1,100 nuclear weapon reserve.
- Reduce the size of the ballistic nuclear submarine fleet from 14 to 11.
- Maintain 40 strategic bombers and delay the purchase of new bombers until the mid-2020s.

Reduce Planned Future Purchases of the V-22 Osprey ($6 billion)

This option adopts the recommendation by the National Commission on Fiscal Responsibility and Reform to shrink the DOD's purchase of the V-22 Osprey.[567]

The V-22 Osprey is a tiltrotor aircraft that can take off and land vertically as a helicopter but can accelerate to fixed-wing aircraft speeds while in the air. The aircraft was designed for the Navy, Marine Corps, and Special Operations forces. [568]

Under this option, the Department of Defense would end purchases of the V-22 at 288 aircraft instead of the planned 458. However this option would purchase additional MH-60 helicopters (which are around a quarter of the cost of a V-22) for use in instances when the military does not specifically need the tiltrotor capability of the V-22 such as carrying fewer troops or moving less cargo. This option would cancel the expected $11 billion the Marine Corps plans to spend over the next decade procuring V-22s and spend $5 billion in the purchase of an additional 170 MH-60 helicopters.

Reduce Spending for "Other Procurement" ($52 billion)

This option adopts the recommendation by the National Commission on Fiscal Responsibility and Reform to reduce spending on "Other Procurement," a category of Department of Defense spending for support items outside of spending on the major weapon systems.[569] For example, this account funds tactical radios, radars, and night vision goggles.

According to the Fiscal Commission, the military services spent $400 billion above and beyond their 'base' budget requests on this equipment in the last ten years. These equipment items last for years and do not need to be replenished annually, except for a small percentage of combat losses. This option would set the level of "Other Procurement" to $30 billion per year in 2015 and maintain that level until 2021 which would be adequate given the levels of equipment damage and loss in Afghanistan and Iraq. This option would represent a 50 percent increase over base levels of funding that DOD received for "Other Procurement" in Fiscal Year 2000.

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[567] "$200 Billion in Illustrative Savings: Option 44," National Commission on Fiscal Responsibility and Reform, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.
[568] "$200 Billion in Illustrative Savings: Option 44," National Commission on Fiscal Responsibility and Reform, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.
[569] "$200 Billion in Illustrative Savings: Option 50", National Commission on Fiscal Responsibility and Reform, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.

Additional Weapon System, Information Technology System, and Other Options ($35.5 billion)

Below is a list of additional programs to be considered for termination given one or more of the following characteristics: cost overruns, duplication with other programs within the Department of Defense, not a priority at this time, undefined requirements, or better business practices.

Army Joint Land Attack Cruise Missile Defense Elevated Netted Sensor System (JLENS)
Savings: $5.8 billion

The military is planning to spend $5.8 billion in additional funds on 14 aerostat vehicles (over $400M per copy) to provide "detection and tracking of land-attack cruise missiles" and persistent surveillance and reconnaissance.[570] Instead that may not occur until later this year. The military can instead use their existing 60 Rapid Aerostat Initial Deployment (RAID) systems, successfully in use in Iraq and Afghanistan, and the Air Force's E-3 Sentry (which cost $360M in today's dollars) for airborne warning and control missions.[571] Additionally, the Army could consider outfitting existing unmanned aerial vehicles (UAVs) with sensors in order to detect cruise missiles.[572]

Navy Vertical Take-off and Landing Tactical Unmanned Aerial Vehicle (VTUAV)
Savings: $1.68 billion

The VTUAV has suffered delays due to unreliability. The VTUAV program began in 2000 and was expected to field an initial operational capability by 2003. [573] The Navy is planning to spend $1.6 billion to procure 156 VTUAV aircraft. Instead, the Navy could use existing fixed and rotary wing assets for their intelligence, surveillance, and reconnaissance needs. Other options would include reducing the future purchases of manned systems and using or adapting existing UAV assets that require short takeoff space from carriers, amphibious assault ships such as the upgraded Shadow UAV which has a flight endurance of five hours, similar to the Navy's VTUAV but at significantly lower cost.[574]

A recent report by the Defense Department Director of Operational Test and Evaluation found that despite years of development the VTUAV cannot provide information to ground forces, it failed nearly half of its missions, and that the communications capability of the reconnaissance aircraft is "fragile."[575]

Unused Department of Defense Equipment
Savings: $500 million

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[570] GAO 11-233SP, "Defense Acquisitions: Assessments of Selected Weapon Programs," March 2011, page 87, http://www.gao.gov/new.items/d11233sp.pdf.
[571] "E-3 Sentry AWACS Fact Sheet", United States Air Force, http://www.af.mil/information/factsheets/factsheet.asp?id=98.
[572] Naval Studies Board, "Naval Forces' Capability for Theater Missile Defense," National Research Council, National Academy Press, Washington D.C., 2001.
[573] Kilvert-Jones, Timothy, "Navy-Marine Corps VTUAV system," Sea Power magazine, June 2000.
[574] Shadow 400 Data Sheet, Textron Systems, http://www.aaicorp.com/pdfs/shadow400_12-18-09bfinal.pdf.
[575] Ackerman, Spencer, "Drone Copter Flops Half Its Missions; Navy Still Wants More," Danger Room, July 12, 2011, http://www.wired.com/dangerroom/2011/07/drone-copter-flops-half-its-missions-navy-still-wants-more/.

The Department of Defense gives away millions of dollars worth of new, unused, or excellent-condition equipment to state and local federal agencies. The Defense Logistics Agency stated that the Department of Defense gave away around $200 million worth of equipment annually to state agencies in Fiscal Year 2005, the latest year figures are available.[576] Assuming a 25 percent resell rate for this equipment, changing the rules could save over $500 million the next decade.

The Department of Defense, under current rules, is allowed to transfer new, unused, and high quality equipment to other federal agencies, state, and local governments at no charge. This creates a perverse incentive for federal agencies to acquire equipment just because it is free, not because they need it. For state and local governments needing the equipment, it is at no cost to them. However, the Government Accountability Office (GAO) noted the military had some trouble in executing this program. The Defense Reutilization and Marketing Service (DRMS) is giving away or selling items for pennies on the dollar that the Department of Defense continues to purchase. GAO identified at least $400 million of fiscal year 2002 and 2003 commodity purchases when identical new, unused, and excellent condition items were available for reutilization.[577]

Precision Tracking Space System Program
Savings: $7.5 billion

Terminating the Missile Defense Agency's Precision Tracking Space System (PTSS) would save $7.5 billion over the next ten years. According to the CBO, the plan to build a constellation of six to twelve satellites for the purpose of detecting enemy missiles may not be a cost-effective use of funds given the Air Force's and Missile Defense Agency's existing ability to track missiles with both surface and space-based assets.[578]

Expeditionary Fighting Vehicle
Savings: $9 billion

In his last budget, former Defense Secretary Robert Gates proposed to terminate the Marine Corps' armored Expeditionary Fighting Vehicle (EFV). The Congressional Budget Office and the National Fiscal Commission on Responsibility and Reform also presented options for its termination.[579] [580]

The EFV was designed decades ago to meet a threat the U.S. or allied forces will not likely face in the near term. In a speech at the Naval War College in 2009 Secretary Gates questioned "the need for a new capability to get large numbers of troops from ship to shore – in other words, the capability provided by the Marine Expeditionary Fighting Vehicle." He further stated "we have to

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[576] GAO Report 05-729T, "DOD Excess Property: Management Control Breakdowns Result in Substantial Waste and Efficiency," Government Accountability Office, June 7, 2005, http://www.gao.gov/new.items/d05729t.pdf.
Grasso, Valerie, Email from Congressional Research Service to Defense Logistics Agency, May 26, 2010.
[577] GAO Report 05-729T, "DOD Excess Property: Management Control Breakdowns Result in Substantial Waste and Efficiency," Government Accountability Office, June 7, 2005, http://www.gao.gov/new.items/d05729t.pdf.
[578] Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options", page 97, March 2011, http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf.
[579] Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options", page 92, March 2011, http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf.
[580] "$200 Billion in Illustrative Savings: Option 45", National Commission on Fiscal Responsibility and Reform, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.

take a hard look at where it would be necessary or sensible to launch another major amphibious action again. In the 21st century, how much amphibious capability do we need?"[581]

C-27 Joint Cargo Aircraft
Savings: $1.4 billion

The C-27J Joint Cargo Aircraft program is an Air Force program to procure 38 smaller cargo planes for intra-theater transportation of mission critical personnel and equipment. But many question the need for a new aircraft.

This option would terminate the remaining purchase of these planes and direct the Air Force to fully support the Army's tactical logistic needs with existing C-130 assets. Former Secretary of Defense Gates noted existing C-130 aircraft, currently still in production, carries more, costs less and can land nearly everywhere the C-27 will be able to land.[582] Costs between the two planes are similar and the C-130 is "capable of operating from rough, dirt strips and is the prime transport for air dropping troops and equipment into hostile areas.[583]

Enterprise Resource Planning (ERP) Systems
Savings: $8 billion

The Department of Defense is spending billions of dollars to upgrade its legacy financial information technology (IT) systems in an effort to improve their business operations and save money. But the new systems cost much more than the ones they would replace and raise questions about whether or not any savings will be achieved. [584] Some of the largest IT systems being acquired are called Enterprise Resource Planning (ERP) systems, as they are capable of consolidating all business processes across the enterprise (human resources, writing contracts, timekeeping, ordering, maintenance, etc) into one system. The military services are purchasing seven major ERP systems.

This option would eliminate two systems: the Global Combat Support System for the Army and the Expeditionary Combat Support for the Air Force. These two ERP systems are logistics systems that will have to be configured to interface with, rather than replace, other systems. The Army system is a $3.9 billion system that was started in 2003 and will not be operational until 2017. The Air Force system, started in 2004, may cost $5.2 billion and will be fully operational on a similar time frame.[585] The costs of these two systems are high compared to the systems they are replacing and the cost of other ERP systems.[586]

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[581] Remarks, "Secretary of Defense Gates Address to the Naval War College at Newport, RI." April 17, 2009. http://www.defense.gov/speeches/speech.aspx?speechid=1346.
[582] Scully, Megan, "The Little Airlifter That Could," Air Force Magazine, July 2010, http://www.airforce-magazine.com/MagazineArchive/Pages/2010/July%202010/0710spartan.aspx.
[583] C-130 Hercules Fact Sheet, United States Air Force, October 22, 2009, http://www.af.mil/information/factsheets/factsheet.asp?id=92.
[584] GAO Report 11-53, "DOD Business Transformation: Improved Management Oversight of Business System Modernization Efforts Needed," October 2010, http://www.gao.gov/new.items/d1153.pdf.
[585] Office of the Undersecretary of Defense for Comptroller, "Financial Improvement and Audit Readiness," Department of Defense, May 2011, Slide I-9, http://comptroller.defense.gov/FIAR/documents/FIAR_Plan_May_2011.pdf.
[586] GAO Report 11-53, "DOD Business Transformation: Improved Management Oversight of Business System Modernization Efforts Needed," October 2010, http://www.gao.gov/new.items/d1153.pdf.

If adopted, the Army and the Air Force could use their remaining ERP systems to perform the logistics function, upgrade legacy systems to interface with their remaining ERP systems, or adopt logistics ERP systems already built by other military services, defense agencies, or the federal government. Regardless, the Air Force and Army must pay for the cost of these changes out of the savings they will achieve from implementing them.

Personnel Levels, Staffing, and Efficiencies

Adopt Secretary Gates' Efficiency Recommendations ($100 billion)

The initiatives from former Secretary Gates include reducing the number of personnel services contractors, limiting personnel growth in the Office of the Secretary of Defense (OSD), defense agencies, and the combatant commands, and consolidating information technology infrastructure facilities. However, instead of using these savings for additional purchases of weapon systems or other investments, this funding will be used for deficit reduction.[587]

Double Secretary Gates Reductions to Contracting for Staff Augmentees ($37.8 billion)

This proposal, offered by the National Commission on Fiscal Responsibility and Reform, would reduce contractor staff augmentees by 20 percent instead of 10 percent per year as former Secretary Gates proposed.[588]

Freeze Federal Salaries for DoD Employees ($15.5 billion)

This option would adopt the National Commission on Fiscal Responsibility and Reform's recommendation regarding the civilian workforce at the Department of Defense. Given the elevated levels of unemployment in the private sector, and wage freezes and declines for many, it is unlikely freezing DOD pay would significantly impact the DOD workforce.[589]

Reverser the Grow the Army Initiative ($92 billion)

According to the Congressional Budget Office, the military could save $92.5 billion over ten years by reversing the "Grow the Army Initiative," and returning to pre-2007 levels of active duty personnel.[590] The Army is currently authorized for 547,400 soldiers, a rise from the previous permanent authorization of 482,400 soldiers. This option would return the Army to 482,400 soldiers on active duty and slightly reduce the number of reservists.

Former Secretary Gates proposed trimming troop levels. In January, Secretary Gates proposed the Army reduce its active duty forces by 27,000 troops in 2015.[591]

Alternatives to consider for this recommendation regarding personnel savings:

- Adjusting the number of Army soldiers in support units versus Brigade Combat Teams
- Freezing or reforming base pay levels of all military Service members.
- Reducing more active duty Army forces but adding a greater number of Army National Guard or Army Reserve units.

Reduce Military Personnel Overseas in Europe and Asia ($69.5 billion)

This option adopts the recommendation by the National Commission on Fiscal Responsibility and Reform to reduce the military personnel stationed at overseas bases in Europe and Asia by one-

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[587] Garamone, Jim, "Gates Reveals Budget Efficiencies, Reinvestment Possibilities," January 6, 2011, http://www.defense.gov/news/newsarticle.aspx?id=62351.

[588] "$200 Billion in Illustrative Savings: Option 42", National Commission on Fiscal Responsibility and Reform, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.

[589] "$200 Billion in Illustrative Savings: Option 40", National Commission on Fiscal Responsibility and Reform," http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.

[590] Congressional Budget Office, "Budget Options Volume 2", page 7, August 2009, http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf.

[591] Keyes, Charley, "Defense Secretary announces billions in budget cuts," January 6, 2011, CNN, http://articles.cnn.com/2011-01-06/politics/pentagon.budget.cuts_1_defense-budget-gates-plan-defense-secretary-robert-gates?_s=PM:POLITICS.

third.[592] This would be combined with a Congressional Budget Office proposal to reduce military personnel stationed in headquarters overseas, and decrease the overall permanent authorization of troops by the same amount.[593] The combination of these options would save nearly $70 billion over ten years.

One of the military deployments to cancel that makes the most strategic sense is the military deployment to Guam. The original plan for Guam was a result of a bilateral agreement with the Japanese government to transfer 8,600 Marines and 9,000 dependents from Japan to Guam. Japan agreed to pay for approximately $6 billion of the total costs, which are now expected to run to as high as $23.9 billion.[594] These conventional troops could be maintained in the continental United States at a far lower cost.

This option would leave plenty of military capability by maintaining strategic air bases and naval ports to provide logistics links to the current operations in Iraq, Afghanistan, and Libya. However, the strategic rationale for maintaining conventional ground troops in the middle of Western Europe and on islands in Asia has passed given the end of the Cold War.

Under this option, the current fleet of over 300 cargo planes, the civil reserve air fleet, and the upcoming Joint High Speed Vessel transport ship will ensure that if ground forces are needed quickly they will be available for the Commander-in-Chief.

Reduction Travel at the Departments of Defense ($14 billion)

According to OMB figures, the Department of Defense (DOD) spent $9.1 billion on airfare, hotels, rental cars and meals in 2008, a figure that was expected to rise by $200 million in 2009.[595] President Obama requested his Cabinet Secretaries to cut $100 million in their administrative budgets. He highlighted the actions of one agency as an example of how travel reform could save money, by stating:

"Just a couple of examples: Veterans Affairs has cancelled or delayed 26 conferences, saving nearly $17.8 million, and they're using less expensive alternatives like videoconferencing."[596]
In addition to utilizing videoconferencing and other training methods to reduce travel costs, a Government Accountability Office (GAO) report from several years ago noted the military services spent almost $3 billion in moving over 750,000 personnel from one base to another base every one to three years, *not counting moves to combat areas*.[597]

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[592] "$200 Billion in Illustrative Savings: Option 51", National Commission on Fiscal Responsibility and Reform, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.
[593] Congressional Budget Office, "Budget Options Volume 2", page 26, August 2009, http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf.
[594] GAO D11-459R, "Military Buildup on Guam: Costs and Challenges in Meeting Construction Timelines," June 27, 2011, http://www.gao.gov/new.items/d11459r.pdf.
[595] Rosenberg, Alyssa, "Agencies cut back on travel," *Government Executive*, September 3, 2009, http://www.govexec.com/dailyfed/0909/090309mag.htm, accessed July 15, 2011.
[596] Lee, Jesse, "$100 million there, $100 million here," *The White House Blog*, April 20, 2009, http://www.whitehouse.gov/blog/2009/04/20/100-million-there-100-million-here.
[597] GAO/NSIAD-96-84, "Military Personnel Reassignments: Services are Exploring Opportunities to Reduce Relocation Costs," Government Accountability Office, February 1996, http://www.gao.gov/archive/1996/ns96084.pdf.

This proposal would call for a reduction in future travel expenditures by Defense Department personnel by 15 percent or around $1.4 billion per year, leaving around $7.5 billion available for essential travel purposes. This could easily be accomplished by reducing unnecessary travel and lengthening tours at military bases from one to three years to four to six years. For the Army in particular, the large bases such as Fort Hood and Fort Bragg offer opportunities for soldiers to move to new organizations for promotion opportunities without leaving for another Army base, and in turn reducing moving costs for the government.

Replace Military Personnel Performing Commercial Activities with Civilians ($53 billion)

This option, presented by the National Commission on Fiscal Responsibility and Reform, would replace 88,000 military personnel who perform commercial-type activities with civilian personnel – beginning in Fiscal Year 2013.

Examples of these positions would be installation support, supply, transportation, communications, and morale, welfare, and recreation support.[598] According to the Defense Business Board there are over 339,000 active duty military performing commercial-type activity.[599] This proposal affects less than one-third of the military's active duty troops in these commercial-type positions.

These positions would be replaced with 62,000 civilians, which would provide considerable savings as their total compensation is lower than active duty military.[600]

Standardize Per Troop Spending and Reduce Spending on Maintenance Due to Base Closures ($34 billion

This option, proposed by the National Commission on Fiscal Responsibility and Reform, would direct the services to standardize their spending on base support by examining the best practices of the four military services. There is currently a 50 percent difference in base support costs per troop from the Army to the Air Force. The Department of Defense has common standards and these should be upheld.

Another area for savings is reducing spending on facilities maintenance due to Base Realignment and Closure (BRAC). As a result of BRAC DOD's square footage decreased by 20 percent and its spending on maintenance increased by nearly 20 percent. The most recent round of BRAC just ended and consolidations are complete which provide ample opportunity for savings on base maintenance.

Consolidate Military Health Care Services ($2.8 billion)

The Government Accountability Office has identified the military health care system as an opportunity for the Department of Defense to achieve financial efficiencies.[601] In 2006 the

[598] "$200 Billion in Illustrative Savings: Option 53", National Commission on Fiscal Responsibility and Reform, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.
[599] Defense Business, Board, "Reducing Overhead and Improving Business Operations," Slide 25, July 22, 2010, http://www.govexec.com/pdfs/072210rb1.pdf.
[600] "$200 Billion in Illustrative Savings: Option 53", National Commission on Fiscal Responsibility and Reform, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.

Department of Defense chose not to implement a recommendation to establish a unified military medical command rather than maintaining separate health care bureaucracies with the Army, Navy, Air Force and the Office of the Secretary of Defense. [602]

The conservative estimate reported from the Government Accountability Office was that $281 million more per year or at least $2.8 billion over the next ten years could potentially be saved through the establishment of a unified military medical command. This option would direct the Department of Defense to consolidate their military medical command structure to achieve those savings.

[601] GAO Report 11-318SP, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue," page 13, March 2011, http://www.gao.gov/new.items/d11318sp.pdf.
[602] GAO Report 11-318SP, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue," page 13, March 2011, http://www.gao.gov/new.items/d11318sp.pdf.

General Reductions

Audit the Pentagon ($25 billion)

The Department of Defense is one of the few agencies in the federal government which cannot and has never passed an independent audit of its finances. Unfortunately, it is the largest government agency in terms of annual expenditures and the costs of its non-compliance with the numerous laws requiring audited financial statements are significant.

The Marine Corps recently realized approximately $3 in savings for every $1 it invested in rudimentary financial improvement operations.[603] This is an extremely conservative ratio; other government organizations show significantly more robust cost savings when improving their financial operations, some as high as a 10 to 1 return on investment.[604] If Congress forced the Department of Defense to achieve audit readiness, it could generate substantial savings. It is entirely within the realm of possibility for the Pentagon to receive at least $25 billion in savings (less than ½ of 1 percent of base budget funding) each year for the next ten years through improved financial management.

Keep Intelligence Spending Constant ($26 billion)

This option would cut current intelligence spending by three percent and then freeze it for the next ten years.[605] This would be accomplished by directing the Armed Services, Intelligence, and Appropriations Committees to identify and eliminate duplication between the National Intelligence Program (NIP) and the Military Intelligence Program (MIP).

There remains a great deal of overlap in roles and responsibilities in the budget for intelligence even though the world and the intelligence professionals have changed their practices and procedures. In 2009, Director of National Intelligence Blair stated this theme saying "this old distinction between military and non-military intelligence is no longer relevant. The problems that we face in the world have strong military, diplomatic, economic and other aspects that all work together and need to be supported by an interlocked and interweaving set of intelligence activities."[606] The results of this duplication review and budgetary changes would be classified.

Research and Development Funding ($79 billion)

This option would direct DoD to cut ten percent of its Research and Development budget and fund only the top 90 percent most important projects for two years. Under this recommendation,

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[603] Knubel, John, "How Financial Improvement / Audit Readiness Efforts Can Reduce 'Leakage' (Inefficiencies) in Financial Operations: Based on the Marine Corps Experience to Date," Department of the Navy Powerpoint Presentation, September 2009.

[604] "Financial Accountability, How the Federal Government is moving toward Financial Accountability," October 15/16, 2008, http://www.federalnewsradio.com/?nid=422&sid=1492683.

[605] Total Intelligence spending discloses for FY 2010 was $80 billion, for FY 2009: $75 billion. http://www.washingtonpost.com/blogs/checkpoint-washington/post/intelligence-spending-still-buried-deep-in-the-budget/2011/06/24/AGfhBTjH_blog.html. http://washingtonindependent.com/59248/howd-the-intelligence-budget-get-to-75-billion-anyway.

[606] Blair, Dennis, "Media Conference Call with the Director of National Intelligence: 2009 National Intelligence Strategy," September 15, 2009, http://www.dni.gov/interviews/20090915_interview.pdf.

Congress could shift funding within this amount but could not increase the amount overall. After the first two years, funding would be frozen at this amount for the next eight years.

In constant Fiscal Year 2011 dollars, the Defense Department received $580 billion in research and development funds from Fiscal Year 2001 to Fiscal Year 2008, an average of $72 billion a year. In contrast the Defense Department received only $407 billion from 1981 to 1988, an average of $51 billion per year in constant dollars which includes the height of the Reagan-buildup and while the nation faced the nuclear threat from the Soviet Union.[607]

This option would eventually return funding back to $58 billion per year, well above the Reagan-era averages for Research and Development (R&D). It would reduce Fiscal Year 2012 funding for R&D by 10 percent, Fiscal Year 2013 funding by another 10 percent, and then maintaining this level for the next eight years.

Reduce the Civilian Workforce by Five Percent Beginning in 2014 ($22.5 billion)

Other options in this chapter reduce the active duty strength of the Army, reduce personnel overseas, and for eliminate several weapon systems acquisitions. All of these functions are supported by a civilian workforce at the Department of Defense that can be reduced further if these options are adopted.

Former Deputy Secretary of Defense Gordon England recently stated that 100,000 of the current 700,000 civilians at the Department of Defense (more than 14percent) could be reduced without adding contractors to replace them and this would not affect the military capability of the Department of Defense.[608]

Further, military services and defense agencies such as the Defense Finance and Accounting Service, the Defense Logistics Agency, and others benefitted from large scale IT implementation that automated functions previously done by manual labor. Through attrition and other management, DOD should use these systems to their maximum capability, adopt private sector best practices with the use of the new IT systems, and reduce the workforce.

DEPARTMENT OF DEFENSE TEN YEAR SAVINGS
Discretionary: $963.3 billion
Mandatory: $43 billion
Total: $1.006 trillion

[607] Office of the Undersecretary of Defense (Comptroller), "National Defense Budget Estimates for FY 2012," March 2011, http://comptroller.defense.gov/defbudget/fy2012/FY_12_Green_Book.pdf.
[608] England, Gordon, "The Pentagon's Financial Drawdown," New York Times, July 15, 2011, http://www.nytimes.com/2011/07/15/opinion/15England.html.

U.S. DEPARTMENT OF EDUCATION

The U.S. Department of Education was created in 1980 by combining offices from several federal agencies. Its mission was then, as it is now, to promote student achievement through a variety of means, including assistance directly to both students and schools. Since its establishment, the Department's budget has grown seven-fold – from a discretionary budget of $11.7 billion in 1980[609] to a discretionary request of $77.4 billion[610] in FY 2012. Even more, in FY 2012, the Department will spend $9.3 billion in mandatory funds[611] and will also use $113 billion in public debt to fund federal direct student loans.[612] To administer its more than 230 programs,[613] the Department employed 4,390 full time employees in FY 2011[614] in addition to several thousand contractors. In total, nearly $200 billion in taxpayer resources will be directed federal education efforts in the coming year alone.

Higher Education Reform

As the country confronts record levels of national debt, difficult decisions must be made about programs the federal government can afford to operate and which are better suited for state and local governments, or even the private sector. One such program, the Federal Direct Loan Program, has grown increasingly unaffordable, in part because of recent changes. Last year, Congress mandated all federal student loans be financed with public debt and issued through the Direct Loan program, rather than issued privately with a federal backstop.[615] Under the previous arrangement, the government leveraged private sector capital to provide federal student loans with a capped borrower interest rate, taxpayer-funded subsidies to offset the cap, and a federal guarantee against default.

Direct loans are not entirely new to the Department, but previously comprised a decidedly smaller portion than under current rules. The move to eliminate a role for private sector capital from the program has added significant pressure to the federal balance sheets. As a result of this change, the

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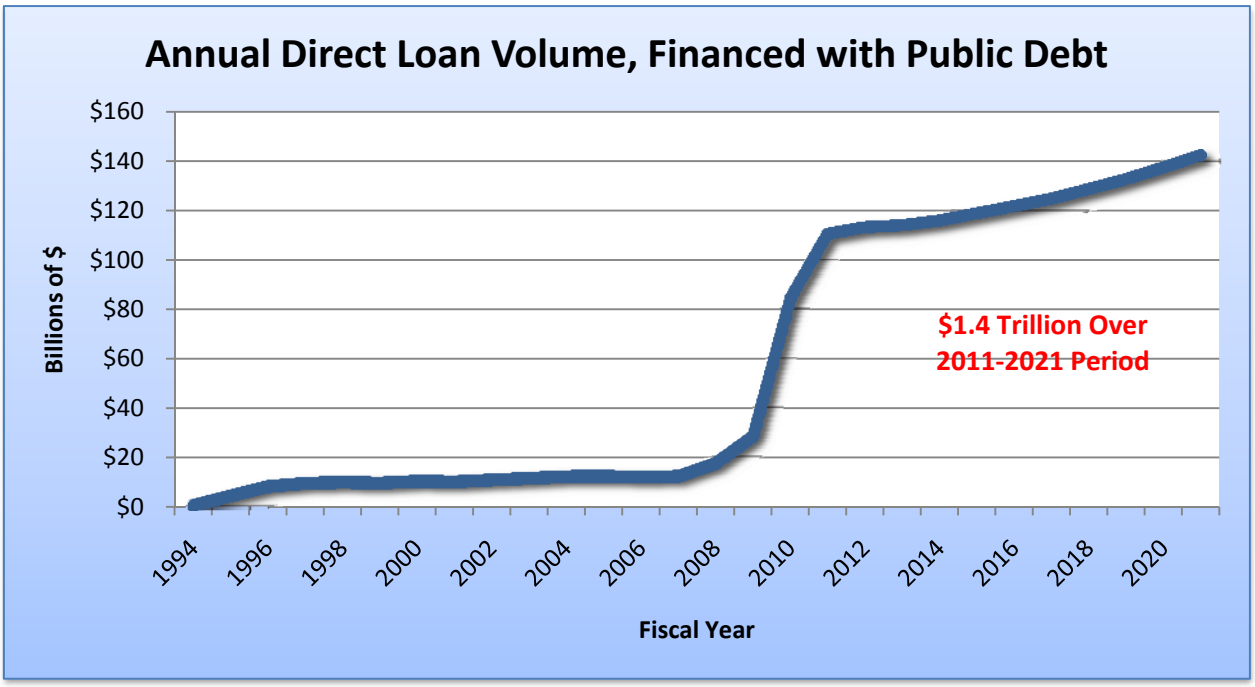
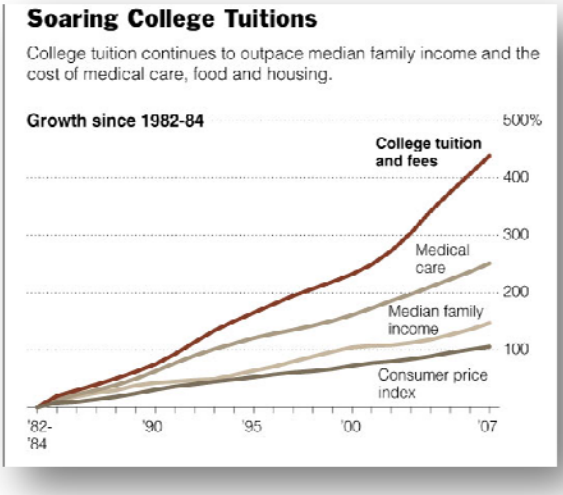
[609] Office of Management and Budget, Historical Tables 5.4, "Discretionary Budget Authority by Agency: 1976-2017," http://www.whitehouse.gov/omb/budget/Historicals, accessed June 30, 2011.
[610] U.S. Department of Education, "Summary of ED Discretionary Funding FY 2008-2012 President's Budget," http://www2.ed.gov/about/overview/budget/budget12/summary/appendix1.pdf, accessed June 30, 2011.
[611] U.S. Department of Education, "Summary of ED Mandatory Funding FY 2010-2012 President's Budget," http://www2.ed.gov/about/overview/budget/budget12/summary/appendix3.pdf, accessed June 30, 2011.
[612] Office of Management and Budget, FY 2012 Budget Request, U.S. Department of Education Appendix, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/edu.pdf, accessed June 30, 2011.
[613] U.S. Department of Education, "Guide to U.S. Department of Education Programs: Fiscal Year 2010," http://www2.ed.gov/programs/gtep/gtep.pdf, accessed June 30, 2011.
[614] U.S. Department of Education FY 2012 budget request, "Salaries and Expenses Overview," http://www2.ed.gov/about/overview/budget/budget12/justifications/y-seoverview.pdf, accessed July 4, 2011.
[615] The Health Care and Education Reconciliation Act, P.L. 111-152.

country will issue nearly $1.4 trillion in new public debt over the FY 2011 to FY 2021 timeframe,[616] putting taxpayers on the hook if these debts are not repaid. Put in context, *over the seventeen year period of FY 1994 to 2010* the Direct Loan program originated $268 billion in student loans, whereas the Department will originate $113 billion in loans with public debt *in FY 2012 alone*.[617]



In another recent change, Congress altered the manner in which these loans are recorded in the federal ledger. Because the loans are supposed to be paid back with interest, they are considered "assets" the government assumes it will one day collect. While technically this is the case, the ever-increasing costs of college means federal borrowing to fund student loans climbs higher each year, thereby outstripping repayments to the government on an annual basis. College tuition and fees increased 439% from 1982 through 2007 – almost triple the rise in median family income.[618] The result is an endless cycle in which the money that goes out the door is always more than is coming back in.



In fact, for *all* credit programs run by the government, including direct student loans, CBO notes, "Each year from 2010 to 2020, the amount of

[616] Congressional Budget Office, March 2011 baseline, http://www.cbo.gov/budget/factsheets/2011b/studentloan.pdf, accessed July 4, 2011.
[617] Congressional Budget Office, March 2011 baseline, http://www.cbo.gov/budget/factsheets/2011b/studentloan.pdf, accessed July 4, 2011.
[618] Tamar Lewin, "College May Become Unaffordable for Most in U.S.," *The New York Times*, December 3, 2008, http://www.nytimes.com/2008/12/03/education/03college.html.

loans disbursed will generally be larger than the amount of repayments and interest collected."[619]

This is also true of the Direct Loan program in which annual loan volume did not exceed the $20 billion mark until fiscal year 2009, and due to changes in the law, will originate in excess of $110 billion in loans annually for the foreseeable future, and as much as $141 billion in FY 2021.

The cost to taxpayers, however, extends further than the cost of originating the loans. It also includes defaults and the related costs of collections,[620] loan discharges for death and permanent disability, loan principal and loan interest forgiven or repaid by taxpayers under various federal programs. In each of these instances, taxpayers will not see the loan amount returned to the Treasury.

Nor is the Direct Loan program the only postsecondary student loan program the government operates. The government also administers the Federal Perkins Loan program,[621] another program providing low-interest loans to low-income students. Loan volume and associated costs of this program are also likewise rising. The volume of Perkins Loans was more than $970 billion in FY 2011, and the Administration requested $4.2 billion for FY 2012.[622]

In addition to federal student loans, the government operates dozens of programs to assist postsecondary institutions and their students. The largest source of this federal grant aid to students in support of postsecondary education is the Pell Grant program, which comes in two forms: discretionary and mandatory. In recent years, as the amount of Pell Grant funding increased the cost of tuition in all secondary education institutions has risen in near equal measure.[623] In fact, academic research by economists at the University of Oregon suggests colleges respond to increases in Pell Grants by raising their tuition. After looking at more than 1,550 four-year colleges, they found that "private colleges' tuition, and public colleges' out-of-state tuition, increased by roughly $800 for every $1,000 increase in Pell recipients' average grants."[624]

The *discretionary* Pell Grant has been demonstrated to be effective *while not leading to increased tuition at institutions of higher education.* As explained by Andrew Gillen of The Center for

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[619] Congressional Budget Office, "The Budget and Economic Outlook: 2010-2020," pg. 38, http://www.cbo.gov/ftpdocs/108xx/doc10871/01-26-Outlook.pdf, accessed July 4, 2011.

[620] The *lifetime* default rate for Direct Loans is estimated to be 16 percent in FY 2011. Office of Management and Budget, FY 2012 Budget, Appendix for the U.S. Department of Education, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/edu.pdf, accessed July 4, 2011. The *national* default rate for FY 2008, the most recent available, is 7.0 percent. However, unofficial default rates that use a three-year window to calculate defaults and that will become the official method of determining such rates starting in FY 2012 show default rates to be closer to 12 percent. U.S. Department of Education website, "National Student Loan Default Rates," http://www2.ed.gov/offices/OSFAP/defaultmanagement/cdr.html, accessed July 5, 2011. FinAid website, "Cohort Default Rates," http://www.finaid.org/loans/cohortdefaultrates.phtml, accessed July 5, 2011. Loan defaults can be collected through a number of means, including wage garnishment, tax offsets and partial withholding of Social Security benefits.

[621] U.S. Department of Education, Perkins Loan webpage, http://www2.ed.gov/programs/fpl/index.html, accessed July 6, 2011.

[622] Office of Management and Budget, FY 2012 Budget, Appendix for the U.S. Department of Education, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/edu.pdf, accessed July 4, 2011.

[623] Banchero, Stephanie, "Tuition, Pell Grants Rise in Tandem," *Wall Street Journal*, October 28, 2010, http://online.wsj.com/article/SB10001424052702303443904575578651983962836.html.

[624] "Study Backs View That Colleges Absorb Pell Grant Increases With Higher Tuition," *The Chronicle of Higher Education*, March 7, 2007, http://chronicle.com/article/Study-Backs-View-That-Colleges/38316.

College Affordability and Productivity, the discretionary Pell Grant has proven to be good program "…largely because the awards are modest in size and the income restrictions ensure that the money goes to the truly disadvantaged."[625]

However, the introduction of *mandatory* spending to the program in 2010 (a mandatory "bump up" to the discretionary award base) undermines the elements that make this program successful,[626] while increasing program costs significantly. The higher costs resulting from mandatory "bump up" have also come at a time when program costs were already significantly increasing due to higher utilization rates during the downturn of the economy, and expansions of eligibility. In order to maintain a maximum grant of $5,550 in FY 2012, the administration states the total cost of the program is expected to be $41 billion.[627] As a result, the program needs to be reformed to contain costs and retain the elements of the program that ensure effective targeting of federal dollars.

Federal student aid continues to skyrocket despite clear evidence that the availability of federal student aid has contributed to the increasing costs of college. Lawmakers need to focus legislative efforts on addressing the *cause* of college costs and largely exit the financial aid business.

Higher Education Recommendations:

Federal student aid costs continue to skyrocket despite evidence that the provision of federal student aid has contributed to the increasing costs of college. In general, when financial aid programs make more money available to schools, this money is spent, resulting in higher costs per student. This results in more costly higher education, which has negative implications for access and affordability.[628]

In fact, a recent study found undergraduate education to be a *highly profitable business* for nonprofit colleges and that "profits" are being spent – not on holding down costs for students, but on some combination of "research, graduate education, low-demand majors, low faculty teaching loads, and excess compensation."[629]

A tangible example of this was demonstrated in another recent study showing tuition and fees at the flagship campus of the University of Texas "*could be cut by as much as half* simply by asking the

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[625] Andrew Gillen, "Don't Make the Pell Grant an Entitlement," The Center for College Affordability and Productivity, http://centerforcollegeaffordability.org/archives/1435, accessed July 7, 2011. See also Andrew Gillen,"Financial Aid in Theory and Practice," Center for College Affordability and Practice, April 2009, http://www.centerforcollegeaffordability.org/uploads/Financial_Aid_in_Theory_and_Practice%281%29.pdf, accessed July 4, 2011.

[626] Andrew Gillen, "Don't Make the Pell Grant an Entitlement," The Center for College Affordability and Productivity, http://centerforcollegeaffordability.org/archives/1435, accessed July 7, 2011. See also Andrew Gillen,"Financial Aid in Theory and Practice," Center for College Affordability and Practice, April 2009, http://www.centerforcollegeaffordability.org/uploads/Financial_Aid_in_Theory_and_Practice%281%29.pdf, accessed July 4, 2011.

[627] President's FY 2012 budget, "Terminations, Reductions and Savings," pg. 175. See also, Office of Management and Budget, FY 2012 Budget Request, Appendix for the U.S. Department of Education, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/edu.pdf, accessed June 29, 2011.

[628] Andrew Gillen,"Financial Aid in Theory and Practice," Center for College Affordability and Practice, April 2009, http://www.centerforcollegeaffordability.org/uploads/Financial_Aid_in_Theory_and_Practice%281%29.pdf, accessed July 4, 2011.

[629] Vance Fried, "Federal Higher Education Policy and Profitable Nonprofits," Cato Institute, http://www.cato.org/pub_display.php?pub_id=13172, accessed July 4, 2011.

80%of faculty with the lowest teaching loads to teach about half as much as the 20% of faculty with the highest loads."[630]

To truly improve postsecondary education, curb college costs and relieve pressure on the federal budget, the government can reduce federal student aid resources without harming those aspiring to, or already attending, a four-year college.

Congress should:

- End the Direct and Perkins loan programs so student loans are made by *exclusively* by private lending institutions without federal debt issuance or federal subsidy. This proposal calls for a transition period to ensure student loan funding is not abruptly disrupted. With projections that the Direct Loan program will issue nearly $1.4 trillion in public debt over the next decade to fund student loans, this change would achieve significant savings for the taxpayer. Congress should also implement recommendation of the Peterson-Pew Commission on Budget Reform to use fair-value accounting when estimating costs and obligations under the Direct Loan program.[631]

- Eliminate all remaining federal postsecondary programs except for the discretionary Pell Grant program and the Iraq and Afghanistan Service Grants which provide grant funding to children who had a parent died in Iraq or Afghanistan, and who *do not* receive the traditional Pell grant. This change would deliver portable postsecondary grant money directly into the hands of students most in need. Eliminating the *mandatory portion* of the Pell Grant is projected to save $78.3 billion over the 2012-2021 period.[632] Eliminating the remaining postsecondary programs at the Department would save $4.5 billion annually, and $50.6 billion over ten years.

Elementary and Secondary Education Reform

Having an educated population is one of the most important aspects of the future productivity and success of the United States. Because every individual is unique and educational approaches do not come in one-size-fits-all, energizing local communities is the best approach to achieve this goal. Limiting the federal role in this arena, and emphasizing local involvement, will help ensure our diverse populations receive an education tailored to their needs, interests and abilities.

Too many local school boards have been negatively impacted by the unintended consequences of well meaning federal programs, but do more harm than good. State school administrators often have to navigate numerous mandates from the federal level, creating inefficiencies and tying up funds in areas one community may need but another may not. Instead of states education systems working with local districts to determine what is best for their teachers and students, they have to orient their goals to a program created far from where they live, often by people who may not have

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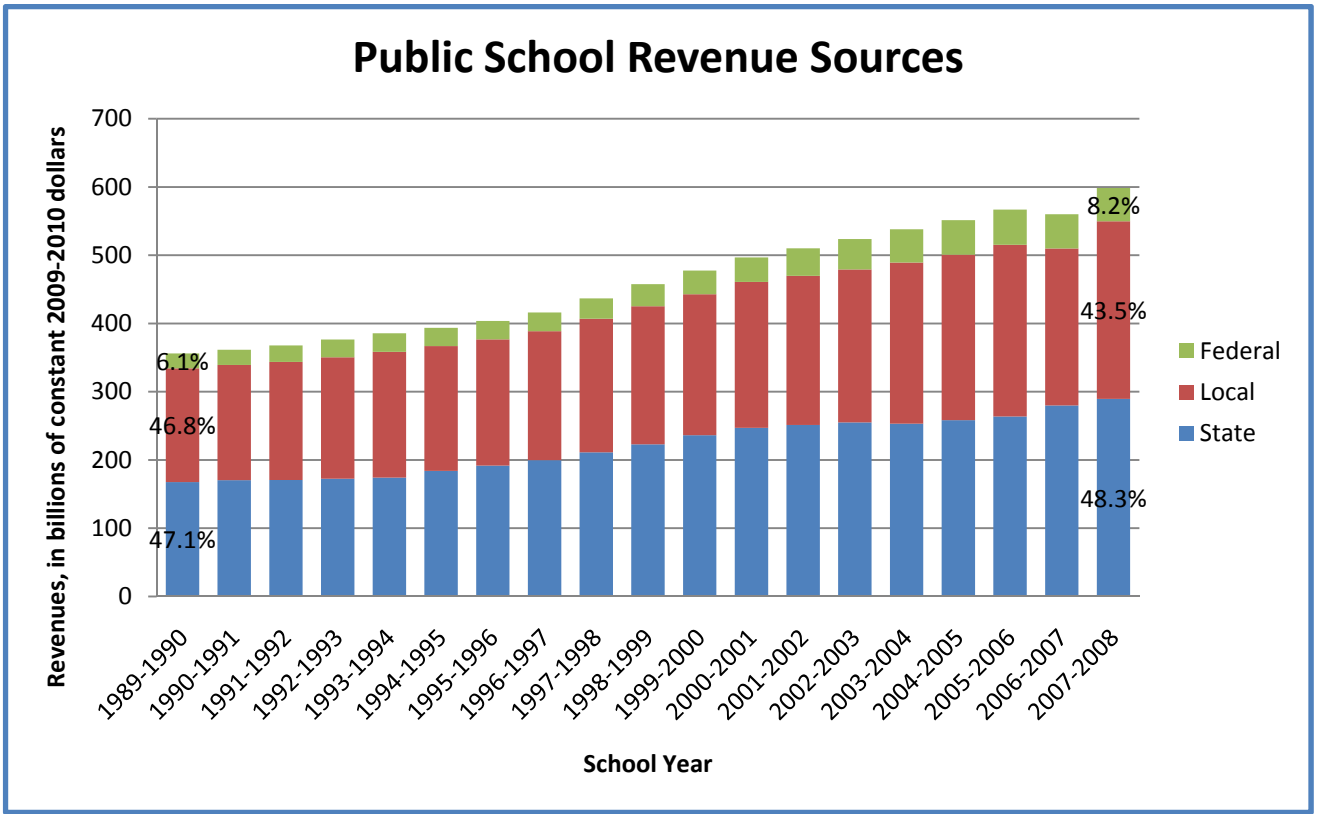
[630] Richard Vedder, "Time to Make Professors Teach," *Wall Street Journal*, June 8, 2011, http://online.wsj.com/article/SB10001424052702304432304576369840105112326.html, accessed July 4, 2011.
[631] Peterson-Pew Commission on Budget Reform, "Getting Back in the Black," November 2010, http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/Economic_Mobility/Peterson-Pew_report_federal_budget_process_reform.pdf.
[632] Congressional Budget Office, cost estimate requested by office, dated July 5, 2011.

considered their particular needs. Because the federal government provides such a small percentage of our nation's total education spending, it does not need to be this way.

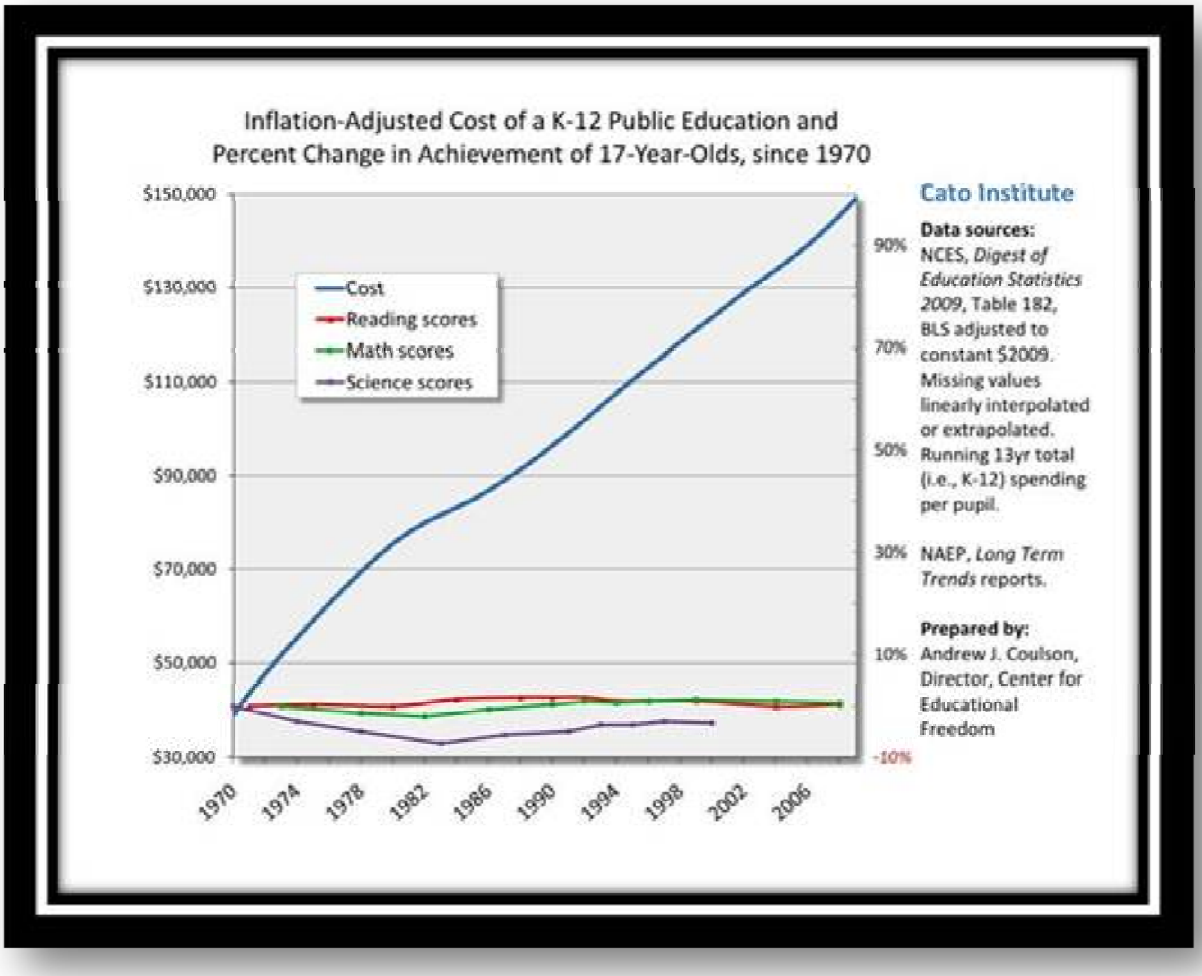


One of the unintended consequences of poorly designed federal rules, state and local school districts spend an inordinate amount of time complying with rules under the No Child Left Behind Act (NCLB). Estimates from 2006 found NCLB guidelines increased state and local education agencies' annual paperwork burden by 6.7 million hours, at a cost of $147 million.[633] Estimates from the office of Representative John Kline, chairman of the House Committee on Education and Workforce, show federal reporting burdens have increased since that time. "States and school districts work 7.8 million hours each year collecting and disseminating information required under Title I of federal education law. Those hours cost more than $235 million."[634]

And while federal education funding has continued to increase in recent decades, results have lagged behind. Per-pupil federal spending at the K-12 level, after accounting for inflation, has more than doubled since 1970. Despite these enormous investments, outcomes have not improved, and the educational system has found itself under greater strain. For example, long-term scores on the National Assessment of Educational Progress (NAEP) in reading, math and science have seen

[633] Lindsey Burke, "Reducing the Federal Footprint on Education and Empowering State and Local Leaders," Heritage Foundation, June 2, 2011.
[634] As recounted in "Reducing the Federal Footprint on Education and Empowering State and Local Leaders," by Lindsey Burke, Heritage Foundation, June 2, 2011.

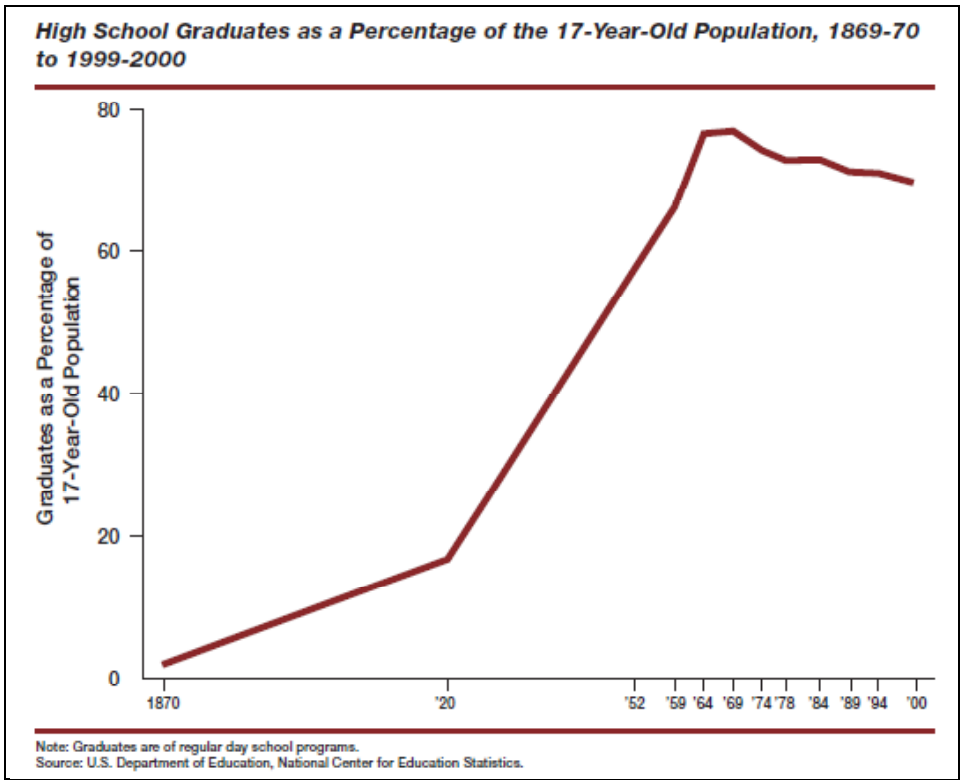
minimal improvement and in most areas remain relatively stagnant.[635] Worse still, even our most basic measurement of success, graduation, shows the problem is getting worse, not better. In the last 100 years, the year with the highest graduation rate was 1969, *eleven years before the creation of the Department of Education*.[636] Whereas in that year graduation peaked at 77 percent, rates slowly dropped to 68.8 percent in 2007.[637]



In one of the most disheartening findings related to NCLB, a team of researchers at Rice University found stringent federal testing requirements may even be *responsible* for worsening dropout rates in Texas. Their research uncovered that "the state's high-stakes accountability system has a direct impact on the severity of the dropout problem," and African American and Latino children were at

[635] National Assessment of Educational Progress, "Long Term Trends," reports, accessible at http://nationsreportcard.gov/ltt_2008/.
[636] Mathews, Jay, "Must-read new report on high school dropouts," *Washington Post Class Struggle* (blog), June 10, 2010, http://voices.washingtonpost.com/class-struggle/2010/06/must-read_new_report_on_high_s.html.
[637] Mathews, Jay, "Must-read new report on high school dropouts," *Washington Post Class Struggle* (blog), June 10, 2010, http://voices.washingtonpost.com/class-struggle/2010/06/must-read_new_report_on_high_s.html.

risk of "being pushed out of their schools so the school ratings can show 'measurable improvement'."[638]



The truth is turning up the water pressure on a broken hose will not change the fact the hose is broken. While some policymakers have been successful in creating the message that increased funding and additional programs can serve as an elixir to the significant shortcomings in our education system, our nation's students have been cheated by both an ineffective federal bureaucracy and an uncertain future of burdensome debt. If the answer were simply to provide more funding, the results from the enormous financial contributions we have made to date would be evident. As it stands, concentrating funding in a single city, Washington, D.C., has done little to improve test scores, increase graduation or achieve our nation's educational goals.

Recommendations: Reduce, Empower, and Innovate

In order to return more control to the local level, funding for all elementary and secondary programs should be combined into a single funding stream and reduced by 50 percent. The remaining federal assistance should be given to states, which would retain complete authority this funding. The assistance should be divided among states based on a percentage of school-aged children, where state and local education departments can direct funding toward their own priorities and goals. This system will allow states to design individualized education plans to fit their unique education needs and goals. In the place of a single, disconnected federal agency, there will be 50 states incubating

[638] McNeil, L., Coppola, E., Radigan, J., Vasquez Heilig, J., "Avoidable losses: High-stakes accountability and the dropout crisis. education policy analysis archives," North America, 16, Jan. 2008. Available at: http://epaa.asu.edu/ojs/article/view/28, Accessed July 15, 2011.

educational innovations, with an exponentially greater chance of discovering the best practices that can be used as design models by other states.

These changes would save $25 billion in the first year and $280.2 billion over ten years by consolidating the following programs.

- Title I, A - Grants to LEAs
- School Improvement Grants
- Early Reading First
- Striving Readers
- Reading First
- Even Start
- School Libraries
- Migrant Education
- Neglected and Delinquent
- Comprehensive School Reform
- Title I Evaluation (1501/1503)
- High School Graduation
- Impact Aid
- Improving Teacher Quality State Grants
- Math and Science Partnerships
- Educational Technology
- 21st Century After School
- Gifted and Talented
- Foreign Language Assistance
- State Assessments
- Homeless Education
- Native Hawaiian Education
- Alaska Native Education
- Rural Education
- Indian Education
- Teacher Incentive Fund
- Troops to Teachers
- Transition to Teaching
- National Writing Project
- Teaching American History
- Academies for American History and Civics
- School Leadership
- Advanced Credentialing
- Charter Schools
- Voluntary Public School Choice
- Magnet Schools
- Advanced Placement
- Close Up Fellowships
- Ready-to-Learn TV
- FIE Programs of National Significance
- Reading Is Fundamental
- Ready to Teach
- Historic Whaling and Trading Partners
- Excellence in Economic Education
- Mental Health Integration in Schools
- Foundations for Learning
- Arts in Education
- Parental Information and Resource Centers
- Women's Educational Equity
- Promise Neighborhoods
- Safe and Drug Free Schools State Grants
- Safe and Drug-Free Schools National Activities
- Alcohol Abuse Reduction
- Mentoring Program
- Character Education
- Elementary and Secondary School Counseling
- Physical Education
- Civic Ed - We the People
- Civic Ed-Cooperative Education Exchange
- Title III - English Language Proficiency
- Smaller Learning Communities
- Race to the Top
- Investing for Innovation
- Office of Special Education and Rehab Services State Grants
- Office of Special Education and Rehab Services State Grants National Activities
- Special Olympics education programs
- Vocational Rehab State Grants
- Vocational Rehab Grants to Indians
- Client assistance State grants
- Rehab Services and Disability Research Training
- Demonstration and training programs
- Migrant and seasonal farm workers
- Recreational programs
- Protection and advocacy of individual rights
- Projects with industry
- Supported employment State grants
- Independent Living State grants
- Independent Living Centers
- Independent Living Services for older blind individuals
- Helen Keller National Center for Deaf-Blind Youths and Adults
- National Institute on Disability and Rehabilitation Research
- Assistive technology programs

- Career and technical education (Carl D. Perkins CTEA)
- Adult Education
- Transition for incarcerated individuals
- Head Start/Early Head Start (Transfer from HHS and Consolidate)
- Bureau of Indian Education (Transferred from Interior)

DEPARTMENT OF EDUCATION TEN YEAR SAVINGS
Discretionary: $330.8 billion
Mandatory Savings: $78.3 billion
Total: $409.1 billion

DEPARTMENT OF ENERGY

The Department of Energy (DOE) has four strategic mission areas. They include advancing energy and nuclear security, promoting scientific discovery and innovation, and ensuring environmental responsibility and management excellence. DOE initiates and coordinates various energy-related programs throughout the country and provides much of the data and information that is used to educate individuals and lawmakers on energy issues. The DOE has been host to some of the world's greatest technological breakthroughs to date and have established energy technology infrastructure to better harness the country's natural resources.

To continue into the future and to survive in these tight budgetary times, the agency and Congress need to better harness taxpayer funds to secure our energy future.

In the pages that follow, this proposal will discuss ways to make DOE more efficient and ensure that the agency is focused on the core mission for which it was created. However, it must be emphasized that the single greatest impact the federal government can have on our energy security is to expand access to the vast energy resources—traditional and alternative—available on federal lands.

The most important role this agency has is directing our nation on a course towards energy security. As it stands, federal lands contain vast amounts of renewable and traditional energy resources that remained largely untapped due to land use and offshore access restrictions. For example, 90 percent of geothermal resources are found on federal lands while 29 million acres are primed for solar energy development, particularly in the Southwest.[639]

Onshore wind energy potential covers at least 21 million acres of public lands, but the transmission lines and pipelines necessary to transmit power to consumers cross hundreds of public lands, rivers, and streams.[640] Ocean wind and wave power have tremendous potential off our nation's coasts.[641] The single greatest way our government can advance our energy economy is to provide full access to these energy supplies, so the country's true capabilities can be fully and responsibly harnessed.

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[639] "U.S. Department of the Interior, "Building Our Clean Energy Economy," http://doi.net/progressreport/energy.html

[640] DOI, News Release, March 11, 2009, http://www.doi.gov/news/09_News_Releases/031109c.html

[641] U.S. Department of Interior, Bureau of Ocean http://www.boemre.gov/offshore/renewableenergy/PDFs/BOEMREAlternativeEnergyfactsheet.pdf

Eliminate the Office of Energy Efficiency and Renewable Energy[642] to save $24 billion over ten years

Basic Renewable Energy Research and Development is the focus of EERE. This sub-agency administers a dedicated program for every major renewable energy source and efficiency technology. [643] Partnering with industry, the agency has made significant progress to develop more cost competitive alternative energy technologies. EERE was funded at $9.1 billion in FY2010, which includes funding from the American Recovery and Reinvestment Act (ARRA), and the Administration proposed $3.2 billion in its FY 2012 Request. Ending EERE's programs is estimated to save $24 billion over ten years.

There is little doubt the Department of Energy (DOE) and EERE in particular have played an important role to furthering fledgling technology. In recent years though, the pace of private investment has begun to increase commensurate with the maturity of the technology itself. Combined global public and private renewable energy financing reached $243 billion in 2010, up from $186.5 billion in 2009.[644]

For its own part, the federal government began funding research and development for renewable energy in the 1970s.[645] The American Recovery and Reinvestment Act provided an infusion of over $90 billion.[646] In 2010, the federal assistance reached $34 billion.[647]

The role of federal research should not be overlooked. Federal research has brought about spectacular technology advancements in past decades, such as the invention of the atom bomb in the 1940s or the Internet and GPS in more recent years. Indeed, certain research initiatives will have an important place in the federal budget.

While basic federal renewable energy research and development is a worthy goal, it is no longer a priority, considering the nation's unsustainable debt combined with the technology and scale of renewable energy generation having reached a point where industry experts and private investors are capable of assuming funding responsibilities.

The Congressional Budget Office (CBO) recommended reducing funding for research and later stage technology development, demonstration of commercial feasibility and the deployment of new technologies at EERE. CBO acknowledged the private sector often performs these activities better and can generate direct feedback from consumers in markets to determine the true merits

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[642]Congressional Budget Office, 2011 Budget Options, Page 117 of PDF
http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf
[643] hydrogen, biomass and biorefineries, solar, wind, geothermal, hydro, vehicle technologies, building technologies, industrial technologies, federal energy management, facilities and infrastructure, and weatherization
[644]Bloomberg New Energy Finance, BCSE Meeting, March 15, 2011; RemewableEnergyWorld.com, 2010 Clean Energy Investment Hits a New Record, January 11, 2011
http://www.renewableenergyworld.com/rea/news/article/2011/01/2010-clean-energy-investment-hits-a-new-record
[645]Congressional Research Service, RS22858, Fred Sissine, January 26, 2011;
http://www.crs.gov/Products/RS/PDF/RS22858.pdf
[646] "Department of Energy pours funds into cleantech industry," iStockAnalyst, November 14, 2010;
http://www.istockanalyst.com/article/viewiStockNews/articleid/4666702
[647]Renewableenergyfocus.com, News, 2010: Clean energy investment up to US$243 billion, April 27, 2011;
http://www.renewableenergyfocus.com/view/17600/2010-clean-energy-investment-up-to-us243-billion/

of a technology more cost-effectively. CBO also cited previous conclusions by the Government Accountability Office, which determined the DOE has not been successful manager (or consistently improved since earlier assessments) of various technology development projects, which have often failed to meet their goals, and are not initiating sufficient oversight.[648]

Alternative energy technology is a growing market and a multi-billion dollar industry with many applications already available. Energy security, as it relates to DOE's purview, should *not* mean investing in projects the private sector is already investing in or spending taxpayer dollars to deploy non-competitive technology.

Some of the venture capital backers of Google, Amazon.com, and others say that the alternative energy boom "is bigger than the internet by an order of magnitude. Maybe two."[649] Even initiatives once considered too risky for private investment eventually catch on if determined to have potential.[650]

Renewable energy development is not without its risks. These risks, however, are a cornerstone to a working market. They enable entrepreneurs to address glitches in technology and delivery systems, ultimately providing the highest quality good or service in response to demand rather than politics. Misguided subsidies foster an attitude of apathy by removing the natural link between revenues and performance value. Too much government investment can also neutralize the competitive advantage that investors and companies have earned by risking capital on cutting edge energy technologies. Providing subsidies allows others to catch up without true risk and ignore potential financial challenges.

After decades of research and federal funding that have laid the foundation for renewable energy, venture capital, private equity, philanthropists, and dedicated renewable energy businesses should take the lead in developing technologies on a commercial scale that are cost-competitive.

Billions of private sector dollars and venture capital[651] are already dedicated to next generation energy technologies. The U.S. led the world in venture capital and private equity investments in renewable energy by a long shot with over $4 billion in 2010.[652] U.S. venture capital investment in renewable energy increased 54 percent to $1.14 billion in the first quarter of 2011 from the

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[648]Congressional Budget Office, Reducing the Deficit: Spending and Revenue Options, March 2011; http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf

[649]New Energy Technologies, Inc., Investing in Renewable and Alternative Energy, 2010; http://www.newenergytechnologiesinc.com/investing_renewable

[650]The New York Times, Matthew L. Wald, "Energy Firms Aided by U.S. Find Backers, February 2, 2011; http://www.nytimes.com/2011/02/03/business/energy-environment/03energy.html?_r=1&pagewanted=print

[651]The New York Times, Cezary Podkul, "Private Equity Is Bullish on Clean Energy, January 29, 2011; http://green.blogs.nytimes.com/2010/01/29/private-equity-is-bullish-on-clean-energy/. Pipeline Clean Energy, CleanTech & Renewable Energy 1Q11; Press Release, April 19, 2011; http://cleanenergypipeline.com/Press.aspx?id=15. Live Science, "Investment in Green Energy Quadruples in 4 Years, June 3, 2009: http://www.livescience.com/5497-investment-green-energy-quadruples-4-years.html.

[652] Bloomberg New Energy Finance, BCSE Meeting, March 15, 2011, Slide 11

same time period in 2010.[653] Global venture capital reached $8.8 billion in 2010, up 28 percent from 2009.[654]

Philanthropists are now playing a significant role as well. Started in 2005, GE's Ecomagination program is on pace to invest $10 billion between 2010 and 2015 in renewable energy and energy efficiency technologies, such as buildings and appliances.[655] GE recently marked a milestone in thin-film solar and will construct what will likely be the largest manufacturing plant for solar panels in the country that is estimated to cost $600 million.[656] To date, Google has totaled $780 million in renewable energy investments, including solar, wind, and transmission.[657] The company does not seem to be slowing down either as it recently announced its largest renewable energy investment to date of $280 million into a solar energy fund[658] and, most recently together with Citi, $102 million in a wind energy project.[659] Goldman Sachs went beyond its original commitment of investing $1 billion in renewable energy and energy efficiency projects and has now invested over $2 billion.[660]

Subsidizing market success or potential is not the highest and best use of taxpayer dollars. In Pennsylvania, a swath of tax credits from various levels of government depressed market prices for solar by 75 percent to the point it could not be made profitable. Now state legislators are seeking corrective measures that would require utilities to buy solar power—essentially increasing the state's clean energy standard—that will initially increase prices for them but ultimately be passed on to consumers.[661]

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[653]Ernst & Young, US VC investment in cleantech reaches $1.14 billion in Q1 2011, a 54% increase from Q1 2010, May 2, 2011; http://www.ey.com/US/en/Newsroom/News-releases/US-VC-investment-in-cleantech

[654]Renewable Energy World, "2010 Clean Energy Investment Hits a New Record, January 11, 2011; http://www.renewableenergyworld.com/rea/news/article/2011/01/2010-clean-energy-investment-hits-a-new-record

[655]Environment and Energy Management News, "GE's Ecomagination Spent $1.8bn, Launched 22 Products in 2010,"June 21, 2011, http://www.environmentalleader.com/2011/06/21/ges-ecomagination-spent-1-8bn-launched-22-products-in-2010/, accessed June 28, 2011.

[656]Anderson, Eric, "GE hits milestone with thin-film solar, will build plant," *Times-Union* (Albany, NY), April 7, 2011. http://blog.timesunion.com/business/ge-hits-milestone-with-thin-film-solar-will-build-plant/23346/, accessed June 28, 2011.

[657] Website of Google Green, "Are there innovative ways to support innovation," http://www.google.com/green/collaborations/support-innovations.html, accessed June 28, 2011.

[658]The Official Google Blog website, "Helping homeowners harness the sun," June 16, 2011, http://googleblog.blogspot.com/2011/06/helping-homeowners-harness-sun.html, accessed June 28, 2011; Website of the Financial Times Tech Hug, "Google launches $280 million solar fund," June 15, 2011 http://blogs.ft.com/fttechhub/2011/06/google-launches-280-million-solar-fund/, accessed June 28, 2011.

[659]Website of BusinessWire, "Citi, Google to Invest in Additional Phase of Terra-Gen Power's Alta Wind Energy," June 22, 2011, http://www.businesswire.com/news/home/20110622006208/en/Citi-Google-Invest-Additional-Phase-Terra-Gen-Power%E2%80%99s, accessed June 29, 2011; Website of Austin Business Journal, by Silicon Valley/San Jose Business Journal, "Google puts another $102M in wind energy," June 22, 2011, http://www.bizjournals.com/austin/news/2011/06/22/google-puts-another-102m-into-mojave.html, accessed June 28, 2011.

[660] Website of Goldman Sachs, "Environmental Stewardship and Sustainability," http://www2.goldmansachs.com/citizenship/environment/business-initiatives.html, accessed June 28, 2011.

[661] Maykuth, Andrew, "Pennsylvania's solar-energy industry suffering from success," Philadelphia Inquirer (PA), May 24, 2011, http://articles.philly.com/2011-05-24/business/29578002_1_solar-projects-green-energy-capital-partners-solar-power, accessed June 28, 2011.

While there may be a limited role for DOE research where market investments do not initially reach, this is done most efficiently at the Office of Science where the Department is already at work in these areas.

Finally, EERE operates in the name of energy security in preparation for coming decades as global fossil fuel supplies are depleted and expanding energy economies continue to demand more fuel. However, the U.S. Energy Information Administration projects fossil fuels will still account for 78 percent of America's energy mix in 2035.[662] While such preparation is necessary, existing fossil fuel supplies should not be ignored nor their economic importance be understated. The federal government should serve as a steward and facilitator of domestic exploration and production of natural resources. Energy security in this respect should mean increasing access to domestic natural resources (primarily a function of the Interior Department's Bureau of Land Management and Bureau of Ocean Energy Management, Regulation, and Enforcement) and maintaining the national petroleum reserves for significant, unanticipated breaks in fuel supplies.

Federal energy policy should focus on increasing access to our nation's domestic natural resources and leave advancements in technology to private markets.

EERE Programs

1. **Solar Energy Technologies Program**
   This program provides funding for various solar power projects, such as photovoltaics, concentrating solar power, systems integration, and market transformation. It includes the new SunShot Initiative that attempts to achieve solar cost-competitiveness by 2020.

   As it stands, solar power is receiving extensive support from private sources. In the first quarter of 2011, solar raised the largest percentage of capital at 32 percent, a 162 percent increase over the first quarter of 2010.[663] Mergers and acquisitions activity nearly doubled for solar power in the same time period with 63 transactions.[664]

   While the industry is still struggling to achieve cost-competitiveness, residential solar accompanied by power purchase agreements (PPA) hold great promise in the near term while larger projects continue to address the remaining technical barriers to widespread commercial and utility scale implementation.[665]

2. **Wind & Water Power Program**
   This program seeks to increase performance, cost-competitiveness, and deployment time of wind and hydropower technologies.

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[662]U.S. Energy Information Administration, Richard Newell, Annual Energy Outlook 2011 Reference Case, December 16, 2010; http://www.eia.gov/neic/speeches/newell_12162010.pdf
[663]Ernst & Young, "US VC investment in cleantech reaches $1.14 billion in Q1 2011, a 54% increase from Q1 2010, May 2, 2011; http://www.ey.com/US/en/Newsroom/News-releases/US-VC-investment-in-cleantech
[664]Peachtree Capital Advisors, 2010 Greentech M&A Review;
http://www.peachtreecapitaladvisors.com/lib/downloads/research/2010GreentechAnnual.pdf
[665]Forbes, Eric Savitz, "Venture Capital: The Case For Investing In Solar, January 13, 2011;
http://blogs.forbes.com/ericsavitz/2011/01/13/venture-capital-the-case-for-investing-in-solar/

The U.S. Energy Information Administration projects wind power and hydropower will account for the largest portion of renewable electricity generation through 2030. Hydropower continues to lead with a 35 percent share of the nation's renewable energy generation portfolio[666] while onshore wind power is the most attractive private investment of renewable energy sources next to solar.[667]

3. Geothermal Technologies Program

This program partners with industry and academia to explore and access geothermal resources in the United States, already a $1.5 billion industry annually.[668]

4. Fuel Cell Technologies Program

This program provides a wide range of initiatives to enhance the development and deployment of hydrogen and fuel cell technologies and achieve cost-competitiveness.

There are already several existing applications for fuel cell technology, including aerospace[669] as well as spacecraft.[670] Sales of primary fuel cell power and combined heat and power (CHP) systems to grocery and retail markets, university campuses, local governments, and corporate facilities like Walmart, Google, Bank of America, and Coca-Cola increased significantly in 2010. Sales also increased for industrial purposes and for backup electricity generation purposes. States are also creating favorable policies that provide tax benefits for fuel cell infrastructure. There is estimated to be 3,600 jobs associated with fuel cell technology and 7,000 if supply chain employment is considered.[671]

5. **Biomass Program**

This program conducts and facilitates research and development for each stage of biomass applications, primarily dealing with converting various feedstocks into fuel more efficiently. Biomass in certain forms already benefits from federal assistance in the form of tax credits, the Renewable Fuels Standard that mandates certain percentages of its use over time, and various grant and loan programs.

6. **Building Technologies Program**

This program addresses commercial and residential structure components (windows, lighting, sensor controls, etc.) that are already being addressed by the private sector.

Energy efficiency, whether at home or at work, are worthwhile goals. However, these efficiency and weatherization measures are not without their own hurdles. The Institute of

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[666]U.S. Energy Information Administration, Energy in Brief, September 1, 2010; http://www.eia.gov/energy_in_brief/renewable_energy.cfm

[667]Pipeline Clean Energy, Press Release, April 19, 2011; http://www.cleanenergypipeline.com/public/Press.aspx?id=15

[668]U.S. Department of Energy, Energy Efficiency & Renewable Energy, Geothermal Technologies Program, About the Program, October 25, 2010; http://www1.eere.energy.gov/geothermal/about.html

[669]Fuel Cells 2000, Fuel Cell Technology Update, July 2011; http://www.fuelcells.org/news/updates.html

[670]National Aeronautics and Space Administration, Kenneth A. Burke, NASTA/TM-2003-212730, Fuel Cells for Space Science Applications, November 2003; http://gltrs.grc.nasa.gov/reports/2003/TM-2003-212730.pdf

[671] Fuel Cells 2000, State of the States: Fuel Cells in America, June 2011; http://www.fuelcells.org/StateoftheStates2011.pdf

Medicine recently studied the impacts of green buildings on indoor environments and found that buildings tightly sealed could expose occupants to insufficient ventilation and higher concentrations of pollutants.[672] Indoor dampness, poor ventilation, excessive temperatures, and emissions from buildings were all cited as potential problems with retrofitted buildings.[673]

According to another report, this is not the first time buildings attempting to pass as environmentally friendly have run into problems. During the last shift in construction methods from traditional to those supposed environmentally sound, airtight (i.e. weatherized) buildings faced unnatural buildup of humidity and outbreak of dangerous molds.[674]

In order to solve the remaining problems associated with building retrofits and weatherizing homes, the federal government should stop incentivizing the technology so markets will be incentivized to address them most efficiently.

7. **Weatherization and Intergovernmental Assistance Program**
This program is comprised of the Weatherization Assistance Program and the State Energy Program that have largely been in place since the 1970s. It provides grants to states, Indian tribes, and international agencies, contributing to economic development overseas,[675] for energy efficiency methods for low-income households.[676] It was funded at $270 million in FY 2010 and $8.1 billion from the American Recovery and Reinvestment Act (ARRA), nearly eight times the normal amount of annual funding for these purposes across all federal programs.[677]

Other agencies also provide homeowners with significant support. Department of Health and Human Services operates the Low Income Home Energy Assistance Program (LIHEAP), which exists for the same purpose only it provides the actual payment of consumer utility bills.[678] This plan halves that money, essentially following this administration budget proposal. Further, the Building Efficiency Program at the Department of Housing and Urban

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[672]Institute of Medicine, *Climate Change, the Indoor Environment, and Health*, http://www.nap.edu/catalog.php?record_id=13115#description

[673]Harvard School of Public Health, News AT HSPC, "Energy-Efficient Buildings Can Be Hazardous To Health," http://www.hsph.harvard.edu/news/features/coverage-in-the-media/environmental-health-green-buildings-spengler/index.html; and
The Hill, Energy & Environment Blog, "Report" 'Green' buildings could harm your health, Julian Pecquet, June 7, 2011, http://thehill.com/blogs/e2-wire/677-e2-wire/165191-report-green-buildings-could-harm-your-health

[674]International Business Times, Blogs, Going Green Could Be Hazardous to Your Health: Institute of Medicine, Vincent Zandri, June 26, 2011; http://www.ibtimes.com/blog/world-watch/institute-medicine-green-health_152.htm

[675]U.S. Department of Energy, Energy Efficiency & Renewable Energy, Weatherization and Intergovernmental Program, "Accelerating Adoption of Energy Efficiency and Renewable Energy," May 2009; http://www1.eere.energy.gov/wip/pdfs/wip_factsheet.pdf

[676]U.S. Department of Energy, Energy Efficiency & Renewable Energy, Weatherization & Intergovernmental Program, About, September 23, 2010; http://www1.eere.energy.gov/wip/about.html

[677]Congressional Budget Office, Reducing the Deficit: Spending and Revenue Options, March 2011; http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf

[678] U.S. Department of Energy, Energy Efficiency & Renewable Energy, Weatherization and Intergovernmental Program, "Accelerating Adoption of Energy Efficiency and Renewable Energy," May 2009; http://www1.eere.energy.gov/wip/pdfs/wip_factsheet.pdf

Development[679] and the Building Technologies/Retrofitting[680] both provide overlapping initiatives.

After issuing a Management Alert in 2009, the U.S. Department of Energy Inspector General (DOE IG) found the weatherization program suffered from poor workmanship, inflated material costs, and inadequate inspections in 2010.[681] The investigation focused on Illinois' weatherization program, which received $242 million from the U.S. Department of Energy. The report found substandard home assessments, weatherization workmanship, and contractor billing, which "put the entire program at risk."[682] The administering of the program itself had initially falling short of its intended timeline—approximately 98.5 percent behind schedule. According to the Department of Energy itself, delays stemmed from federal regulations.[683]

Numerous reports have revealed this program is riddled with waste and abuse. [684] In one example, new Jersey was forced to end a $4 million federally funded weatherization job training program after a lack of job demand left trainees without prospects – only seven of

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[679]Reuters, U.S. Secretary of Housing and Urban Development, U.S. Congressman, Boston Mayor Tour Unprecedented Energy-Savings Renovation, May 19, 2011; http://www.reuters.com/article/2011/05/19/idUS238743+19-May-2011+BW20110519.

[680] U.S. Department of Energy, Energy Efficiency & Renewable Energy, Weatherization and Intergovernmental Program, "Accelerating Adoption of Energy Efficiency and Renewable Energy," May 2009; http://www1.eere.energy.gov/wip/pdfs/wip_factsheet.pdf

[681]The New York Times, Emily Yehle, "'Substandard' Ill. Program Undermines U.S. Weatherization Effort, Says DOE Watchdog," October 19, 2010; http://www.nytimes.com/gwire/2010/10/19/19greenwire-substandard-ill-program-undermines-us-weatheri-18351.html?ref=earth

[682]U.S. Department of Energy, Office of Inspector General, OAS-RA-11-01, October 2010; http://www.eenews.net/assets/2010/10/19/document_gw_01.pdf

[683]ABC News, Report: Stimulus Weatherization Program Bogged Down by Red Tape, Jonathan Karl, February 17, 2010; http://abcnews.go.com/print?id=9780935; Los Angeles Times, "Obama's federal government can weatherize your home for only $57,362 each," Andrew Malcom, February 18, 2010; http://latimesblogs.latimes.com/washington/2010/02/obama-stimulus-weatherization.html.

[684] http://www.youtube.com/watch?v=TvCZBKxP4TY and ABC News, Jonathan Karl, "Report: Stimulus Weatherization Program Bogged Down by Red Tape, February 17, 2010; http://abcnews.go.com/print?id=9780935 and http://www.eenews.net/Greenwire/2010/05/13/14. The Washington Examiner, Byron York, "Report: In Obama's Chicago, stimulus weatherization money buys shoddy work, widespread fraud, October 19, 2010; http://www.washingtonexaminer.com/opinion/blogs/beltway-confidential/Report-In-Obamas-Chicago-stimulus-weatherization-money-buys-shoddy-work-widespread-fraud-105300303.html. The Daily News Miner, by the Associated Press, "Anchorage opts out of home weatherization program," November 4, 2010; http://newsminer.com/bookmark/10163297-Anchorage-opts-out-of-home-weatherization-program. The Boston Herald, by Associated Press, "Another $10M headed to RI for weatherization, November 6, 2010; http://www.bostonherald.com/business/general/view/20101106another_10m_headed_to_ri_for_weatherization/. Central Valley Business Times, "Auditor: California's weatherization program virtually frozen, February 2, 2010; http://www.centralvalleybusinesstimes.com/stories/001/?ID=14284. Newjerseyroom.com, "State audit finds $118.8 million weatherization program lacks oversight, April 5, 2010; http://www.newjerseynewsroom.com/state/state-audit-finds-1188-million-weatherization-program-lacks-oversight. The Detroit News, "Grads finding green jobs hard to land, " May 13, 2010; http://www.detnews.com/article/20100513/BIZ/5130450/Grads-finding-green-jobs-hard-to-land. Pine Tree Watchdog, Naomi Schalit, "Energy program shut down after questions raised about politics, effectiveness," January 31, 2011; http://pinetreewatchdog.org/2011/01/31/energy-program-shut-down-after-questions-raised-about-politics-effectiveness/. Citizens Against Government Waste, "CAGW Issues Spending Cut of the Week: Weatherization Assistance Program, May 19, 2011; http://www.cagw.org/newsroom/releases/2011/cagw-issues-spending-cut-of-2.html.

the 184 aspiring workers that received training found work in the field.[685] California also had trouble allocating funding.[686]

According to the Congressional Budget Office (CBO), federal funding could encourage state and local governments to reduce their incentives for weatherization and energy conservation and spend state revenues elsewhere, leaving federal support with little net impact. CBO recommend this program be eliminated, which would save taxpayers $900 million in savings over five years and $2 billion over 2012-2021 period. [687]

8. Federal Energy Management Program

The Department coordinates energy efficiency efforts for all federal agencies, and it is also the primary outlet for federal energy efficiency programs and enforcement for the private sector.

Despite this important role, the Department is the largest consumer of energy among all federal civilian agencies (excluding the postal service) and unlike most other agencies, has actually increased its energy usage in the most recent reporting period. The Department's Inspector General estimates the agency wastes $11.5 million annually by simply refusing to adhere to federal efficiency guidelines. The energy savings would be enough to power 9,800 homes for an entire year. [688]

9. State Energy-Efficient Appliance Rebate Program

This program provides rebates that go to state governments to promote the purchase of Energy Star qualified appliances. It received $300 million from the American Recovery and Reinvestment Act.

The Department of Energy Inspector General reported instances of fraud in the $300 million State Energy Efficient Appliance Rebate Program. It found at least one consumer in Georgia had bought multiple appliances that were eligible for rebates under the program, then returned them later only to still get the federal rebate for their purchase. The investigation concluded that the rebate program has inadequate safeguards that "expose the program to potential abuse on a significant scale."[689]

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[685]Website of U.S. Senator Tom A. Coburn, MD, Oversight and Investigations, "Help Wanted: How Federal Job Training Programs are Failing Workers, February 2011; http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=9f1e1249-a5cd-42aa-9f84-269463c51a7d

[686]Sacramento Business Journal, Michael Shaw, "Auditor questions Energy Commission's stimulus spending," December 1, 2009: http://sacramento.bizjournals.com/sacramento/stories/2009/11/30/daily15.html

[687]Congressional Budget Office, 2011 Budget Options, Page 116 of PDF, http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf

[688]Government Executive, Katherine McIntire Peters, "IG: Energy is setting a poor example for conservation," June 3, 2009: http://www.govexec.com/story_page.cfm?articleid=42877&dcn=todaysnews. The Gaea Times, Duncan Mansfield of Associated Press, "Inspector general finds federal DOE sites fail to turn down thermostats in off-hours, July 24, 2009; http://news.gaeatimes.com/inspector-general-finds-federal-doe-sites-fail-to-turn-down-thermostats-in-off-hours-119144/.

[689]U.S. Department of Energy, Office of Inspector General, INV-RA-11-01, Investigative Report, "Management Alert on the State Energy Efficient Appliance Rebate Program," December 2010; http://www.ig.energy.gov/documents/INV-RA-11-01.pdf, http://www.eenews.net/eenewspm/2010/12/06/3

10. **Vehicle Technology Programs**
    This program seeks technology breakthroughs to reduce highway transportation petroleum use by developing technologies for hybrid, plug-in hybrid, fuel cell, and advanced efficiency vehicles. It received $25.5 million in FY 2010.

    Electric vehicle technology has been around for decades and has yet to catch on. The State of California reversed its electric vehicle production mandate in the 1990s, because consumers the cars, "…fall short on performance, range or both."[690]

    Still there has been a resurgence in private investment interest in recent years where development is being spearheaded.[691] The technology has become widely available to consumers as automakers have begun mass producing their own versions, such as the Nissan Leaf and Chevy Volt, and others are looking to get into the market as well.[692] Nissan has committed to investing $5.6 billion to expand capacity for electric vehicle construction to 500,000 by 2013.[693] These developments among private companies have provided enough seed money for the industry to move along on its own.[694]

Eliminate the Office of Fossil Energy's Research and Development funding but Maintain Strategic Petroleum Reserve Responsibilities for a ten year savings of $7.322 billion

The Office of Fossil Energy's (FE) stated mission is to ensure the nation can continue to rely on traditional resources for clean, affordable energy while enhancing environmental protection.[695] Its staff consists of hundreds of scientists, technicians, and administrative staff.

FE headquarters at two major facilities to develop new technology—the National Energy Technology Laboratory (NETL), which is the only U.S. national laboratory largely devoted to fossil energy research through the development of advanced coal, natural gas, and oil technologies. It has locations in West Virginia, Pennsylvania, Texas, Oregon, and Alaska. Its research portfolio includes over 1,800 projects with a total value of over $9 billion and private sector cost-sharing over $5 billion. There are 15 projects operating in Oklahoma (conducted by

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[690] http://www.nytimes.com/1995/12/26/us/california-is-backing-off-mandate-for-electric-car.html
[691] Financial Times, John Reed, "Electric carmakers raise funds for new models, June 3, 2011; http://www.ft.com/cms/s/0/ffc24862-8dff-11e0-bee5-00144feab49a.html#ixzz1OVHt5ShE
[692] Nissan official website, http://www.nissanusa.com/leaf-electric-car/index#/leaf-electric-car/index. General Motors, Chevrolet 2011 Volt, http://www.chevrolet.com/volt/. Wall Street Journal, Venture Capital Dispatch, "Electric Car Maker Coda Raises $76M As Competition Rises, January 5, 2011, http://blogs.wsj.com/venturecapital/2011/01/05/electric-car-maker-coda-raises-76m-as-competition-rises/. Tesla Motors official website, About Tesla, http://www.teslamotors.com/about.
[693] Loveday, Eric, "Renault-Nissan CEO still committed to $5.6 billion electric vehicle investment," June 20, 2011, http://green.autoblog.com/2011/06/20/renault-nissan-ceo-5-6-billion-electric-vehicles/
[694] The New York Times, Matthew L. Wald, "Energy Firms Aided by U.S. Find Backers, February 2, 2011; http://www.nytimes.com/2011/02/03/business/energy-environment/03energy.html?_r=1&pagewanted=print
[695] U.S. Department of Energy, Office of Fossil Energy, Fact Sheet, http://fossil.energy.gov/aboutus/fe_fact_sheet2011.pdf

universities and state agencies) valued at $34 million ($18 million DOE cost-share) and supporting 970 jobs.[696]

Continued federal funding for fossil fuel research and development is not a priority at this time, particularly because the energy industry has the resources to conduct the research on their own. The original purpose of the Office of Fossil Energy was the gasification of coal and its transformation into hydrogen. It has since become more closely associated with a carbon sequestration program.

In 2009, GAO found that from 1997 to 2006, the U.S. oil and natural gas industry spent at least $20 billion on R&D—oil companies spent $9.6 billion; service companies spent $10.7 billion. During this time period, DOE funding for the same purposes totaled $1 billion. While there are some safeguards in place, the study also found that DOE does not formally assess or include a screening in its criteria of the likelihood that industry would have conducted the R&D without federal funding and, in some cases, has conducted similar studies already made available by industry. Competition and consumer demand provides sufficient incentive for this industry to continue its own R&D. [697]

While the major oil and natural gas companies are typically the ones in the industry with in-house R&D operations, independents do not typically have the money to conduct research themselves. However, they often obtain or become aware of new technologies from other companies, trade publications, or professional associations. While some may argue smaller independents will act as free riders to the majors' R&D, DOE's continued funding causes taxpayers to otherwise be the host of free ridership.

- Funding for the Office of Fossil Energy should be reduced by eliminating funds for research and development (R&D). **This would save $659.7 million annually**.
- Terminate the *Ultra-Deepwater and Unconventional Natural Gas and Other Petroleum Resources Research Program* fund, which operates with the Office of Fossil Energy but is funded by federal oil and gas leasing revenues ($100m annually). These revenues should be re-directed towards deficit reduction, and the purpose of the fund—to increase supplies of natural gas and other petroleum resources—should be fully assumed by private industry.
- Keep Strategic Petroleum Reserve intact

Fossil Energy Research and Development (R&D) programs - - $659.7 million

CCS Demonstration Program

- the Clean Coal Power Initiative
- FutureGen 2.0
- Industrial CCS Demonstrations

[696]U.S. Department of Energy, Office of Fossil Energy, R&D Projects in Oklahoma, June 21, 2007; http://fossil.energy.gov/programs/projectdatabase/stateprofiles/2004/Oklahoma.html, based on the Department of Commerce's assumption that 28.5 direct and indirect jobs are created for every $1 million in R&D funding

[697]U.S. Government Accountability Office, GAO-09-186, Research and Development, DOE Could Enhance the Project Selection Process for Government Oil and Natural Gas Research, December 2008; http://www.gao.gov/new.items/d09186.pdf

The CCS and Power Systems Program supports long-term, high-risk research and development

- *The Carbon Capture Sub-Program* develops pre and post combustion co2 capture technologies
- *The Carbon Storage Sub-Program* previously funded carbon sequestration activities and now looks at geologic storage
- *The Advanced Energy Systems sub-program* seeks to improve the efficiency of coal-based power systems
- *The Cross-Cutting Research sub-program* seeks to bridge basic and applied research

Other R&D Programs, Direction Management Support

- Drilling, Well-Completion, and Stimulation
- Environmental Protection
- Field Projects/Technical Assistance
- Methane Hydrates
- Natural Gas Delivery Reliability and Storage R&D
- Oil and Natural Gas Production R&D
- The Natural Gas Technology Program focuses on developing technology to mitigate environmental risks with natural gas production.

Petroleum Reserves - - $242.4 million

FE is responsible for maintaining and operating national fuel reserves for security in the case of emergency supply disruptions

- Strategic Petroleum Reserved in New Orleans, LA
- The Northeast Home Heating Oil Reserve in the northeastern US
- The Rocky Mountain Oilfield Testing Center in Casper, Wyoming.

Reduce Funding for Office of Science in certain areas and Consolidate ARPA-E within the Program's Structure to maintain level funding

The Office of Science conducts research and development on advanced technology and concepts dating back to the Manhattan Project. Facilities constructed in the 1940s and 1950s began decades of advanced scientific research on some of the most complex and otherwise untouched issues, such as supercomputers, the Human Genome Project, and advancements in fusion energy.

The Office of Science can play a useful role in continuing its operations in fields where market-based research does not yet reach. This office operates within the boundaries of known scientific concepts but in areas where commercial applications may not yet be apparent. In a similar way, the Department of Energy's Advanced Research Projects Agency-Energy (ARPA-E) was created to further high-risk research and development of groundbreaking technologies unlike the nature of its counterparts currently found within the Energy Efficiency and Renewable Electricity (EERE) agency that support scientific applications already found on a commercial scale.

To promote better coordination and prevent duplication, ARPA-E should be consolidated into the Office of Science.[698] The Office of Science and Technology Policy—a research coordinating agency at the White House—should be responsible for the transition and adjustment of mission in accordance with its Strategic Goals and Objectives[699]

The Office of Science held over 900 conferences, symposia, workshops, and meetings from 2005 to 2007, costing over $38 million. The Department of Energy's Inspector General found that these numbers were understated also. For example, registration fees were used to pay for alcohol, entertainment, and gifts like the nearly $28,000 spent to entertain guests at a yacht club with cigars and wine. Additionally, 318 attendees to one conference in 2007 received extravagant meal items, costing over $230,000.[700] The Office can disseminate and discuss latest research and developments in other, more technologically advanced means, such as webinars and videoconferences without the unnecessary expenses.

The Office of Science should consolidate ARP-E within its structure and reduce funding to reflect reductions in travel, conferences, and certain non-priority research areas.

Funding changes are made to the following areas

Fusion Energy Science receives $0; previously $417 million
Funding for fusion energy projects is a longstanding and worthwhile agenda for the Office of Science. Modeled after the process that fuels the sun's explosive and sustaining energy, this science has been touted as one of the most promising forms of energy generation. Significant advancements have been made by the Department of Energy already in conjunction with industry and academia. For example, General Fusion, a Canadian company funded by venture capital, is advancing with equipment necessary to develop fusion energy based on concepts developed decades ago[701] It recently received $19.5 million from various private sources in its efforts to conduct demonstrations with the ultimate goal of making the technology commercial within a decade.[702] The company hopes to accomplish this with less than $1 billion, which significantly undercuts the federal cost of building new facilities for the next stage of experimentation.[703]

While fusion energy has not been harnessed in a controlled setting for general use, its promise has captured the interest of private capital that will continue to grow if the energy is found

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[698]The New York Times, Matthew L. Wald, "Energy Firms Aided by U.S. Find Backers, February 2, 2011; http://www.nytimes.com/2011/02/03/business/energy-environment/03energy.html?_r=1&pagewanted=prin
[699]Office of Science and Technology Policy, the White House, About, http://www.whitehouse.gov/administration/eop/ostp/about
[700]U.S. Department of Energy, Office of Inspector General, DOE/IG-0794, Inspection Report, Office of Science Laboratory Conferences, May 2008; http://www.ig.energy.gov/documents/IG-0794.pdf
[701]General Fusion Inc., Home, 2010; http://www.generalfusion.com/
[702]General Fusion Inc., "General Fusion Closes $19.5M Series B Funding Round, May 5, 2011; http://i.bnet.com/blogs/gf_pr_series_b.pdf?tag=content;drawer-container
[703]CBS Business Network, BNET, Kristen Korosec, "Amazon's Jeff Bezos Invests in the Search for the Holy Grail – Fusion Power, May 6, 2011; http://www.bnet.com/blog/clean-energy/amazon-8217s-jeff-bezos-invests-in-the-search-for-the-holy-grail-8212-fusion-power/5075?tag=mantle_skin;content

viable. For these reasons, DOE's $417 million for fusion energy sciences should be reduced by 75 percent to $104.25 million.

Biological & Environmental Research receives $0; previously $588 million
This program is funding $603 million in the FY 2012 budget, should be eliminated entirely. Business and social demand for environmental and climate change goals have accelerated to a level that no longer necessitates targeted public research and development.

Workforce Development for Teachers and Scientists receives $0; previously $20 million
Both industry and the nation's network of colleges and universities are providing students with the knowledge and opportunities to pursue science, technology, engineering, and mathematics.

Science Lab Infrastructure remains $127 million
Advanced Scientific Computing Research remains $383 million
The following programs will retain their previous funding levels
Basic Energy Sciences remains $1.59 billion
High Energy Physics remains $790 million
Nuclear Physics remains $522 million
Safeguards and Security remains $83 million
Science Program Direction remains $189 million
SBIR remains $107 million

Eliminate the Office of Nuclear Energy and transfer its nuclear waste storage responsibilities[704]

The Office of Nuclear Energy seeks to advance nuclear power as a reliable and safe energy source. This office is responsible for supporting national nuclear facilities and funding research and development initiatives, including fuel cycle R&D, waste storage and management, and efforts to achieve cost-competitiveness. The program was funded at $866 million in FY 2011 and requests $852 million for FY 2012.

*In recent months, the Office has shut down its nuclear waste storage preparation, focusing entirely on research and development. This interim period provides an opportune time to begin preparing plans to competitively bid its waste storage responsibilities while working with Congress to modify existing statue.

Nuclear Waste Storage
The U.S. has generated over 75,000 metric tons of hazardous spent nuclear fuel, which is expected to double by 2055.[705] DOE currently stores commercial and defense-related nuclear waste at five DOE stations and various other on-site locations at reactors across the U.S. In the

[704] CBS Business News, BNET, Chris Morrison, "Week in Renewables: Risky IPOs, Solar Gasoline and the Nuclear Renaissance, February 8, 2010; http://www.bnet.com/blog/energy/week-in-renewables-risky-ipos-solar-gasoline-and-the-nuclear-renaissance/2954?tag=mantle_skin;content
[705] U.S. Government Accountability Office, GAO-11-731T, Nuclear Waste, Disposal Challenges and Lessons Learned from Yucca Mountain, June 1, 2011; http://www.gao.gov/new.items/d11731t.pdf

early 1980s, the federal government was tasked with storing nuclear waste.[706] Future legislation determined Yucca Mountain in Nevada would be the primary repository.[707] While DOE has spent $10 billion preparing for storage at this site, no nuclear waste has been stored at Yucca Mountain to date.[708]

The Administration's FY 2010 budget request ended the potential of nuclear waste at Yucca Mountain. In June 2011, the chairman of the Nuclear Regulatory Commission (NRC) effectively withdrew DOE's submission for licensure to store waste at Yucca Mountain, terminating the remaining momentum of the program.[709] The chairman claimed there was insufficient public support in Nevada but did not site technical or safety concerns. DOE was initially denied this request and further action is to be determined.[710]

In 2010 the President established the Blue Ribbon Commission to review alternative options for nuclear waste storage and disposal. The Commission recently released a preliminary report in which it acknowledged that a geologic location for nuclear spent fuel is currently the most viable option.[711]

In the meantime, bureaucratic licensing uncertainties and delays will likely mean more waste will be stored on site at reactors. However, spent nuclear fuel pools for waste storage are near capacity at reactors. Further, states under contractual agreement with the federal government to have waste stored elsewhere are currently without assurances of future storage. Washington and South Carolina have already sued to prevent the termination of the repository for this reason. Fines generated from federal delays are adding up and have already cost $956 million. Further deviating from agreements is estimated to cost taxpayers $15.4 billion through 2020 due to broken contractual agreements. The uncertainty surrounding a viable waste option also increases inaction of new nuclear reactor construction.[712]

A few insights have become apparent. First, taxpayers are spending money for a government service that has yet to materialize since its inception nearly thirty years ago. Any progress made towards a workable repository appears to have been stopped short as DOE has already begun terminating its Yucca operations, eliminating any sense of assurance for future waste storage.

Because the option to store nuclear waste is at an impasse, Congress should provide clear direction for the future of nuclear power in our country. In the interim, Congress should begin

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[706] The Library of Congress, Thomas, Bill Summary & Status 97th Congress (1981-1982) H.R. 3809, P.L. 97-425; http://thomas.loc.gov/cgi-bin/bdquery/z?d097:H.R.3809:

[707] Govtrack.us, H.J. Res 87: Yucca Mountain Development resolution, 107th Congress 2001-2002, http://www.govtrack.us/congress/bill.xpd?bill=hj107-87

[708] Nuclear Energy Institute, "Frequently Asked Questions: Yucca Mountain and Used Nuclear Fuel Management," http://www.nei.org/keyissues/nuclearwastedisposal/factsheets/yuccamountainfaqpage2/

[709] The Seattle Times, By Associated Press, "Major actions on nuclear dump under Jaczko's rule," June 12, 2011; http://seattletimes.nwsource.com/html/nationworld/2015301563_apusnuclearchieftimeline.html

[710] U.S. Government Accountability Office, GAO-11-731T, Nuclear Waste, Disposal Challenges and Lessons Learned from Yucca Mountain, June 1, 2011; http://www.gao.gov/new.items/d11731t.pdf

[711] Blue Ribbon Commission on America's Nuclear Future, Disposal Subcommittee Report to the Full Commission, June 1, 2011; http://brc.gov/sites/default/files/documents/draft_disposal_report_06-01-11.pdf

[712] U.S. Government Accountability Office, GAO-11-731T, Nuclear Waste, Disposal Challenges and Lessons Learned from Yucca Mountain, June 1, 2011; http://www.gao.gov/new.items/d11731t.pdf

by repealing the federal government's responsibility of managing nuclear waste and, instead, allow states and other entities to perform a more efficient and cost-effective management of spent nuclear fuel.

The State or controlling entities can determine alternative options as they so choose and developers of new nuclear reactors will have assurance of a waste repository for energy generation. As new technology develops in accordance with nonproliferation standards, these entities may choose to reprocess portions of spent nuclear fuel rods based on the most cost-effective method and community interests. NRC should retain its regulatory oversight

To do this, the NRC should move forward in its license review of Yucca Mountain's technical and safety merits after which DOE should competitively bid its licensing contracts from the NRC to states and private entities that can determine and perform storage and management more efficiently and cost-effectively. This will allow an expeditious commencement of Yucca Mountain as a storage facility, so nuclear waste, currently stored at various locations across the country, can consolidate potentially dangerous materials into one secure location.

Finally, the current utility fee—a $0.01 cent flat fee paid by ratepayers for storage costs—should sustain the transition and downsizing of NRC during this process. Later it can be shifted from ratepayers to plant operators to reflect the true costs of storage.

Research and Development

Today, nuclear energy is a viable commercial industry accompanied by mature but growing technology. There are 104 nuclear reactors in the U.S. that provide approximately 20 percent of the nation's electricity generation. Over the last several decades, efficiency improvements have allowed nuclear power plants to markedly increase power generation.[713]

The Office of Nuclear Energy, distinct from the Office of Science, conducts research and development work more closely tied with commercial technology applications that can be expected to be subsumed by industry in time. While some narrow research and development can be effective, there is sufficient and growing demand in markets to achieve greater nuclear power efficiency and innovative technology without supplementary federal research and development.

The Congressional Budget Office recommended reducing federal funding for nuclear energy for similar reasons. In its 2011 Budget Options, CBO notes that federal research and development is not furthering the proliferation of nuclear power plants. Other factors will determine whether an expansion occurs.[714] New private investments in nuclear energy are still being made and totaled $7.2 billion in the Third Quarter of 2010 after reaching $15.4 billion earlier in the year.[715]

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[713]U.S. Department of Energy, Office of Nuclear Energy, Nuclear Energy—An Overview, February 15, 2011; http://www.ne.doe.gov/pdfFiles/factSheets/2012_Overview_Factsheet_final.pdf

[714]Congressional Budget Office, Reducing the Deficit: Spending and Revenue Options, March 201; http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf

[715]Reuters, "Research and Markets: New Investments in the Nuclear Energy Market Were Majorly Recorded in the United States, Reporting 40 Deals $7.2 Billion in Q3 2010, January 25, 2011; http://www.reuters.com/article/2011/01/25/idUS220558+25-Jan-2011+BW20110125

U.S. energy consumption is projected to rise significantly in the coming decades. With traditional natural resources expected to be depleting within the same time period, it is likely nuclear power will play a strong role in the country's energy mix.

Despite advancements in nuclear technology and efficiency, nuclear power plant construction has idled for decades as regulatory hurdles and capital costs remain remarkably high. Despite these difficulties, the Energy Policy Act of 2005 included a vehicle to advance nuclear reactors and standby support framework for new nuclear power plant construction to protect against regulatory or judicial delays. Rather than providing direct subsidies for activities that can and largely have been absorbed by private industry, federal assistance should focus on loan guarantees. Such a "borrower-pay" system would ensure private developers have access to the necessary capital to bridge the gap where private investment falls short. Title XVII Sec. 1703 loan guarantees are sufficient to do this and should remain intact with structural changes as noted in another section of this report.

Especially as demand for electricity is projected to grow immensely in the coming decades, nuclear power has almost guaranteed its market share in the nation's energy mix. Federal research and development activities, while helpful, are no longer necessary.

Maintain the National Nuclear Security Administration (NNSA) and consolidate the Office of Environmental Management and reduce funding by 20 percent

This program was created in 2000 as a semi-autonomous agency to consolidate three existing program components. Its mission is to maintain the nation's stockpile of nuclear weapons, prevent nuclear terrorism, provide the U.S. Navy with nuclear propulsion, and respond to nuclear and radiological emergencies.

After the damage witnessed from atomic energy in World War II, Congress directed federal efforts to address nuclear weapons stockpiles and the management of waste and contamination generated by nuclear facilities and other materials. These responsibilities were transitioned from defense authority to civilian authority where the Office of Environmental Management (EM) was eventually created. EM is tasked with the cleanup and waste management at Cold War legacy sites. Although separate form NNSA, EM performs activities similar in nature to NNSA and sometimes at the same locations, such as at the Savannah River.[716]

Both NNSA and EM conduct similar work relating to nuclear weapons and facilities and should be consolidated to improve management and performance. Since 1990, GAO has placed EM on its *High Risk* federal programs that are vulnerable to waste, fraud, and abuse.[717] Reports have repeatedly shown both NNSA and EM continue to be cited for mismanagement and for failing to meet cost requirements

[716]U.S. Government Accountability Office, GAO-10-816, Nuclear Waste, Actions Needed to Address Persistent Concerns with Efforts to Close Underground Radioactive Waste Tanks at DOE's Savannah River Site, Septemeber 2010; http://www.gao.gov/new.items/d10816.pdf

[717] U.S. Government Accountability Office, GAO-10-816, Nuclear Waste, Actions Needed to Address Persistent Concerns with Efforts to Close Underground Radioactive Waste Tanks at DOE's Savannah River Site, Septemeber 2010; http://www.gao.gov/new.items/d10816.pdf

and agency goals.[718] EM's own agency reorganization plan proposes to move the agency to within NNSA.[719] Consolidating the two would prevent confusion and streamline DOE's broader efforts. These agencies should be consolidated to achieve better coordination and efficiency.

NNSA received $9.2 billion in FY 2010 while EM received $5.9 billion for a total of $15.10 billion. This proposal would combine the two agencies and reduce funding by 20 percent for $12.08 billion annually and a ten year cost of $134.09 billion.

Reduce Office of Electricity Delivery and Energy Reliability (EDER) funding by eliminating research and development activities but maintaining Permitting, Siting, and Analysis as well as Infrastructure Security and Energy Restoration for a ten year savings of $1.34 billion

The program's mission is to modernize the electric grid, enhance security and reliability of the energy infrastructure, and facilitate recovery from disruptions to the energy supply. There is a legitimate role for DOE to issue permitting and siting of electricity infrastructure nationwide as well as infrastructure security. It is less prudent, particularly in these economic times, for this agency to be proactive in pursuing research and development or funding towards goals shared by private or state/cooperative entities. The remainder can be accomplished through technology transfer rather than R&D, which accounts for the majority of EDER's funding.

Climate change, energy storage, and renewable energy integration, smart grid, and others are initiatives within EDER's research and development but also interests shared by growing market demand and private capital. EDER's funding should be reduced to reflect $0 for research and development in order that it can be dedicating to serving only core functions. For any shortcomings, the Department of Energy's Office of Science is sufficient to fill in the gaps.

Research and Development initiatives conducted at the nine national laboratories include:

High temperature superconductivity Research and Development

Superconductivity is a more efficient way to transfer energy that replaces copper wiring with an alternative that is capable of transporting higher levels of electricity without the load loss. Further research and development will be required to achieve technological breakthroughs necessary to implement superconductivity on a broad scale. However, industry progress has occurred[720] as scientists continue research in this field.[721] Demonstration is also being done for some advanced technologies.[722]

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[718]U.S. Government Accountability Office, GAO-09-271, High-Risk Series, An Update, January 2009; http://www.gao.gov/new.items/d09271.pdf

[719] EM Reorganization into NNSA, Secretary Chu, electronic mail correspondence, July 8, 2011

[720]Scientific American, Charles Q. Choi, "Iron Exposed as High-Temperature Superconductor," April 23, 2008; http://www.scientificamerican.com/article.cfm?id=iron-exposed-as-high-temp-superconductor

[721]Physorg.com, "Breakthrough in high-temperature superconductivity," August 18, 2005; http://www.physorg.com/news5893.html

[722] Sumitomo Electric, Press Release, 2011, Sumitomo Electric Commenced Trial Mass Production of High-Temperature Superconducting Wire with Critical Current of 200A, February 10, 2011; http://global-sei.com/news/press/11/11_16.html

Visualization and Controls

Our nation's electric infrastructure is more than 100-years old and is in need of modernization that will provide for the more efficient and reliable delivery of electricity while protecting from attacks. Certain components of smart grid technology have shown potential benefits with customer consent. While pilot projects have garnered protests among community stakeholders for privacy and central control concerns, markets have seen the writing on the wall and are moving towards innovative technology that can achieve these goals and more acutely meet consumer demand without invading privacy or limiting individual freedoms.[723]

Smart Grid saw a substantial infusion of venture capital in 2010[724] that nearly doubled from 2009 to $769 million.[725] GE's *Ecomagination* partnered with venture capital firms to create a $200 million fund in 2010 that promotes competitive awards for innovative electric grid ideas and technologies.[726] Several other industry giants are paving the way as well, such as IBM that alone invested $2 billion for smart grid start-up companies as well as AT&T, Verizon, T-Mobile, Cisco, and Intel.[727]

Renewable and Distributed Systems Integration (Eliminated)

Renewable energy integration will be a key component of modernizing the nation's electric grid and bringing a new generation of energy sources online. Consumer demand appears to be growing in this respect and is likely a primary driver behind growth in renewable energy investments. The critical point will be how efficient can electricity generated from renewable sources be transmitted through the grid for rate payers to consume. Consumer demand and necessity of available natural resources will continue to move U.S. research and development in this area without federal funding.[728] Climate change research and development is also included under this initiative. Federal funding for various domestic and international climate change research and initiatives has reached across multiple federal agencies, costing taxpayers billions of dollars annually without a method of measuring results.[729]

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[723] Electric Light & Power/POWERGRID International, Leo McCloskey, Airbiquity, "What Makes a Grid Smart?" June 20, 2011; http://www.elp.com/index/display/article-display/3108906422/articles/electric-light-power/volume-89/issue-3/sections/what-makes-a-grid-smart.html. Electric Light & Power/POWERGRID International, C.A. Burkhardt, HT Capital Advisors, "Mergers, Acquisitions for Smart Grid Red Hot, June 1, 2011; http://www.elp.com/index/display/article-display/1688161561/articles/electric-light-power/volume-88/issue-4/sections/mergers_-acquisitions.html

[724] GreenTechMedia, Eric Wesoff, Huge 2010 Finish for Greentech Venture Capital, January 3, 2011; http://www.greentechmedia.com/articles/read/This-Week-in-Greentech-Finance-VC-MA-IPOs/

[725] Energy Business Daily, "Smart Grid Venture Capital Investments Almost Doubled in 2010, January 27, 2011; http://energybusinessdaily.com/renewables/smart-grid-venture-capital-investments-almost-doubled-in-2010/

[726] General Electric Company, Ecomagination, About the Challenge, 2011; http://challenge.ecomagination.com/ct/a.bix?c=home

[727] Smart Meters, "IBM becomes venture capitalist for smart grid start-ups, May 4, 2011; http://www.smartmeters.com/the-news/522-ibm-becomes-venture-capitalist-for-smart-grid-start-ups.html

[728] Electric Light & Power/POWERGRID, Ravi Mandalike, Wipro Technologies, "Renewables on Smart Grid," June 20, 2011; http://www.elp.com/index/display/article-display/8503235096/articles/electric-light-power/volume-89/issue-3/sections/renewable-on-smart-grid.html. Electric Light & Power/POWERGRID, Grid Integration Articles, http://www.elp.com/index/renewable-energy/gridintegration/more-articles.html

[729] The White House, Federal Climate Change Expenditures Report to Congress, FY 2011, June 2010,

Eliminate Energy storage and Power Electronics

Increasing investments in renewable energy and electric vehicles are drawing private capital for bulk energy grid storage. One report indicates the industry market share will reach $13 billion by 2015.[730] The industry reached $1.5 billion in 2010 when another report projected it would be valued at $35.3 billion in 2020.[731] The Department of Energy's Advanced Research Projects Agency-Energy (ARPA-E) is already funding energy grid storage and advanced battery companies,[732] and companies like NRG Energy, Microsoft, Silver Spring Networks, Tesla, and BrightSource Energy are investing in similar energy storage projects.[733] Other private donors are also taking the lead by investing in innovative battery technologies and storage capacity.[734]

Activities, such as infrastructure security and energy restoration[735] that protect the nation's critical energy infrastructure should remain intact. Additionally, EDER's role in permitting and siting should continue being at current funding levels as well necessary funding for[736] the authorization for electricity exports and Presidential permits for cross-border transmission lines.

Eliminate the Energy Star Program and save $627 million over ten years.[737]

Energy Star is a program is jointly administered by the Department of Energy and the Environmental Protection Agency (EPA). Energy Star[738] is a voluntary appliance labeling program that provides consumers with energy efficiency data for a wide range of products sold in stores, covering more than 60 product categories from household appliances and computers to water coolers and vending machines.

Federal investigations have revealed substantial flaws in the program's integrity, leading those administering it to give consumers false assurances of efficiency and cost savings and providing retailers with a marketing boon at the expense of taxpayers.

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[730]The Wall Street Transcript, "$13 Billion Market Share For Power Grid Storage Sector By 2015 Says Deutsche Bank Lead Analyst; Frequency Regulation Subsector To Lead To Bulk Energy Storage Solutions For Grid Use In The Long Term, February 25, 2011; http://www.twst.com/yagoo/Galveson121123.html.

[731]Renewable Energy World, Jennifer Runyon, "Grid Energy Storage a $35B Market by 2020," August 31, 2010; http://www.renewableenergyworld.com/rea/news/article/2010/08/pike-research-grid-energy-storage-a-35b-market-by-2020

[732]U.S. Department of Energy, Press Releases, "Six ARPA-E Projects Illustrate Private Investors Excited About Clean Energy Innovation, February 3, 2011; http://www.energy.gov/10045.htm

[733]GigaOM Pro, "Green IT Q1: Cleantech Breaking Out – and Bracing for Hard Times, April 20, 2011; http://pro.gigaom.com/2011/04/green-it-q1-cleantech-breaking-out-and-bracing-for-hard-times/

[734]Renewable Energy World, "Bill Gates backs battery built for clean energy, May 23, 2011; http://www.renewableenergyworld.com/rea/partner/buy-battery/news/article/2011/05/bill-gates-backs-battery-built-for-clean-energy; http://www.renewableenergyworld.com/rea/partner/buy-battery/news/article/2011/05/bill-gates-backs-battery-built-for-clean-energy; http://gigaom.com/cleantech/general-compression-raises-20m-for-air-energy-storage/

[735]U.S. Department of Energy, Office of Electricity Delivery & Energy Reliability, Infrastructure Security & Energy Restoration (ISER) http://www.oe.energy.gov/about/iser.htm

[736] U.S. Department of Energy, Office of Electricity Delivery & Energy Reliability, Permitting, Siting & Analysis (PSA); http://www.oe.energy.gov/about/psa.htm

[737]Congressional Budget Office, Budget Options, Volume 2, August 2009: http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf

[738]U.S Environmental Protection Agency-U.S. Department of Energy, Energy Star, 2011 Federal Tax Credits for Consumer Energy Efficiency; http://www.energystar.gov/index.cfm?c=tax_credits.tx_index

GAO conducted a sting operation by submitting applications for 20 bogus products under four different fictitious company names to find out if they would receive Energy Star certification.[739] These 20 products included an alarm clock powered by a gasoline generator and a space heater with a duster taped to it claiming to be an air purifier. Both received approval within a matter of days along with 15 of the 20 submitted. The products submitted did not include disclaimers or safety standard file number typically required. Instead, Energy Star agencies simply accepted the fake companies' claims that the products met program standards.[740]

Other basic shortfalls have been were found. For example, when DOE tested dishwashers, it did so with clean dishes; whereas, outside groups tests them with dirty ones for a more conservative efficiency estimate.

The GAO briefed officials from the DOE and EPA after the investigation. Those officials acknowledged that the current Energy Star program relies on self-policing and aftermarket testing when there is not a third-party verification requirement, according to the report. The report said that the program needs more third-party testing, "at a minimum."

The Department of Energy Inspector General found that the agency has not effectively monitored the use of the Energy Star label for manufacturers not compliant with the program. In addition, delaying improvements to the program could reduce public confidence in the Energy Star label and could "reduce energy savings, increase consumer risk, and diminish the value of the recent infusion of $300 million for Energy Star rebates under the Recovery Act."[741]

While program officials claim to have made progress,[742] the problems with Energy Star have been developing for years despite being told to tighten safeguards. In 2006 a federal court directed DOE to strengthen the program's safeguards after 14 states brought suit against the agency. Two years later, Consumer Reports documented ongoing problems with product qualification and testing standards.[743]

In one instance, a brand name refrigerator claiming Energy Star-qualified efficiency was tested at double the energy consumption as the program would lead consumers to believe.[744] In 2009, DOE itself admitted after an internal audit that certified Energy Star appliances do not

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[739]U.S. Government Accountability Office, GAO-10-470, Energy Star Program, Covert Testing Shows the Energy Star Program Certification Process Is Vulnerable to Fraud and Abuse, March 2010; http://www.gao.gov/new.items/d10470.pdf

[740] The Oakland Press, GAO undercover probe finds Energy Star program easy to fool, April 30, 2010; http://www.theoaklandpress.com/articles/2010/04/30/opinion/doc4bd8ea1eaf938788972577.txt

[741] Department of Energy Inspector General, DOE IG-0827, "The Department's Management of the ENERGY STAR Program," October 14, 2009; http://www.ig.energy.gov/documents/IG-0827-508.pdf.

[742]Daily Tech, Jason Mick, "DOE and EPA Say Americans Can Still Trust EnergyStar," March 26, 2010; http://www.dailytech.com/article.aspx?newsid=17992

[743]Clean Technica, Susan Kraemer, "GAO Sting Finds Energy STAR® Program in Need of Independent Review; Overhaul Imminent, March 26, 2010; http://cleantechnica.com/2010/03/26/gao-sting-finds-energystar%c2%ae-program-in-need-of-independent-review-overhaul-imminent/

[744]Consumer Reports, Energy Star has lost some luster, October 2008; http://www.consumerreports.org/cro/home-garden/resource-center/energy-star-has-lost-some-luster/overview/energy-star-ov.htm

necessarily meet the program's own standards and may not be efficient, because the agency does not track whether manufacturers meet requirements.

As a labeling program, Energy Star facilitates subsidies for appliances in two ways: (1) a federal tax credit for manufacturers to produce appliances that adhere to Energy Star's efficiency standards as well as (2) a federal rebate program for consumers to purchase with the Energy Star label. Manufacturers value it as a way to target products to energy-conscious consumers. About 3 billion products have been sold since 2000.

During this time of economic struggles, Americans are forced to shop with a keen eye towards efficiency and thrift. Energy Star has misled consumers to spend their hard earned wages on products that perform at lesser rate of efficiency than advertised. Congress should allow industries to develop their own efficiency standards and the free market to determine the most efficient, cost-effective products.

Program bureaucrats deemed such products as a diesel-powered alarm clock and a space heater with a feather duster attached that qualified as an air purifier as "energy efficient."

Eliminate Title XVII Sec. 1705 loan guarantees and the Advanced Technology Vehicles Manufacturing Loan Program but maintain Sec. 1703 loan guarantees at a reduced funding level

U.S. energy consumption is projected to rise significantly in the coming decades.[745] With traditional natural resources expected to be depleting within the same time period and a growing distaste for their byproducts at the same time, it is likely nuclear power will play a strong role in the country's energy mix.

[745]U.S. Energy Information Administration, International Energy Outlook 2010, Figure 72. Net electricity generation in North America; http://www.eia.gov/oiaf/ieo/electricity.html

The commercial nuclear energy industry is in an odd place where uncertainty is a primary factor in delaying the more widespread development of nuclear power. Foremost is the lack of clarity on whether the federal government will make good on its promise to store nuclear waste as noted in another section of this proposal. While there are promising technologies that hold great potential for reducing the need to address this issue, such as thorium-based reactors, there is undoubtedly a necessity to store waste at this time.

Sec. 1703 loan guarantees were created by the Energy Policy Act of 2005 to provide financing for capital intensive, advanced renewable energy projects that cannot otherwise garner sufficient private investment. Eligible projects include various renewable energy, efficiency, and electric projects including nuclear power. In a similar way, Sec. 1705 loan guarantee programs were created by the American Recovery and Reinvestment Act intended to be a temporary method of providing renewable energy projects an opportunity to get off the ground in a struggling economy.

One key difference is that Sec. 1703 loan guarantees are fully paid for by the private sector, including the credit subsidy costs[746] and administrative costs. In the case of credit subsidy costs, unlike Sec. 1705 guarantees that require congressional appropriations, Sec. 1703 program is structured so subsidy costs are covered by private investment, not taxpayers.

Another primary distinction between the two programs is that Sec. 1703 loan guarantees require project applicants to "employ innovative technology," rather than commercial technology.[747] As a result, this program is intended to provide funding for projects where capital intensive projects have not been able to garner enough private investment or where investors cannot be assured a return on their investment.[748] This is a function the federal government can maintain that the private sector will not otherwise and without risk to taxpayers.

For these two reasons, Sec. 1705 loan guarantees should be eliminated, so federal efforts to back groundbreaking energy technologies that are short on needed capital can focus on those projects that would not otherwise receive sufficient investment and so taxpayers are not left on the hook for each project.

Structural Changes Needed for Sec. 1703

Title XVII Sec. 1703 loan guarantees has the potential to provide financing where private capital has not been sufficient. There is a legitimate role for such assistance especially as it relates to construction of new nuclear reactors that are known for their capital intensive project costs.

However, OMB's credit program that operates loan guarantees has not operated faithfully to the underlying Title XVII congressional statute, rendering most loan guarantee applicants either unwilling or unable to follow-through with the process. The program's administrative structure is inconsistent in several places with the congressional statute that governs Title XVII credit

[746] Credit Subsidy Costs are equal to the net present value of costs incurred under a potential default
[747] Commercial Technology is a technology in general use (three or more commercial projects in operation for at least five years) in the commercial marketplace in the U.S. https://lpo.energy.gov/?page_id=39
[748] Carlyle Capital Markets Inc., Alternative Energy, http://www.carlylecapitalmarkets.com/experience.html

programs. Since the program's inception, there have been over $40 billion in solicitations but not a single loan guarantee. There are currently four "conditional commitments" for project applicants, but these are far from finalized and could be terminated at any point.[749] In contrast, Sec. 1705 loan guarantees have closed over ten applications.

In part, this can be attributed to more stringent application requirements for Sec. 1703 guarantees, but it is also attributable to inconsistent federal guidelines. To reconcile the differences, the Office of Management and Budget should modify agency rulemaking in a manner faithful to the underlying congressional statute that directs a true borrower-pay program. Additionally, the Congressional Budget Office should modify its 1 percent appropriation requirement for credit subsidy costs to zero.

To ensure the reasonable opportunity of private nuclear development, Congress must reform Sec. 1703 loan guarantees and shift the remaining 1 percent credit subsidy cost to the applicant, minimizing the necessary budget authority to operate the program.

Eliminate the Office of Indian Energy Policy and Programs ($5.5 million annually[750])
The Bureau of Indian Affairs already administers a Division of Energy and Mineral Development, containing Renewable Energy Opportunities, Mineral Opportunities, and Business Development Opportunities. Yet, Indian and tribal business entities are not excluded as eligible participants in existing federal energy programs that are not exclusive to tribes. For example, Indian tribes received over $54.8 million from the Energy Efficiency and Conservation Block Grant (EECBG), which provides funding for improving energy efficiency.[751]

Natural resources on Indian lands should be utilized for the benefit of Indian tribes and the country as a whole. However, there is sufficient financial incentive to do this without dedicated federal offices. According to the National Congress of American Indians (NCAI), Indian lands contain 10 percent of the nation's energy supplies yet only supply 5 percent of its production. Moreover, NCAI estimates there is approximately $1 trillion in revenue from these natural resources that continues to remain untapped.[752]

If Indian tribes or tribal members are unwilling or unable to produce the extensive natural resources on Indian lands, outside investors can fill in the gaps. For any shortcomings in leasing, existing federal regulatory hurdles should be streamlined to attract investment.[753]

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[749] U.S. Department of Energy, Loan Programs Office; https://lpo.energy.gov/?page_id=45
[750] U.S. Department of Energy, FY 2012 Congressional Budget Request, DOE/CF-0058 Volume 2, February 2011; http://www.cfo.doe.gov/budget/12budget/Content/Volume2.pdf
[751] U.S. Department of Energy, Energy Efficiency & Renewable Energy, Weatherization & Intergovernmental Program, Energy Efficiency and Conservation Block Grant Program, September 29, 2010; http://www1.eere.energy.gov/wip/eecbg.html
[752] The Journal Record, by Associated Press, "Indian leader: Unleash energy on tribal lands," January 27, 2011; http://journalrecord.com/2011/01/27/indian-leader-unleash-energy-on-tribal-lands-energy/
[753] U.S. House of Representatives Committee on Natural Resources, "Obama Admin. Roadblocks on Indian Land Hamper Energy Development, Stifle Job Creation, Hurt Tribal Economies, April 1, 2011; http://naturalresources.house.gov/News/DocumentSingle.aspx?DocumentID=233288

Eliminate Power Marketing Administrations and save $1.103 billion over ten years. The federal power marketing program originated in the early 1900s to repay federal project investments with sales of excess hydroelectric power. The program is made up of the Bonneville Power Administration, Southeastern Power Administration, Southwestern Power Administration, and Western Area Power Administration, which primarily market wholesale power in select states from hydroelectric dams operated by the U.S. Corps of Engineers. Most of the PMAs have facilities to transmit their power. The program received $99.4 million in FY 2010 and could cost $1.103 billion over ten years at current levels.

Federal statute requires that PMAs set their power rates at levels that reimburse the federal government for their funding within the year that costs are incurred with the exception of capital investments, which are allowed up to 50 years in some cases to recoup costs. In 1996, GAO found that three PMAs were not recovering the full extent of their costs incurred in marketing federal power. It further noted that power from PMA is sold at more than 40 percent below market rates. [754] In 1997, PMAs had over $14 billion in outstanding debt. A later GAO report confirmed there is insufficient monitoring of cost-recovery efforts.[755] In FY 2010, PMA receipts were re-classified from mandatory to discretionary offsetting some expenses while requiring discretionary appropriations for certain PMAs.

DOE should restructure DOE's Power Marketing Administration utilities that sell electricity to utilities (using revenue to reimburse taxpayers) by requiring them to sell at market rates would correct price signals, encourage conservation and efficient use of energy, and generate savings for the federal government.[756]

A more solvent proposal would be to end the federal role of generating and marketing power at favorable rates and allow municipal, cooperative, and investor owned utilities to produce and market power as the market demands. According to the Congressional Budget Office, " the federal presence in the production and marketing of electricity, which is primarily a private and local function, is in many ways an anomaly, unchanged since the New Deal of the 1930s…Most of the reasons that direct federal development and ownership of facilities that produce electricity might have been appropriate in the 1930s are no longer valid."[757] CBO later notes that transferring ownership to could produce and provide power more efficiently, which could generate a better selling price for the federal government.[758]

Already, the Alaska Power Administration—formerly a part of the federal PMAs—has been proposed for sale, which is still pending. CBO estimates the sale of the remaining PMA facilities

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[754] U.S. Government Accountability Office, AIMD-96-145, Power Marketing Administrations: Cost Recovery, Financing, and Comparisons to Nonfederal Utilities, September 19, 1996; http://www.gao.gov/products/AIMD-96-145

[755] U.S. Government Accountability Office, AIMD-98-164, Power Marketing Administrations: Repayment of Power Costs Needs Closer Monitoring, June 30, 1998; http://www.gao.gov/products/AIMD-98-164

[756] Congressional Research Service, RL 32798, Power Marketing Administrations: Proposals for Market-Based Rates, March 11, 2005; http://assets.opencrs.com/rpts/RL32798_20050311.pdf

[757] Congressional Budget Office, Should the Federal Government Sell Electricity? Chapter 2 – Rethinking the Federal Role, November 1997; http://www.cbo.gov/doc.cfm?index=243&type=0&sequence=0

[758] Congressional Budget Office, Should the Federal Government Sell Electricity? Chapter 3 - The High Social Costs of Government Production, November 1997; http://www.cbo.gov/doc.cfm?index=243&type=0&sequence=4

could range from $0.2 billion to $16 billion.[759] For any shortcomings in services after sale for rural areas, the U.S. Department of Agriculture administers the Rural Development agency that is maintained at a lower funding level.

PROGRAM ELIMINATIONS
Office of Energy Efficiency and Renewable Energy
Office of Fossil Energy Research and Development
Office of Nuclear Energy
Energy Star
Title XVII Sec. 1705 Loan Guarantee Program
Office of Indian Energy
Power Marketing Administration

PROGRAM REDUCTIONS
Office of Electricity Delivery and Energy Reliability (EDER)

PROGRAM CONSOLIDATIONS
Consolidate the Advanced Research Projects Agency—Energy (ARPA-E) into the Office of Science
Consolidate the Office of Environmental Management within the National Nuclear Security Administration

Ten Year Savings (billions)	
EERE	**24.59**
Fossil	**7.32**
Office of Science	**11.00**
Nuclear Energy	**8.59**
NNSA/EM	**33.53**
EDER	**14.95**
Energy Star	**.63**
Indian Energy	**.06**
PMA	**1.10**
Total	**$101.77**

DEPARTMENT OF ENERGY TEN YEAR SAVINGS
Discretionary: $101.77 billion
Total: $101.77 billion

[759] Congressional Budget Office, Should the Federal Government Sell Electricity? Chapter 6 - Budgetary Consequences of Selling Power Assets, November 1997; http://www.cbo.gov/doc.cfm?index=243&type=0&sequence=7

DEPARTMENT OF HEALTH AND HUMAN SERVICES

The Department of Health and Human Services (HHS) is charged with protecting the health of all Americans. This includes supporting medical research, promoting wellness, preventing and controlling disease, ensuring the safety of drugs and medical devices, and providing health care and related services.

The budget of HHS "represents almost a quarter of all federal outlays, and it administers more grant dollars than all other federal agencies combined. HHS' Medicare program is the nation's largest health insurer, handling more than 1 billion claims per year. Medicare and Medicaid together provide health care insurance for one in four Americans."[760] HHS is also involved in other activities such as assisting with the management of wastewater treatment facilities[761] as well as doing house work and shopping for older Americans.[762]

HHS is made up of many diverse agencies, including the Administration on Aging, Administration for Children and Families, Agency for Healthcare Research and Quality, Agency for Toxic Substances and Disease Registry, Centers for Disease Control and Prevention, Centers for Medicare and Medicaid Services, Food and Drug Administration, Health Resources and Services Administration, Indian Health Service, National Institutes of Health, the Substance Abuse and Mental Health Services Administration, Office of Global Health Affairs, and the Office of the Surgeon General, which includes the 6,500-member Commissioned Corps of the U.S. Public Health Service.

Improving Management of Funds and Resources

The entire annual HHS budget exceeds $889 billion. This mammoth budget has proven difficult to properly manage. From paying health care claims submitted for dead patients and prisoners to bonuses to nursing homes for substandard care to excess travel costs, mismanagement at HHS is costing taxpayers more than one billion dollars *every* week.

In 2010, the Office of Management and Budget (OMB) designated five HHS programs as "high-error" based on the agencies' annual performance and financial reports. In just two of these

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[760] "About HHS," HHS website, accessed June 30, 2011; http://www.hhs.gov/about/ .
[761] "TERMINATION: RURAL COMMUNITY FACILITIES," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 61; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .
[762] Administration on Aging Annual Report 2008, Page 7; http://www.aoa.gov/AoARoot/Program_Results/docs/2008/AOA_2008AnnualReport.pdf .

programs, Medicare Fee-for-Service and Medicaid, HHS made $56.8 billion of improper payments.[763] These "improper payments" include millions of dollars of Medicare claims submitted under the names of dead doctors[764] and ordered for medical services for dead patients.[765] "Medicare fraud—estimated now to total about $60 billion a year—has become one of, if not the most profitable, crimes in America," CBS News recently reported, which raises "troubling questions about our government's ability to manage a medical bureaucracy."[766]

Mismanagement at HHS is costing taxpayers more than one billion dollars *every week*.

Fraud is not the only cause of wasted federal health care dollars. For instance, the Centers for Medicare and Medicaid Services awarded more than $312 million a year in bonuses to nursing homes with past violations of basic health-and-safety standards that provided below-average care.[767]

There are plenty of other areas where HHS spending is simply excessive. HHS spent $215 million on travel, including the cost of rental cars, hotels and airline tickets, in 2008.[768] The Department spent at least $349 million on conferences and meetings over the last decade.[769]

Millions of dollars of HHS equipment disappears every year. Over 5,000 items worth $15.8 million, including laptop computers, all-terrain vehicles, tractors, pickup trucks, and medical devices, were lost or stolen by employees of HHS' Indian Health Service between 2004 and

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[763] Statement by Dr. David Acheson, Associate Commissioner on Foods at the Food and Drug Administration of the U.S. Department of Health and Human Services on Improper Payments in Government Agencies and Departments before the U.S. House of Representatives Committee on Appropriations' Subcommittee on Labor, Health and Human Services, Education, and Related Agencies, May 11, 2011; http://www.hhs.gov/asl/testify/2011/03/t20110317e.html .

[764] Jane Zhang, "Medicare Ignored Its Claims Policy, Audit Says," The Wall Street Journal, August 26, 2008; http://online.wsj.com/article/SB121971017492971293.html .

[765] "Doctor Pleads Guilty to Billing Medicare and Medicaid for Counseling Sessions with Dead Patients; Dr. Williams Claimed $2 Million in Phony Health Treatments, Saying It Was Group Therapy," U.S. Attorney's Office, Northern District of Georgia, FBI website, June 6, 2011; http://www.fbi.gov/atlanta/press-releases/2011/doctor-pleads-guilty-to-billing-medicare-and-medicaid-for-counseling-sessions-with-dead-patients

[766] "Medicare Fraud: A $60 Billion Crime," CBS News, September 5, 2010; http://www.cbsnews.com/stories/2009/10/23/60minutes/main5414390.shtml .

[767] Clark Kauffman, "Nursing homes across the U.S. receive bonuses despite violations," Des Moines Register (Iowa), November 9, 2008; http://www.desmoinesregister.com/article/20081109/NEWS10/811090341/-1/SPORTS09 .

[768] Staff estimate based on OMB numbers.

[769] David Freddoso, "Government conference spending gone wild!," Washington Examiner, August 29, 2009; http://www.washingtonexaminer.com/opinion/blogs/beltway-confidential/Government-conference-spending-gone-wild-54832242.html .

2007.[770] Investigators blamed management failures and weak leadership for the problems, yet the official in charge of IHS' property group still received a $13,000 bonus award in December 2008.[771]

The Department ends every year with billions of dollars in excess funds. HHS is expected to end 2011 with more than $210 billion in unspent funds. Over $40 billion of that amount is unobligated. The Department is expected to end 2012 with an even greater amount of unobligated money.[772]

One way the Department could clean up their act and save taxpayer dollars is simply through complying with existing federal law. The nonpartisan analysis of an audit conducted by Ernst & Young on the balance sheets of the Department of Health and Human Services for FY2010, was included in HHS's FY 2010 Agency Financial Report, dated November 15, 2010. The audit revealed concerning conclusions; among the many findings were the following:[773]

- HHS is not in compliance with federal financial management law. According to the HHS Inspector General's review of Ernst & Young's financial audit of HHS, "HHS's financial management systems are not compliant with the Federal Financial Management Improvement Act of 1996."
- Nearly $2 billion taxpayer dollars are stuck in limbo. "As of September 30, 2010, the audit identified approximately 102,500 transactions totaling an approximate $1.8 billion that were more than 2 years old without activity."
- Nearly $800 million dollars "could not be explained" differing between HHS' records and treasury department records. "Based on our review and discussions with management, we noted differences of $794 million that could not be explained."
- Some processes and procedural manuals have not been updated since the 1980s. "HHS's formalized policies and procedures are out of date and may be inconsistent with actual processes taking place….For example, we noted that certain policies and procedures, including certain accrual processes, had not been updated since the mid-1980s."
- Current HHS personnel need training to "complete their day-to-day responsibilities." "Further, we noted additional training on the financial systems was needed to enable HHS personnel in their ability to access needed information from the system to complete their day-to-day responsibilities - including the preparation of reconciliations, research of differences noted, and the ability to identify and clear older "stale" transactions dating back several years."

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[770] "INDIAN HEALTH SERVICE: IHS Mismanagement Led to Millions of Dollars in Lost or Stolen Property (GAO-08-72)," Government Accountability Office, June 2008; http://www.gao.gov/new.items/d08727.pdf .
[771] Robert Brodsky, "Watchdog: Indian Health Service continues to mismanage property," Government Executive, May 26, 2009; http://www.govexec.com/story_page.cfm?articleid=42809&dcn=todaysnews .
[772] "Balances of Budget Authority Fiscal Year 2012," Budget of the U.S. Government, Office of Management and Budget, page 8, accessed June 16, 2011; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/balances.pdf .
[773] Summary of Findings of the Ernst & Young audit, Office of Senator Tom Coburn, M.D., http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=6a04c50e-72c7-477e-ac37-cbae0f575d10

Repeal Damaging Provisions of Wrong-Headed, Controversial Health Care Law

Before it became law, supporters argued the federal health care overhaul would become more popular after it passed Congress. However, more than a year later, most Americans remain opposed to the law and still concerned about its impact on their family, budget, and health care choices.[774] The proposal outlines some of the most damaging impacts that are avoided through repeal.

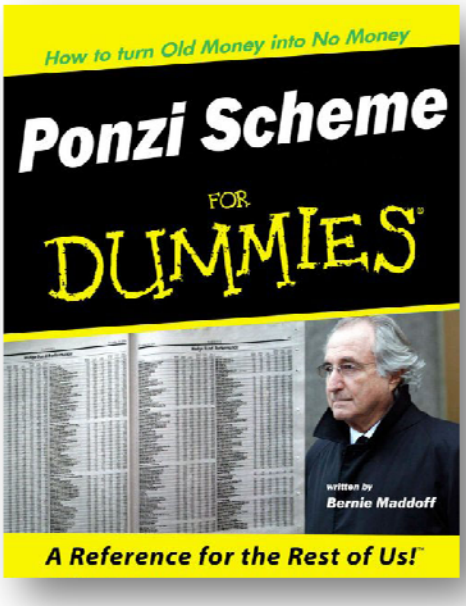
Repeal prevents Americans from losing the health insurance plan they like. Proponents of the health care overhaul often pledged that health reform would allow Americans who liked their current health plan to keep it. But In June, the U.S. Department of Health and Human Services issued rules limiting changes employers can make to health insurance plans, and still be considered to be "grandfathered" – or exempt from many of the new mandates in the law. Under the Department's own estimates, *more than half* of companies may have to give up their current health coverage because of the new law by 2013.[775] And, in their estimate, the Administration predicts that *eight in 10* small businesses could lose their current health plans.[776]

Repeal prevents the economy from losing nearly 800,000 jobs. The nonpartisan Congressional Budget Office (CBO) released an analysis of the "effects of recent health care legislation on labor markets."[777] The CBO's findings painted a troubling picture. The massive Medicaid expansion will "encourage some people to work fewer hours or to withdraw from the labor market."[778] Additionally, phasing out the subsidies to buy expensive insurance "will effectively increase marginal tax rates, which will also discourage work."[779] CBO said "other provisions in the legislation are also

[774] http://www.huffingtonpost.com/2009/07/30/healthplan_n_725503.html
[775] U.S. Department of Health and Human Services, "Group Health Plans and Health Insurance Coverage Relating to Status as a Grandfathered Health Plan Under the Patient Protection and Affordable Care Act; Interim Final Rule and Proposed Rule," June 17, 2010. http://www.regulations.gov/search/Regs/contentStreamer?objectId=0900006480b03a90&disposition=attachment&contentType=pdf
[776] U.S. Department of Health and Human Services, "Group Health Plans and Health Insurance Coverage Relating to Status as a Grandfathered Health Plan Under the Patient Protection and Affordable Care Act; Interim Final Rule and Proposed Rule," June 17, 2010. http://www.regulations.gov/search/Regs/contentStreamer?objectId=0900006480b03a90&disposition=attachment&contentType=pdf
[777] Congressional Budget Office, "The Budget and Economic Outlook: An Update," August 2010, page 66-67 of PDF. http://cbo.gov/ftpdocs/117xx/doc11705/08-18-Update.pdf
[778] Congressional Budget Office, "The Budget and Economic Outlook: An Update," August 2010, page 66-67 of PDF. http://cbo.gov/ftpdocs/117xx/doc11705/08-18-Update.pdf
[779] Congressional Budget Office, "The Budget and Economic Outlook: An Update," August 2010, page 66-67 of PDF. http://cbo.gov/ftpdocs/117xx/doc11705/08-18-Update.pdf

likely to diminish people's incentives to work." [780] The CBO "estimates that the legislation, on net, will reduce the amount of labor used in the economy by a small amount—roughly half a percent—primarily by reducing the amount of labor that workers choose to supply", which is more than 788,470 employees.[781] Another independent estimate predicted the overhaul will "destroy a total of 120,000 to 700,000 jobs by 2019."[782] This is a huge number of future jobs and future workers that will be effectively sidelined because of the health reform legislation. With more than 14 million Americans out of work today, we cannot afford to lose more jobs.

Repeals the panel of unelected, unaccountable Medicare czars that will slash reimbursements to physicians, threatening access to care for seniors. The controversial health care overhaul created the Independent Payment Advisory Board (IPAB) –a panel of unelected bureaucrats who will be politically-appointed and charged with developing proposals to reduce the per capita rate of growth in Medicare spending. Under the law, HHS is forced to implement the panel's proposals automatically unless Congress intervenes with similar cuts. There are virtually no checks on the panel, since its members are not answerable to voters and its recommendations cannot be challenged in court. Many of these unelected technocrats are likely to have political connections to powerful politicians, but not all of them are required to be physicians. Because the panel is barred from examining common-sense changes like Medicare beneficiary premiums, cost-sharing, or benefit design, many expect that in efforts to control spending, the panel will limit patient access to medical care by slashing provider reimbursements to a point that doctors cannot afford to see Medicare patients.



Repeals a provision that could force taxpayers to bail out a "Ponzi scheme" program. Section 8002 created the Community Living Assistance Services and Supports program (CLASS), a "voluntary federal program for long-term care insurance that would be administered by the Secretary of Health and Human Services (HHS)." [783] Unlike traditional health insurance that covers medical benefits, long-term insurance generally covers services that assist individuals in their day-to-day activities of life, such as

[780] Congressional Budget Office, "The Budget and Economic Outlook: An Update," August 2010, page 66-67 of PDF.
http://cbo.gov/ftpdocs/117xx/doc11705/08-18-Update.pdf
[781] Congressional Budget Office, "The Budget and Economic Outlook: An Update," August 2010, page 66-67 of PDF.
http://cbo.gov/ftpdocs/117xx/doc11705/08-18-Update.pdf . According to a U.S. Department of Labor estimate, the 2010 labor force is estimated to comprise 157,695,000 workers. Half of one of percent of our nation's 157 million work force equals 788,475 workers. Lee, Marlene and Mather, Mark. "U.S. Labor Force Trends," Population Bulletin, Vol. 63, No. 2, June 2008. http://www.prb.org/pdf08/63.2uslabor.pdf
[782] Tuerck, David, et. al. "Killing Jobs through National Health Care Reform," Beacon Hill Institute Policy Study, March 2010. http://www.atr.org/userfiles/BHI%20Health%20Care%20Reform%20as%20Job%20Killer(7).pdf
[783] Congressional Budget Office, "Letter to The Honorable Tom Harkin, Chairman of the U.S. Senate Committee on Health, Education, Labor, and Pensions," November 25, 2009.http://www.cbo.gov/ftpdocs/108xx/doc10823/CLASS_Additional_Information_Harkin_Letter.pdf

bathing, eating, or dressing. While the purpose sounds good, the CLASS program is misguided policy. The financial structure of the program is so shaky it could require a taxpayer-funded bailout while saddling taxpayers with mountains of debt. According to the Congressional Budget Office (CBO), this provision could "add to budget deficits …. in succeeding decades – by amounts on the order of tens of billions of dollars for each 10-year period."[784] The problems with the structure of the program are so systemic that the American Academy of Actuaries concluded "an actuarially sound program may not be possible to achieve" despite changes that might be sought.[785] The CLASS program would effectively self-destruct. In fact, the financial structure for this new provision is so untenable that one Senator who voted for the health care overhaul called it "a Ponzi scheme of the first order, the kind of thing that Bernie Madoff would have been proud of."[786]

Repeals policies that increase health insurance costs. Unfortunately, the overhaul that passed Congress last year did not represent the *real* health reform Americans want and need. The new law focused on some of the symptoms in our health care system, but failed to address the underlying disease. For a majority of Americans, the cost of health coverage is their primary concern.[787] For too many, cost is the access problem. Unfortunately, the new law increases costs to patients, consumers, and taxpayers, while exacerbating many existing problems in health care. Independent experts have found that the new health law will increase the cost of health insurance and health care services. According to the nonpartisan Congressional Budget Office (CBO), premiums for millions of American families in 2016 will be 10-13 percent higher than they otherwise would be. [788] This represents a $2100 increase per family, compared with the status quo.[789] And, according to a memo from the Actuary of the Centers for Medicare and Medicaid Services, the medical device and pharmaceutical drugs fees and the health

[784] Congressional Budget Office, "Letter to The Honorable Tom Harkin, Chairman of the U.S. Senate Committee on Health, Education, Labor, and Pensions," November 25, 2009. http://www.cbo.gov/ftpdocs/108xx/doc10823/CLASS_Additional_Information_Harkin_Letter.pdf

[785] American Academy of Actuaries, "Community Living Assistance Services and Supports Act," Critical Issues in Health Reform, November 2009. http://www.actuary.org/pdf/health/class_nov09.pdf

[786] Lori Montgomery, "Proposed Long-Term Health Insurance Program Raises Questions," The Washington Post, October 27, 2009. http://www.washingtonpost.com/wp-dyn/content/article/2009/10/27/AR2009102701417.html.

[787] U.S. Department of Health and Human Services, "America Speaks on Health Reform: Report on Health Care Community Discussions," page 101, March 2009, http://www.healthreform.gov/reports/hccd/report_on_communitydiscussions.pdf.

[788] Congressional Budget Office, "An Analysis of Health Insurance Premiums Under the Patient Protection and Affordable Care Act, " page 4, November 30, 2009, http://www.cbo.gov/ftpdocs/107xx/doc10781/11-30-Premiums.pdf.

[789] Congressional Budget Office, "An Analysis of Health Insurance Premiums Under the Patient Protection and Affordable Care Act, " page 4, November 30, 2009, http://www.cbo.gov/ftpdocs/107xx/doc10781/11-30-Premiums.pdf. On page 6: "Average premiums per policy in the non-group market in 2016 would be roughly $5,800 for single policies and $15,200 for family policies under the proposal, compared with roughly $5,500 for single policies and $13,100 for family policies under current law."

insurance excise tax will "generally be passed through to health consumers in the form of higher drugs and device prices and higher insurance premiums, with an associated increase in overall national health expenditures…."[790] The JCT has also confirmed that many of the new taxes included in the health care reform law will be passed on directly to consumers, including the $60 billion tax on health plans, the $20 billion tax on medical devices, and the $27 billion tax on prescription drugs.[791]

Repeals mandates that crush states with $120 billion in additional costs. Before the passage of the health overhaul, the Congressional Budget Office (CBO) estimated that the "state spending on Medicaid" would increase by tens of billions of dollars "as a result of the coverage provisions."[792] In pegging the costs to states, they noted that "under current law, states have the flexibility to make programmatic and other budgetary changes to Medicaid and the Children's Health Insurance Program."[793] But now that the health overhaul has been signed into law, states are stuck with federal mandates buried in the law that dictate many of the operations of the state-level Medicaid programs. So how big are the costs state taxpayers must absorb from the massive Medicaid expansion or other mandates? A report tallying estimates that several states produced calculating the costs to their states pegged the new cost burden from the health law at $118 billion over a decade.[794] These costs to state governments and taxpayers may not have been fully calculated by CBO, but they nonetheless are real costs that must be borne by American taxpayers. Unless the cost-increasing mandates are repealed, governors and legislatures must effectively decide what education programs or public infrastructure works will be cut even further. These massive federal mandates that lead to skyrocketing state costs should be repealed.

Repeals requirement that makes it illegal not to have health insurance. Starting in 2014, it will be illegal for most Americans not to purchase health insurance. Never before has the federal government passed a law requiring Americans to purchase any commodity. But, under the new health law, Americans face a choice between buying government-dictated insurance or breaking federal law.

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[790] Foster, Richard, Chief Actuary for the Centers for Medicare and Medicaid Services, "Estimated Financial Effects of the 'Patient Protection and Affordable Care Act,' as Amended," April 22, 2010, http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=f011f765-c229-4b33-8b95-6c30c8bfefd0.

5 Federal Register, "Group Health Plans and Health Insurance Coverage Relating to Status as a Grandfathered Health Plan Under the Patient

[791] 23Joint Committee on Taxation, "Technical Explanation of the Revenue Provisions of the 'Reconciliation Act of 2010,' as Amended, In Combination with the 'Patient Protection and Affordable Care Act,'" March 21, 2010, http://www.jct.gov/publications.html?func=startdown&id=3673.

[792] Congressional Budget Office, "Letter to the Honorable Harry Reid, U.S. Senate Majority Leader," March 11, 2010. http://www.cbo.gov/ftpdocs/113xx/doc11307/Reid_Letter_HR3590.pdf . CBO budget

[793] Congressional Budget Office, "Letter to the Honorable Harry Reid, U.S. Senate Majority Leader," March 11, 2010. http://www.cbo.gov/ftpdocs/113xx/doc11307/Reid_Letter_HR3590.pdf

[794]Joint Congressional Report, "Medicaid Expansion in the New Health Law: Costs to the States," http://thehill.com/images/stories/blogs/medicaidcost.pdf

Repeals a massive Medicaid expansion that enrolls up to 25 million Americans in government-run program that delays and denies care. Medicaid is a federal-state government health program that is already denying patients access to care and yielding poorer heath outcomes. The new health law will force at least half of currently uninsured Americans –16 million people – into Medicaid. And according to the Chief Actuary of the Centers for Medicare and Medicaid (CMS), the number of Americans forced into this substandard medical program could climb as high as 25 million.[795] A 2002 government survey found that "approximately 40% of physicians restricted access for Medicaid patients," because payment rates are so low. [796] As former CMS official Dr. Scott Gottlieb explained, "only about half of U.S. physicians accept new Medicaid patients, compared with more than 70% who accept new Medicare patients."[797] With such restrictions on access to care, patients on Medicaid experience higher infant mortality rates (IMR). The nonpartisan CRS conducted a data analysis of the IMR in four states.[798]

In one state with an IMR higher than the U.S. average, researchers found that "births covered by Medicaid had worse outcomes when compared to births covered by private insurance…. When compared to private insurance, Medicaid mothers received less prenatal care and had nearly twice as high rate of infant mortality." [799] In addition to poorer health outcomes, Medicaid patients have a limited selection of health care providers. According to a 2009 poll of 110,000 practicing physicians who were asked about insurance market reforms, only one in 4 responding physicians identified enrolling the uninsured in Medicaid as the best change for patients and physicians, so all Americans can have health insurance and insurance companies are held accountable.[800] Nearly half of physicians in the same poll said government health programs, including Medicaid, are ineffective or very ineffective at responding to the individual needs of patients and empowering physicians and providers to provide quality care. About two-thirds of physicians said increased federal control over health care would decrease their ability to provide high quality care to patients.[801]

Repeals provisions of the law that would grow bureaucracies at the IRS and Department of Health and Human Services' by up to $20 billion.

[795] Richard S. Foster, F.S.A, Chief Actuary, Centers for Medicare & M
the Affordable Care Act on Medicare and Medicaid Outlays and Total
Testimony before the
House Committee on the Budget, January 26, 2011.
http://budget.house.gov/UploadedFiles/fostertestimony1262011.pdf
[796] Gottlieb, Scott, "What Medicaid Tells Us About Government Healt
2009, http://online.wsj.com/article/SB123137487987962873.html.
[797] Gottlieb, Scott, "What Medicaid Tells Us About Government Healt
2009, http://online.wsj.com/article/SB123137487987962873.html.
[798] Heisler, Elayne J., "Infant Mortality Rates," Congressional Research Service, October 14, 2009,
http://coburn.senate.gov/public//index.cfm?a=Files.Serve&File_id=5d0b18f4-af13-4d84-85fd-b44c58895933.
[799] Heisler, Elayne J., "Infant Mortality Rates," Congressional Research Service, October 14, 2009,
http://coburn.senate.gov/public//index.cfm?a=Files.Serve&File_id=5d0b18f4-af13-4d84-85fd-b44c58895933.
[800] Poll Results, "From Sen. Coburn, MD: Your input on Insurance Market Reforms," February 8, 2010,
http://www.sermo.com/results/posts/41286_from_senator_coburn_md_your_input_on_insurance_reform/survey_results.html.
[801] Poll Results, "From Sen. Coburn, MD: Your input on Insurance Market Reforms," February 8, 2010,
http://www.sermo.com/results/posts/41286_from_senator_coburn_md_your_input_on_insurance_reform/survey_results.html.

According to the nonpartisan Congressional Budget Office's estimates, repeal of the health care legislation would "probably reduce the appropriations needed by the Internal Revenue Service by between $5 billion and $10 billion over 10 years, and CBO said "similar savings would accrue to the Department of Health and Human Services."[802]

Reducing Excessive Overhead Costs and Unnecessary Bureaucracy

HHS could save tens of billions of dollars every year by reducing improper payments, modernizing their systems, controlling unnecessary costs, and improving management of resources.

There are a number of cost controls the Department could implement to save hundreds of millions of dollars without reducing or compromising services.

President Obama has proposed cutting $200 million in HHS' administrative budget next year. The Office of Management and Budget (OMB) notes "the Federal Government spends extensive amounts on services or products that may be characterized as administrative or overhead. Over the past five years, spending on certain of these activities has grown substantially." The Obama Administration has directed each agency to cut unnecessary spending and, according to OMB, "agencies are busy putting in place the processes and policies during 2011 that will enable them to realize these savings in 2012."[803]

In addition to the savings recommended by the President, there are a number of specific areas within the departmental management budget of HHS where spending should be reduced.

The office set to receive the greatest proportional growth is the Assistant Secretary for Public Affairs (ASPA). ASPA is essentially the public relations department within HHS that prepares op-eds, speeches, statements, and media outreach materials, coordinates media appearances for Department officials, responds to media requests, manages the HHS web site, and develops media strategies.

ASPA has been funded at $4.8 million in 2010 and 2011 and has 24 full time employees this year. The 2012 budget proposed by HHS for the office is $19.9 million with the staff size expected to nearly double to 46 full time employees.[804] At a time when actual services are being reduced, it is not appropriate for the public relations budget to increase, especially by such an obscene amount. The ASPA budget should be reduced to $4 million.

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[802] Congressional Budget Office, "Letter to the Honorable John Boehner, U.S. Speaker of the House," February 18, 2011. http://www.cbo.gov/ftpdocs/120xx/doc12069/hr2.pdf

[803] "REDUCTION: ADMINISTRATIVE EFFICIENCY INITIATIVE," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 88; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

[804] "Department of Health and Human Services Fiscal Year 2012 Justification of Estimates for Appropriations Committees," Department of Health and Human Services, page 14; http://www.hhs.gov/about/FY2012budget/gdm_cj_fy2012.pdf .

At the same time many services for Americans are being reduced, HHS is seeking to double its public relations staff and dramatically increase its PR budget from $4.8 million to $19.9 million next year.[805]

The office of the Assistant Secretary for Legislation (ASL) is also set to receive a hefty budget increase. The ASL is the "principal advocate before Congress for the Administration's health and human services initiatives" and serves as chief HHS legislative liaison and principal advisor to the Secretary and the Department on Congressional activities."[806] The ASLA budget has been funded at $3.2 million in 2010 and 2011 but is proposed to be $4.9 million in 2012. The Department claims the increase is necessary for "responding to the increased congressional inquiries related to Health Reform as a result of the implementation and review of the legislation." This is an excessive amount and, while allowing for a modest increase, the total amount should be capped at $3.5 million.

HHS departmental management will spend $5,330,000 on printing and reproduction this year. This is a dramatic increase from the $1,794,000 spent in 2010.[807] With more and more information available in electronic format, such an increase in costs is not justifiable and this is an area where costs should be declining, but HHS has projected spending more than $5 million again in 2012. Printing and reproduction costs for departmental management should be capped at $1.8 million.

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[805] "Department of Health and Human Services Fiscal Year 2012 Justification of Estimates for Appropriations Committees," Department of Health and Human Services, page 14; http://www.hhs.gov/about/FY2012budget/gdm_cj_fy2012.pdf .

[806] "Department of Health and Human Services Fiscal Year 2012 Justification of Estimates for Appropriations Committees," Department of Health and Human Services, page 41; http://www.hhs.gov/about/FY2012budget/gdm_cj_fy2012.pdf .

[807] "Department of Health and Human Services Fiscal Year 2012 Justification of Estimates for Appropriations Committees," Department of Health and Human Services, page 15; http://www.hhs.gov/about/FY2012budget/gdm_cj_fy2012.pdf .

Departmental management spending on travel increased 40 percent in a single year, from $5 million in 2010 to $7 million in 2011. [808] The Department expects to spend $7 million again in 2012, but this amount should be capped at $5 million.

Equipment expenditures by the departmental management is projected to more than double from $2.9 million spent in 2010 to more than $6 million expected to be spent in 2012. This amount should be capped at $3.5 million,[809] which is still a generous 20 percent increase.

Supplies and materials costs have jumped from $1.9 million in 2010 to $2.9 million in 2011 and are projected to reach nearly $8 million in 2012.[810] These expenditures should be capped at $2.5 million.

Administration for Children and Families

The Administration for Children and Families (ACF) is responsible for federal programs intended to "promote the economic and social well-being of families, children, individuals, and communities."[811]

The Job Opportunities for Low-Income Individuals program (JOLI) provides grants to foster the economic self-sufficiency of the targeted populations by creating new jobs for low-income individuals.[812] Including JOLI, the federal government administers at least 80 economic development programs and 47 job training programs. President Obama is proposing eliminating JOLI because "the program is duplicative of other job training and low-income support programs" and "has never been evaluated, nor does it have performance measures."[813]

The Rural Community Facilities program provides "training and technical assistance to low-income rural communities in developing and managing affordable, safe water and wastewater treatment facilities."[814] According to the Office of Management and Budget, this program "is duplicative of other wastewater treatment programs in the Department of Agriculture (USDA)

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[808] "Department of Health and Human Services Fiscal Year 2012 Justification of Estimates for Appropriations Committees," Department of Health and Human Services, page 15; http://www.hhs.gov/about/FY2012budget/gdm_cj_fy2012.pdf .
[809] "Department of Health and Human Services Fiscal Year 2012 Justification of Estimates for Appropriations Committees," Department of Health and Human Services, page 15; http://www.hhs.gov/about/FY2012budget/gdm_cj_fy2012.pdf .
[810] "Department of Health and Human Services Fiscal Year 2012 Justification of Estimates for Appropriations Committees," Department of Health and Human Services, page 15; http://www.hhs.gov/about/FY2012budget/gdm_cj_fy2012.pdf .
[811] The Administration for Children and Families website, accessed July 6, 2011; http://www.acf.hhs.gov/acf_about.html .
[812] "TERMINATION: CHILDREN AND FAMILIES SERVICES' JOB DEMONSTRATION PROGRAM," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 15; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .
[813] "TERMINATION: CHILDREN AND FAMILIES SERVICES' JOB DEMONSTRATION PROGRAM," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 15; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .
[814] "FACT SHEET: Rural Community Development," ACF website, accessed June 27, 2011; http://www.acf.hhs.gov/programs/ocs/rf/fact_sheet.html .

and the Environmental Protection Agency (EPA). These agencies have the expertise to manage water treatment programs in rural communities, whereas the Administration for Children and Families administers social service programs." OMB points out "ACF staff does not have the expertise to effectively and efficiently administer a water treatment program." President Obama has proposed the Rural Community Facilities program be eliminated and Congress should end the program.[815]

The Administration for Children and Families at the Department of Health and Human Services "does not have the expertise to effectively and efficiently administer a water treatment program," according to the Office of Management and Budget. Yet, the agency runs a program that assists with the development and management of wastewater treatment facilities.[816]

The Community Economic Development program (CED) provides federal grants to community development corporations for the purpose of supporting "employment and commercial development projects designed to provide economic self-sufficiency for low-income residents and their communities."[817] This mission of this program, which has an annual budget of $36 million, is duplicative of 180 other government development programs, has a very low success rate, and does not fit within the mission or expertise of the Department of Health and Human Services.[818] The Office of Management and Budget notes "economic development is not the primary focus of the Department of Health and Human Services, and recent evidence suggests mixed results for the CED program. According to HHS's most recent report to the Congress,

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[815] "TERMINATION: RURAL COMMUNITY FACILITIES," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 61; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

[816] "TERMINATION: RURAL COMMUNITY FACILITIES," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 61; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

[817] "FACT SHEET: Community Economic Development," ACF website, accessed July 1, 2011; http://www.acf.hhs.gov/programs/ocs/ced/fact_sheet.html .

[818] "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue", Government Accountability Office, March 2011, http://www.gao.gov/new.items/d11318sp.pdf

only one out of five funded projects within the CED program were successful. Three out of five projects were incomplete. One out of five projects was unsuccessful, having been unable to finalize the necessary activities needed to complete a project. Although grants are competitive, many of the same grantees receive funding year after year."[819] Including CED, more than a dozen different federal agencies administer at least 180 economic development programs costing taxpayers about $188 billion annually.[820] President Obama has proposed cutting the CED budget by $16 million.[821] Due to its lack of success, duplicative nature, and inappropriate placement within HHS, CED should be eliminated. Any ongoing grants projects, which have three to five years to complete implementation, and have demonstrated success, shall continue to receive the remaining funding promised as part of the original grant award.

Only one out of five projects funded by the Community Economic Development program were successful. The program duplicates the mission of at least 180 other federal programs.

The Community Service Block Grant (CSBG) program is another grant program providing federal funds to States and territories intended to pay for a variety of services for low-income populations. "Typically, States fund these services by making sub-grants" to other organizations.[822] This, of course, has allowed some grant recipients to award no-bid contracts for pet projects that have little, if anything, to do with aiding the poor. A recent audit in Detroit, for example, found much of a $1.1 million Community Service Block Grant the city received to provide services to low income residents was instead wasted on new furniture for city employees and extra pay for contractors.[823] President Obama's proposed budget calls for cutting CSBG funding by 50 percent, noting CSBG provides funding for the important work of Community Action Agencies, but does not hold these agencies accountable for outcomes.[824] Because this

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[819] "REDUCTION: COMMUNITY ECONOMIC DEVELOPMENT PROGRAM," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 101; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

[820] Drabenstott, Mark, "A Review of the Federal Role in Regional Economic Development," Center for the Study of Rural America & Federal Reserve Bank of Kansas City, May 2005.

[821] "REDUCTION: COMMUNITY ECONOMIC DEVELOPMENT PROGRAM," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 101; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

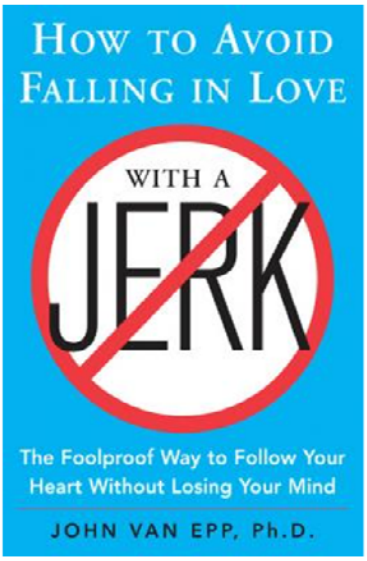
[822] "Community Services Block Grant (CSBG)," ACF website, accessed July 5, 2011; http://www.acf.hhs.gov/programs/fbci/progs/fbci_csbg.html

[823] Darren Nichols, "Detroit's block grant program in disarray," The Detroit News, May 18. 2011; http://detnews.com/article/20110518/METRO01/105180371/Detroit%E2%80%99s-block-grant-program-in-disarray .

[824] "THE BUDGET: DEPARTMENT OF HEALTH AND HUMAN SERVICES, FISCAL YEAR 2012," White House Office of Management and Budget website, accessed July 5, 2011, page 84; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/health.pdf .

program duplicates other federal community development and low income assistance programs and does not provide sufficient accountability or demonstrable results, it should be eliminated.

President Obama has called for the termination of the *Voting Access for Individuals with Disabilities grant program* which promotes access and participation of individuals with disabilities in elections. The Office of Management and Budget notes "States have balances of over $35 million in unexpended funds from prior year appropriations for this program" which can still be used to support this effort next year should resources be needed.[825] This unspent amount is more than twice the size of the program's $17 million annual budget. Because the program's funding has apparently exceeded needs, "almost $1 million in funds lapsed and was returned to the Treasury" at the beginning of the year, according to OMB.[826]



"How to Avoid Falling In Love with a Jerk" is a popular curricula of Healthy Marriage and Responsible Fatherhood Grantees

ACF's *Healthy Marriage Promotion and Responsible Fatherhood Grants* is not an essential program taxpayers should fund. Marriage is the foundation of our society and a sacred institution that should be revered and supported. The federal government can honor, respect and promote the value of marriage in many ways. However, government programs touting marriage are not essential to achieve these noble goals. Rather, the best way for government to promote marriage is to simply not undermine or devalue the institution and respect the rights of parents to care for their children. The program attempts to promote marriage and responsible fatherhood with public advertising campaigns, education in high schools, and marriage counseling for engaged and married couples.[827]

GAO recently reviewed the program and found that it lacked an "effective monitoring system or clear and consistent monitoring guidance" and, as a result, grantees are "at risk of noncompliance with HHS policy or of not meeting performance requirements."[828] According to GAO, HHS "lacks mechanisms to identify and target grantees that are not in compliance with grant requirements or are not meeting performance goals, and it also lacks clear

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[825] "TERMINATION: VOTING ACCESS FOR INDIVIDUALS WITH DISABILITIES GRANTS," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 83; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .
[826] "TERMINATION: VOTING ACCESS FOR INDIVIDUALS WITH DISABILITIES GRANTS," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 83; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .
[827] "Healthy Marriage Promotion and Responsible Fatherhood Grants," Catalog of Federal Domestic Assistance website, accessed July 6, 2011; https://www.cfda.gov/?s=program&mode=form&tab=step1&id=69b53231f092e7407bd5ad74ef0c58f3 .
[828] "HEALTHY MARRIAGE AND RESPONSIBLE FATHERHOOD INITIATIVE: Further Progress Is Needed in Developing a Risk-Based Monitoring Approach to Help HHS Improve Program Oversight (GAO-08-1002)," Government Accountability Office, September 2008, page 30; http://www.gao.gov/new.items/d081002.pdf .

and consistent guidance for performing site monitoring visits."[829] Despite its goals, this program has not proven to be well managed and is simply not necessary. The benefits of marriage should continue to be emphasized in federal wellness efforts, but ACF's Healthy Marriage Promotion and Responsible Fatherhood Grants program should be eliminated.[830]

The Low Income Home Energy Assistance Program (LIHEAP) provides financial assistance to help low-income families offset a portion of their home heating and cooling costs. The program's budget has increased dramatically in recent years as energy prices soared. The Obama Administration has proposed returning LIHEAP spending to $2.57 billion annually.[831] "Reflecting current forecasts for more moderate energy prices in winter 2011-2012," the Obama Administration says "this returns LIHEAP funding to historic levels received for 2008 prior to the energy price spikes."[832] The President's recommendation to return funding to the pre-energy budget should be adopted, saving taxpayers $2.5 billion.

The Centers for Disease Control and Prevention

Two-thirds of all deaths in the United States are the result of just five chronic diseases—heart disease, cancers, stroke, chronic obstructive pulmonary diseases, and diabetes.[833] These and other chronic diseases are not just costing lives, they are costing billions of dollars in medical bills every year. Chronic conditions are the "major factors driving virtually all Medicare spending growth for the past 15 years" according to a study published by the journal *Health Affairs*.[834] The federal government spends billions more treating infectious diseases, some of which have only been recently recognized like HIV/AIDS and hepatitis C. Yet, most of these diseases are largely preventable. As the saying goes, an ounce of prevention is worth a pound of cure. In terms of federal spending, an ounce of prevention could be worth a billion dollars in savings.

The Centers for Disease Control and Prevention (CDC) is the federal agency tasked with "protecting health and promoting quality of life through the prevention and control of disease, injury, and disability."[835] The dramatic increase in the number and cost of preventable

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[829] "HEALTHY MARRIAGE AND RESPONSIBLE FATHERHOOD INITIATIVE: Further Progress Is Needed in Developing a Risk-Based Monitoring Approach to Help HHS Improve Program Oversight (GAO-08-1002)," Government Accountability Office, September 2008, "Highlights" page; http://www.gao.gov/new.items/d081002.pdf .

[830] "HEALTHY MARRIAGE AND RESPONSIBLE FATHERHOOD INITIATIVE: Further Progress Is Needed in Developing a Risk-Based Monitoring Approach to Help HHS Improve Program Oversight (GAO-08-1002)," Government Accountability Office, September 2008, page 16; http://www.gao.gov/new.items/d081002.pdf .

[831] "REDUCTION: LOW INCOME HOME ENERGY ASSISTANCE PROGRAM," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 126; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

[832] "REDUCTION: LOW INCOME HOME ENERGY ASSISTANCE PROGRAM," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 126; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

[833] "The Burden of Chronic Diseases as Causes of Death, United States," CDC website, accessed July 14, 2011; http://www.cdc.gov/nccdphp/burdenbook2004/Section01/tables.htm .

[834] Larry Wheeler, "Obesity, chronic disease drive Medicare costs up," USA Today, August 22, 2006; http://www.usatoday.com/news/washington/2006-08-22-medicare-obesity_x.htm .

[835] "About CDC," CDC website, accessed July 14, 2011; http://www.cdc.gov/about/ .

conditions as well as the emergence of new public health threats such as bioterrorism underscore both the mission and challenges of the CDC.

The agency's essential and often challenging mission is too important to be neglected, even in times of financial austerity. This means ensuring optimal funding while holding the agency accountable for optimal results. CDC can boast success and be faulted with shortcomings. A recent example demonstrating both is the agency's response to the H1N1 outbreak: The agency reacted swiftly but discarded nearly one-third of the 229 million H1N1 vaccine purchased with taxpayer funds.[836]

Like other government agencies, CDC is not always the best steward of taxpayer funds, often times as a result of directives made by Congress. From spending billions of dollars on buildings to spending staff time investigating the media rather than disease outbreaks, CDC management has too often focused on the agency itself rather than its mission. The CDC spent about $1 billion on construction and repairs of its buildings and facilities over a recent five year period.[837] Yet the agency is spending another $400 million to build two multi-story buildings and expand parking lots.[838] After a series of critical press stories, the CDC "generated about 4,000 pages of documents assessing risks to the agency's reputation posed by *The Atlanta Journal-Constitution*'s reporting." The paper "was pursuing stories about morale problems and an exodus of key scientists from the Atlanta-based agency, CDC's chaotic response to Hurricane Katrina, lab animal welfare violations and costly taxpayer-funded construction projects."[839] This type of obsession with the agency's reputation is a waste of staff resources. The agency should be more focused on preventing disease which in turn would most likely help prevent negative news coverage.

A 2007 congressional oversight report, "CDC Off Center," provides a very detailed review of how the agency "spent hundreds of millions of tax dollars for failed prevention efforts, international junkets, and lavish facilities, but cannot demonstrate it is controlling disease."[840] The questionable spending outlined in the report includes hundreds of millions of dollars spent on lavish buildings, an unnecessary new office in Hawaii, $30,000 saunas for CDC employees,

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[836] Rob Stein, "Millions of H1N1 vaccine doses may have to be discarded," The Washington Post, April 1, 2010, Page A1; http://www.washingtonpost.com/wp-dyn/content/article/2010/03/31/AR2010033104201.html?hpid=moreheadlines .

[837] CRS response to Senator Tom Coburn's request, September 2005. FY01-05 CDC construction and repair project expenditures equal $1,044,083,943. FY 2001: $72,609,521; FY 2002: $260,558,270; FY 2003: $83,697,080; FY 2004: $211,778,967; and FY 2005: $269,708,000.

[838] Craig Schneider, "CDC plans $400 million expansion; Plan is to build two 10-story research buildings," The Atlanta Journal-Constitution, August 13, 2009; http://www.ajc.com/news/atlanta/cdc-plans-400-million-115205.html .

[839] Alison Young, "SPOTLIGHT: WATCHING OUT FOR YOUR SAFETY AND POCKETBOOK; CDC sits on documents," The Atlanta Journal-Constitution, April 26, 2009; http://www.ajc.com/metro/content/metro/stories/2009/04/26/spotlight_cdc_documents.html .

[840] "CDC OFF CENTER; A review of how an agency tasked with fighting and preventing disease has spent hundreds of millions of tax dollars for failed prevention efforts, international junkets, and lavish facilities, but cannot demonstrate it is controlling disease," U.S. Senate Committee on Homeland Security and Government Affairs Subcommittee on Federal Financial Management, Government Information, and International Security Minority (Senator Tom Coburn, Ranking Member), June 2007, page 8; http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=f016bd58-8e45-45d4-951a-b6b4d1ef3e70 .

millions of dollars inappropriately awarded to former employees for questionable projects such as $1.7 million for a Hollywood liaison and a quarter of a million dollars for a morale booster, and the misuse of the CDC jet for political purposes.[841] The report also exposed millions of dollars being wasted on questionable and ineffective prevention programs, some with no objectives and others that violated federal guidelines.

Another congressional investigation found CDC could not account for more than $22 million worth of scientific equipment and thousands of other items including $500,000 of new computers.[842] While identifying some areas of waste and mismanagement at CDC, Congress has also contributed to duplication and misplaced priorities at CDC. Currently, CDC is funded through over one hundred appropriation budget lines. This is the result of years of funding decisions being made via earmarks for specific diseases or health conditions favored by Washington politicians, advocacy organizations, and celebrity spokespersons rather than by scientific experts or public health officials. This micromanagement of CDC has created waste, fragmentation, duplication, and mission creep. For example, CDC efforts addressing obesity, climate change, and fire safety as well as collection of data on violence duplicate efforts of other government agencies.

There are over 20 centers and offices comprising CDC. The silos within CDC created by Congress should be reconsidered.[843] The director of the agency should be given the authority to update and consolidate the organization to better reflect and respond to today's public health challenges and needs. A streamlined and updated CDC could be reorganized into five centers:

Office of the Director. Much like NIH, the CDC director should be provided greater flexibility, responsibility and accountability for the overall work of agency. The director should have the ability to respond to emerging threats or new understandings by having the authority to shift resources within and across CDC's centers. In exchange for turning over greater authority to the director, Congress will have to spend less time micromanaging CDC spending and more time conducting oversight of the results of the funding provided.

Health Promotion and Prevention. This center would focus on the leading causes of death and scientifically-proven ways of reducing disease burdens. It could incorporate all of the existing budget lines for health promotion and prevention for behavioral issues such as tobacco; nutrition; physical activity; obesity; visual screening; heart disease; and stroke and cancer . Combining prevention for all behavior-based health issues would encourage more coordinated efforts. A

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[841] "CDC OFF CENTER; A review of how an agency tasked with fighting and preventing disease has spent hundreds of millions of tax dollars for failed prevention efforts, international junkets, and lavish facilities, but cannot demonstrate it is controlling disease," U.S. Senate Committee on Homeland Security and Government Affairs Subcommittee on Federal Financial Management, Government Information, and International Security Minority (Senator Tom Coburn, Ranking Member), June 2007, page 8; http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=f016bd58-8e45-45d4-951a-b6b4d1ef3e70 .

[842] Alison Young, "Report: CDC can't find $22 million in equipment," The Atlanta Journal-Constitution, June 12, 2007; http://www.ajc.com/gwinnett/content/metro/dekalb/stories/2007/06/12/0612cdcequipment.html, Sharon Gaudin, "CDC Lost $22 Million Worth Of Computers And Equipment, Congressmen Charge," InformationWeek, July 13, 2007, http://www.informationweek.com/news/201001314

[843] Center for Disease Control Website, "CDC Organization," http://www.cdc.gov/about/organization/cio.htm.

health awareness campaign for obesity, for example, would also address heart disease, diabetes, and other proper nutrition and exercise.

Disease Surveillance and Epidemiology (Health Statistics). Surveillance and epidemiology are core functions and roles for a public health agency. Unfortunately, CDC's disease surveillance is fractured. For example, the Center for Chronic Disease Prevention and Health Promotion funds the National Lupus Patient Registry and various cancer registries. All surveillance should be collected and processed by one center. The center should create uniform guidelines states could use to collect data.

Global Health. This center could monitor and respond to global outbreaks as well as support international efforts to combat HIV/AIDS, TB, and malaria.

In addition to these broader reforms, there are other areas where savings could be made within CDC's budget without undermining its mission. The "Justification of Estimates for Appropriation Committees" for Fiscal Year 2012 proposed by CDC recommends a number of specific savings that should be adopted: [844]

Public Health Emergency Preparedness Grant Program ($71.6 million). The President's budget includes a $71.6 million reduction in the Public Health Emergency Preparedness (PHEP) Program. The PHEP program will provide nearly $9 billion in funding from 2001-2012. State and local governments play a key role in this area and there are many sources of funding for public health preparedness outside of CDC.

World Trade Center Health Monitoring Program ($70.7 million). The budget includes an elimination of discretionary funding for World Trade Center activities. The World Trade Center Health Program Created by the James Zadroga 9/11 Health and Compensation Act of 2010 will provide substantially more funding and was intended to replace these funds.

Academic Centers for Public Health Preparedness and Advanced Practice Centers ($35.3 million). The administration notes these programs have not demonstrated a large return on investment or significant impact improving public health.

Healthy Homes/Childhood Lead Poisoning Prevention/Asthma ($33 million). The President recommends consolidating the remaining funds for this program into a more comprehensive approach.

Healthy Communities ($22.6 million). There are other community-based programs funded by CDC.

Genomics ($11.6 million). Because of overlap with other federal agencies, the President recommends reducing CDC genomic activities by $11.6 million. CDC can use the reduced funding to focus on implementing applications of genomics to areas of public health importance.

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[844] "Justification of Estimates for Appropriation Committees Fiscal Year 2012," Centers for Disease Control and Prevention; http://tinyurl.com/4tk3oog.

Built Environment ($2.7 million). This program could be eliminated with some of its activities integrated into other CDC community-based programs.[845]

Additionally, CDC could raise some revenues to offset the costs of its museums which cost taxpayers millions of dollars to construct. Admission and parking at CDC's Global Health Odyssey Museum are free.[846] The museum features multi-media installations tracing "the origins and early history of CDC through its expansion into an agency of public health programs emphasizing prevention."[847] The museum also presents other exhibits using artwork intended to communicate wellness messages. Recent features include "**Off the Beaten Path, *which*** presents the work of 28 contemporary artists including Yoko Ono,[848] as well as a series of lounge chairs "making a statement on global obesity and consumption" designed by an Atlanta sculptor.[849] Even if school groups were exempted, asking museum visitors to contribute a small fee of $5 could offset some of the museum costs, allowing more CDC funds to be directed towards disease control efforts.

Charging visitors a nominal fee would offset some of the costs of CDC's Global Health Odyssey Museum which features both health messages as well as the artwork of contemporary artists such as Yoko Ono as well as lounge chairs designed to make a "statement on global obesity and consumption."[850]

Health Resources and Services Administration

The Health Resources and Services Administration (HRSA) is comprised of six bureaus and 13 offices, administers over100 programs, and disperses federal funds to more than 3,000 grantees to provide health care to uninsured people, people living with HIV/AIDS, and pregnant women, mothers and children. HRSA also oversees organ, bone marrow and cord blood donation,

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[845] "Justification of Estimates for Appropriation Committees Fiscal Year 2012," Centers for Disease Control and Prevention; http://tinyurl.com/4tk3oog.
[846] "Visit," CDC website, accessed July 14, 2011; http://www.cdc.gov/museum/visitor.htm .
[847] "Current Exhibits," CDC website, accessed July 14, 2011; http://www.cdc.gov/museum/exhibitions_changing.htm.
[848] "Current Exhibits," CDC website, accessed July 14, 2011; http://www.cdc.gov/museum/exhibitions_changing.htm.
[849] "Mark Wentzel's Eames Lounge Chairs Should Try Atkins," otto, August 18, 2009; http://www.otto-otto.com/2009/08/mark-wentzels-eames-lounge-chairs-should-try-atkins/ .
[850] "Mark Wentzel's Eames Lounge Chairs Should Try Atkins," otto, August 18, 2009; http://www.otto-otto.com/2009/08/mark-wentzels-eames-lounge-chairs-should-try-atkins/ .

supports bioterrorism preparation programs, and maintains databases that protect against health care malpractice and health care waste, fraud and abuse. [851]

The federal government spends approximately $25 billion a year on HIV/AIDS, yet thousands of Americans living with the disease are on waiting lists for life saving treatment provided by government programs.[852] Millions of dollars intended to assist patients have been lost to fraud. Additionally, the federal government overpays pharmaceutical companies millions of dollars every month at the same time AIDS drug programs are enacting formulary restrictions due to funding shortages. Better management of these programs and targeting of resources could ensure more patients receive the care they need at a lower price to taxpayers.

While Medicare and Medicaid collectively spend nearly $10 billion a year to provide health care for Americans living with HIV/AIDS,[853] the Ryan White Comprehensive AIDS Resources Emergency (CARE) Act is the federal government's single largest HIV/AIDS specific program. The CARE Act, with a budget of $2.2 billion, serves more than half a million HIV/AIDS patients, providing a range of services from doctors visits, medication and treatment to housing, transportation, and other forms of assistance. [854] [855] The availability of life saving drugs has transformed HIV from a terminal disease into a chronic disease for many. Yet, more than 8,500 Americans living with HIV/AIDS are on waiting lists for drugs provided by the CARE Act's AIDS Drug Assistance Program (ADAP).[856] Thousands of others with the disease are facing restrictions on drug formularies.

There are a number of reforms that could be implemented to ensure increased access to life saving treatments while reducing the cost of HIV/AIDS programs. First, at least 80 percent of funds provided by HRSA administered programs should be required to be spent on drugs and primary medical care and treatment (currently 75 percent is directed towards medical care). Other support services may be helpful but none have the same life or death impact as access to AIDS drugs.

Title I of the CARE Act mandated Eligible Metropolitan Areas (EMAs) establish a planning council to steer decision making by local governments in the disbursement of federal funds while such planning councils are optional for Transitional Grant Areas (TGAs). While localities should maintain the prerogative to use planning councils, local rather than federal funds should

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[851] "About HRSA," Health Resources and Services Administration website, July 6, 2011; http://www.hrsa.gov/about/index.html .
[852] Judith Johnson, "RL30731 -- AIDS Funding for Federal Government Programs: FY1981-FY2009," Congressional Research Service, April 23, 2008, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL30731&Source=search.
[853] Judith Johnson, "RL30731 -- AIDS Funding for Federal Government Programs: FY1981-FY2009," Congressional Research Service, April 23, 2008, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL30731&Source=search.
[854] "Funding," HRSA HIV/AIDS Programs website, accessed July 5, 2011; http://hab.hrsa.gov/data/reports/funding.html .
[855] "2008 State Profiles," HRSA HIV/AIDS Programs website, accessed July 5, 2011; http://hab.hrsa.gov/stateprofiles/.
[856] "ADAP Watch," National Alliance of State & Territorial AIDS Directors, June 24, 2011; http://www.nastad.org/Files/112517_ADAP%20Watch%20update%20-%207.8.11.pdf.

support the councils. This will ensure a greater amount of federal funds may be directed to care and treatment rather than consumed by meetings and administration.

The CARE Act contains a provision, known as the "hold harmless" provision, that ensures a single jurisdiction receives CARE Act funding based, in part, upon dead AIDS cases. "The San Francisco EMA continues to be the only urban area whose formula funding is based on both living and deceased AIDS cases," according to GAO. "All other EMAs received formula funding based on an estimate of the number of living AIDS cases."[857] It is outrageous to steer federal AIDS funds to the dead at the same time patients are dying on government waiting lists for AIDS drugs. This AIDS earmark for San Francisco should be eliminated with any funds that would have been distributed based upon dead patients redirected into ADAP.

HRSA overpays pharmaceutical companies millions of dollars every month. Both the HHS Office of Inspector General (OIG) and the GAO have issued reports calling attention to this costly problem. "Section 340B of the Public Health Service Act (PHS Act) established the 340B Drug Pricing Program (340B Program), which requires pharmaceutical manufacturers to charge at or below statutorily defined prices, known as the 340B ceiling prices, to qualified entities (340B entities), including community health centers, public hospitals, and various Federal grantees," according to the OIG.[858] "Since 340B ceiling prices are based on confidential pricing data, they are not disclosed to 340B entities, leaving the entities unable to determine if the prices they pay are higher than the 340B ceiling prices.

The Health Resources and Services Administration (HRSA) is responsible for monitoring compliance with the 340B Program. Previous Office of Inspector General (OIG) studies have determined that HRSA does not systematically ensure that entities receive the prices to which they are entitled." In fact, "14 percent of total purchases made by 340B entities exceeded the 340B ceiling prices, resulting in total overpayments of $3.9 million" in a single month![859]

All of the 25 ADAPs that used the 340B direct purchase option to buy HIV/AIDS drugs paid prices higher than the 340B prices, according to GAO. Three paid prices that were higher than the 340B price for at least 8 of the 10 drugs reviewed.[860] "The 340B prices are not disclosed to ADAPs, but participating manufacturers agree to sell at the 340B prices," according to GAO. "HRSA is responsible for

HRSA is overpaying pharmaceutical companies nearly $4 million a month for drugs provided by some federal health programs.

[857] "Ryan White Care Act: Impact of Legislative Fundir
Office letter to congressional requesters, October 5, 200
[858] "REVIEW OF 340B PRICES (OEI-05-02-00073),"
Inspector General, July 2006; http://oig.hhs.gov/oei/rep
[859] "REVIEW OF 340B PRICES (OEI-05-02-00073),"
Inspector General, July 2006; http://oig.hhs.gov/oei/rep
[860]"RYAN WHITE CARE ACT: Improved Oversight N
Best Prices for Drugs (GAO-06-64)," Government Acc
http://www.gao.gov/new.items/d06646.pdf .

monitoring whether ADAPs obtain the best prices available for drugs, GAO notes, "however, HRSA does not routinely determine whether the prices ADAPs report are no higher than the 340B prices."[861] If HRSA is incapable of ensuring taxpayers are not being overcharged and drug companies continue to overbill, 340B entities should be provided the 340B prices to verify the cost themselves.

The Health Care Facilities and Construction program "provides congressional-directed funds to health facilities for construction-related activities and/or capital equipment purchases" and "funding is limited to earmarked entities."[862] A moratorium has been imposed on congressional-directed projects, also known as earmarks. As a result, the projects funded by this program will no longer be designated by Congress, making it obsolete. Federal funding for construction of health care facilities would still be available as 29 other programs administered by eight federal agencies support non-residential buildings and facilities construction, according to the Office of Management and Budget.[863] President Obama has proposed eliminating this program[864] and it is not funded in the current fiscal year. The program should be ended.

The Delta Health Initiative provides funding for health care projects in the Mississippi Delta, "including but not limited to access to care, economic development, health education, research and workforce development."[865] This program is essentially an earmark for a particular region. Congress has enacted a moratorium on earmarks, meaning this program should no longer be eligible for federal funding. The Delta Health Initiative funds projects only in Mississippi and the "projects are not subject to a competitive or merit-based process," according to the Office of Management and Budget, which also notes "there are other sources of funding in the Federal Government that can accomplish these goals." President Obama has proposed eliminating this program.[866] The program should be ended.

The Obama Administration has called for the termination of the *State Health Access Program* because the goals of the program will be met by other federal programs.[867] The bill creating the

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[861] "RYAN WHITE CARE ACT: Improved Oversight Needed to Ensure AIDS Drug Assistance Programs Obtain Best Prices for Drugs (GAO-06-64)," Government Accountability Office, April 2006; http://www.gao.gov/new.items/d06646.pdf .

[862] "The Health Care and Other Facilities (HCOF) Construction Program," HRSA website, accessed June 27, 2011; http://www.hrsa.gov/HCOFConstruction/index.html .

[863] "HEALTH RESOURCES AND SERVICES ADMINISTRATION (3 TERMINATIONS)," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 36; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

[864] "HEALTH RESOURCES AND SERVICES ADMINISTRATION (3 TERMINATIONS)," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 36; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

[865] TERMINATION: STATE HEALTH ACCESS GRANTS," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf

[866] "HEALTH RESOURCES AND SERVICES ADMINISTRATION (3 TERMINATIONS)," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 36; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

[867] "TERMINATION: STATE HEALTH ACCESS GRANTS," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 72; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

State Health Access Program was actually signed by President Obama in 2009.[868] This program, with an annual budget of $74 million, provides grants to States to expand access to health care coverage for uninsured populations.[869] HHS is already distributing $5 billion through other initiatives to states to support high risk pool programs.[870]

The Rural Access to Emergency Devices program was created in 2002 to provide federal funding to rural communities to purchase automated external defibrillators (AEDs). According to the Office of Management and Budget, "much of the demand for these medical devices has been met through prior grants and future demand can be met through other rural health activities in HRSA. Moreover, costs of defibrillators have become more affordable in the last ten years from over $10,000 to under $2,000 today." President Obama has called for the elimination of the Rural Access to Emergency Devices program and Congress should end it.[871]

The Adolescent & Young Adult Health Program collects and disseminates information relevant to the health, safety, development, and social and economic well-being of young people between the ages of 10 and 24. This includes analyzing the effects of public policies and regulations, assisting state develop strategies for improving measurable health, safety and developmental outcomes, and supporting "a national membership association to assist its members and affiliates in developing improved approaches for delivering adolescent and young adult public health programs at the state level."[872] While these goals are noble, these activities are duplicative of a number of other HHS agencies, including the Centers for Disease Control and Prevention (CDC), the Eunice Kennedy Shriver ***National Institute of Child Health*** and Human Development (NICHD), and other HRSA programs such as the Leadership Education in Adolescent Health (LEAH) Training Program. This program should be eliminated with any essential ongoing projects and initiatives consolidated within the most appropriate program at CDC or NICHD.

The Safety Promotion and Injury & Violence Prevention program "promotes infant, child and adolescent safety through training and technical assistance to States and other organizations. It assures that the appropriate evidence-based resources are available to end users for application in prevention efforts throughout their diverse environments."[873] This largely duplicates the role and mission of CDC's National Center for Injury Prevention and Control which lead's federal injury and violence prevention efforts.[874] CDC's Striving to Reduce Youth Violence Everywhere is a national initiative, "which takes a public health approach to preventing youth violence before it starts," providing the latest information and tools, effective strategies based upon the best

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[868] "State Health Access Program," HRSA website, accessed July 1, 2011; http://www.hrsa.gov/statehealthaccess/ .
[869] "Justification of Estimates for Appropriation Committees Fiscal Year 2012," Health Resources and Services Commission, http://www.hrsa.gov/about/budget/summarybudgetjust2012.pdf.
[870]"Fact Sheet – Temporary High Risk Pool Program," HHS website, accessed July 1, 2011; http://www.hhs.gov/ociio/initiative/hi_risk_pool_facts.html .
[871] "TERMINATION: SMALL CATEGORICAL GRANTS (3 TERMINATIONS)," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 67; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .
[872]"Adolescent & Young Adult Health Program," HRSA Maternal and Child Health website, accessed July 5, 2011; http://mchb.hrsa.gov/programs/adolescents/index.html .
[873] "Injury & Violence Prevention and Safety Promotion," HRSA Maternal and Child Health website, accessed July 6, 2011; http://mchb.hrsa.gov/programs/injuryprevention/index.html .
[874] *"Injury Prevention & Control," CDC website, accessed July 6, 2011; http://www.cdc.gov/injury/overview/* .

available evidence, training and technical assistance, and connections to other communities.[875] HRSA's Safety Promotion and Injury & Violence Prevention program also duplicates other HRSA programs such as the Healthy Child Care America program which disseminates information related to injury prevention.[876] The National Institutes of Health also provides resources on injuries[877] and violence.[878]

Promoting safety and prevention violence are important missions, but duplicative efforts only waste limited resources on overlap and redundancy without improving outcomes. The Safety Promotion and Injury & Violence Prevention program at HRSA should be eliminated and any ongoing programs that have proven to be effective reassigned to the appropriate other program that addresses these issues.

Implement Health Care Terminations from President Obama's FY2012 Budget

President Obama has proposed eliminating a number of other programs in HRSA and other agencies at the U.S. Department of Health and Human Services.[879] These recommendations should be adopted.

The Department of Health and Human Services has an *Adolescent Family Life Program* that may be unnecessary based on other available resources. Efforts to encourage teen pregnancy prevention and providing quality prenatal care to teen mothers and families are already addressed through other funding federal, state, and non-governmental funding streams. This duplicative effort should be ended.[880] Eliminating this program saves taxpayers $17 million annually.

The Department of Health and Human Services should not be operating *Agriculture, Forestry, and Fishing Program*; such a program duplicates other federal programs. Furthermore, according to the President's FY2012 budget:

> "the National Academies stated that the Agriculture, Forestry, and Fishing (AFF) Program lacked a single cohesive vision to drive the research agenda and that the lack of consistent leadership, long-term strategic planning, and periodic review of that course led to a piecemeal approach to the research that appeared disjointed more often than not. The National Academies also stated that the AFF Program has not always focused on the most appropriate cases and that workers have not accepted the majority of research contributions."

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[875] Striving to Reduce Youth Violence Everywhere website, accessed July 6, 2011; http://www.safeyouth.gov/Pages/Home.aspx .
[876] "Programs A-Z," HRSA Maternal and Child Health website, accessed July 6, 2011; http://mchb.hrsa.gov/AZ/azdescriptions.html .
[877] "Injuries and Wounds," NIH website, accessed July 6, 2011; http://health.nih.gov/category/InjuriesandWounds .
[878] "Children and Violence," NIH website, accessed July 6, 2011; http://www.nimh.nih.gov/health/topics/child-and-adolescent-mental-health/children-and-violence.shtml .
[879] "TERMINATION: CHILDREN'S HOSPITAL GRADUATE MEDICAL EDUCATION PAYMENT PROGRAM," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 16; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .
[880] Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 9. http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf

Additionally, the study found that "there was little evidence that the research activities, outputs, and intermediate outcomes contributed to the stated end outcomes of reducing workplace injury and illness."[881] Eliminating this program saves taxpayers $23 million annually.

Taxpayers subsidize a *Children's Hospital Graduate Medical Education Payment Program,* despite spending billions on graduate medical education in other programs. As the President's FY2012 budget noted, Congress appropriated $318 million for the Children's Hospital Graduate Medical Education (CHGME) payment program in 2010, which provides a taxpayer-funded subsidy to certain children's hospitals. The proposal eliminates this subsidy, but taxpayers will continue to fund medical education in through other sources.[882] Eliminating this program saves taxpayers $318 million over a decade.

The President's FY2012 budget explains that *Education Research Centers Program (ERCs)* were "created in the mid-1970s to provide seed money for academic institutions to develop or expand occupational health and safety training programs for specialists currently practicing in the field." [883] The world has changed dramatically in the last decades, and the program has outlived its original mission. The President's budget says that National Institute for Occupational Safety and Health "has met the goal as originally intended for this program," noting that in 2000, there were an estimated 175 occupational and safety health programs across the United States. Terminating this program saves taxpayers $25 million each year.

In 2010, the Congress appropriated taxpayer money for unrequested local health projects, including $10 million to the *Denali Commission* that funds construction of health facilities in Alaska. [884] The President's FY2012 budget pointed out that a GAO report "identified 29 other programs across eight Federal agencies that support non-residential buildings and facilities construction,"[885] and concluded that "meritorious projects should be able to receive funding under a competitive process."

According to the President's FY2012 budget, the *Preventive Health and Health Services Block Grant* (PHHSBG) "currently funds 265 separate activities" yet "is less than one percent of State budgets."[886] The budget explains that "when PHHSBG was first authorized in 1981, there were minimal resources within CDC's budget allocated for categorical programs such as heart disease, diabetes, immunizations, and obesity and many States did not receive funding from CDC to support prevention of Chronic disease." However, since that time, CDC spending has ballooned

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[881]Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 10. http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf
[882] Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 16. http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf
[883] Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 23. http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf
[884]Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 36. http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf
[885] Government Accountability Office, Multiple Federal Programs Fund Similar Economic Development Activities, GAO/RCED/GGD-00-220, September 2000.
[886] Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 55. http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf

and PHHSBG funds are not a significant percentage of State budgets compared to other sources of federal health care funding.[887]

The President's 2012 Budget removes funding from health workforce activities including *Allied Health and Other Disciplines* and *Patient Navigators.* Allied Health spending has outlived its usefulness since its creation, since research protocols have been developed from the funding focused on the treatment of lower back pain. The President's budget notes there is "no performance data associated" with the Patient Navigator program.[888]

Both the *Racial and Ethnic Approaches to Community Health (REACH) program* and the *Healthy Communities program* support small-scale community-based approaches to improve health in communities, health care settings, schools, and work sites. Community-based approaches should be developed and funded at the community—not federal—level. And, as the President's 2012 Budget notes, though "some of these activities may have improved health outcomes in some settings, there have been no overall health outcome measures for these activities and they have not been scalable at the national level."[889] These programs should be eliminated.

The President's FY2012 Budget calls for a reduction of *the Developmental Disabilities Projects of National Significance* "so that resources can be preserved in priority programs with a stronger track record."[890] The Budget specifically notes that "Many projects supported by this program in recent years were not measured or evaluated, reached only a few families, and were not scalable or sustainable." Eliminating this program saves taxpayers more than $140 million over a decade.

National Institutes for Health

The National Institutes of Health (NIH) is regarded as the nation's premier medical research agency. NIH is composed of 27 Institutes and Centers which focus on specific research agendas or particular diseases or body systems. NIH has an annual budget of $31 billion budget.[891] Spending by NIH nearly tripled from 1997 to 2010, according to the Congressional Budget Office (CBO).[892] In addition, the stimulus program provided an additional $10.4 billion to NIH.[893] Under this plan, NIH will serve an even greater role as it will assume the federal research projects being conducted by other federal agencies that duplicate NIH's mission.

[887] Fiscal Year 2012 Terminations, F
Management and Budget, page 55. h
[888] Fiscal Year 2012 Terminations, F
Management and Budget, page 67. h
[889] Fiscal Year 2012 Terminations, F
Management and Budget, page 68. h
[890] Fiscal Year 2012 Terminations, F
Management and Budget, page 105 h
[891] Judith A. Johnson and Pamela W.
Congressional Issues," Congressiona
[892] Judith A. Johnson and Pamela W.
Congressional Issues," Congressiona
[893] Judith A. Johnson and Pamela W.
Congressional Issues," Congressiona

Spending by the National Institutes of Health, the nation's premier medical research agency, nearly tripled from 1997 to 2010. The agency's role and budget will continue to increase under this proposal.

A number of other agencies across the government, including the Department of Defense, are replicating research conducted by NIH. Because of its leading role in medical research, these efforts should be consolidated within NIH to ensure improved coordination while reducing unnecessary spending for duplicative overhead and administration costs. The result will be greater resources for actual research that is better coordinated. Unlike other federal agencies that will experience funding reductions, NIH would continue to receive an annual funding increase of one percent under this proposal.

Because scientists are more qualified to determine what research holds the most promise and which grant applications have the most merit, NIH largely determines its own scientific funding priorities and should continue to do so. It is the responsibility of Congress, however, to conduct oversight on NIH spending to ensure the significant resources U.S. taxpayers are providing to the agency are being spent wisely.

The Congressional Budget Office (CBO) argues a more modest increase in annual NIH funding could have positive impacts, including "increased efficiencies" with "more careful focus on priorities that will provide the greatest benefits" and "some costs could probably be reduced or eliminated without harming high-priority research."[894] Without question, there are hundreds of millions of dollars being spent by NIH and other federal research agencies that could be more wisely spent to get better returns for taxpayers at a lower price.

NIH has awarded an $11,315,226 contract earlier this year for conference and logistic support services.[895] While scientific gatherings do have value for the exchange of ideas and data, this is an excessive amount for a single agency. This amount should be reduced to $8.5 million and NIH should make greater efforts to utilize teleconferencing and other technologies that allow for information sharing.

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[894] "Reduce or Constrain Funding for the National Institutes of Health," REDUCING THE DEFICIT: SPENDING AND REVENUE OPTIONS, Congressional Budget Office, March 2011; page 121; http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf .

[895] "R--Scientific Conference, Scientific Logistic Support & Other Support Services for the NIDDK," Solicitation Number NIHLM2010036, Federal Business Opportunities website, date posted February 25, 2011; https://www.fbo.gov/?s=opportunity&mode=form&id=0b29b4ef548b9f62c468242adad5b246&tab=core&_cview=1 .

NIH is paying more than $11.3 million for meetings and conferences this year.

The National Center for Complementary and Alternative Medicine (NCCAM) was established by Congress in 1999 to support research of complementary and alternative medicine (CAM), which is "interventions, practices, products, or disciplines that are not generally considered part of conventional medicine"[896] Americans spend $34 billion a year on a range of alternative therapies, such as herbs and yoga classes, according to research conducted by NIH with CDC.[897]

However, this center was not created at the request of NIH or the scientific community, but rather by a number of influential politicians who used alternative medicine. "That is opposite how other National Institutes of Health agencies work, where scientific evidence or at least plausibility is required to justify studies, and treatments go into wide use after there is evidence they work — not before," pointed out an Associated Press investigative story which examined the impact of NCCAM.[898] After spending $2.5 billion over ten years

The National Center for Complementary and Alternative Medicine at NIH is studying "whether brain waves emitted from a special 'master' can help break cocaine addiction," along with a number of other questionable alternative practices considered "nonsense" by some scientific experts.

[896] "Mission," National Center for Complementary and
http://www.nih.gov/about/almanac/organization/NCCA
[897] Liz Szabo, "Americans spend $34 billion a year on a
http://www.usatoday.com/news/health/2009-07-30-alte
[898] Marilynn Marchione, "AP IMPACT: $2.5B spent, no alternative med cures," Associated Press, June 10, 2009; http://seattletimes.nwsource.com/html/health/2009322791_apusmedunprovenremediesresearch.html?syndication=rss .

studying herbal and other alternative health remedies to determine which ones work, "the disappointing answer seems to be that almost none of them do," the AP analysis found. "All proved no better than dummy pills in big studies funded by the National Center for Complementary and Alternative Medicine. The lone exception: ginger capsules may help chemotherapy nausea.

As for therapies, acupuncture has been shown to help certain conditions, and yoga, massage, meditation and other relaxation methods may relieve symptoms like pain, anxiety and fatigue. However, the government also is funding studies of purported energy fields, distance healing and other approaches that have little if any biological plausibility or scientific evidence.

Taxpayers are bankrolling studies of whether pressing various spots on your head can help with weight loss, whether brain waves emitted from a special 'master' can help break cocaine addiction, and whether wearing magnets can help the painful wrist problem, carpal tunnel syndrome."[899] The NCCAM Director, Dr. Josephine Briggs, "conceded there were no big wins from its first decade, other than a study that found acupuncture helped knee arthritis" but "that finding was called into question when a later, larger study found that sham treatment worked just as well."[900] This institute should be eliminated with any promising studies reassigned to another appropriate NIH center.

The National Cancer Institute (NCI), established in 1937, conducts and supports research to identify, prevent, control, and better treat cancer. NCI's budget this year is more than $5 billion.[901] While more than $100 billion has been spent by NCI over the last four decades, as *The New York Times* reported, "the fight against cancer is going slower than most had hoped, with only small changes in the death rate in the almost 40 years since it began."[902] *The New York Times* notes "one major impediment, scientists agree, is the grant system itself. It has become a sort of jobs program, a way to keep research laboratories going year after year with the understanding that the focus will be on small projects unlikely to take significant steps toward curing cancer."[903]

For example, NCI awarded a $100,000 grant for a study to determine if those most tempted by tasty foods have the most difficulty staying on a diet. The principal investigator "said he realized it would hardly cure cancer." "Another study will assess a Web-based program that encourages families to choose more healthful foods. Many other grants involve biological research unlikely

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[899] Marilynn Marchione, "AP IMPACT: $2.5B spent, no alternative med cures," Associated Press, June 10, 2009; http://seattletimes.nwsource.com/html/health/2009322791_apusmedunprovenremediesresearch.html?syndication=rss .

[900] Marilynn Marchione, "AP IMPACT: $2.5B spent, no alternative med cures," Associated Press, June 10, 2009; http://seattletimes.nwsource.com/html/health/2009322791_apusmedunprovenremediesresearch.html?syndication=rss .

[901] Judith A. Johnson and Pamela W. Smith, "The National Institutes of Health (NIH): Organization, Funding, and Congressional Issues," Congressional Research Service, June 27, 2011.

[902] Gina Kolata, "Grant System Leads Cancer Researchers to Play It Safe," New York Times, June 28, 2009; http://www.nytimes.com/2009/06/28/health/research/28cancer.html?pagewanted=print

[903] Gina Kolata, "Grant System Leads Cancer Researchers to Play It Safe," New York Times, June 28, 2009; http://www.nytimes.com/2009/06/28/health/research/28cancer.html?_r=3&ref=instapundit .

to break new ground."[904] Dr. Raynard Kington, who served as acting director of the National Institutes of Health, acknowledges "the system probably provides disincentives to funding really transformative research."[905]

Dr. Otis W. Brawley, who served in numerous roles at NCI, believes cancer research is too cautious and "the problem of getting money for imaginative but chancy proposals had worsened in recent year," in part, because "there are more scientists seeking grants — they surged into the field in the 1990s when the National Institutes of Health budget doubled."[906]

NCI will be entrusted with taking over cancer research currently being conducted by the Department of Defense. To ensure greater progress over the next decade, NCI should place a greater emphasis on transformative research that may be riskier, but also holds greater potential of unlocking greater mysteries rather than steering funds towards lower priority studies such as the temptation of tasty foods.

The National Cancer Institute will assume a greater role in directing federal research dollars, and therefore must place a greater emphasis on transformative research rather than continuing to explore less important questions, such as if those most tempted by tasty foods have difficulty sticking to a diet.

To be fair, NCI is not the only NIH component that has squandered money on studies and projects with no obvious health benefits. The National Institute of Alcohol Abuse and Alcoholism is spending $2.6 million to train Chinese prostitutes to drink responsibly on the job,[907] the National Institute of Child Health and Human Development is spending almost a half-

[904] Gina Kolata, "Grant System Leads Cancer Researchers to Play It Safe," New York Times, June 28, 2009; http://www.nytimes.com/2009/06/28/health/research/28cancer.html?_r=3&ref=instapundit .
[905] Gina Kolata, "Grant System Leads Cancer Researchers to Play It Safe," New York Times, June 28, 2009; http://www.nytimes.com/2009/06/28/health/research/28cancer.html?_r=3&ref=instapundit .
[906] Gina Kolata, "Grant System Leads Cancer Researchers to Play It Safe," New York Times, June 28, 2009; http://www.nytimes.com/2009/06/28/health/research/28cancer.html?_r=3&ref=instapundit .
[907] Edwin Mora, "U.S. Will Pay $2.6 Million to Train Chinese Prostitutes to Drink Responsibly on the Job," CNSNews.com, May 12, 2009; http://www.cnsnews.com/node/47976 .

a-million dollars to study why men don't like to wear condoms,[908] the National Institute of Mental Health financing research into parent's preference for trendy baby names,[909] the National Heart, Lung, and Blood Institute sponsors an annual fashion show,[910] and the National Institute of Allergy and Infectious Diseases has spent millions of dollars over the past decade on "HIV Vaccine Awareness Day," [911] even though there is no HIV vaccine that exists to be aware of and most researchers do not expect one to be developed anytime soon. These and other lower priority projects should be canceled. The result would be savings for taxpayers and more funding for scientists to invest in transformative scientific research.

NIH research identified these as the 50 most popular baby names in 2008.[912] While the findings may be interesting to some, NIH could ask less from taxpayers while providing more for scientists by investing in more transformative scientific research.

Like any other long established bureaucracy, NIH could realize additional savings with simple restructuring that focused on consolidating duplicative and overlapping missions. ***Michael Crow, a former professor of science policy at Columbia University*** notes "despite its

[908] "NIH Funds $423,500 Study of Why Men Don't Like to Use Condoms," FOX News, June 19, 2009; http://www.foxnews.com/politics/2009/06/19/nih-funds-study-men-dont-like-use-condoms/ .
[909] Sharon Jayson, "Study: U.S. parents respond quickly to trendy baby names," USA Today, October 13, 2009; http://www.usatoday.com/news/health/2009-10-13-baby-names_N.htm .
[910] "The Heart Truth® drives awareness throughout American Heart Month," The National Heart, Lung, and Blood Institute website, accessed June 30, 2011; http://www.nhlbi.nih.gov/educational/hearttruth/ .
[911] "National HIV Vaccine Awareness Day," National Institute of Allergy and Infectious Diseases website, May 18, 2011; http://www.niaid.nih.gov/news/newsreleases/2011/Pages/HVAD2011.aspx .
[912] Sharon Jayson, "Study: U.S. parents respond quickly to trendy baby names," USA Today, October 13, 2009; http://www.usatoday.com/news/health/2009-10-13-baby-names_N.htm .

remarkable contributions to fundamental research, the NIH remains a fragmented bureaucracy."[913]

Streamlining and updating the structure of NIH to better reflect today's health care needs and scientific understandings would ensure better targeting of research dollars. There is no shortage of duplication that should be addressed. Twenty-seven NIH components, for example, are involved with obesity research[914] as are other HHS agencies, such as CDC, and agencies within other Departments, such as the National Institute of Food and Agriculture at the U.S. Department of Agriculture. The National Institute on Alcohol Abuse and Alcoholism (NIAAA) focuses on alcoholism and related problems while the National Institute on Drug Abuse (NIDA) addresses drug abuse and addiction. The two institutes should be consolidated into a single National Institute on Addiction and Substance Abuse to better address these very similar and often overlapping fields. NIH has an Office of AIDS Research (OAR) but NIH calls the National Institute of Allergy and Infectious Diseases (NIAID) "the leading U.S. government institute for HIV/AIDS research."[915] Even the name of the Office of AIDS Research is outdated. In 1988, the same year OAR was established, the first Presidential Commission on the Human Immunodeficiency Virus Epidemic issued a report concluding "the term 'AIDS' is obsolete. 'HIV infection' more correctly defines the problem."[916] The essential activities conducted by OAR should be consolidated into NIAID, which should direct and coordinate the federal government's HIV/AIDS research.

There are three separate HIV/AIDS advisory panels at NIH. The AIDS Research Advisory Committee (ARAC), the AIDS Vaccine Research Subcommittee (AVRS), and the Strategic Working Group (SWG).[917] While each may provide input and guidance when setting scientific priorities, the three groups should be consolidated into a single HIV/AIDS Research Advisory Committee.

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[913] *Michael M. Crow*, "Growing a better NIH; A radical way to fix the nation's medical-research establishment," The Boston Globe, June 19, 2011; http://articles.boston.com/2011-06-19/bostonglobe/29677537_1_nih-medical-research-health-care/4 .

[914] *Michael M. Crow*, "Growing a better NIH; A radical way to fix the nation's medical-research establishment," The Boston Globe, June 19, 2011; http://articles.boston.com/2011-06-19/bostonglobe/29677537_1_nih-medical-research-health-care/5 .

[915] "NIAID's HIV/AIDS Research Program," NIAID website, accessed June 29, 2011; http://www.niaid.nih.gov/topics/hivaids/Pages/Default.aspx .

[916] "Report of the Presidential Commission on the Human Immunodeficiency Virus Epidemic," The Presidential Commission on the Human Immunodeficiency Virus Epidemic, Executive summary page XVII, June 24, 1998.

[917] "HIV/AIDS Advisory Committees," NIAID website, accessed July 6, 2011; http://www.niaid.nih.gov/topics/hivaids/research/pages/advisorygroups.aspx .

The Office of AIDS Research focuses on "scientific, budgetary, legislative, and policy elements"[918] of HIV research, but the National Institute of Allergy and Infectious Diseases is regarded as "the leading U.S. government institute for HIV/AIDS research."[919] These programs should be consolidated to improve coordination and eliminate wasteful redundancy for which taxpayers are paying.

Office of the Assistant Secretary for Health

The Office of the Assistant Secretary for Health (ASH) oversees 14 core public health offices and 10 regional health offices across the nation, and 10 Presidential and Secretarial advisory committees. The offices overseen by the ASH include the Office of the Surgeon General and the U.S. Public Health Service Corps.[920]

Because the Surgeon General has often been the most visible and respected public health official within the federal government, this position should assume the role of the ASH. This would effectively consolidate both roles, thereby eliminating the current ASH position.

Two separate entities addressing HIV/AIDS policy fall under the supervision of the ASH. Because the Office of HIV/AIDS Policy (OHAP) is responsible for coordinating HIV/AIDS policies, programs, and activities, the Presidential Advisory Council on HIV/AIDS (PACHA) should be eliminated. PACHA has no authority to direct any program. It does provide a forum to discuss and debate issues related to HIV/AIDS but its visibility and impact have lessened considerably in recent years. Perhaps no other advocacy groups are more effective or vocal than HIV/AIDS activists, further making PACHA obsolete and unnecessary.

The Office of Disease Prevention and Health Promotion (ODPHP) within the office of the ASH develops and coordinates national disease prevention and health promotion activities. This mission duplicates the role of the more premier federal prevention and health promotion agency, the Centers for Disease Control and Prevention, as well as other agencies and programs. It should be eliminated with any effective ongoing projects reassigned to the CDC for completion.

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[918] "Welcome to the NIH Office of AIDS Research," Office of AIDS Research website, accessed June 29, 2011; http://www.oar.nih.gov/ .

[919] "NIAID's HIV/AIDS Research Program," NIAID website, accessed June 29, 2011; http://www.niaid.nih.gov/topics/hivaids/Pages/Default.aspx .

[920] Office of the Assistant Secretary for Health website, accessed July 6, 2011; http://www.hhs.gov/ash/ .

Family Planning, Teen Pregnancy Prevention, Reproductive Health Programs/Agencies

Multiple offices and agencies within the federal government administer a variety of programs providing family planning and pregnancy prevention services and various forms of contraception and sex education.

These programs include Medicaid Family Planning (Title XIX of the Social Security Act), Title X Family Planning, the Maternal and Child Health block grant (Title V of the Social Security Act), the Temporary Assistance for Needy Families (TANF) block grant (Title IV-A of the Social Security Act), the Title XX Social Services block grant, and several other HHS programs. "Over the past two decades, Medicaid has played a central and growing role in financing and providing access to family planning services for low-income women," according to the Kaiser Family Foundation, in part because "federal law requires state Medicaid programs to cover family planning services and supplies for beneficiaries."[921]

The Title V Abstinence Education Block Grant provides $50 million annually to states to support abstinence education. Two new programs were recently created to address the same issues, the Teen Pregnancy Prevention program (TPP) and the Personal Responsibility Education Program.[922]

The Office of Adolescent Health (OAH) coordinates adolescent health programs and initiatives administered by HHS, including teen pregnancy programs. The Office of Population Affairs (OPA) at HHS addresses population, reproductive health and family planning issues. The CDC has a number of offices addressing reproductive health. These include the CDC Division of Reproductive Health[923] and the National Center for HIV/AIDS, Viral Hepatitis, STD, and TB Prevention which finances sexually transmitted disease (STD) prevention programs in collaboration with government and nongovernmental partners at community, state, national, and international levels.[924] NIH and USAID also conduct reproductive health related research.

While some of these programs may compliment others, others simply overlap and duplicate, many have failed to demonstrate effectiveness, and some contradict others. The patchwork of overlapping programs is not an effective approach. The CDC is the appropriate federal agency to promote STD prevention and abstinence should remain the first line of defense to prevent teen pregnancy and STDs. States should continue to have the flexibility to manage Medicaid and block grants, but the other reproductive health programs should be ended and consolidated within CDC's existing programs.

The Adolescent Family Life program (AFL) is one of the many HHS programs focused on teen pregnancy prevention and related services. President Obama is proposing eliminating AFL

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[921] "State Medicaid Coverage of Family Planning Services: Summary of State Survey Findings," Kaiser Family Foundation website, accessed July 6, 2011; http://www.kff.org/womenshealth/8015.cfm .
[922] Carmen Solomon-Fears, "Teenage Pregnancy Prevention: Statistics and Programs," Congressional Research Service, June 21, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RS20301&Source=search.
[923] "About Division of Reproductive Health," CDC's Division of Reproductive Health website, accessed July 6, 2011; http://www.cdc.gov/reproductivehealth/DRH/index.htm .
[924] CDC National Center for HIV/AIDS, Viral Hepatitis, STD, and TB Prevention website, accessed July 6, 2011; http://www.cdc.gov/nchhstp/About.htm .

because it is duplicative of a number of larger programs.[925] AFL should be ended, along with both the Teen Pregnancy Prevention program and the Personal Responsibility Education program, with any ongoing projects that have demonstrated effectiveness consolidated with the appropriate federal program that shares a similar mission.

The Title X Family Planning program has been controversial for a numbers of reasons, in part because it funds entities that fund abortion such as the Planned Parenthood Federation of America. "The prohibition on abortion does not apply to all the activities of a Title X grantee, but only to activities that are part of the Title X project. The grantee's abortion activities must be 'separate and distinct' from the Title X project activities," according to the Congressional Research Service.[926] Because "most states offer broad coverage for prescription contraceptives in their Medicaid programs"[927] and multiple other federal programs exist providing identical contraceptive and reproductive health services, Title X should be ended.

Again, abstinence should remain the first line of defense to prevent teen pregnancy and STDs, but the Title V Abstinence Education Block Grant should also be eliminated and CDC should ensure a proportion of sex education and STD and pregnancy prevention funds support messages and initiatives promoting the health benefits of delaying sexual activity, marriage, and faithfulness and monogamy.

PROGRAMS/OFFICES ELIMINATED:

- The Adolescent Family Life program ($17 million a year)[928]
- The Children's Hospital Graduate Medical Education ($318 million a year)
- The Community Economic Development program ($36 million a year)
- The Community Service Block Grant program ($700 million a year)
- The Delta Health Initiative program ($35 million a year)
- The Health Care Facilities and Construction program ($337 million a year)
- Health workforce activities ($2 million a year)
- Healthy Marriage Promotion and Responsible Fatherhood Grants ($150 million a year)
- The Job Opportunities for Low-Income Individuals program ($3 million a year)
- The National Center for Complementary and Alternative Medicine ($129 million a year)[929]
- The Patient Navigator program ($5 million a year)
- The Personal Responsibility Education program ($75 million a year)[930]

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[925] "TERMINATION: ADOLESCENT FAMILY LIFE PROGRAM," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 9; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

[926] Angela Napili, "Title X (Public Health Service Act) Family Planning Program," Congressional Research Service, May 4, 2011.

[927] "State Medicaid Coverage of Family Planning Services: Summary of State Survey Findings," The Kaiser Family Foundation and the George Washington University Medical Center School of Public Health and Health Services, November 2009, page 3; http://www.kff.org/womenshealth/upload/8015.pdf .

[928] "TERMINATION: ADOLESCENT FAMILY LIFE PROGRAM," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 9; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

[929] Appropriations History, National Center for Complementary and Alternative Medicine website, accessed July 2011. http://nccam.nih.gov/about/budget/appropriations.htm

- Rural Access to Emergency Devices program ($3 million a year)
- Rural Community Facilities program ($10 million a year)
- State Health Access Program ($74 million a year)
- Teen Pregnancy Prevention program ($110 million a year)[931]
- Title V Abstinence Education Block Grant ($50 million a year)[932]
- Title X Family Planning program ($317 million a year)[933]
- The Voting Access for Individuals with Disabilities grant program ($17 million a year)

ADDITIONAL SAVINGS/PROGRAM REDUCTIONS:

- President Obama's FY2012 reduction in administrative spending ($200 million a year)
- Capping departmental management spending on travel ($2 million a year)
- Capping equipment expenditures by departmental management ($3.1 million a year)
- Capping printing and reproduction costs within departmental management ($3.2 million a year)
- Capping departmental management supplies and materials costs ($5.5 million a year)
- Capping office of the Assistant Secretary for Legislation budget ($1.4 million)
- Ensuring 340B entities do not overpay 340B ceiling prices for pharmaceuticals ($3.9 million a month)[934]
- Reduce Assistant Secretary for Public Affairs budget ($15.9 million a year)
- Returning Low Income Home Energy Assistance Program funding to the levels prior to the energy price spikes ($2.53 billion a year)
- NIH funding increase of one percent ($13 billion over ten years)[935]
- NIH conferences and support services ($2.8 million a year)[936]
- Consolidate the National Institute on Alcohol Abuse and Alcoholism and the National Institute on Drug Abuse (undetermined)
- Consolidate the Office of AIDS Research into the National Institute of Allergy and Infectious Diseases (undetermined)

Substance Abuse and Mental Health Services Administration (SAMHSA)

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[930] Solomon-Fears, Carmen. "Teenage Pregnancy Prevention: Statistics and Programs," Congressional Research Service, June 21, 2011 (RS20301).
[931] Solomon-Fears, Carmen. "Teenage Pregnancy Prevention: Statistics and Programs," Congressional Research Service, June 21, 2011 (RS20301).
[932] Solomon-Fears, Carmen. "Teenage Pregnancy Prevention: Statistics and Programs," Congressional Research Service, June 21, 2011 (RS20301).
[933] Family Planning, Office of Population Affairs, U.S. Department of Health and Human Services. http://www.hhs.gov/opa/familyplanning/index.html
[934] "Review of 340B Programs," Office of the Inspector General, U.S. Department of Health and Human Services, July 2006, OEI-05-02-00073.
[935] "Reduce or Constrain Funding for the National Institutes of Health," REDUCING THE DEFICIT: SPENDING AND REVENUE OPTIONS, Congressional Budget Office, March 2011; page 121; http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf .
[936] Based on the number provided in the report on how much NIH was awarded this year, $11,315,226, and the proposal's reduction recommendation.

The Substance Abuse and Mental Health Services Administration (SAMHSA) is charged with increasing access to substance abuse and mental health services. SAMHSA was first established in 1992 and reauthorized just once in 2000. SAMSHA's 2011 budget stands at $3.41 billion.

SAMHSA administers competitive, formula, and block grant programs; supports surveillance and data collection; and promotes best practices in behavior and public health. These program areas are administered by SAMHSA's Center for Mental Health Services (CMHS); the Center for Substance Abuse Prevention (CSAP); the Center for Substance Abuse Treatment (CSAT); and the Center for Behavioral Health Statistics and Quality (CBHSQ). SAMHSA also supports an Office of Policy, Planning and Innovation (OPPI).[937]

The existence of a specialized agency for substance abuse and mental health services indicates a fragmented and disjointed public health approach. The Centers for Disease Control and Prevention (CDC) exist to prevent and cure diseases of all kinds. According to the National Institute on Drug Abuse (NIDA), "Drug addiction is a preventable disease."[938] The vision statement for the National Institute of Mental Health's (NIMH) reads: "NIMH envisions a world in which mental illnesses are prevented and cured."[939]

CDC is currently engaged in extensive activities related to substance abuse and mental health. The mental health program at CDC seeks "To increase awareness of mental illness as an important public health problem and the importance of mental health promotion and mental illness prevention."[940] The program's goals include obtaining better scientific information, translating research into disease prevention programs, policies, and systems, and integrating mental health promotion, illness prevention and treatment with other disease prevention programs.[941]

CDC's substance abuse activities include extensive surveillance and activities related to infectious diseases spread through drug use.[942] Other CDC programs include alcohol and tobacco prevention and treatment activities.[943]

The entire SAMHSA agency should be folded into CDC in order to reduce duplication and establish a more appropriate and strategic public health approach to addiction and mental health disease. Consolidating these two agencies will save taxpayers significant funds –SAMHSA's salary and expenses totaled $342 million in 2011. Program management and evaluation savings can also be realized as the administrative responsibilities are assumed by CDC.

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[937] Department of Health and Human Services, 2012 Congressional Budget Justification for the Substance Abuse and Mental Health Services Administration, available at http://www.samhsa.gov/Budget/FY2012/SAMHSA-FY11CJ.pdf.
[938] National Institute on Drug Addicition, "NIDA InfoFacts: Understanding Drug Abuse and Addiction," http://www.drugabuse.gov/infofacts/understand.html
[939] National Institute of Mental Health Website, http://www.nimh.nih.gov/about/index.shtml , June 2010
[940] Centers for Disease Control and Prevention Website, http://www.cdc.gov/mentalhealth/about-us.htm, June 2010
[941] Centers for Disease Control and Prevention Website, http://www.cdc.gov/mentalhealth/about-us.htm, June 2010
[942] Centers for Disease Control and Prevention Website, http://www.cdc.gov/pwud/Default.html, June 2010
[943] Centers for Disease Control and Prevention Website, http://www.cdc.gov/alcohol/ and Centers for Disease Control and Prevention Website, http://www.cdc.gov/tobacco/, June 2010

Consolidating SAMHSA with CDC does not need to be exceedingly complex. The four largest programs address all of the goals of SAMHSA and could subsume all other aspects of SAMHSA's authority and activities.

The Substance Abuse Block Grant Program, funded at $1.79 billion in 2011, provides formula funding to states based on need to address their individual state's substance abuse needs. Similarly, the $421 million *Mental Health Block Grant Program* similarly allows states to meet the particular mental health needs of their state.[944]

The Priority Substance Abuse Treatment Needs of Regional and National Significance (PRNS) and PRNS Mental Health funding streams -- totaling roughly $452 million in 2010 -- provide SAMHSA general authority to provide grants and fund activities to improve knowledge on best practices, provide training and technical assistance, and increase capacity of states and local entities to provide substance abuse treatment services.[945]

Many of the smaller programs eliminated in this section are duplicative of the broader block grant programs and do not receive enough funding to make a difference. For example, there is no need to provide funding separately to states for substance abuse treatment services for children and adolescents parallel to broader funding streams providing funding for substance abuse treatment priorities for each particular state.

Other programs administered by SAMHSA are duplicative of work being done by other government agencies. The following examples are just a sampling:

- *Grants for the Benefit of Homeless Individuals ($42.75 million).*[946] This program provides grants to develop and expand mental health and substance abuse treatment services to homeless individuals. Funds are prioritized to grantees that have "experience in providing housing for individuals who are homeless."[947] The Department of Housing and Urban Development provides extensive federal funding for housing services to the homeless, particularly those with mental health needs and substance abuse problems.

- *Youth Suicide Early Intervention and Prevention Strategies (State Grants) ($29.7 million).*[948] This state grant program provides funding to public and nonprofit private entities to establish programs to reduce suicide deaths in the United States among

[944] CRS Report Number: R41477, "Substances Abuse and Mental Health Administration : Agency Overview and Reauthorization Issues", Congressional Research Service, November 4th, 2010, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41477&Source=search
[945] CRS Report Number: R41477, "Substances Abuse and Mental Health Administration : Agency Overview and Reauthorization Issues", Congressional Research Service, November 4th, 2010, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41477&Source=search.
[946] CRS Report Number: R41477, "Substances Abuse and Mental Health Administration : Agency Overview and Reauthorization Issues", Congressional Research Service, November 4th, 2010, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41477&Source=search.
[947] "Children's Health Act of 2000", Substances Abuse and Mental Health Administration, 2000, http://www.samhsa.gov/legislate/Sept01/childhealth_title32.htm
[948] CRS Report Number: R41477, "Substances Abuse and Mental Health Administration : Agency Overview and Reauthorization Issues", Congressional Research Service, November 4th, 2010, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41477&Source=search.

children and adolescents. The Centers for Disease Control and Prevention already conduct very elaborate youth suicide prevention efforts.[949]

- *Children and Violence ($94.3 million annually).*[950] SAMHSA's children and violence program requires SAMHSA to work with the Department of Justice and Department of Education to providing funding to local communities to assist children in dealing with violence. There is little need, however, for SAMHSA to run a separate program. The Department of Justice administers multiple programs related to children and violence, including the "Children and Youth Exposed to Violence Grant Program," which funds projects that seek to mitigate the effects of domestic violence, dating violence, sexual assault, and stalking on children and youth exposed to violence and reduce the risk of future victimization or perpetration of domestic violence, dating violence, sexual assault, and stalking."[951] The Department of Education funds the Safe Schools/Healthy Students program for similar purposes.[952]

- *Protection and Advocacy for Individuals with Mental Illness Act ($36.4 million annually).*[953] The Department of Justice houses an entire Bureau of Justice Assistance that administers a Mental Health Courts Program.[954]

- *Center of Excellence on Services for Individuals with Fetal Alcohol Spectrum Disorders (FASD) ($9.8 million annually).*[955] The FASD Center for Excellence was created in 2001 to research FASD prevention, treatment, and care. At NIH, the National Institute on Alcohol Abuse and Alcoholism receives $462 million annually to provide much more intricate and dedicated research on this subject.[956]

There are also dozens of programs authorized in law under SAMHSA that do not receive funding and should be eliminated. In total, SAMHSA maintains over 30 programs not receiving appropriations in 2011.

SAVINGS:

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[949] "Preventing Suicide", Center for Disease Control and Prevention, September 2010, http://www.cdc.gov/ncipc/dvp/Preventing_Suicide.pdf,

[950] CRS Report Number: R41477, "Substances Abuse and Mental Health Administration : Agency Overview and Reauthorization Issues", Congressional Research Service, November 4th, 2010, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41477&Source=search.

[951] United States Department of Justice Website, http://www.ovw.usdoj.gov/ovwgrantprograms.htm#2, June 2010

[952] United States Department of Education Website, http://www2.ed.gov/programs/dvpsafeschools/index.html, June 2010

[953] CRS Report Number: R41477, "Substances Abuse and Mental Health Administration : Agency Overview and Reauthorization Issues", Congressional Research Service, November 4th, 2010, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41477&Source=search.

[954] Bureau of Justice Assistance Website, http://www.ojp.usdoj.gov/BJA/grant/mentalhealth.html, June 2010

[955] CRS Report Number: R41477, "Substances Abuse and Mental Health Administration : Agency Overview and Reauthorization Issues", Congressional Research Service, November 4th, 2010, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41477&Source=search.

[956] National Institute on Alcohol Abuse and Alcoholism, "FY 2012 Justification Budget", http://www.niaaa.nih.gov/AboutNIAAA/CongressionalInformation/Budget/Pages/FY12CJ.aspx

By consolidating SAMHSA activities into the four core programs and further consolidating the agency with the Centers for Disease Control and Prevention, taxpayers can realize savings of approximately $4 billion over 10 years.

PROGRAMS ELIMINATED (31):

- Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances ($121.3 million annually)
- Children and Violence ($94.3 million annually)
- Program Management; SEH Workers' Compensation Fund ($79.2 million annually)
- PATH Grants to States ($65 million)
- Grants to Address the Problems of Persons Who Experience Violence and Related Stress. (Child Traumatic Stress Initiative ($41 million annually)
- Grants for the Benefit of Homeless Individuals ($42.75 million)
- Substance Abuse Treatment Services for Children and Adolescents ($31 million annually)
- Protection and Advocacy for Individuals with Mental Illness Act ($36.4 million annually)
- Youth Suicide Early Intervention and Prevention Strategies (State Grants) ($29.7 million)
- Residential Treatment Programs for Pregnant and Postpartum Women ($16 million annually)
- Center of Excellence on Services for Individuals with Fetal Alcohol Syndrome and Alcohol-Related Birth Defects and Treatment for Individuals with Such Conditions and their families ($9.8 million annually)
- Grants for Jail Diversion Programs ($6.7 million annually)
- Programs to Reduce Underage Drinking ($7 million annually)
- Mental and Behavioral Health Services on Campus ($5 million annually)
- Alcohol and Drug Prevention or Treatment Services for Indians and Native Alaskans (N/A)
- Grants for Ecstasy and Other Club Drugs Abuse Prevention (N/A)
- Early Intervention Services For Children and Adolescents (N/A)
- Methamphetamine and Amphetamine Treatment Initiative (N/A)
- Prevention, Treatment, and Rehabilitation Model Projects for High Risk Youth (N/A)
- Services for Children of Substance Abusers (N/A)
- Grants for Strengthening Families (N/A)
- Services for Individuals with Fetal Alcohol Syndrome (N/A)
- Prevention of Methamphetamine Abuse and Addiction (N/A)
- Youth Interagency Research, Training, and Technical Assistance Centers (N/A)
- Services for Youth Offenders (N/A)
- Suicide Prevention For Children and Adolescents (N/A)
- Centers for Emergency Mental Health Centers (N/A)
- Improving Outcomes for Children and Adolescents Through Services Integration Between Child Welfare and Mental Health Services (N/A)
- Grants for the Integrated Treatment of Serious Mental Illness and Co-Occurring Substance Abuse (N/A)
- Mental Health Training Grants (N/A)
- Data Infrastructure Development (N/A)

OTHER SAVINGS ASSOCIATED WITH AGENCY CONSOLIDATION

- Salary and Expenses ($342 million annually)
- Decrease in Rental Payments ($7 million annually)
- Reduction in Operation and Maintenance of Facilities ($1.3 million annually)
- General Decrease in Contractual Services ($100 million annually)

End Taxpayer Subsidies to The Institute of Medicine

The Institute of Medicine (IOM) is a non-governmental, nonprofit organization that says its purpose is to work "outside of government to provide unbiased and authoritative advice to decision makers and the public."[957] As the health division of the National Academy of Sciences, this sounds like a noble organizational mission. There's only one problem: federal taxpayers are heavily subsidizing this organization that duplicates the work of other organizations, with little benefit to taxpayers.

According to records obtained by the Congressional Research Service, during the last ten years, the IOM benefitted from $196 million dollars in federal funds just from the Department of Health and Human Services (HHS), or nearly two thirds of the National Academies' entire $307 million subsidization from federal taxpayers over a decade.[958] While the mission of the IOM and the motivations of its employees may be laudable, with taxpayers heavily subsidizing their business model, one can hardly call them "an independent, nonprofit organization that works outside of government."[959]

For all the money the federal government may be sending to IOM, taxpayers are not necessarily getting a good deal. Many of IOM's projects and reports duplicate the capabilities of other organizations in and outside of government. For example, virtually all Departments within the federal government have employees who serve as policy analysts, budget crunchers, and issue experts that could be utilized in-house to produce reports or conduct research, at no extra cost to taxpayers. When issue expertise outside of government is truly needed, certainly our country has many other organizations that could provide insight and evaluation.

But it's not just the staff functions that IOM duplicates when compared to other federal resources –it's the tasks and assignments as well. A large number of IOM's mandates from federal agencies include analyzing an issue, producing a report, or conducting a study that duplicates

[957] Institute of Medicine Website, "About IOM", http://www.iom.edu/About-IOM.aspx, July 7th, 2011
[958] Data provided to Office of Senator Tom Coburn, M.D. by Congressional Research Service.
[959] Institute of Medicine Website, "About IOM", http://www.iom.edu/About-IOM.aspx, July 7th, 2011.

work already being done elsewhere inside the government. An example of this is the IOM's Food Forum. The Food Forum defines itself as a group that, "discusses food-related topics ranging from risk assessment to aspects of consumer behavior."[960] The government already funds 15 food safety programs according to a recent GAO report. [961] FDA and USDA oversee a number of federal nutrition efforts and monitor the safety of consumer foods. The United States government spent $ 1.6 billion alone in 2009 on just three USDA or FDA programs. [962] The Food Forum is duplicative. The way forward, as GAO suggests, is not Congress simply funding another study or creating another program, but Congress conducting stronger oversight and requiring better coordination between existing programs.[963]

Certainly, many taxpayers may be disappointed to learn their hard-earned taxpayer dollars were used to fund the IOM's study of seafood in a human diet – a research assignment that likely overlaps with existing private sector endeavors, as well as National Science Foundation or USDA grants.[964] There are many intellectually interesting questions in science, and some are truly scientifically significant, but not all interesting questions are worthy of receiving taxpayer support. Other taxpayer-funded endeavors simply are not a national federal policy priority. For example, their report, "Strategies to Reduce Sodium Intake in the United States" can be summed up rather simply: encourage the consumption of less salt.[965]

Undoubtedly, many of the individuals serving at the IOM, and bureaucrats or politicians giving them grants, mean well. But in a time of dangerously high national debt, tough choices must be made about reducing federal spending, and federal taxpayers should not be forced to subsidize efforts that are duplicative and of questionable utility. Rather, program administrators and lawmakers should leverage the intellectual resources already within the federal government to tap experts with which research and analysis is needed. This common-sense step would save that money and begin better communication between agencies to help ensure not only the physical wellbeing of Americans, but their fiscal wellbeing as well, saving approximately $200 million over 10 years if HHS-funded projects alone were eliminated, or more than $300 million if all taxpayer-funding were ended.[966]

The Agency for Health Research and Quality

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[960] "Nutritional Assessment Perspectives, Methods, and Data Challenges, Workshop Summary", Institute of Medicine, March 2007, http://www.nap.edu/catalog/11940.html; Woteki, Catherine and Buchanan, Robert, Presenters. U.S. National Library of Medicine, National Institutes of Health. http://www.ncbi.nlm.nih.gov/books/NBK37541/

[961] "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue", Government Accountability Office, March 2011, http://www.gao.gov/new.items/d11318sp.pdf , pg 8.

[962] "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue", Government Accountability Office, March 2011, http://www.gao.gov/new.items/d11318sp.pdf , pg 8.

[963] "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue", Government Accountability Office, March 2011, http://www.gao.gov/new.items/d11318sp.pdf , pg 8.

[964] Institute of Medicine Website, "Nutrient Relationships In Seafood: Selections To Balance Benefits And Risks," July 7, 2011, http://www.iom.edu/Activities/Nutrition/Seafood.aspx.

[965]Institute of Medicine Website, "Strategies to Reduce Sodium Intake in the United States," July 7, 2011, http://www.iom.edu/Reports/2010/Strategies-to-Reduce-Sodium-Intake-in-the-United-States.aspx.

[966] Special thanks to Robert Paulsen for his research assistance for this project.

The Agency for Health Research and Quality (AHRQ) is one of 12 agencies within the Department of Health and Human Services (HHS). The agency states its mission is "to improve the quality, safety, efficiency, and effectiveness of health care for all Americans."[967] While this mission is certainly a praiseworthy goal, merely outlining a good goal does not ensure an effective federal agency or good use of taxpayer dollars. In fact, there are good reasons for taxpayers to be concerned that AHRQ has lost focus and may be wasting precious taxpayer dollars. The agency needs to be recalibrated and refocused so taxpayers' dollars are saved and AHRQ better serves the American people.

AHRQ has evolved from a series of agencies that were intended to encourage health research and health care technology assessment. In the late 1990s, President Clinton signed a law that gave AHRQ its current name and reauthorized the agency through FY2005. That was the last time Congress formally approved the program, reestablishing it and focusing its purpose.

Since the late 1990s, AHRQ has effectively pulled its entire annual budget from funds spread across several federal programs. Four public health service agencies –CDC, HRSA, NIH, and SAMHSA—are subject to having a portions of their budget tapped and set aside for other purposes. Current law authorizes HHS to redistribute a portion of this "set-aside" funding for other federal health programs – and each year, AHRQ gets enough funding to make it through to the following year. This may be a clever federal funding mechanism, but it may have in some ways enabled Congress to more easily ignore AHRQ, failing to examine whether or not programs were effective, efficient, or delivered good return on investment for taxpayers.

Unfortunately, many activities of the agency are unnecessary, duplicative, or even wasteful. For example, this year alone, AHRQ spent $143 million on comparative effectiveness research.[968] This waste of taxpayer dollars is part of the failed Stimulus that appropriated $1.1 billion to HHS for such research. [969]

In general, comparative effectiveness research (CER) is research that evaluates the effectiveness of different clinical interventions and strategies to prevent, diagnose, treat, and monitor medical conditions. When conducted in the private sector, CER is helpful to health care providers, as it informs their professional judgment and keeps them updated on scientific breakthroughs. Many private organizations are already engaged in high quality longitudinal, comparative research studies. For example, the Mayo Clinic, Consumer Reports, and professional medical societies all conduct various types of CER.

More troubling, however, is government-funded CER. Government-funded CER is

AHRQ funds research that could be used to make decisions based on *cost* –not based on what is best for individual patient *care*.

[967] AHRQ Website, "Mission & Budget," http://www.
[968] "U.S. Department of Health and Human Services F
Services, 2011, http://www.hhs.gov/about/FY2012bu
[969] "U.S. Department of Health and Human Services F
Services, 2011, http://www.hhs.gov/about/FY2012bu

not only duplicative of the efforts of a myriad of medical societies and health care organizations in this country, it is a slippery slope toward government-funded studies that evolve into government-mandating particular coverage decisions based *not* on what is most *clinically* effective for an individual patient, but what is most *cost*-effective for a budget.

This focus of a global budget at the expense of a patient is a real threat. Other countries have already used cost-based CER to make coverage decisions, reducing patient choices and limiting the ability of physicians to practice medicine.
For example, in England, when Britain established their National Institute of Comparative Effectiveness (NICE), *The Guardian* reported in 1998: "Health ministers are setting up [NICE], designed to ensure that every treatment, operation, or medicine used is the proven best. It will root out under-performing doctors and useless treatments, spreading best practices everywhere."[970]

Today, few would argue that NICE is anything but a rationing board, constantly making coverage decisions based on costs – not what is based on an individual patient need. There is not sufficient space in this report to re-litigate many of the concerns with government-funded CER, but often supporters of government-funded CER insist CER in AHRQ is merely providing "consumer reports" or "clinical best practices" to more health providers. This not only cloaks the intent of some, but it is clearly duplicative of the existing efforts at AHRQ. Health care providers can access the results of this private sector CER in medical society publications and through a National Guideline Clearinghouse website AHRQ maintains: www.guidelines.gov. The NGC, created by AHRQ, allows users to search for guidelines by disease, specialty, or condition. The Index contains 2,550 individual summaries of different guidelines that have been put out by dozens of medical societies.[971]

This model highlights the differences between the late 1990s and today. The digital explosion has brought the world closer and accelerated the sharing of knowledge. Patients and providers that used to search stacks of clinical journals and books now can access the best resources with the click of a button. All of this highlights a way forward for reforming AHRQ: marshalling private sector resources through a simple website, and saving tens of millions of taxpayer dollars in the process.

Another area for taxpayers to save money is in health information technology (health IT). The agency spent $27.6 million on health IT this year, despite a range of evidence that calls into question the cost-effectiveness of widespread health information technology.[972] The problems with government-funded health information technology are addressed more fully elsewhere in this proposal, but it's worth noting that as late as 2008, AHRQ

AHRQ funds research on the medical benefits of meditation.

[970] Wall Street Journal, "Of NICE and Men," http://online.wsj.co
[971] AHRQ Website, "Guideline Index," http://www.guidelines.go
[972] "U.S. Department of Health and Human Services FY 2012 Bu
Services, 2011, http://www.hhs.gov/about/FY2012budget/cj2012

could not demonstrate any results from its health IT programs.[973] Most tellingly, the nonpartisan Congressional Budget Office has found that massive federal spending on health IT is not necessary for its widespread adoption. [974]

Taxpayers can also see savings by reducing AHRQ's administrative costs. Just this year, AHRQ spent $67 M on salaries and overhead costs – a whopping 17% of its annual budget.[975] With 300 employees, that's a whopping $223,000 per capita employee cost, at a time when the average family in American earns less than a quarter of that amount.

Unfortunately, millions of dollars went to the U.S. Preventative Services Task Force. The Task Force is the government panel that issued a recommendation in 2009 that women ages 40-49 were no longer encouraged to get routine mammograms. Further, the Task Force recommended that doctors do not teach patients how to do a self breast exam—stating that self-breast exams are not an evidenced-based preventive service. [976] Unfortunately, Congress's unpopular and controversial health care law depends on the advice and recommendations of the United States Preventive Services Task in several different instances – even forcing health insurance companies to cover all top priority recommendations, regardless of cost or effectiveness.[977] Disempowering this panel of unelected technocrats would save taxpayers millions of dollars and remove the undue influence this panel has on all Americans.

This year AHRQ announced it spent $1,059,000 for a contract with an advertising agency in New York City for a year-long campaign featuring TV, radio, print, Web, and outdoor ads. According to AHRQ, the purpose of the ad campaign is to "encourage patients to be more involved in their health care and empowered to make shared decisions about their treatment with their providers."[978] In a digital age when consumers can search for an abundance of clinical information online, a million-dollar ad campaign is unnecessary to inform Americans about their treatment choices. In fact, according to a Pew Forum internet study released earlier this year, "Four in five Internet users have searched the Web for health care information, most often checking on specific diseases and treatments."[979] In fact, "Eight in ten internet users look online

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[973] Archived ExpectMore.gov website from 2009, Programs under the Department of Health and Human Services, http://georgewbush-whitehouse.archives.gov/omb/expectmore/agency/009.html accessed July 2011

974 Congressional Budget Office, 2009. "Estimated Effect on Direct Spending and Revenues of Title IV of Division B of the American Recovery and Reinvestment Act of 2009 (Public Law 111-5): Health Information Technology." http://www.cbo.gov/ftpdocs/101xx/doc10106/health1.pdf

[975] "U.S. Department of Health and Human Services FY 2012 Budget", U.S. Department of Health and Human Services, 2011 http://www.hhs.gov/about/FY2012budget/cj2012_revised.pdf, page 70

[976] Senator Coburn Website, "Majority's Health Bill Empowers Government Task Force At Center of Mammogram Controversy", June 2010, http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=7aa9e6ff-331a-48a6-abb3-c7df4bd8d199

[977] Senator Coburn Website, "Majority's Health Bill Empowers Government Task Force At Center of Mammogram Controversy", June 2010, http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=7aa9e6ff-331a-48a6-abb3-c7df4bd8d199

[978] Freudenheim, Milt. "Health Care Is High Among Web Searches," The New York Times, February 1, 2007. http://prescriptions.blogs.nytimes.com/2011/02/01/health-care-is-high-among-web-searches/

[979] Fox, Susannah. Associate Director, Pew Research Center's Internet & American Life Project, "80% of internet users look for health information online," February 1, 2011. http://pewinternet.org/~/media//Files/Reports/2011/PIP_HealthTopics.pdf

for health information, making it the third most popular online pursuit" among those tracked by project.

Finally, some AHRQ program dollars could be taken from wasteful grant programs and redirected toward cancer research at the National Institutes of Health. This certainly would be a better use of taxpayer dollars than some grants AHRQ has funded on dubious topics like an analysis of meditation techniques, or the total number of emergency room visits resulting from dog bites.[980] These endeavors are not a national priority and in a time of dangerously high debt, make poor use of taxpayer dollars. AHRQ should be carefully targeted taxpayer dollars, not supporting grants with self-evident findings that conclude "Lower health literacy linked to higher risk of death."[981]

Given AHRQ's outdated focus, wasteful spending, misaligned priorities, and duplication of private sector efforts, by recalibrating AHRQ's mission and trimming its budget by three-fourths taxpayers would save more than $4 billion over a decade.

End Federal Subsidies for Health Information Technology

A provision of the 2009 failed Stimulus law (American Recovery and Reinvestment Act) massively expanded the federal government's role in health information technology. The aims many attribute to the Health Information Technology for Economic and Clinical Health (HITECH) Act sound good: using a variety of policy levers to promote the widespread adoption of health information technology and support digital sharing of clinical data among hospitals, physicians, and other health care stakeholders. However, a closer look at the data shows that Congressional action was the wrong mechanism to accomplish these goals.

Lawmakers in Congress may have been well-intended when they supported the HITECH Act, but the massive federal intrusion into health information technology is wasteful and duplicative

[980] Agency for Healthcare and Research Quality Website, http://www.ahrq.gov/downloads/pub/evidence/pdf/meditation/medit.pdf, July 2011 ; "Health Care Cost and Utilization Projection", Agency for Healthcare and Research Quality Website, July 2011 http://www.hcup-us.ahrq.gov/reports/statbriefs/sb101.pdf

[981] "Low Health Literacy Linked to Higher Risk of Death and More Emergency Room Visits and Hospitalizations", Agency of Healthcare and Research Quality, July 2011, http://www.ahrq.gov/news/press/pr2011/lowhlitpr.htm

of current business practices. According to the nonpartisan Congressional Budget Office, the use of health information technology was already projected to be widespread by the end of the decade – even *without the adoption of the HITECH Act*. CBO projected that, without the HITECH Act, two-thirds of physicians, approximately half of hospitals, and at least one in five critical access hospitals would still be robustly using health IT by the end of the decade.[982]

Some reports have suggested private sector health information technology in a multi-year period is far more than the federal government is projected to spend on health IT over the next decade. In fact, in a recent survey, more than half of respondents replied they have a fully operational electronic health record in at least one facility in their organization, and only 1 in 50 respondents had not yet begun to plan for the use of an EHR.[983] The facts make it pretty clear that massive federal handouts and mandates are unnecessary to subsidize a behavior that is already being adopted on a widespread basis in the marketplace.

Additionally, the private sector has already developed compelling models for utilizing health information technology. Major health systems like the Mayo Clinic and the Cleveland Clinic all have adopted state-of-the-art health IT systems—without federal involvement. Private enterprises are leading the way in developing completely innovative approaches to health IT. Some are even exploring the development of open software for innovators to write electronic health record applications. Such an "open source" model could help increase competition, flexibility and lower costs – all without federal action.

Certainly, health information technology is a helpful tool for physicians and other providers, but massive federal mandates, layers of red tape, and subsidies are not a policy panacea. Physicians and other health care providers already have to comply with thousands of pages of federal regulations, laws, and guidelines under the Medicare and Medicaid programs, HIPPA privacy standards, and other mandates. Under the law, now physicians and hospitals that are not using government-approved electronic health records will soon face financial penalties for their non-compliance. All of these requirements add to a physician's overhead expenses and paperwork – many without directly improving patient care or outcomes. Unfortunately, the burden of new mandates falls disproportionately on smaller physician practices – many of whom provide critical access for patients in rural communities. According to the Center for Health Care Strategies, approximate 60% of physicians serve in practices less than five physicians, and roughly two-thirds of all physician visits take place at these small practices.[984] Little wonder then, that a survey of 500 physicians recently showed that a decreasing number of physicians say that the financial benefits of electronic medical records outweigh the costs.[985] In fact, as the *Wall Street Journal* explained, the findings from the annual survey also noted physicians "were less likely to agree that electronic records can help reduce medical errors, improve efficiency and

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[982] Congressional Budget Office, "Estimated Effect on Direct Spending and Revenues of Title IV of Division B of the American Recovery and Reinvestment Act of 2009 (Public Law 111-5): Health Information Technology," http://cbo.gov/ftpdocs/101xx/doc10106/health1.pdf.
[983] 2011 HIMSS Leadership Survey (executive summary)
[984] Ackerman, Kate, "When It Comes to EHR Adoption, Practice Size Matters," IHealthBeat, http://www.ihealthbeat.org/features/2011/when-it-comes-to-ehr-adoption-practice-size-matters.aspx.
[985] Athena Health Website, "2011 Physician Sentiment Index: Taking the Pulse of the Physician Community," http://www.athenahealth.com/index.php?open=26.

lower costs. And a greater proportion of physicians said electronic records slow them down and don't achieve a measurable financial impact."[986]

Small physician practices are not the only ones who may be doubtful about the cost-effectiveness of health IT adoption either. Before the HITECH bill was pushed through Congress, Reuters highlighted the results of a Harvard study of about 4,000 hospitals that "found that while many had moved away from the paper files that still dominate the U.S. healthcare system, administrative costs actually rose, even among the most high-tech institutions."[987] In fact, Dr. David Himmelstein, a Harvard medical school professor who led the study, indicated that while digitization may have some marginal effects to improve quality, the investment does not make sense from a financial perspective. "Our study finds that hospital computerization hasn't saved a dime, nor has it improved administrative efficiency," Himmelstein said, emphasizing that "Claims that health IT will slash costs and help pay for the reforms being debated in Congress are wishful thinking." [988]

Many have also expressed the concern that federal intrusion into the health information technology sector may have a distorting effect – artificially propping up some technologies, while discouraging others – rather than letting market forces of provider choice and supplier competition drive value for consumers and providers. It certainly is worrisome that the federal government may be effectively rewarding a particular technology or business model over another, picking winners and losers. Two Harvard professors took to the pages of *The New England Journal of Medicine* to underscore that currently available health IT systems are costly and are wedded to proprietary technology standards.[989] This makes it difficult for customers to switch vendors or for outside programmers to make improvements. "If the government's money goes to cement the current technology in place…we will have a very hard time innovating in health care," says Dr. Mandl of Harvard Medical School. Rather than rely on any one approach, we need to focus on interoperability standards so that competing systems can "talk to each other."[990]

However, while interoperability is an important goal, there remain significant challenges to ensuring technological platforms are interoperable in a manner that allows accurate, secure data

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[986] Hobson, Katherine, "Physicians More Skeptical of Electronic Medical Records.," Wall Street Journal, http://blogs.wsj.com/health/2011/02/23/physicians-more-skeptical-of-electronic-medical-records/?mod=WSJBlog&utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+wsj%2Fhealth%2Ffeed+%28WSJ.com%3A+Health+Blog%29.

[987] Heavey, Susan, "No hospital savings with electronic records: study," Reuters, http://www.reuters.com/article/2009/11/20/us-usa-healthcare-healthit-idUSTRE5AJ0MQ20091120.

[988] Heavey, Susan, "No hospital savings with electronic records: study," Reuters, http://www.reuters.com/article/2009/11/20/us-usa-healthcare-healthit-idUSTRE5AJ0MQ20091120.

[989] No Small Change for the Health Information Economy, http://content.nejm.org/cgi/content/full/360/13/1278

[990] Lohr, Steve. "Doctors Raise Doubts on Digital Data," *New York Times*, March 25, 2009. http://www.nytimes.com/2009/03/26/business/26health.html

transfer and clinical integration. A study of 179 regional health information organizations –that facilitate the health information exchanges needed to share data– found that regional health information organizations are fully operational in less than 15% of hospitals so far. [991] As the study's authors note, "these findings call into question whether [regional health information organizations] in their current form can be self-sustaining and effective in helping U.S. physicians and hospitals engage in robust [health information organizations] to improve the quality and efficiency of care." [992]

Finally, at a time when more and more Americans may feel vulnerable to their digitized information being shared online without their knowledge, there remain significant security challenges for the health IT industry to sort through. According to a recent survey of health IT professionals, their primary concern continues to be a security breach of their organization's data. [993] Their concern is well placed since about one in four respondents in the same survey said their organization has experienced a breach of security in the past year alone. [994] Unfortunately, the federal agencies charged with administering and overseeing the HITECH Act do not have a much better record. A recent news report highlighted two audits released by the Department of Health and Human Services' Office of Inspector General (OIG) that found "federal agencies charged with building a secure health information technology infrastructure are not doing enough to implement the proper security measures needed to protect sensitive patient information."[995] The news coverage characterized the OIG findings as providing a "sobering view of the federal government's efforts to keep computerized patient data secure at a time when billions of dollars are being spent on incentive programs that will accelerate the adoption of electronic health records." [996] The OIG examined the Medicare program's work and found that its oversight and enforcement actions were not sufficient to ensure provider compliance with patient protections.[997] One might rightly question how the Medicare program can administer new programs and implement mandates if it cannot effectively administer long-standing programs well.

Congress may have had high hopes for the HITECH Act when it was passed as part of the Stimulus, but it unfortunately shares an ignoble theme with the Stimulus: failed and wasteful federal government spending that has produced virtually no demonstrable results. There remain significant health IT issues the health care community is working through, but the private sector is the right place for these discussions and innovations to occur. This proposal repeals the federal health information technology mandates and subsidies, saving taxpayers $15.6 billion through 2019.

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[991] Annals of Internal Medicine, "A Survey of Health Information Exchange Organizations in the United States: Implications for Meaningful Use," July 2011, http://www.annals.org/content/154/10/666.short?rss=1.
[992] Annals of Internal Medicine, "A Survey of Health Information Exchange Organizations in the United States: Implications for Meaningful Use," July 2011, http://www.annals.org/content/154/10/666.short?rss=1.
[993] 2011 HIMSS Leadership Survey (executive summary)
[994] 2011 HIMSS Leadership Survey (executive summary)
[995] Lewis, Nicole, "Federal Agencies Fail Health IT Security Audits," Information Week, July 2011, http://www.informationweek.com/news/healthcare/security-privacy/229502471.
[996] Lewis, Nicole, "Federal Agencies Fail Health IT Security Audits," Information Week, July 2011, http://www.informationweek.com/news/healthcare/security-privacy/229502471.
[997] Office of Inspector General:Audit (A-04-08-05069), "Nationwide Rollup Review of the Centers for Medicare & Medicaid Services Health Insurance Portability and Accountability Act of 1996 Oversight," http://oig.hhs.gov/oas/reports/region4/40805069.asp.

Make Food Safety Changes at the Food and Drug Administration

The Food and Drug Administration (FDA) is a regulatory agency within the Department of Health and Human Services (HHS). FDA primarily regulates foods, drugs, devices, and tobacco. FDA received $3.3 billion in FY2011. [998]

Recently, FDA has come under scrutiny for its failure to prevent recent food borne illness outbreaks. Congress recently passed the Food Safety Modernization Act of 2010 in an attempt to modernize the agency and prevent future food safety scares. The new legislation authorized $1.4 billion in new spending on food safety efforts, which would grow the entire agency by nearly 50 percent.[999]

The FDA drug and device approval process and regulatory framework needs to be significantly improved to increase innovation and access to life saving and improving treatments and cures. While there may not be significant direct savings for taxpayers in these areas, Congress and the Administration owe it to American patients to fix what ails our broken drug and device regulatory regime to lower costs and improve health outcomes.

There are, however, significant savings to be had by streamlining FDA food safety efforts, which currently cost the federal government. The FDA Foods Program regulates $417 billion worth of domestic food, $49 billion worth of imported foods, and $62 billion worth of cosmetics. FDA is tasked with regulating 167,000 registered domestic food establishments, 254,000 foreign facilities, and more than 3,500 cosmetic firms. FDA is responsible for many, but not all, food products (USDA regulates meat, poultry, and frozen, dried, and liquid eggs).[1000]

Duplicative and Disjointed Government Approach to Food Safety. In 2008, GAO testified before a House subcommittee that "FDA is one of 15 agencies that collectively administer at least 30 laws related to food safety. This fragmentation is the key reason GAO added the federal oversight of food safety to its High-Risk Series in January 2007 and called for a government wide reexamination of the food safety system. We have reported on problems with this system—including inconsistent oversight, ineffective coordination, and inefficient use of resources."[1001]

Specifically, GAO found that in 2003, FDA and USDA activities included overlapping and duplicative inspections of

[998] "Budget in Brief," U.S. Department of Health and Human Services, http://www.hhs.gov/about/FY2012budget/fy2012bib.pdf
[999] Based on data from the Congressional Research Service.
[1000] Food and Drug Administration, "FDA Budget", Food and Drug Administration U.S. Department of Health and Human Services, http://www.fda.gov/downloads/AboutFDA/ReportsManualsForms/Reports/BudgetReports/UCM243370.pdf
[1001] "Federal Oversight of Food Safety Activities: Summary", Government Accountability Office, March 2008, http://www.gao.gov/products/GAO-08-435T

1,451 domestic food-processing facilities that produce foods regulated by both agencies. This GAO testimony came on the heels of a 2005 GAO report that identified significant overlap in food safety activities conducted by USDA and the FDA, and to some extent the EPA and National Marine Fisheries Service (NMFS), including "71 interagency agreements [to coordinate overlapping activities] that the agencies entered into… However, the agencies have weak mechanisms for tracking these agreements that…lead to ineffective implementation."[1002]

This overlap was evident in the 2010 egg salmonella scare. The Wall Street Journal reported that U.S. Department of Agriculture experts knew about sanitary problems at one of the two Iowa farms at the center of a massive nationwide egg recall, but did not notify health authorities. USDA inspects farms and gives eggs their "Grade A" label, while the FDA technically is tasked with the safety of the final egg product. [1003]

This discrepancy was the impetus behind an egg safety rule originally promulgated 10 years ago by the FDA. Unfortunately, three administrations sat on the proposed rule without finalizing and implementing it. FDA Commissioner Dr. Hamburg stated, "We believe that had these rules been in place at an earlier time, it would have very likely enabled us to identify the problems on this farm before this kind of outbreak occurred." [1004]

Ineffective and Burdensome Regulations. FDA cites 24 separate laws providing their authority to regulate the American food supply. Yet, Congress was forced to pass new legislation in 2010 totaling 225 pages of new regulations. The FDA Foods Program is a weighty infrastructure placing a myriad of rules and requirements on American food producers.

Yet, as the over 2,000 people sickened by the salmonella outbreak in 2010 or the thousands more who became ill from the peanut and jalapeno scares in 2009 and 2008 respectively, it has become clear that federal food regulations are not protecting us from widespread food borne illnesses.

In the tomato scare, FDA inappropriately identified fresh tomatoes as the source of a contamination of roughly 1,300 Americans, despite the fact the cause was actually tainted jalapenos.[1005] FDA's clear mistake led to $100 million in losses for the tomato industry. In 2009, the Peanut Corporation of America was forced to initiate one of the largest recalls in our nation's history, despite the fact their plant in Georgia had been inspected twice in recent years by Georgia inspectors that partnered with the FDA.[1006]

[1002] "Oversight of Food Safety Activities", Government Accountability Office, March 2005, www.gao.gov/new.items/d05213.pdf, page 25

[1003] Hobson, Katherine, "USDA Saw Bugs and Trash at Egg Producer; Didn't Tell FDA", *Wall Street Journal*, September 10, 2010, http://blogs.wsj.com/health/2010/09/10/usda-graders-saw-bugs-and-trash-at-egg-producer-didnt-tell-fda/

[1004] Senator Coburn Website, "Detailed Concerns with S. 510, the FDA Food Modernization Act", http://coburn.senate.gov/public/index.cfm/rightnow?ContentRecord_id=8df5cb89-91a2-4ae3-b846-7487db0bd4f0, September 15, 2010

[1005] Based on general media coverage.

[1006] Based on general media coverage.

The authors of the Food Safety Modernization Act, however, doubled-down on the government's failed approach to food safety. They believed that 225 pages of new federal regulations—many of which will be overly burdensome on industry and small providers—is the answer to what ails our food safety system. Burdensome regulations are a recipe for increased costs to taxpayers, industry, and consumers in the form of higher food prices. A different approach is necessary.

New Approach to Food Safety. FDA can help ensure safer food with far less resources if the agency takes a more strategic and less duplicative approach to food safety. Congress should immediately require FDA and USDA to establish a comprehensive plan to share information, clarify existing duplicative efforts, and issues a joint report to Congress with a plan to consolidate all food safety authority under one of these established agencies.

Even more importantly, FDA needs to begin leveraging existing free market food safety activities. The Congressional Research Service notes that the U.S. food supply is the safest in the world. Markets, not government, have made this happen. Our food supply is the safest in the world because—in America—the consumer has the ability to hold companies accountable for providing safe food and enjoys other viable choices in the marketplace.

Private companies update their food safety contracts constantly in an effort to incorporate the best and most up to date science. FDA should harness private third-party inspections and provide incentives to companies that demonstrate superior food safety efforts. FDA should be given the authority to take private inspections and private food safety contracts into account when setting their inspection schedules.

Instead of focusing on trying to regulate and inspect our way to food safety, FDA should also assume a more effective leadership role in promoting innovation in food safety. FDA should develop more expeditious ways of approving new food safety technologies and communicating the benefits of these innovations to industry and consumers. Much like pasteurization became a key mechanism to keep people safe, FDA can become a scientific leader in developing the next generation of food safety techniques.

By enacting these reforms to reorganize the FDA Foods Program and change their field activities, FDA can save at least $1.5 billion over the next 10 years.

Miscellaneous Reforms

Trim Taxpayer-Provided Subsidies to Federal Workers' Health Care. The Federal Employees Health Benefits (FEHB) program offers health insurance coverage to approximately 4 million

federal employees and as well as to approximately 4 million of their dependents or survivors. According to the Congressional Budget Office (CBO), in 2011 these "benefits are expected to cost the government almost $41 billion."[1007] Under current law, workers pay at least 25 percent of the premium, and federal taxpayers pay the remainder of the premium costs. CBO noted that under this cost-sharing arrangement, the incentive for beneficiaries paying their fair share is "less than it would be if employees realized the full savings from choosing a less expensive plan." [1008]

By offering employees a voucher for the FEHB program that would cover the first $5,000 of an individual premium or the first $11,000 of a family premium in 2013 and letting workers bear more of the cost for choosing an expensive plan, taxpayers could see significant savings. In CBO's analysis of this estimate, they expected the voucher "would increase annually at the rate of inflation as measured by the consumer price index for all urban consumers, rather than at the average weighted rate of change in FEHB premiums." [1009] CBO said this policy reform "would increase the incentive to choose lower-premium plans and would strengthen price competition among health care plans participating in the FEHB program." [1010] They also noted that "insurers would have a greater incentive to offer lower-premium plans whose cost approached or matched that value." [1011]

Allow Americans to Purchase Health Insurance In Any State. Unlike most other insurance products, under current law, Americans are prohibited from purchasing health insurance in a state other than the state in which they reside. Rather than face limited choices and be forced to purchase more expensive health coverage than they want, Americans should have the freedom to shop across state lines for their health insurance coverage. There is a sensible policy solution: permit an insurance carrier to choose one state in which to become licensed, and as long as the carrier's individual health insurance policies complied with the insurance laws and regulations of that state, the carrier would be permitted to sell those policies in other states and to be exempted from the laws and regulations of those other states.

According to the Congressional Budget Office (CBO), this policy "would have different effects depending on whether individuals were expected to spend a great deal or a small amount for health care and whether their own states' laws tightly or loosely restricted the rating and other features of health insurers' policies."[1012] But the net effect CBO outlines is impressive: this

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[1007] Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options," March, 2011. Option 14, pages 37-38. http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf

[1008] Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options," March, 2011. Option 14, pages 37-38. http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf

[1009] Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options," March, 2011. Option 14, pages 37-38. http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf

[1010] Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options," March, 2011. Option 14, pages 37-38. http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf

[1011] Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options," March, 2011. Option 14, pages 37-38. http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf

[1012] Congressional Budget Office, "Budget Options, Volume I: Health Care," December 2008. Option 2, "Allow Individuals to Purchase Nongroup Health Insurance Coverage in Any State," pages 9-10. http://www.cbo.gov/ftpdocs/99xx/doc9925/12-18-HealthOptions.pdf

policy change would reduce the number of the uninsured by 400,000.[1013] This would happen because "individuals who had a low risk of incurring substantial health care costs and who lived in states that restricted insurers' ability to price plans on the basis of their relatively healthy status might find better priced health plans sold by out-of-state carriers."[1014]

CBO also found that adopting this policy states with very constrictive and costly health insurance regulation "might consider loosening their regulations in an attempt to reduce premiums for healthy enrollees and to retain insurers."[1015] This change could lower costs for consumers and increase their health coverage choices. There is good news for federal taxpayers as well, who could save more than $7 billion over a decade by adopting this policy.

Accomplish Meaningful Medical Malpractice Reform. In his State of the Union remarks to Congress earlier this year, President Obama said he was "willing to look at other ideas to bring down [health care] costs, including … medical malpractice reform to rein in frivolous lawsuits."[1016] The President rightly identified a significant cost-driver in health care that must be addressed. Numerous surveys have demonstrated physicians and other health care providers often order unnecessary tests or treatments, out of a fear of later being sued by a patient for malpractice who claims a disease or condition was not diagnosed.

According to the Congressional Budget Office (CBO), "many analysts surmise that the current medical liability system encourages providers to increase the volume or intensity of the health care services they provide to protect themselves against possible lawsuits."[1017] While the vast majority of physicians are cleared of any wrong-doing in medical malpractice cases, certainly, the current legal treatment of medical malpractice effectively encourages junk lawsuits that do not keep any one from getting sick or make any one get well.

The costs of higher malpractice insurance are a direct cost to our nation's health care system, but the indirect costs are real as well. Because many providers fear junk lawsuits, they often order tests that may be duplicative or medically unnecessary. The costs of these unnecessary tests and treatments are passed throughout the health care system and born by patients in the manner of higher health insurance premiums.

[1013] Congressional Budget Office, "Budget Options, Volume I: Health Care," December 2008. Option 2, "Allow Individuals to Purchase Nongroup Health Insurance Coverage in Any State," pages 9-10. http://www.cbo.gov/ftpdocs/99xx/doc9925/12-18-HealthOptions.pdf

[1014] Congressional Budget Office, "Budget Options, Volume I: Health Care," December 2008. Option 2, "Allow Individuals to Purchase Nongroup Health Insurance Coverage in Any State," pages 9-10, http://www.cbo.gov/ftpdocs/99xx/doc9925/12-18-HealthOptions.pdf.

[1015] Congressional Budget Office, "Budget Options, Volume I: Health Care," December 2008. Option 2, "Allow Individuals to Purchase Nongroup Health Insurance Coverage in Any State," pages 9-10. http://www.cbo.gov/ftpdocs/99xx/doc9925/12-18-HealthOptions.pdf.

[1016] President Obama's State of the Union Address, January25, 2011. http://www.whitehouse.gov/the-press-office/2011/01/25/remarks-president-state-union-address

[1017] Congressional Budget Office, Letter to Senator Orrin Hatch, October 9, 2009. http://www.cbo.gov/ftpdocs/106xx/doc10641/10-09-Tort_Reform.pdf

CBO echoes this dynamic, saying: "tort reform could affect costs for health care both directly and indirectly: directly, by lowering premiums for medical liability insurance; and indirectly, by reducing the use of diagnostic tests and other health care services when providers recommend those services principally to reduce their potential exposure to lawsuits."[1018] To reduce costs to patients and system-costs, this proposal assumes a series of incentives and policy levers designed to accomplish state-based meaningful malpractice reform.

The changes, as envisioned by CBO, include: "(1) cap of $250,000 on awards for noneconomic damages; (2) cap on awards for punitive damages of $500,000 or two times the award for economic damages, whichever is greater; (3) modification of the "collateral source" rule to allow evidence of income from such sources as health and life insurance, workers' compensation, and automobile insurance to be introduced at trials or to require that such income be subtracted from awards decided by juries; (4) statute of limitations—one year for adults and three years for children—from the date of discovery of an injury; (5) replacement of joint-and-several liability with a fair-share rule, under which a defendant in a lawsuit would be liable only for the percentage of the final award that was equal to his or her share of responsibility for the injury."[1019]

At a time of high health care costs and unaffordable health coverage premiums, this is a common-sense step designed to lower costs to consumers. This change would also be good medicine for the health care community, as physicians and other providers would have realigned incentives to avoid unnecessary medical treatments. This proposal would ensure states adopt meaningful malpractice reforms, therefore saving taxpayers more than $54 billion over a decade.[1020]

DEPARTMENT OF HEALTH AND HUMAN SERVICES TEN YEAR SAVINGS
Discretionary: $106.7 billion
Total: $106.7 billion

[1018] Congressional Budget Office, Letter to Senator Orrin Hatch, October 9, 2009. http://www.cbo.gov/ftpdocs/106xx/doc10641/10-09-Tort_Reform.pdf
[1019] Congressional Budget Office, Letter to Senator Orrin Hatch, October 9, 2009. http://www.cbo.gov/ftpdocs/106xx/doc10641/10-09-Tort_Reform.pdf. Numeration added for readability.
[1020] Congressional Budget Office, Letter to Senator Orrin Hatch, October 9, 2009. http://www.cbo.gov/ftpdocs/106xx/doc10641/10-09-Tort_Reform.pdf. Numeration added for readability.

DEPARTMENT OF HOMELAND SECURITY

In reaction to the tragic terrorist events of 9/11, Congress and the Bush Administration created the Department of Homeland Security (DHS) "to secure the nation from the many threats we face."[1021] An unwieldy agency at its birth, its size and scope of the agency has only grown. DHS is the federal government's third largest agency, with an annual budget well over $40 billion.[1022]

DHS has also been a tool for Congress and the executive branch to expand the role of the federal government into policy areas once left to states and local agencies. Instead of encouraging states to take on their basic responsibility of preparedness and response, Congress and the executive branch have pushed policies that increasingly federalize local law enforcement and local disaster response and recovery.

To highlight this point, there seems to be a growing acceptance to use DHS grant dollars to pay for overtime of local law enforcement. For example, the New York Police Department plans to use $24.3 million of its Urban Area Security Initiative (UASI) FY 2010 grants for overtime purposes.[1023] DHS grants were created to build response capabilities at the state and local level, not pay for local law enforcement overtime for parades and other local events.

Disaster response, once primarily the responsibility of the states, is now being viewed as responsibility of FEMA. The Heritage Foundation points out that federal disaster declarations have tripled over the past 16 years. Heritage found that disaster declarations went "from 43 under President George H. W. Bush to 89 under President Bill Clinton to 130 under President George W. Bush. In the first year of President Obama's administration, FEMA issued 108 declarations—the 12th highest number in FEMA history—without the occurrence of one hurricane or other major disaster."[1024]

[1021] "About DHS," DHS website, accessed June 28, 2011, http://www.dhs.gov/xabout/.
[1022] Government Accountability Office, 2011 High-Risk List, "Implementing and Transforming the Department of Homeland Security", http://www.gao.gov/highrisk/risks/safety-security/homeland_security.php.
[1023] G.W. Schultz, Center for Investigative Reporting, "Big Apple bonanza: $24 million in grants for NYPD overtime", February 24, 2011, http://centerforinvestigativereporting.org/blogpost/20110224bigapplebonanza24millioningrantsfornypdovertime.
[1024] The Heritage Foundation, "Solutions for America: The Federalization of Homeland Security", August 17, 2010, http://www.heritage.org/Research/Reports/2010/08/The-Federalization-of-Homeland-Security

Improving the Management of DHS Funds and Resources

In 2003, DHS' first year of operation, the Government Accountability Office (GAO) placed DHS on its biannual High-Risk list.[1025] This designation was primarily due to Congress creating DHS from 22 separate agencies and bringing together over 200,000 employees. Bringing together a behemoth like DHS has led to problems in all areas of the department including acquisition, information technology, and financial management.

Since 2003, GAO has made numerous recommendations through audits and investigation on how to improve the management of DHS, which included identifying financial weakness. Even with the GAO recommendation, "DHS has been unable to obtain an unqualified audit opinion on its department-wide financial statements and has not yet implemented a consolidated financial management system."[1026]

Over the past year, the DHS Inspector General identified $256 million in taxpayer dollars that could have been better managed to increase our nation's homeland security.[1027] As the table below shows, in the past six months alone, the DHS IG found over $120 million in mismanaged funds.[1028]

Statistical Highlights of OIG Activities

October 1, 2010 through March 31, 2011

Questioned Costs	$107,558,867
Funds Put to Better Use	$17,434,529

The IG found FEMA had dispersed $643 million in improper payments to individuals who had applied for assistance after hurricanes Katrina and Rita.[1029] Only recently did FEMA start the process to collect the hundreds of millions in taxpayer dollars paid out improperly.

DHS could save hundreds of millions a year by reducing improper payments made to contractors and state and local grant recipients. In FY 2010, DHS had $200 million in improper payments.[1030]

[1025] Government Accountability Office, 2011 High-Risk List, "Implementing and Transforming the Department of Homeland Security", http://www.gao.gov/highrisk/risks/safety-security/homeland_security.php.
[1026] Government Accountability Office, 2011 High-Risk List, "Implementing and Transforming the Department of Homeland Security", http://www.gao.gov/highrisk/risks/safety-security/homeland_security.php.
[1027] Total dollars from the questioned costs and funds put to Better column in the DHS IG Semiannual Report to Congress dated April 1, 2010 – September 30, 2010 and October 1, 2010 – March 31, 2011, http://www.dhs.gov/xoig/assets/OIG_SAR_Apr10_Sep10.pdf, http://www.dhs.gov/xoig/assets/OIG_SAR_Oct10_Mar11.pdf.
[1028] Table is pulled from the DHS IG Semiannual Report to Congress, October 1, 2010 – March 31, 2011, http://www.dhs.gov/xoig/assets/OIG_SAR_Oct10_Mar11.pdf.
[1029] Kelley Lunney, *Government Executive*, "Committee approves bill that would forgive debt for some disaster assistance recipients", May 27, 2011, http://www.govexec.com/dailyfed/0511/052711kl1.htm.
[1030] http://www.paymentaccuracy.gov/.

Reducing Excessive Overhead Costs and Unnecessary Bureaucracy

With better cost controls, DHS could save hundreds of millions of dollars without reducing or compromising services. President Obama has proposed cutting $404 million in DHS' administrative budget next year. The Office of Management and Budget (OMB) notes "the Federal Government spends extensive amounts on services or products that may be characterized as administrative or overhead."[1031]

No Way to Measure if the Billions in DHS Grants have made our Country More Secure

The Post-Katrina Emergency Management Reform Act of 2006 required that FEMA develop a way to measure and assess the nation's capability levels to respond to and prepare for a terrorist attack or natural disaster.[1032] Unfortunately, DHS has no way to measure how the 96 homeland security grants and cooperative agreements are impacting homeland security.

As a result, American taxpayers have funded nearly $40 billion in preparedness and response grants to states and localities, with no assurance it has improved the nation's security or readiness.

In fact, FEMA Deputy Administrator, Timothy Manning testified before the House Homeland Security Committee in 2009 and stated that FEMA has no way to measure if the billions of dollars in grants have made our nation more secure.[1033] Two years later, this is still the case. In the meantime, DHS continues to claim that these grants are necessary and Congress continues to appropriate billions of dollars annually without one metric to measure if the grants are reducing risk, building capability, or increasing our ability to respond to a terrorist attack or natural disaster.

Waste, Fraud and Abuse in DHS Grant Programs

DHS has taken steps to reduce waste fraud and abuse in their grant programs. Audits, however, conducted by the DHS Inspector General (IG) reveal serious shortcomings about grantees' use of grant funds and FEMA's and states' efforts to monitor grantees. For example, a recent audit on California's UASI grant funding revealed that an urban area purchased a license plate reader system for $6.2 million but cannot explain how this acquisition prevents against a terrorist attack.[1034] In another instance, in New York, auditors found that grantees were being reimbursed for costs to backfill for certain positions in the fire department based on estimated rather than

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[1031] "REDUCTION: ADMINISTRATIVE EFFICIENCY INITIATIVE," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 88; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

[1032] P.L. 109-295

[1033] Terry Kivlan, *Government Executive*, "FEMA is unable to measure funding benefits", October 27, 2009, http://www.govexec.com/dailyfed/1009/102709cdpm1.htm

[1034] The State of California's Management of Urban Areas Security Initiative Grants Awarded During Fiscal Years 2006 through 2008, Department of Homeland Security, Office of Inspector General, OIG-11-46, February 2011.

actual hours worked.[1035] Additional deficiencies found in audits of other states and localities include:

- Grantees' inability to account for equipment purchased;
- Sole source procurement for goods and services;
- Grantees' reliance on federal funding to sustain capabilities; and
- Questionable expenditures that include vehicles purchased with grant funds being used for daily commuting and equipment purchases that were found to support law enforcement activities rather than terrorism prevention or disaster preparedness.

Duplication within DHS Grant Programs

A March 2011 GAO report highlighted duplication within the 17 DHS preparedness grant programs. Specifically, the report cited a 2010 finding by the DHS Inspector General that "planning" and "interoperable communications" is an allowance or activity that can be funded by many if not all of the 17 preparedness grant programs.[1036]

Examples of duplication in the 96 FEMA grant and cooperative agreement programs:

- FEMA administers 19 mitigation grant and cooperative agreement programs.
- FEMA administers 28 grant and assistance programs relating to firefighters.
- Outside of these 28 fire specific grant and assistance programs, FEMA gave out $71.8 million in grant funding from 2004-2009 to fire departments using the preparedness grant programs.[1037]

Eliminate Unnecessary, Duplicative DHS Grants and Other Programs

DHS administers 96 grant programs and cooperative agreements. Given the fact that DHS has no way to measure how these programs are building capability, that many of the grant programs are no stranger to waste, fraud and abuse, and that duplication exists throughout, Congress should eliminate and reduce the reduce the number of grant programs going to state and locals.

[1035] The State of New York's Management of Urban Areas Security Initiative Grants Awarded During Fiscal Years 2006 through 2008, Department of Homeland Security, Office of Inspector General, OIG-11-30, January 2011.

[1036] Government Accountability Office, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue", March 2011, http://www.gao.gov/ereport/GAO-11-318SP/data_center/Homeland_security--law_enforcement/FEMA_needs_to_improve_its_oversight_of_grants_and_establish_a_framework_for_assessing_capabilities_to_identify_gaps_and_prioritize_investments.

[1037] This information was provided to staff by FEMA on March 8, 2011. The grant programs were queried using the FEMA Grant Reporting Tool. They queried the following grant programs: State Homeland Security Grant Program, Citizen Corps Program, Urban Area Security Initiative, Transit Security Grant Program, Emergency Management Performance Grant Program, Buffer Zone Protection Program, Operation Stonegarden, Interoperable Emergency Communication Grant Program, and the Emergency Operation Center Grant Program.

Emergency Operations Center Grant Program was designed to support local emergency preparedness efforts, by providing funding for construction or renovation of state and local emergency operation centers.[1038] Unfortunately, this grant program has succumbed to congressional earmarking, which has significantly reduced the program's effectiveness in enhancing our national security. The President's FY 2012 budget called for the program's termination, stating that its "focus was compromised by congressional action. . . [B]y 2010, 78 percent of the EOC grant funds were congressionally-directed."[1039] In addition, these grants are not awarded based on risk, which is contrary to the Administration's position that homeland security grants should be awarded based on risk.[1040] Finally, the President's termination list states that these grants are duplicative of the Emergency Management Preparedness Grant Program (EMPG), which allows funding to be used for the construction of EOCs.[1041] Congress could save $60 million in the first year and $666 million over ten years by eliminating this duplicative, ineffective grant program.

Intercity Bus Security Grant Program was created to provide funding for security on intercity bus systems. The President has put this grant program on the chopping block stating that the program is not awarded based on risk, which the Administration believes "is the best way to allocate resources to the areas with the greatest need so as to maximize security gains for the Nation."[1042] In addition, this grant program could be rolled into the Transit Security Grant Program, which provides funding for transit systems.[1043] The American taxpayer would save $133 million over ten years by eliminating this grant program.

Intercity Passenger Rail Grant Program provides security funds solely for Amtrak.[1044] Amtrak already receives $1.5 billion annually from the federal government that could be used for funding security upgrades.[1045] In addition, the Amtrak grant program could be eliminated and allow Amtrak to apply for Transit Security Grant Program, which provides security grants to transit systems.[1046] Savings over ten years for eliminating this grant program would be $222 million and $20 million annually.

Metropolitan Medical Response System Grants, which is one of the five grant programs in the Homeland Security Grant Program, provides "funding to support the integration of emergency

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[1038] FEMA website, FY 2011 Emergency Operations Center (EOC) Grant Program, http://www.fema.gov/government/grant/eoc/index.shtm

[1039] President's fiscal year 2012 budget request, "Terminations, Reductions, and Savings", http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf.

[1040] President's fiscal year 2012 budget request, "Terminations, Reductions, and Savings", http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf.

[1041] President's fiscal year 2012 budget request, "Terminations, Reductions, and Savings", http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf.

[1042] President's fiscal year 2012 budget request, "Terminations, Reductions, and Savings", http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf.

[1043] FEMA website, FY 2011 Transit Security Grant Program (TSGP) http://www.fema.gov/government/grant/tsgp/index.shtm.

[1044] FEMA website, FY 2011 Intercity Passenger Rail - Amtrak (IPR), http://www.fema.gov/government/grant/amtrak/.

[1045] Public Law 111-117, *Consolidated Appropriations Act, 2010*, December 16, 2009.

[1046] FEMA website, FY 2011 Transit Security Grant Program (TSGP) http://www.fema.gov/government/grant/tsgp/index.shtm.

management, health, and medical systems into a coordinated response to mass casualty incidents caused by any hazard."[1047] This program is not funded in the President's 2012 request and has not been included in previous budget request dating back to 2006.[1048] State Homeland Security Program (SHSP) grant funds can be used for the same purpose.[1049] Congress could cut spending by $455 million over ten years by eliminating this grant program that is duplicative of the SHSP grants.

Citizens Corps program is funded at $10 million in FY 2011.[1050] The purpose of this grant program is to provide "funding to bring community and government leaders together to coordinate the involvement of community members and organizations in emergency preparedness, planning, mitigation, response, and recovery."[1051] This grant program should be eliminated because it is now an allowable expense under the State Homeland Security Program grant, which would save $111 million over ten years.[1052]

Driver's License Security Grant Program (DLSG) is used to fund states' implementation of REAL ID.[1053] This grant program should be eliminated because this is now an allowable expense under the State Homeland Security Program grant.[1054] This program received $50 million funding in FY 2010 and FY 2011. Eliminating this program will save $555 million over ten years.

Interoperable Emergency Communication Grant was authorized to improve interoperable emergency communications capabilities between state, territorial, local and tribal agencies, and help implement the Statewide Communication Interoperability Plans (SCIP).[1055] This grant program should be eliminated because interoperability purchases are allowable expenses under

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[1047] FEMA website, FY 2011 Homeland Security Grant Program, http://www.fema.gov/government/grant/hsgp/index.shtm#4.
[1048] International Association of Fire Chiefs, March 1, 2005, http://www.iafc.org/Operations/LegacyArticleDetail.cfm?ItemNumber=2173.
[1049] President's FY 2012 Budget Request, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/dhs.pdf ; Jena Baker McNeill, The Heritage Foundation, "Checkbook Homeland Security: Highlights from the FY 2012 Budget Request", http://www.heritage.org/Research/Reports/2011/03/Checkbook-Homeland-Security-Highlights-from-the-FY-2012-Budget-Request#_ftn8
[1050] FEMA website, Homeland Security Grant Program, http://www.fema.gov/government/grant/hsgp/index.shtm#5.
[1051] FEMA website, Homeland Security Grant Program, http://www.fema.gov/government/grant/hsgp/index.shtm#5.
[1052] President's FY 2012 Budget Request, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/dhs.pdf ; Jena Baker McNeill, The Heritage Foundation, "Checkbook Homeland Security: Highlights from the FY 2012 Budget Request", http://www.heritage.org/Research/Reports/2011/03/Checkbook-Homeland-Security-Highlights-from-the-FY-2012-Budget-Request#_ftn8.
[1053] FEMA website, Driver's License Security Grant Program, http://www.fema.gov/government/grant/dlsgp/index10.shtm.
[1054] President's FY 2012 Budget Request, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/dhs.pdf ; Jena Baker McNeill, The Heritage Foundation, "Checkbook Homeland Security: Highlights from the FY 2012 Budget Request", http://www.heritage.org/Research/Reports/2011/03/Checkbook-Homeland-Security-Highlights-from-the-FY-2012-Budget-Request#_ftn8.
[1055]FEMA website, Fiscal Year (FY) 2010 Interoperable Emergency Communications Grant Program (IECGP) Frequently Asked Questions (FAQs), http://www.fema.gov/pdf/government/grant/2010/fy10_iecgp_faq.pdf.

the State Homeland Security Program grant.[1056] This program received $50 million in FY 2011.[1057] Eliminating this grant program would save $555 million over ten years.

Regional Catastrophic Preparedness Grants was funded at $34 million in both FY 2010 and 2011.[1058] According to FEMA, the purpose of this grant program is to enhance catastrophic incident preparedness in selected high-risk, high-consequence urban areas and their surrounding regions. Regional preparedness could be funded using the State Homeland Security Program (SHSP) and the Urban Areas Security Initiative (UASI) grants. Eliminating this duplicative grant program and would save $34 million annually and $377.4 million over ten years.

Boating Safety Financial Assistance Formula Grants are grants to states to encourage greater participation and uniformity in boating safety, particularly to permit the States to assume the greater share of boating safety education, assistance, and enforcement activities, and to assist the states in developing, carrying out and financing their recreational boating safety programs.[1059] This grant program is unnecessary as recreational boating safety is not a federal issue and states should be funding their own programs. Eliminating this unnecessary grant program would save $6 million annually and $66.6 million over ten years.

National Fire Academy Fellowship Program is three-week program through Harvard University that provides training for senior fire executives to help them "assess the tasks they face in managing today's results-driven government agencies."[1060] The U.S. Fire Administration funds two fire officials at a cost of $11,200 for each to attend the three-week class.[1061] Eliminating this unnecessary program would save $220,000 over ten years.

DHS Scholars and Fellows Educational Program provides scholarships for undergraduate and graduate students, as well as faculty at minority serving institution to, among other things, "increase the intellectual capacity, skills and talents, especially those of U.S. citizens in areas of relevance to homeland security."[1062] In FY 2010, this grant program was funded at $5.6 million.[1063] This program is unnecessary as grants and loans are available to needy students

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[1056] President's FY 2012 Budget Request, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/dhs.pdf ; Jena Baker McNeill, The Heritage Foundation, "Checkbook Homeland Security: Highlights from the FY 2012 Budget Request", http://www.heritage.org/Research/Reports/2011/03/Checkbook-Homeland-Security-Highlights-from-the-FY-2012-Budget-Request#_ftn8

[1057] President's FY 2012 Budget Request, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/dhs.pdf

[1058] President's FY 2012 Budget Request, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/dhs.pdf.

[1059] Catalogue of Domestic Federal Assistance, https://www.cfda.gov/?s=program&mode=form&tab=step1&id=cf7d884903c43ec9c643ff745a66df49.

[1060] U.S. Fire Administration, Harvard Fire Executive Fellowship Program http://www.usfa.dhs.gov/nfa/harvard/index.shtm.

[1061] Catalogue of Domestic Federal Assistance, https://www.cfda.gov/?s=program&mode=form&tab=step1&id=f95a148fe7936d7ef18a4d79af0be312

[1062] Catalogue of Domestic Federal Assistance, https://www.cfda.gov/?s=program&mode=form&tab=step1&id=af5aeb8e4ee86303909465e13d52662f.

[1063] Catalogue of Domestic Federal Assistance, https://www.cfda.gov/?s=program&mode=form&tab=step1&id=af5aeb8e4ee86303909465e13d52662f.

through the Department of Education. By eliminating this scholarship program it would save $62.2 million over ten years.

Consolidate Duplicative Mitigation Grant Programs

FEMA administers five mitigation grant programs: the Pre-Disaster Mitigation Program (PDM), **the Flood Mitigation Assistance Program, the Hazard Mitigation Grant Program, the Repetitive Flood Claims Program, and the Severe Repetitive Flood Claims Program**. In addition, FEMA administers 14 additional mitigation cooperative agreement programs. While these programs have some differences, they generally fund similar projects.[1064]

Pre-Disaster Mitigation Program (PDM), provides funds to states, territories, Indian tribal governments, communities, and universities for hazard mitigation planning and the implementation of mitigation projects prior to a disaster event.[1065] PDM was funded at $100 million in both FY 2010 and 2011.[1066]

The Hazard Mitigation Grant Program (HMGP) was created in November 1988 by Section 404 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act. HMGP provides funds to states after a presidential disaster declaration. HMGP funds are used to implement long-term mitigation projects such as elevating, acquiring and relocating structures in flood prone areas.[1067] Congress has appropriated over $3.9 billion to this program.[1068]

Flood Mitigation Assistance (FMA) grant program was created in 1994 as part of the National Flood Insurance Reform Act.[1069] The FMA was designed to reduce or eliminate the long-term risk of flood damage to buildings, manufactured homes, and other structures insurable under the NFIP.[1070] Funding for the program in FY 2010 was about $40 million.[1071]

The Repetitive Flood Claims (RFC) grant program was authorized by the Bunning-Bereuter-Blumenauer Flood Insurance Reform Act of 2004, which amended the National Flood Insurance Act (NFIA) of 1968.[1072] The grant program was funded at $10 million in FY2010 and is available annually for FEMA to provide RFC funds to assist States and communities reduce

[1064] Francis McCarthy, Congressional Research Service, "FEMA's Pre-Disaster Mitigation Program: Overview and Issues", February 18, 2010, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL34537&Source=search.
[1065] FEMA website, Pre-Disaster Mitgation Grant Program, http://www.fema.gov/government/grant/pdm/index.shtm.
[1066] President's FY 2012 Budget Request for the Department of Homeland Security, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/dhs.pdf.
[1067] FEMA website, Hazard Mitigation Grant Program, http://www.fema.gov/government/grant/hmgp/index.shtm.
[1068] http://www.crs.gov/pages/Reports.aspx?PRODCODE=R40471&Source=search.
[1069] S.Rept. 103-414, 103rd Cong. 2nd sess. (1994).
[1070] Congressional Research Service Report, "Federal Flood Insurance: The Repetitive Loss Problem" by Rawle O. King, June 30, 2005, p. 26.
[1071] http://www.6pinternational.com/news/fema%20fy2010%20association%20rollout%20slides.pdf.
[1072] P.L. 108–264, 42 U.S.C. 400

flood damages to insured properties that have had one or more claims to the National Flood Insurance Program (NFIP).[1073]

The Severe Repetitive Loss (SRL) grant program was established to provide funding to reduce or in some cases eliminate term risk of flood damage to severe repetitive loss structures insured under the National Flood Insurance Program (NFIP).[1074] A severe repetitive loss property is defined as a **residential property** that is covered under an NFIP flood insurance policy and has at least four NFIP claim payments (including building and contents) over $5,000 each, and the cumulative amount of such claims payments exceeds $20,000; or for which at least two separate claims payments (building payments only) have been made with the cumulative amount of the building portion of such claims exceeding the market value of the building.[1075] The program received $80 million in 2009.[1076]

Mitigation grants have proven a useful tool in reducing the cost to state and federal government. A 2005 FEMA-funded independent study found: "On average, a dollar spent by FEMA on hazard mitigation provides the nation about $4 in future benefits." While this funding is important and could potentially save money in the long run, it would make more sense to consolidate the five mitigation grant programs into one program and reduce funding by 20 percent, which would result in an savings of $106 million annually and $1.2 billion over ten years.

Reduce Funding to the Assistance to Firefighter Program

FEMA administers the Assistance to Firefighter Programs that awards grants to "fire departments to enhance their ability to protect the public and fire service personnel from fire and related hazards."[1077] Grants included in this program are:

- Assistance to Firefighter Grants (AFG);
- Fire Prevention and Safety Grants (FP&S); and
- Staffing for Adequate Fire and Emergency Rescue (SAFER)

AFG grants are used to help firefighters and other first responders purchase equipment and obtain training to protect the public and emergency personnel from fire related hazards. [1078] FP&S grants are used by firefighters to enhance the safety of local communities with the goal of reducing fire related injury and death. Grant funds have been used to purchase items such as smoke detectors in rural areas in Oklahoma and stovetop fire extinguishers in Bristol, Virginia.[1079] The two fire grant programs received $390 million in funding in FY 2010.[1080]

[1073] FEMA website, Repetitive Flood Claims Program, http://www.fema.gov/government/grant/rfc/index.shtm.
[1074] FEMA website, Severe Repetitive Loss Program, http://www.fema.gov/government/grant/srl/index.shtm.
[1075]FEMA website, Severe Repetitive Loss Program, http://www.fema.gov/government/grant/srl/index.shtm#0.
[1076] http://www.fema.gov/government/grant/srl/index.shtm.
[1077] FEMA Website, Assistance to Firefighter Program, http://www.fema.gov/firegrants/.
[1078] FEMA website, Assistance to Firefighter Grants, http://www.fema.gov/firegrants/afggrants/index.shtm.
[1079] FEMA website, FP&S success stories, http://www.fema.gov/firegrants/program/success_stories/fps/BristolVA2_Success.shtm.
[1080] Lennard Kruger, Congressional Research Service, Assistance to Firefighters Program:

Funding for fire prevention and safety in local communities is an important issue; however, it is not an issue that should be the responsibility of the federal government. A 2009 Heritage Foundation study found that these grants had no impact on reducing fire casualties.[1081] In fact, the report states that "without receiving fire grants, comparison fire departments were just as successful at preventing fire casualties as grant-funded fire departments."[1082] This proposal would recommend reducing funding to AFG and FP&S by 50 percent, which would save $2.1 billion over ten years.

Congress, moreover, is seeking to reduce competition in the AFG grant program by making the grants guaranteed percentage allocation for career, volunteer and combination fire departments. Under current law, AFG grants are competitive based on need. If congress is successful, changing this grant program from a competitive to guarantee could encourage state and local governments to supplant funding of fire departments on behalf of "guaranteed" funding. This proposal would recommend reducing funding to AFG and FP&S by 50 percent, which would save $2.1 billion over ten years. President Obama supported reducing funding for this program in 2010 and in the FY 2012 budget request.

SAFER grants are used to recruit and pay the salaries of state and local firefighters so fire departments can comply with staffing and other standards established by OSHA and the National Fire Protection Association.[1083] SAFER was enacted in 2003 as part of the FY2004 National Defense Authorization Act.[1084] Congress funded SAFER at $420 million in FY 2010 and $405 million in FY 2011.[1085]

While states are going broke, so is the federal government. Given our nation's financial problems, we cannot afford to pay the salaries of local firefighters nor should the American taxpayer as a whole be forced to pay for fire service in areas they do not live. State and local governments need to make this a priority and cut spending to pay for this essential service. By eliminating this grant program, it will free up $420 million annually and over $4.6 billion over ten years.

Reduce Funding to the Emergency Food and Shelter Program

The Emergency Food and Shelter Program was created to "supplement and expand ongoing efforts to provide shelter, food and supportive services" for homeless and hungry individuals nationwide.[1086] This program was funded at $200 million in FY 2010.[1087] According to the GAO

Distribution of Fire Grant Funding, January 3, 2011,

[1081] http://www.heritage.org/Research/Reports/2009/09/Do-DHS-Fire-Grants-Reduce-Fire-Casualties.

[1082] David Muhlhausen, The Heritage Foundation, "Do DHS Fire Grants Reduce Fire Casualties?", September 3, 2009, http://www.heritage.org/Research/Reports/2009/09/Do-DHS-Fire-Grants-Reduce-Fire-Casualties.

[1083] NFPA 1710and/or NFPA 1720 and OSHA 1910.134, http://www.nfpa.org/categoryList.asp?categoryID=999&itemID=24345.

[1084] Section 1057, P.L. 108-136.

[1085] P.L. 111-83, P.L. 112-10.

[1086] FEMA website, Emergency Food and Shelter Program, http://www.fema.gov/government/grant/efs.shtm.

duplication report, the federal government spent more than $90 billion on 18 domestic food and nutrition assistance programs in Fiscal Year 2010.[1088] The report highlights that many of these "programs provide comparable benefits to similar or overlapping populations."[1089] This proposal would reduce funding for this program by 50 percent or $100 million, which is the identical to the President's FY 2012 budget request.[1090] By reducing funding for this duplicative program it would save $1.1 billion over ten years.

Eliminate the Office of Bombing Prevention

Terrorists' use of improvised explosive devices (IED) has been a real threat to this nation because of the relative ease with which an IED can be made and the massive destruction resulting from these bombings makes them a very attractive weapon for terrorists to employ. Given the importance our own intelligence agencies have placed on the threat of IEDs and the examples already out there of IEDs easily being employed, it is critically important that our government address these issues to effectively prevent terrorists from using IEDs here in America. The federal government, however, is duplicating efforts to address this issue. Instead of one agency focusing on this important issue, several agencies are involved.
Federal explosives laws have been administered and enforced by the ATF for the past 40 years.[1091] In administering and enforcing the provisions of these federal explosives laws, DOJ, through ATF and the FBI, has a full range of programs and capabilities designed to "deter, detect, prevent, protect against, and respond to terrorist explosives attacks." These include:

- ATF's U.S Bomb Data Center[1092]
- ATF's National Center for Explosives Training and Research[1093]
- FBI's Hazardous Devices School[1094]
- ATF's Arson and Explosives National Response Team[1095]
- The Terrorist Explosive Device Analytical Center[1096]

Despite the Department of Justice's clear expertise and resources at the ready to deal with bombing incidents, the Department of Homeland Security established the Office for Bombing

[1087] President's FY 2012 Budget Request for the Department of Homeland Security, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/dhs.pdf.
[1088] Government Accountability Office, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue", March 2011, http://www.gao.gov/new.items/d11714t.pdf.
[1089] Government Accountability Office, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue", March 2011, http://www.gao.gov/new.items/d11714t.pdf.
[1090] President's FY 2012 Budget Request for the Department of Homeland Security, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/dhs.pdf.
[1091] 18 U.S.C. § 841
[1092] ATF website, U.S. Bomb Data Center, http://www.atf.gov/explosives/groups/usbdc/.
[1093] ATF Fact Sheet, August 2008, http://www.atf.gov/publications/factsheets/factsheet-ncetr.html.
[1094] FBI website, Critical Incident Response Group, http://www.fbi.gov/about-us/cirg/hazardous-devices.
[1095] ATF website, National Response Team, http://www.atf.gov/explosives/programs/national-response-team/.
[1096] ATF Fact Sheet, March 2010, http://www.atf.gov/publications/factsheets/factsheet-improvised-explosives-devices.html.

Prevention (OBP) in 2003. OBP has never been authorized by Congress. In FY 2011, the department received about $15 million in funding.[1097] OBP mission is to "develop tools to improve national preparedness for bombing threats at all levels of government, the public, and within the private sector."[1098]

There is no doubt that the pre-9-11 coordination and communication problems continue to exist among federal agencies. However, the answer is not to add more agencies into the mix to act as "coordinators." By eliminating the DHS' Office of Bombing Prevention, and allowing ATF and FBI to handle explosives, it would save the American taxpayer $163 million over ten years.

Eliminate the Domestic Nuclear Detection Office

The Domestic Nuclear Detection Office (DNDO), funded at $39 million in FY 2010, has spent over $1.2 billion attempting to develop and acquire radiation detectors for U.S. ports of entry, to prevent terrorists from smuggling in a nuclear device.[1099] Today, no such devices are in regular use. In fact, DNDO has little to show for its efforts but failed research, angry members of Congress, and a string of critical reports from the GAO.

"You screwed up big time," an angry Rep. Dan Lungren chastised then-DNDO chief Vayl Oxford in a 2007 hearing. GAO concluded at the time that DNDO was moving ahead with buying expensive devices that didn't work as well as advertised. "You're kind of leading us down a big rat hole with a lot of money," Lungren warned. [1100]

In 2009, GAO reported "continuing issues" with DNDO efforts, questioning whether the devices it was developing were worth their cost.[1101] The next year, GAO found "inadequate oversight" and "immature technology" at DNDO, and all but accused the office of misleading Congress about the quality and success of its efforts.[1102]

To make matters worse, a recent *Washington Post* article states that DNDO plans to spend $300 million on the failed radiation detection devices over the next four years.[1103] Given its inability to produce technology suitable to detect nuclear devices and the stove piped nature of the agency, DNDO should be eliminated. It is possible that the Science and Technology directorate could handle the development of this type of technology. If DNDO was eliminated, it would save $433 million over ten years.

[1097] FY 2012 DHS Congressional Budget Justification, Page 2006, http://www.dhs.gov/xlibrary/assets/dhs-congressional-budget-justification-fy2012.pdf

[1098] DHS website, Office of Bombing and Prevention, http://www.dhs.gov/xabout/structure/gc_1184010933025.shtm

[1099] President's FY 2012 Budget request for the Department of Homeland Security, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/dhs.pdf.

[1100] http://www.globalsecuritynewswire.org/gsn/GSN_20070315_60F31763.php)

[1101] http://www.gao.gov/new.items/d10252t.pdf

[1102] http://www.gao.gov/new.items/d101041t.pdf

[1103] Robert O'Harrow Jr., DHS plans to spend $300 million on troubled radiation detectors, Thursday July 14, 2011, http://www.washingtonpost.com/business/dhs-plans-to-spend-300-million-on-troubled/2011/07/13/gIQA6gmPDI_story.html?hpid=z3.

Reduce Funding to the Office of Intelligence and Analysis

DHS' intelligence operations, now known as the Directorate of Intelligence and Analysis (I&A), have been an object of curiosity and concern amongst intelligence experts since they began. Before DHS existed, responsibility for gathering and analyzing intelligence to protect the United States was handled by numerous federal entities – from the CIA and NSA to the FBI and even intelligence offices at the Departments of State and Energy.

Of course, that fractured system was not perfect, as the Sept. 11 attacks demonstrated. Boosting information-sharing and coordination became a priority for the intelligence community. When DHS was created, it was expected to help fuse intelligence from those disparate sources. But that responsibility went to the National Counterterrorism Center (NCTC).

In the absence of a clear, distinct role for I&A, the directorate has chosen to define itself with extraordinary breadth and cardinality. I&A is "the leading provider of intelligence and high-quality analysis to the Homeland Security Enterprise (HSE)," I&A Undersecretary Caryn Wagner wrote earlier this year.[1104] The "HSE" includes nearly everyone, in I&A's view: "Departmental leaders and components, state, local, tribal, territorial and private sector partners and other Intelligence Community (IC) members."

It is safe to say that few outside of I&A consider it "the leading provider of intelligence and. . . analysis" within the intelligence community. Nonetheless, the directorate received $335 million in unclassified funds in 2011 to gamely attempt to achieve that status.[1105]

As long as the CIA, the FBI and the Defense Intelligence Agency exist, DHS is unlikely to take the driver's seat for the U.S. intelligence community. And it shouldn't spend like it wants to be.

When conceiving a functional mission for I&A, it may be instructive to look at how other, more seasoned agencies approach the issue. The State Department, for example, has a dedicated intelligence office, the Bureau of Intelligence and Research (INR). Unlike DHS' I&A, it has a very tailored, defined role: "to provide all-source intelligence support to the Secretary of State and other State Department policymakers, including ambassadors, special negotiators, country directors, and desk officers."[1106]

Like DHS, it supports both its executive leadership as well as far-flung customers – in this case, U.S. embassies around the world. Like I&A, INR conducts all-source intelligence analysis; contributes to the President's Daily Briefing; maintains a 24-hour watch center; acts as its

[1104]DHS, "Office of Intelligence and Analysis Strategic Plan: Fiscal Year 2011-2018," February 18, 2011, http://www.dhs.gov/xlibrary/assets/ia-fy2011-fy2018-strategic-plan.pdf, accessed July 14, 2011.
[1105] DHS, "Congressional Budget Justification FY 2012," http://www.dhs.gov/xlibrary/assets/dhs-congressional-budget-justification-fy2012.pdf, accessed July 14, 2011.
[1106] State Department, "2012 Budget Justification – D&CP – Bureau of Intelligence and Research," http://www.state.gov/documents/organization/158307.pdf, accessed July 14, 2011.

agency's liaison to the intelligence community; provides its agency's voice in community-wide affairs; and helps shape its agency's policies to keep the United States safe and free. [1107]

It accomplishes all those tasks with funding just one-fifth the size of I&A's budget and a staff one-third the size of I&A's. For an unclassified budget of merely $65 million, and utilizing just 337 employees (I&A has over 1,000), INR has been successfully analyzing and disseminating crucial intelligence for its clients, and ensuring seamless information-sharing with the broader intelligence community. [1108]

Congress should consider directing I&A to model itself in the image of State's INR, and point it in that direction by giving it a commensurate budget. This proposal would recommend cutting the I&A budget by 80 percent, which would save $3.1 billion over 10 years.

Reduce Funding for the Office of Science and Technology

The Office of Science and Technology (S&T) was created to provide "knowledge, products and innovative technology solutions for the Homeland Security Enterprise."[1109] S&T was funded at $1 billion in FY 2010.[1110]

Since the creation of S&T, the directorate has been criticized by Congress because of its inability to organize itself with a clear mission and purpose. According to a CRS report, other criticisms with S&T surround:[1111]

- allocation of R&D funding;
- how priorities are set;
- a lack of metrics; and
- the inability of S&Ts to properly coordinated with other federal R&D organizations, such as the Domestic Nuclear Detection Office, the Department of Energy national laboratories.

In addition, S&T seems to be developing numerous detection and screening technologies based off of stakeholder interests such as Congress, instead of making focused efforts to develop technology based on actual intelligence and risk assessments.[1112] This proposal would reduce the funding for S&T by 20 percent, which would save $2.2 billion over ten years.

[1107] State Department, "2012 Budget Justification – D&CP – Bureau of Intelligence and Research," http://www.state.gov/documents/organization/158307.pdf, accessed July 14, 2011.
[1108] State Department, "2012 Budget Justification – D&CP – Bureau of Intelligence and Research," http://www.state.gov/documents/organization/158307.pdf, accessed July 14, 2011.
[1109] DHS website, Science and technology, http://www.dhs.gov/files/scitech.shtm.
[1110] DHS, "Congressional Budget Justification FY 2012," Page 2941, http://www.dhs.gov/xlibrary/assets/dhs-congressional-budget-justification-fy2012.pdf, accessed July 14, 2011.
[1111] Dana Shea, Congressional Research Service,
[1112]James Carafano, Testimony before http://www.heritage.org/Research/Testimony/2011/03/Next-Steps-for-Homeland-Security-Research#_ftn4

TRANSPORTATION SECURITY ADMINISTRATION

In response to the terrorist attacks on 9/11, the Transportation Security Administration (TSA) was created to "protect the nation's transportation systems to ensure freedom of movement for people and commerce."[1113] But there are serious questions about how effective TSA is in keeping the American flying public safe. Instead of focusing on intelligence to prevent a future terrorist attack, TSA seems to implement security standards in reaction to an attempted terrorist plot. This has cost the American public a lot of money, but brings no assurance that we are any safer when we travel.

TSA has invested millions of dollars in screening systems that were not properly tested before being purchased and deployed to our nation's airports. For example, TSA spent $29.6 million buying 207 explosive trace portal devices, also known as "puffer machines."[1114] These explosive detection devices continually broke down, costing thousands to maintain. Without ever having detected any explosives in real testing environments, GAO investigators found that they were prone to false-positives. In 2009, TSA finally terminated the use of these machines in U.S. airports, and recalled the costly machines.

According to GAO, the TSA Screening of Passengers by Observation Techniques (SPOT) program, was not properly designed or tested.[1115] The program, implemented in 2003, is intended to detect terrorists by focusing on behavior and appearance analysis.[1116] However, SPOT has not been effective in leading to arrests of terrorist at our nation's airports, "despite the discovery that multiple known terrorists evaded detection at SPOT airports."[1117]

In March, the GAO said this program should be validated to justify any further funding. According to GAO, if Congress froze current funding until the program is validated; it would save roughly $20 million annually.[1118] SPOT receives over $200 million in annual funding.[1119] By eliminating this ineffective program it would save $2.2 billion over ten years.

[1113] TSA website, Who We Are, http://www.tsa.gov/who_we_are/index.shtm.
[1114] Government Accountability Office, Testimony before the before the Subcommittee on Transportation Security and Infrastructure Protection, Committee on Homeland Security, House of Representatives, "Aviation Security: TSA is Increasing Procurement and Deployment of the Advanced Imaging Technology, but Challenges to This Effort and Other Areas of Aviation Security Remain", March 17, 2010, http://www.gao.gov/new.items/d10484t.pdf.
[1115] Government Accountability Office, "Aviation Security: Efforts to Validate TSA's Passenger Screening Behavior Detection Program Underway, but Opportunities Exist to Strengthen Validation and Address Operational Challenges", May 2010, http://www.gao.gov/new.items/d10763.pdf.
[1116] Government Accountability Office, "Aviation Security: Efforts to Validate TSA's Passenger Screening Behavior Detection Program Underway, but Opportunities Exist to Strengthen Validation and Address Operational Challenges", May 2010, http://www.gao.gov/new.items/d10763.pdf.
[1117] Congressman John Mica, press release, June 21, 2010, http://mica.house.gov/News/DocumentSingle.aspx?DocumentID=191499.
[1118] $20 million is the average increase the program receives annually.

TSA has moved forward with enhanced screening techniques and technologies that have raised serious questions about health and privacy. The Advanced Imaging Technology (AIT) machines, also known as body scanners, have caused many in the flying public to raise privacy concerns surrounding these machines due to the fact that they are a "virtual strip search." TSA continues to say they are essential to aviation security despite the GAO saying that they most likely would have not detected the Christmas day underwear bomber.[1120]

In addition to privacy concerns, many members of Congress have voiced concerns about the potential health effects associated with the radiation exposure to individuals who are screened, as well as the TSA employees operating the machines. TSA has insisted the machines are safe, even though maintenance records have showed that the radiation exposure could be as much as 10 times higher than TSA expected.[1121] Congress should eliminate funding for these machines until newer technology is developed that is proven to be safe and does not infringe on privacy rights. Eliminating immediate funding would save $76 million in FY 2012.[1122]

If the controversial body scanners don't do the job, according to TSA, an invasive pat down will. TSA has done little to ensure Congress and the American public that these pat downs are targeted and based on threat. Instead, there are multiple examples of children as young as three and six being pulled aside to go through pat downs.[1123] Most recently, TSA was universally condemned for requiring a 95-year-old cancer patient to go through an invasive pat-down, even requiring her to remove her adult diaper.[1124]

[1119] Government Accountability Office, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue", March 2011, http://www.gao.gov/ereport/GAO-11-318SP/data_center_savings/Homeland_security--Law_enforcement/Validation_of_TSA's_behavior-based_screening_program_is_needed_to_justify_funding_or_expansion.

[1120] Spencer Hsu, *Washington Post*, "GAO says airport body scanners may not have thwarted Christmas Day bombing", March 18, 2010, http://www.washingtonpost.com/wp-dyn/content/article/2010/03/17/AR2010031700649.html.

[1121] Alison Young and Blake Morrison, *USA Today*, "TSA to retest airport body scanners for radiation", March 14, 2011, http://www.usatoday.com/news/washington/2011-03-11-tsa-scans_N.htm.

[1122] Andrew Taylor, *Huffington Post*, "TSA Body Scanners: House GOP move to cut off new funding formachines",http://www.huffingtonpost.com/2011/05/12/tsa-body-scanners-house-gop-cut-new-funding_n_861388.html.

[1123] Ed O'Keefe, *Washington Post*, TSA, Congress to review screening procedures after pat-down of 6-year-old girl http://www.washingtonpost.com/politics/tsa-congress-vow-to-review-pat-down-of-6-year-old-girl/2011/04/13/AFZD9LYD_story.html.

[1124] Alex Sunby, CBS News, "TSA defends removing adult's diaper for pat down", June 27, 2011, http://www.cbsnews.com/stories/2011/06/27/national/main20074643.shtml

Reduce Funding for TSA and Improve Efficiency by Expanding the Screening Partnership Program

Chairman Mica of the House Committee on Transportation and Infrastructure recently released a report that found the American taxpayer could save $1 billion over the next five years if TSA would expand the Screening Partnership Program (SPP) to the top 35 airports in the country.[1125] The SPP allows airports to use private screening security companies, under the oversight of TSA, to handle aviation security.[1126] Currently 16 airports nationwide participate in the program.[1127]

In January of this year, TSA Administrator John Pistole halted the expansion of this program claiming that after reviewing TSA policies he did "not see any clear or substantial advantage" to expanding the program.[1128] Soon after halting the SPP, Pistole made the decision give TSA employees limited bargaining rights, therefore, putting personnel issues above the mission of TSA to protect the flying public.[1129]

According to Mica's report, the 35 airports represent 75 percent of all commercial passengers in the U.S. If all 35 airports switched to SPP, that would eliminate the need for 7,601 federal employees, and would save $1 billion in salaries alone.[1130]

The report also found:

- SPP screeners are 65 percent more efficient than TSA federal employees;
- Screening of passengers by TSA employees is almost double the cost of screening under the SPP program - $4.22 per passenger for a federal screening workforce, as opposed to only $2.42 per passenger for private screeners;
- Many countries, including Israel and Western European nations, rely on SPP-like screening programs;
- TSA has spent more than $2 billion on recruiting and training costs due to high attrition, which has hindered its ability to focus on security.

U.S. Customs and Border Protection

According to the Government Accountability Office, CBP has a $639.4 million unobligated balance in its Customs User Fee Account. This account is for fees collected for the costs associated with CBP processing air and sea passengers and shipments. As a result of a temporary

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[1125] Chairman John Mica, Committee on Transportation and Infrastructure, "TSA Ignores More Cost-Effective Screening Model", June 3, 2011, http://republicans.transportation.house.gov/Media/file/112th/Aviation/2011-06-03-TSA_SPP_Report.pdf.

[1126] TSA website, Screening Partnership Program, http://www.tsa.gov/what_we_do/optout/index.shtm.. SPP was authorized under the Aviation and Transportation Security Act (ATSA) of 2001.

[1127] TSA website, Screening Partnership Program, http://www.tsa.gov/what_we_do/optout/index.shtm..

[1128] TSA website, TSA Statement on Contractor Screening Program, January 28, 2011, http://www.tsa.gov/press/happenings/2011/012811_contractor_screening_program.shtm.

[1129] Emily Long, *Government Executive*, "TSA workers granted limited bargaining rights", February 4, 2011, http://www.govexec.com/dailyfed/0211/020411l2.htm.

[1130] Mica's report examined San Francisco airport, which is under the SPP program and LAX, which is run by federal employees under TSA.

fee increase in 1993 and elimination of certain North American Free Trade Agreement (NAFTA) country exemptions from January 1, 1994, to September 30, 1997, the account incurred this balance.[1131] GAO found that this unobligated balance has been in the fee account for ten years.[1132] Congress should rescind the money for a one-time cost savings of $639.4 million.

Consolidate Multiple DHS Mascots

DHS is making an effort to "prepare" younger Americans for potential threats, both terrorist or natural by spending at least $462,106 in federal tax dollars to create the *Ready Kids* Initiative[1133], a Federal Emergency Management Agency (FEMA) for Kids website[1134], a U.S. Fire Administration for Kids website[1135], a Mountain Lion Family, Herman the Crab, the "Disaster Twins,"[1136] and the U.S. Fire Administration's Marty and his turtle friend Jett. With the critical mission of securing America, one would question if multiple, duplicative websites and mascots are a wise use of the agency's time and money. This proposal would simply consolidate them into one kids program, which would save DHS $2.6 million over ten years.

SAVINGS:
$23.5 billion in savings over the next decade and $3.1 billion in savings in the first year by enacting these reforms which includes eliminating at least 15 programs and reducing the cost of ten other programs.

PROGRAM ELIMINATED
Emergency Operation Centers
Intercity Bus Security Grant Program
Intercity Passenger Rail Grant Program
Metropolitan Medical Response System
Citizens Corps Program
Drivers License Security Grant Program
Interoperability Emergency Communications Grant Program

[1131] Government Accountability Office, Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue, March 2011, http://www.gao.gov/ereport/GAO-11-318SP/data_center_savings/Homeland_security--Law_enforcement/Clarifying_availability_of_certain_customs_fee_collections_could_produce_a_one-time_savings_of_$640_million#1.
[1132] Government Accountability Office, Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue, March 2011, http://www.gao.gov/ereport/GAO-11-318SP/data_center_savings/Homeland_security--Law_enforcement/Clarifying_availability_of_certain_customs_fee_collections_could_produce_a_one-time_savings_of_$640_million#1.
[1133]Ready Kids Initiative website, http://www.ready.gov/kids/
[1134] FEMA for Kids website, http://www.fema.gov/kids/index.htm
[1135]U.S. Fire Administration kids website, http://www.usfa.dhs.gov/kids/flash.shtm.
[1136] FEMA Disaster twins website, http://www.fema.gov/kids/twins/.

Staffing for Adequate Fire and Emergency Rescue Grants
Regional Catastrophic Preparedness Grants
Boating Safety Financial Assistance Formula Grant
National Fire Academy Fellowship Program
DHS Scholars and Fellows Educational Program
Office of Bombing Prevention
Eliminate the Domestic Nuclear Detection Office
TSA Screening of Passengers by Observation Techniques Program

ADDITIONAL SAVINGS/PROGRAM REDUCTIONS

Reduce funding by 50 percent to the AFG and FP&S fire grant programs
Reduce Funding to the Emergency Food and Shelter Program by 50 percent
Reduce Funding to the Office of Intelligence and Analysis by 80 percent
Reduce Funding for the Science and Technology Directorate by 20 percent
Moving to Screening Partnership Program (SPP) at the top $35 airports in the Nation
Freeze immediate funding for Advanced Imaging Technology scanners
President Obama's proposed administrative reduction
Consolidate Mitigation Grant Programs and reduce funding by 20 percent
CBP unobligated balance in its Customs User Fee Account
Consolidate multiple DHS kids programs

DEPARTMENT OF HOMELAND SECURITY TEN YEAR SAVINGS

Discretionary: $23.29 billion
Total: $23.29 billion

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The mission of the Department of Housing and Urban Development (HUD) "is to create strong, sustainable, inclusive communities and quality affordable homes for all."[1137] No one in America should be homeless, especially when the federal government is spending billions of dollars every year to provide housing for those in need. Yet, homelessness in the United States remains a significant problem.

The factors contributing to homelessness can be complicated and far ranging, from societal issues such as the recent housing crisis and economic recession, to more personal factors like unemployment, mental illness, and substance abuse. Poor management, misspending, fraud, and neglect of federal funds also contribute to our inability to better address the issue.

Improving Management of Funds and Resources

From paying rent subsidies to the dead to dramatic losses on the resale of foreclosed homes to excess travel costs, mismanagement at HUD is costing taxpayers billions of dollars. Reforming our nation's housing agency will require improving financial management and eliminating unnecessary administrative costs.

Congress appropriated $46.06 billion to HUD in fiscal year 2010. "Regular appropriations for HUD (not including emergency supplemental funding) have increased by 57% in the nine years prior to fiscal year 2011. This increase in the HUD budget has been partly attributable to increased funding for HUD programs, particularly the Section 8 programs, which have had a 70% increase in funding over this period and have grown to account for well over half of HUD's total budget," according to the Congressional Research Service.[1138] Of these amounts, billions of dollars were wasted or misspent.

For example, according to HUD's Office of the Inspector General (OIG), in 2010 alone, HUD could have put over $813 million to better use and paid over $155 million in questionable costs.[1139] This represents nearly $1 billion in public funds that could have been better spent providing housing aid to those in need or not spent at all.

[1137] "About HUD; Mission," HUD website, accessed June 10, 2011; http://portal.hud.gov/hudportal/HUD?src=/about/mission .

[1138] Maggie McCarty, "The Department of Housing and Urban Development (HUD): fiscal year2011 Appropriations," Congressional Research Service, April 29, 2011.

[1139] "Semi-annual Report to Congress; April 1, 2010, through September 30, 2010," U.S. Department of Housing and Urban Development Office of Inspector General; http://www.hudoig.gov/pdf/sar/sar64.pdf .

Profile of Performance

Audit profile of performance
for the period April 1, 2010, through September 30, 2010

Results	This reporting period	FY 10 totals
Recommendations that funds be put to better use[1]	$225,136,232	$813,264,347
Recommended questioned costs[1]	$109,919,327	$155,188,440

HUD's Inspector General says the Department could have better spent nearly $1 billion last year.[1140]

As of March 2011, half-way through fiscal year 2011, approximately $900 million in HUD rental assistance payments made were improper,[1141] including paying rent for 652 deceased people.[1142]

In recent years, HUD has also spent approximately $12.2 billion acquiring over 110,000 foreclosed houses, but has been able to recover only $5.5 billion upon resale. This resulted in HUD losing 39 cents on the dollar for every home it resold (by comparison, the Department of Veterans Affairs lost 13 cents for each home it acquired and resold).[1143]

Vehicle costs have likewise risen without adequate explanation. The $2.1 million annual cost of HUD's automobile fleet has increased 70 percent since 2004, yet Department officials cannot determine the cause. "Where that spike in overall costs came from, I have no idea," said HUD's director of facilities management division and the department's spokesman conceded "[w]e can't explain it."[1144]

HUD spent $22 million on travel in 2008, including rental cars, hotels and airline tickets.[1145]

HUD could save tens of millions of dollars every year by reducing improper payments, controlling unnecessary costs including travel and vehicle purchases, and improving management of resources.

HUD wastes another $1 billion every year on utilities in poorly insulated housing units with inefficient appliances. "[T]he federal government wastes taxpayers' money, needlessly spends

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[1140] "Semi-annual Report to Congress; April 1, 2010, through September 30, 2010," U.S. Department of Housing and Urban Development Office of Inspector General; http://www.hudoig.gov/pdf/sar/sar64.pdf .
[1141] "High-Error Programs » Rental Housing Assistance Programs," Payment Accuracy website, accessed June 14, 2011; http://www.paymentaccuracy.gov/programs/rental-housing-assistance .
[1142] "High-Error Programs » Rental Housing Assistance Programs » Deceased Singe Households," Payment Accuracy website, accessed June 14, 2011; http://www.paymentaccuracy.gov/programs/rental-housing-assistance .
[1143] Brad Heath, "Gov't losses big in home market," USA Today, May 15, 2009; http://www.usatoday.com/money/economy/housing/2009-05-14-govtown_N.htm .
[1144] Jennifer Kerr, "AP IMPACT: Govt loves its cars, all 642,233 of 'em," Associated Press, July 31, 2008, http://www.usatoday.com/news/topstories/2008-07-31-185747507_x.htm.
[1145] Alyssa Rosenberg, "FEATURES Catch as Catch Can," Government Executive, August 15, 2009; http://www.govexec.com/features/0809-15/0809-15s6.htm .

scarce housing funding on energy and utility bills," according to the National Consumer Law Center (NCLC).[1146]

HUD's largest affordable housing block grant program has squandered $400 million on nearly 700 projects that have been abandoned or are in limbo[1147] with another $250 million tied up in 600 stalled projects.[1148]

HUD has even spent money where it was not wanted or needed. The department awarded a $578,661 grant to Town of Union, New York, for homelessness prevention though the town never applied for the money and claims it does not have a homeless problem. "Union did not request the money and does not currently have homeless programs in place in the town to administer such funds," according to town Supervisor John Bernardo, who said he isn't aware of any homeless issue in the largely suburban town.[1149]

The Department ends every year with billions of dollars of funds. HUD is expected to end fiscal year 2011 with nearly $18 billion in unobligated funds. This unobligated amount is projected to increase to almost $24 billion at the end of fiscal year 2012.[1150]

Better management and accountability is needed at the Department to meet its mission and to ensure taxpayer dollars are not being squandered. Consolidating duplicative programs, eliminating wasteful and unnecessary spending and focusing HUD resources where they are truly needed can improve the outcomes; ensuring those in need of stable housing are better served.

Directing More Resources to Housing Assistance by Consolidating Duplicative Programs

Federal housing assistance programs do not seem to be working as intended, owing in part to poor program management and confusion from countless overlapping and duplicative efforts. The latest "Annual Homeless Assessment Report to Congress" prepared by HUD found 643,000 persons living in the U.S. were homeless on a given night in 2009 while roughly 1.56 million people, or one in every 200 Americans, spent at least one night in a shelter during 2009.[1151] That same year, at least seven federal agencies spent $2.9 billion on over 20 programs intended to

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[1146] Wendy Koch, "Report: HUD wastes money on energy-guzzling homes," USA Today, August 27, 2010; http://content.usatoday.com/communities/greenhouse/post/2010/08/report-hud-wastes-taxpayer-money-on-inefficient-housing/1 .

[1147] Debbie Cenziper and Jonathan Mummolo, "A trail of stalled or abandoned HUD projects," Washington Post, May 14, 2011; http://www.washingtonpost.com/investigations/a-pattern-of-hud-projects-stalled-or-abandoned/2011/03/14/AFWelh3G_story.html?wprss=rss_homepage .

[1148] "Delayed dollars, defunct deals," The Washington Post, May 15, 2011; http://www.washingtonpost.com/wp-srv/special/hud/funding/ .

[1149] Nancy Dooling, "$578,661 for Union homeless questioned; Money leaves town officials puzzled," Binghamton Press & Sun-Bulletin (New York), March 5, 2009, http://littlegreenfootballs.com/page/146080_$578661_for_Union_homeless_qu.

[1150] "Balances of Budget Authority Fiscal Year 2012," Budget of the U.S. Government, Office of Management and Budget, page 8, accessed June 16, 2011; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/balances.pdf .

[1151] "HUD ISSUES 2009 ANNUAL HOMELESS ASSESSMENT REPORT TO CONGRESS; Individual homelessness down; Family homelessness up for second straight year," U.S. Department of Housing and Urban Development, June 16, 2010; http://portal.hud.gov/hudportal/HUD?src=/press/press_releases_media_advisories/2010/HUDNo.10-124 .

assist the homeless, according to the Government Accountability Office (GAO).[1152] These programs are administered by at least four executive departments including the Department of Education (ED), the Department of Homeland Security (DHS), the Department of Health and Human Services (HHS), and HUD.[1153]

GAO also found there are a large number of other programs doing much of the same work, including "a total of 23 federal housing programs that target or have special features for the elderly. Specifically, one HUD and one USDA program target the elderly exclusively, while three HUD programs target the elderly and disabled. The remaining 18 programs serve a variety of household types but have special features for elderly households, such as income adjustments that reduce their rents."[1154]

In addition to housing initiatives, HUD's economic development programs duplicate other existing federal programs. The Community Development Block Grant (CDBG) at HUD duplicates, in large part, the Economic Development Administration at the Department of Commerce. The Department of Health and Human Services also administers three programs focused on community development, including the community economic development program, the Social Services Block Grant, and the Community Services Block Grant. HUD's *Rural Innovation Fund Program*, which addresses economic development activities in rural areas, for example, should be eliminated with any of its essential functions consolidated into the Department of Agriculture's Rural Development program.

The fragmentation caused by duplicative housing programs "can create difficulties for people in accessing services as well as administrative burdens for providers who must navigate various application requirements, selection criteria, and reporting requirements," according to GAO. Furthermore, "the lack of federal coordination was still viewed by some local service providers as an important barrier to the effective delivery of services to those experiencing homelessness."[1155]

By consolidating these programs, reducing excessive overhead, and eliminating redundant paperwork, increased amounts can be spent on housing aid while spending less overall.

Ending Federal Housing Payments to Slum Lords

Over the past several years, there have been far too many examples of slum lords receiving hundreds of millions of federal dollars. In some cases, those without stable housing and who

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[1152] "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue (GAO-11-318SP)," Government Accountability Office, March 2011; http://www.gao.gov/new.items/d11318sp.pdf .

[1153] Libby Perl, "Homelessness: Targeted Federal Programs and Recent Legislation," (RL30442), Congressional Research Service, March 8, 2011.

[1154] "ELDERLY HOUSING; Federal Housing Programs That Offer Assistance for the Elderly," (GAO-05-174) Government Accountability Office, February 2005; http://www.gao.gov/new.items/d05174.pdf .

[1155] "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue," (GAO-11-318SP), Government Accountability Office, March 2011; http://www.gao.gov/new.items/d11318sp.pdf .

sought help were put at health and safety risks by those entrusted to care from them with taxpayer funds.

A recent *ABC News' Nightline* investigation found that the government's low-income housing programs "are plagued by theft, mismanagement and corruption at local levels, including millions spent on housing for sex offenders and dead people, and all too often fail the 3 million families who rely on them for a clean, safe place to live."[1156] Specifically, the report found the Philadelphia Housing Authority, spent housing funds on lavish gifts for its executives, $500,000 to settle sexual harassment claims against its director, and $17,000 of housing funds to throw an extravagant party with belly dancers. Illustrating all too well the problems with the program, the same month belly dancers were entertaining Philadelphia housing officials, a 12 year old girl living in federally-subsidized housing suffered a near-fatal asthma attack that has left her under to speak or walk that may be linked to dangerous mold in her home.[1157]

The Philadelphia Housing Authority spent $17,000 of housing funds to throw an extravagant party for its executives, including $1,200 for a troupe of belly dancers.[1158]

The federal government provided as much as $300 million to more than 60 housing agencies "that have been repeatedly faulted by auditors for mishandling government aid," according to a review conducted by *USA Today*.[1159]

[1157] Avni Patel, Brian Ross, and John Solomon, "Housing Agency Spent Thousands of Dollars on Belly Dancers, Luxury Bags; Lavish Spending at Philadelphia Housing Authority Raises Oversight Concerns," ABC News, January 27, 2011; http://abcnews.go.com/Blotter/philadelphia-housing-authority-spent-thousands-belly-dancers-bags/story?id=12771932 .

[1158] "Partying With Belly Dancers While Residents Complain; Phila. Housing Authority Threw Extravagant Parties While Ignoring Complaints," ABC News, January 27, 2011; http://abcnews.go.com/Blotter/slideshow/partying-belly-dancers-residents-complain-12333807 .

The New York Daily News found similar evidence of money being misused on "some of the city's worst landlords" who received $81 million in federal housing funds "even though their buildings are riddled with housing code violations." The report stated "millions of dollars have been doled out to buildings where tenants have repeatedly complained of rats, roaches, faulty elevators, lack of heat and flaking lead paint."[1160]

In Washington, D.C., as well, more than $1 million in federal housing assistance for those living with HIV/AIDS was steered to an organization that left its residents, the intended beneficiaries of the funds, without electricity, gas or food. Within walking distance of the U.S. Capitol and the Department of Housing and Urban Development, this money flowed for years to slum lords even though city monitors cited "deteriorating building conditions, double-billing for salaries and questionable expenses on invoices for jewelry, suede gloves, flowers and a fish tank" and ghost employees, according to a recent expose by *The Washington Post*.[1161]

A firm chosen by HUD to construct homes for Tampa, Florida, residents receiving federal housing assistance used toxic drywall, which caused respiratory problems, nose bleeds, rashes, and other health problems. *The Tampa Tribune* reports "homeowner's insurance doesn't cover defective drywall, and the county property appraiser says the homes are close to worthless. The builder is out of business and the housing authority and developer say they're not liable. The homes, purchased for $165,000, are now worth about $5,229, according to the Hillsborough County Property Appraiser's Office, due to the bad drywall and replacing the drywall would cost about $100,000 per home. As a result, tens of thousands of federal housing dollars have been lost for each of the toxic homes and many families are worse off now than before they received the assistance.[1162]

In Indiana, investigators found the poor being "forced to live in substandard housing" that local authorities knew was unsafe, yet did not fix. In Indianapolis alone, more than $5.2 million a year has been spent on housing residents in unsafe conditions, according to *The Fort Wayne Journal Gazette*.[1163]

[1159] Brad Heath, "Housing agencies faulted in audits to get $300M of stimulus, USA Today, April 8, 2009; http://www.usatoday.com/news/washington/2009-04-07-Stimulus-Housing_N.htm .

[1160] Tina Moore, "Slumlords get share of $81M stimulus, despite code violations on buildings," New York Daily News, August 16, 2009; http://www.nydailynews.com/real_estate/2009/08/16/2009-08-16_slumlords_get_to_share_stimulus_pot_worth_81m_they_own_some_of_citys_most_hazard.html

[1161] Debbie Cenziper, "Staggering need, striking neglect; The nation's worst-hit city awards millions for care and shelter without ensuring it gets to those it's meant to help," The Washington Post October 18, 2009 http://www.washingtonpost.com/wp-dyn/content/article/2009/10/17/AR2009101701984.html .

[1162] Shannon Behnken, "Taxpayer money tied up in homes with tainted drywall," The Tampa Tribune (Florida), March 8, 2011; http://www2.tbo.com/content/2011/mar/08/081458/taxpayer-money-tied-up-in-homes-with-tainted-drywa/news-breaking/ .

[1163] Dan Stockman, "Public-housing troubles spread statewide; Living conditions unsafe and finances unkempt," Fort Wayne Journal Gazette (Indiana), May 25, 2008; http://www.journalgazette.net/apps/pbcs.dll/article?AID=/20080525/LOCAL10/805250436 .

About $2.2 million of the federal funds intended to support low-income housing on Navajo Nation Indian lands in Arizona and New Mexico was instead misspent on gambling, furs and jewelry, and racehorse training, according *The Las Vegas Sun*.[1164]

These are just a few of the many examples illustrating how housing funds have been misdirected to slum lords, often right under the nose of HUD overseers. To ensure federal housing aid benefits the needy - rather than the greedy - and to prevent slumlords from abusing taxpayers and the disadvantaged, landlords and developers with histories of violating housing standards or failing safety inspections should be barred from receiving federal funds. Simple background checks on grant applicants would protect hundreds of millions of dollars of federal housing assistance from slum lords. This is a significant amount of money that could make a great impact on the lives of those who are in need.

Prohibiting the Repayment of HUD Loans with HUD Grants

In a highly unusual lending scheme, HUD allows those who have HUD-guaranteed loans to pay them down with HUD grants. This allows borrowers to avoid paying back their HUD loans by applying for HUD grants, increasing costs for taxpayers.

In Buffalo, New York, huge amounts of HUD grant money are going for just this purpose. "Nearly 20 percent of block grant funds, totaling $38.5 million, have been spent over the past decade repaying risky loans to developers who defaulted, as well as money the city lent itself through the Section 108 loan program backed by block grants."[1165]

In Massillon, Ohio, the city has spent $1,416,985 of Community Development Block Grant (CDBG) funds—provided by HUD—to repay a $2.25 million Section 108 loan—also provided by HUD—to the city to help finance a loan for a developer. Moreover, the developer owes the money not for a housing project, but for a Hampton Inn that was built over a decade ago. The HUD loan and grant can be used for a vast array of projects including economic development, housing rehabilitation, construction, and in this case, bailing out a developer who could not repay an old debt.[1166]

In Newburgh, New York, where the city is said to have "squandered more than $2 million" in federal funds on two failed projects financed by HUD Section 108 loans, the loans were later repaid with HUD CDBG grants. [1167] The two projects were "a still non-existent industrial park" and a marina near "trendy waterfront nightspots and restaurants." When the marina developer was delinquent in making payments, the city tapped Community Development Block Grants

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[1164] Mary Manning, "Men charged with embezzling money from Indian housing grants," The Las Vegas Sun (Nevada), May 27, 2009; http://www.lasvegassun.com/news/2009/may/27/men-charged-embezzling-money-indian-housing-grants/ .

[1165] James Heaney, "The Half-Billion-Dollar Bust," Buffalo News, November 14, 2004; http://buffalonews.typepad.com/outrages_insights/files/the_halfbillion_dollar_bust.pdf .

[1166] Matthew Rink, "Hampton Inn becomes political football in mayor's race, Massillon Independent (Ohio), April 21, 2011; http://www.indeonline.com/news/x396828604/Hampton-Inn-becomes-political-football-in-mayors-race .

[1167] Doyle Murphy, "City of Newburgh used grants for poor to pay delinquent developer, federal audit says; HUD slaps officials for poor oversight of loans; industrial park never built," Times Herald-Record (New York), December 29, 2008; http://www.recordonline.com/apps/pbcs.dll/article?AID=/20081229/NEWS/812290328 .

from HUD to repay the loans. The industrial park project was initiated with a $2.13 million federal loan in 1999. But no developer was found for the project and "the city has no plans to finish the project." The city spent $900,000 of the $2.13 million federal loan and the remainder sat in the bank while the city used $1.7 million of CDBG funds to make repayments for the loan.[1168]

In just these three cities, over $42 million worth of HUD loans were or are being repaid with HUD grants. This is little more than a financial shell game that bills taxpayers twice for failed risky government projects. Federal funds, from HUD or any other department or agency, should no longer be allowed to be spent to repay HUD loans.

The Hampton Inn in Massillon, built in 1998,
is being financed with a HUD loan which is being paid off with a HUD grant.[1169]

Preventing Bailouts of Risky Government-backed Mortgages

HUD's largest mortgage program, the Federal Housing Agency (FHA), is at risk of losing billions because of its prior investments in high-risk home loans. Reforming this program should require tightening standards to prevent loans with a low probability of repayment from being issued.

The bailouts of Fannie Mae and Freddie Mac are estimated to cost taxpayers $317 billion, according to the non-partisan Congressional Budget Office (CBO). "[Fannie Mae and Freddie Mac] reported a fair-value deficit of approximately $187 billion. Adding to that, the $130 billion in net payments already received from the Treasury implies a fair-value cost to the government of about $317 billion in obligations incurred through March 2011. The increase in that total compared with CBO's 2009 estimate reflects continued deterioration in the condition of the housing market that is increasing default rates on distressed mortgages and depressing the

[1168] Doyle Murphy, "City of Newburgh used grants for poor to pay delinquent developer, federal audit says; HUD slaps officials for poor oversight of loans; industrial park never built," Times Herald-Record (New York), December 29, 2008; http://www.recordonline.com/apps/pbcs.dll/article?AID=/20081229/NEWS/812290328 .

[1169] Photos by Glenn B. Dettman, Massillon Independent (Ohio), April 21, 2011; http://www.indeonline.com/news/x396828604/Hampton-Inn-becomes-political-football-in-mayors-race .

amounts that can be recovered following defaults," according to testimony from CBO before Congress.[1170]

And now the Federal Housing Administration (FHA) "is filling a void left after mortgage-finance agency Fannie Mae tightened its condo lending standards last year."[1171] FHA claims it "is the only government agency that operates entirely from its self-generated income and costs the taxpayers nothing."[1172] But FHA's unrealistic risk assumptions may be setting up the agency for a taxpayer bailout, according to Dr. Andrew Caplin, a professor of economics at New York University.[1173] Others also "fear a billion-dollar taxpayer rescue" of the agency because the "tens of thousands of bad loans that the FHA approved from 2006 through 2008 are resulting in record numbers of insurance claims."[1174]

The FHA insures mortgages that a private lender would not otherwise make, and as such the agency had previously not required a minimum credit score for a borrower to qualify.[1175] An analysis by *USA TODAY* has found "weak enforcement of its [FHA's] own rules put thousands of home buyers in danger of getting loans based on fraudulent records or sloppy work at a time when lending companies were pushing high-risk loans." The report found "hundreds of companies violated the FHA's safe-lending standards but continued to receive its blessing to lend money in the past three years."[1176]

Unfortunately, FHA did little to stop any of this, and in fact stepped aside and allowed it to continue. "A total of 821 violations of FHA standards have gone unpunished since late 2007, while the agency has taken action in 222 instances of violations, according to *USA TODAY's* analysis." Furthermore, "The FHA also has been unaware of lenders' legal problems. The agency has no system to learn when federal prosecutors charge or convict FHA lenders, spokesman Brian Sullivan said. The mortgage companies themselves are supposed to tell the FHA when they are charged. But, Sullivan noted, 'many lenders fail to report.'"[1177]

[1170] Testimony of Deborah Lucas , Congressional Budget Office Assistant Director for Financial Analysis," The Budgetary Cost of Fannie Mae and Freddie Mac and Options for the Future Federal Role in the Secondary Mortgage Market, before the U.S. House of Representatives Committee on the Budget, June 2, 2011; http://www.cbo.gov/ftpdocs/122xx/doc12213/06-02-GSEs_Testimony.pdf .

[1171] Oshrat Carmiel, "Manhattan Luxury Condos Try FHA Backing in 'Game Changer'," Bloomberg, August 13, 2010; http://www.bloomberg.com/news/2010-08-13/manhattan-luxury-condos-embrace-federal-help-in-game-changer-for-sales.html .

[1172] "The Federal Housing Administration (FHA)," HUD website, accessed June 13, 2011; http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/fhahistory .

[1173] Testimony of Dr. Andrew Caplin, Professor of Economics and Co-Director Center for Experimental Social Science, New York University, before the House Committee on Financial Services' Subcommittee on Housing and Community Opportunity, for the Hearing On "The FHA Reform Act of 2010," March 11, 2010; http://cess.nyu.edu/caplin/wp-content/uploads/2010/02/Testimony-on-FHA3.pdf .

[1174] Thomas Frank, "FHA slow to flag problem lenders, stop them," USA Today, March 28, 2011, Page B1; http://www.usatoday.com/money/economy/housing/2011-03-25-fha-problem-lenders-enforcement.htm .

[1175] Oshrat Carmiel, "Manhattan Luxury Condos Try FHA Backing in 'Game Changer'," Bloomberg, August 13, 2010; http://www.bloomberg.com/news/2010-08-13/manhattan-luxury-condos-embrace-federal-help-in-game-changer-for-sales.html . Since the story ran, it appears the credit scores policy for FHAhave changed, see http://www.fha.com/fha_requirements_mortgage_insurance.cfm.

[1176] Thomas Frank, "FHA slow to flag problem lenders, stop them," USA Today, March 28, 2011, Page B1; http://www.usatoday.com/money/economy/housing/2011-03-25-fha-problem-lenders-enforcement.htm .

[1177] Thomas Frank, "FHA slow to flag problem lenders, stop them," USA Today, March 28, 2011, Page B1; http://www.usatoday.com/money/economy/housing/2011-03-25-fha-problem-lenders-enforcement.htm .

Additionally, while the FHA was "created in 1934 to make homeownership attainable for low- to moderate-income Americans, [it] is now providing a lifeline to new Manhattan luxury condominiums after sales stalled. Buildings featuring pet spas, concierges and rooftop lounges are applying for agency backing to unlock bank financing for purchasers. The FHA guarantees that if a homebuyer defaults on his mortgage, the agency will pay it."[1178]

To avoid putting taxpayers on the hook for another multi-billion dollar bailout, FHA must follow its minimum credit scores requirements, then return to its previous set limit of insuring no more than 30 percent of mortgages in a single building, reduce the amount of a loan the FHA will insure from $729,750 to $500,000, and checking the records of mortgage companies to end coverage of mortgages provided by shady companies with legal problems, including prior convictions.

Eliminating Unnecessary, Inefficient, and Wasteful Programs

HUD spends hundreds of millions of dollars every year on duplicative programs, many of which have high administrative costs, are inefficient and wasteful, or are simply not essential or needed. These should be eliminated.

The Brownfields Economic Development Initiative (BEDI) is a HUD grant program "to assist cities with the redevelopment of abandoned, idled and underused industrial and commercial facilities where expansion and redevelopment is burdened by *real or potential* environmental contamination."[1179] Funds from BEDI grants may be used for a variety of purposes including "any eligible activity under the Section 108 program [such as] property acquisition, economic development, public facilities and related activities."[1180] President Obama has called for eliminating this program, with the Office of Management and Budget noting that "existing larger programs to address the same needs are more efficient and require a lower administrative burden on the Department of Housing and Urban Development (HUD). Local governments have access to other public and private funds that can address the same purposes." OMB also argues that "by terminating this program, HUD is also able to reduce the administrative workload associated with managing a small and duplicative program," thereby "focusing staff on higher-impact and higher-return activities." Eliminating this duplicative program would save $18 million a year.[1181]

The Capacity Building for Community Development and Affordable Housing Grants program is in many regards an earmark for four organizations handpicked by Congress. Current law excludes any other than these groups from being eligible for applying for the grants. Funds may

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[1178] Oshrat Carmiel, "Manhattan Luxury Condos Try FHA Backing in 'Game Changer'," Bloomberg, August 13, 2010; http://www.bloomberg.com/news/2010-08-13/manhattan-luxury-condos-embrace-federal-help-in-game-changer-for-sales.html .

[1179] "Brownfields Economic Development Initiative (BEDI)," HUD website, accessed June 15, 2011; http://www.hud.gov/offices/cpd/economicdevelopment/programs/bedi/index.cfm .

[1180] "Financing Brownfields Redevelopment," HUD website, accessed June 15, 2011; http://www.hud.gov/offices/cpd/economicdevelopment/programs/bedi/bfieldfinance.cfm .

[1181] "TERMINATION: BROWNFIELDS ECONOMIC DEVELOPMENT INITIATIVE," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 11; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

be spent on a wide range of activities relating to "capacity building for affordable housing and community development" to the undefined, such as "other activities as may be determined by the grantees in consultation with the Secretary or his designee."[1182] While the five groups that receive funds may disseminate them to other subgrantees, they are given sole discretion over how the funds are used. The five organizations eligible for the $49.5 million provided by this program are Living Cities/The National Community Development Initiative (NCDI), Enterprise Community Partners, Inc., Local Initiatives Support Corporation (LISC), and Habitat for Humanity International.[1183] While all of the groups are prominent in their field, a dedicated program for them is unnecessary because they are also eligible for funds provided by other housing and community development programs administered by HUD and other federal agencies. Habitat for Humanity, for example, received $20.9 million in federal grants from a number of federal sources, including the U.S. Corporation for National and Community Service, and the U.S. Agency for International Development last year. Additionally, "$256 million in U.S. federal funds was on its way to habitat affiliates in more than 30 states through neighborhood stabilization programs," according to Habitat for Humanity's 2010 annual report.[1184] This program should be eliminated and any essential activities it conducts should be consolidate with existing programs and open to competitive bidding, rather than earmarked to a handful of groups.

The Doctoral Dissertation Research Grant program provides financial support to doctoral students to prepare dissertations on housing and urban development issues.[1185] HUD will spend $400,000 to award $25,000 to each doctoral candidate selected.[1186] This program is unnecessary as grants and loans are available to needy students through the Department of Education, and therefore, the program should be ended.

The HOME Investment Partnerships Program "is the largest Federal block grant to State and local governments designed exclusively to create affordable housing for low-income households. Each year it allocates approximately $2 billion among the States and hundreds of localities nationwide." The funds may be spent on a broad range of activities from purchasing to rehabilitating homes.[1187] This program has squandered $400 million on nearly 700 projects that have stalled or been abandoned.[1188] Another "600 projects have not drawn any of the money

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[1182] "Section 4 Capacity Building for Community Development and Affordable Housing," Catalogue of Federal Domestic Assistance website, accessed June 24, 2011; https://www.cfda.gov/?s=program&mode=form&tab=step1&id=fc3c47b836f4e22647740446a7c8f8f1 .

[1183] "Capacity Building for Community Development and Affordable Housing Grants, HUD website, accessed June 24, 2011; http://www.hud.gov/offices/cpd/about/capacitybuilding.cfm .

[1184] "What we build," Habitat for Humanity International fiscal year 2010 annual report, Habitat for Humanity9k, http://www.habitat.org/support/report/2010/annual_report_2010.pdf .

[1185] "Doctoral Dissertation Research Grant Program," HUD website, accessed June 23, 2011; www.hud.gov/hudportal/HUD?src=/programdescription/ddrg .

[1186] "Doctoral Dissertation Research Grant Program," Grants.gov, posted May 19, 2011; http://www.grants.gov/search/search.do?mode=VIEW&oppId=95554 .

[1187] HUD website, accessed June 15, 2011; http://www.hud.gov/offices/cpd/affordablehousing/programs/home/ .

[1188] Debbie Cenziper and Jonathan Mummolo, "A trail of stalled or abandoned HUD projects," Washington Post, May 14, 2011; http://www.washingtonpost.com/investigations/a-pattern-of-hud-projects-stalled-or-abandoned/2011/03/14/AFWelh3G_story.html?wprss=rss_homepage .

allocated, tying up $250 million."[1189] A nationwide investigation of the program by *The Washington Post* "uncovered a dysfunctional system that delivers billions of dollars to local housing agencies with few rules, safeguards or even a reliable way to track projects. The lapses have led to widespread misspending and delays in a two-decade-old program meant to deliver decent housing to the working poor. *The Post* found breakdowns at every level:

- "Local housing agencies have doled out millions to troubled developers, including novice builders, fledgling nonprofits and groups accused of fraud or delivering shoddy work.

- "Checks were cut even when projects were still on the drawing boards, without land, financing or permits to move forward. In at least 55 cases, developers drew HUD money but left behind only barren lots.

- "Overall, nearly one in seven projects shows signs of significant delay. Time and again, housing agencies failed to cancel bad deals or alert HUD when projects foundered.

- "HUD has known about the problems for years but still imposes few requirements on local housing agencies and relies on a data system that makes it difficult to determine which developments are stalled.

- "Even when HUD learns of a botched deal, federal law does not give the agency the authority to demand repayment. HUD can ask local authorities to voluntarily repay, but the agency was unable to say how much money has been returned."[1190]

President Obama has proposed cutting the HOME Investment Partnerships by 9.5 percent, or $175 million from current funding levels.[1191] Due to the program's excessive waste, mismanagement, and duplication, the entire program should be ended. This would save $1.82 billion a year. Any essential services it provides that do not duplicate assistance provided by any of HUD's other assistance programs should be consolidated into the appropriate remaining programs. Furthermore, HUD should cancel any projects, and collect whatever funds remain available, for which little or no money has been spent for over a year, construction has not yet begun or has been stalled for longer than two years, or the project has been abandoned. HUD should also seek to recollect any federal funds from developers, contractors, and grant recipients from failed or incomplete projects.

[1189] "Delayed dollars, defunct deals," The Washington Post, May 15, 2011; http://www.washingtonpost.com/wp-srv/special/hud/funding/ .

[1190] Debbie Cenziper and Jonathan Mummolo, "A trail of stalled or abandoned HUD projects," Washington Post, May 14, 2011; http://www.washingtonpost.com/investigations/a-pattern-of-hud-projects-stalled-or-abandoned/2011/03/14/AFWelh3G_story.html?wprss=rss_homepage .

[1191] fiscal year 2012 Budget Summary, U.S. Department of Housing and Urban Development, February 2011, page 13; http://portal.hud.gov/hudportal/documents/huddoc?id=2012BudgetFinal_03_07_Web.pdf .

A developer received $5.5 million in HUD funds since 2006 to build houses on this lot in Anaheim, California, but no construction has occurred.[1192]

A housing agency spent $1.7 million of federal funds to purchase land, build roads, and install utilities as part of a project to build 40 low-income homes in Nashville, Tennessee. No money remains to construct the houses, however, so the project is "essentially kind of moth-balled […] for the moment," according to the director of development. [1193]

[1192] Wilson Andrews and Debbie Cenziper, "Stalled housing projects," The Washington Post, May 15, 2011; http://www.washingtonpost.com/wp-srv/special/hud/stalled-projects/# .
[1193] Wilson Andrews and Debbie Cenziper, "Stalled housing projects," The Washington Post, May 15, 2011; http://www.washingtonpost.com/wp-srv/special/hud/stalled-projects/# .

A non-profit received $350,000 of HUD funds in 2005 to build condominiums on this lot in Prince George's County, Maryland. The lot remains empty today.[1194]

A developer was given $700,000 in 2003 to build low-income housing on this property in Newark, New Jersey. The project was recently terminated but the funds have not yet been recouped.[1195]

[1194] Wilson Andrews and Debbie Cenziper, "Stalled housing projects," The Washington Post, May 15, 2011; http://www.washingtonpost.com/wp-srv/special/hud/stalled-projects/# .
[1195] Wilson Andrews and Debbie Cenziper, Stalled housing projects," The Washington Post, May 15, 2011; http://www.washingtonpost.com/wp-srv/special/hud/stalled-projects/# .

NeighborWorks America is a congressionally-chartered nonprofit group, officially known as the Neighborhood Reinvestment Corporation, providing technical and financial aid for housing, "neighborhood revitalization," and "community building" as well as "grants, training and education, and publications."[1196] The training includes courses in public speaking, time management, marketing, creating a social media plan, and "The Art of Schmoozing."[1197] Programs run by NeighborWorks duplicate and overlap other HUD initiatives. According to CBO, "Neighbor-Works America is unnecessary. It is a relatively minor source of funding for NeighborWorks Organizations; its grants in 2008 made up 22 percent of their government funding and 5.5 percent of their total funding. Larger shares came from private lenders, foundations, corporations, and HUD. Moreover, other federal programs— particularly those in HUD—also support efforts to rehabilitate low-income housing and promote home ownership and community development. Similarly, if the Congress wished to continue to fund mortgage and financial counseling services for people facing foreclosure, it could do so without channeling the money through NeighborWorks America." CBO estimates elimination of federal funding for NeighborWorks America would save $185 million in 2012 and $1.9 billion over ten years.[1198]

The Self-Help Homeowner Opportunity Program (SHOP) provides funding to organizations "to purchase home sites and develop or improve the infrastructure needed to set the stage for sweat equity and volunteer-based homeownership programs." Up to 20 percent of the grants may be spent on administrative costs, rather than direct housing assistance.[1199] The Obama Administration has called for terminating this program because "existing larger programs to address the same needs are more efficient and place a lower administrative burden" on HUD. Eliminating this duplicative program with high administrative costs would save $27 million a year and nearly $300 million over ten years.[1200]

The University Community Fund was created to "allow funding opportunities for colleges and universities interested in forming consortia" with other institutions "to jointly address the community/economic development needs of local communities."[1201] The Obama Administration requested the creation of this "new University Community Fund as a set-aside from the larger CDBG program" in fiscal year 2010.[1202] For fiscal year 2012, however, "no funding is requested for the University Community Fund" by the Administration[1203] because the program is

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[1196] "Eliminate NeighborWorks America," Budget Options, Volume 2, Congressional Budget Office, August 2009, page 103; http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf .
[1197] "Course Catalog," NeighborWorks America website, accessed June 15, 2011; http://www.nw.org/network/training/courses/default.asp .
[1198] "Eliminate NeighborWorks America," Budget Options, Volume 2, Congressional Budget Office, August 2009, page 103; http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf .
[1199] "Self-help Homeownership Opportunity Program (SHOP)," HUD website, accessed June 15, 2011; http://www.hud.gov/offices/cpd/affordablehousing/programs/shop/ .
[1200] "TERMINATION: SELF-HELP AND ASSISTED HOMEOWNERSHIP OPPORTUNITY PROGRAM (SHOP)," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 65; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .
[1201] "Building Inclusive and Sustainable Communities Free from Discrimination," HUD Fiscal Year 2011 budget request, page 24; http://www.hud.gov/budgetsummary2011/free-from-discrimination.pdf .
[1202] HUD Fiscal Year 2010 budget request summary, page 19; http://www.hud.gov/budgetsummary2010/fy10budget.pdf .
[1203]" POLICY DEVELOPMENT AND RESEARCH," HUD Fiscal Year 2012 budget request, HUD website, accessed June 21, 2011; http://portal.hud.gov/hudportal/documents/huddoc?id=Research_Tech_2012.pdf .

duplicative and has no metrics to demonstrate its effectiveness. President Obama's 2012 budget proposal notes "programs within the Department of Education serve similar populations, and activities currently funded by the University Community Fund are eligible activities of the Community Development Block Grant program. In addition, there are no comprehensive and independent evaluations of the program, indicating the program lacks clear indicators of effectiveness and impact."[1204]

HUD administers a number of overlapping, duplicative and unnecessary research programs.

The General Research and Technology Activity program provides federal assistance "to carry out research, demonstration and program evaluation and monitoring projects of high priority and pre-selected by the Department."[1205] The program costs approximately $41 million per year.

The Transformation Initiative: Natural Experiments Grant Program provides $600,000 a year to think tanks, foundations, and other organizations for "scientific research that makes use of natural experiments to evaluate the impacts of local, state, and federal policies" related to housing and urban development.[1206]

The Transformation Initiative Research Grants: Demonstration and Related Small Grants, which spends $150,000 a year, "focuses on [h]omeless [f]amilies by providing a vehicle for conducting a number of small research projects aimed at collecting additional/supplemental information and analyses."[1207]

Transformation Initiative Research Grants: Sustainable Community Research Grant Program, with a budget of $2.5 million a year, also provides grants to think tanks, foundations, and other organizations for policy research. Think tanks and foundations are already conducting research on these topics. Numerous other federal agencies also provide funding for scientific research, including the far more prestigious National Science Foundation and the National Institutes of Health. These relatively insignificant programs, therefore, should be ended.

Targeting Aid to Truly Needy Communities

The Community Development Block Grant (CDBG) Program provides grants to states and local governments "to address a wide range of unique community development needs."[1208] The total

[1204] "TERMINATION: UNIVERSITY COMMUNITY FUND," Fiscal Year 2012 Terminations, Reductions, and Savings: Budget of the U.S. Government, Office of Management and Budget, page 80, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

[1205] "General Research and Technology Activity," Catalog of Federal Domestic Assistance website, accessed June 23, 2011; https://www.cfda.gov/?s=program&mode=form&tab=step1&id=591557f7744a9f5445353d133094cb92 .

[1206] "Transformation Initiative: Natural Experiments Grant Program," Grants.gov, posted January 20, 2011; http://www.grants.gov/search/search.do?mode=VIEW&oppId=65873 .

[1207] "Homeless Families Demonstration Small Grant Research Program," Grants.gov, posted January 3, 2011; http://www.grants.gov/search/search.do?mode=VIEW&oppId=61814 .

[1208] "Community Development Block Grant Program – CDBG," HUD website, accessed June 21, 2011; http://www.hud.gov/offices/cpd/communitydevelopment/programs/ .

CDBG budget in 2010 was $3.98 billion.[1209] HUD "determines the amount of each grant by using a formula comprised of several measures of community need, including the extent of poverty, population, housing overcrowding, age of housing, and population growth lag in relationship to other metropolitan areas."[1210]

President Obama's fiscal year 2012 budget recommended cutting $299 million from CDBG's budget, noting: "The current formula for CDBG was established in statute over 30 years ago" and "the distribution of funds is not targeted to the most economically distressed communities, and communities in similar distress do not receive similar allocations. While flexibility may be one strength of the CDBG program, the use of funds and how States and communities distribute their funds lead to resources spread across many activities, diverse constituencies, and geographies without clear or focused impact. This makes the demonstration of outcomes difficult to measure and evaluate."[1211]

Because CDBG funds are awarded with little ensuing accountability, these dollars have too frequently been spent on projects that have little to do with community development. For example, Summit County, Ohio spent $100,000 of CDBG funds to create a "doggie day care" and kennel last year[1212] and Nyack, New York directed $10,000 of CDBG funds to Amazing Grace Circus Inc. in 2009 to put on "A Day in the Circus."[1213] CDBG funds are being spent creating a hip atmosphere for employees of an LA architecture firm, providing decorative sidewalks in a wealthy Virginia community, and upgrading Victorian cottages in Alabama. It has also been used to purchase property that has remained vacant and unused for 15 years. In some cases, cities are receiving millions of dollars of CDBG funds for which they have no use, leaving CDBG funds unspent for decades. A survey of cities nationwide shows that money is frequently used for purposes other than which the program is billed.

Los Angeles is steering $1 million in CDBG funds to a wealthy international architecture firm designing a NFL football stadium. The company, Gensler, will spend the money "to create a hip, new atmosphere" for its employees at the "'jewel box,' a three-story building nestled between two skyscrapers at City National Plaza," according to *LA Weekly*. "According to city documents, Gensler has agreed to a modest, and very vague, payback: In return for the $1 million in renovation funds, it will hire an unspecified number of temporary, low- to moderate-income workers to do the job."[1214]

[1209] "REDUCTION: COMMUNITY DEVELOPMENT BLOCK GRANT," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 100; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

[1210] "Community Development Block Grant Program – CDBG," HUD website, accessed June 21, 2011; http://www.hud.gov/offices/cpd/communitydevelopment/programs/ .

[1211] "REDUCTION: COMMUNITY DEVELOPMENT BLOCK GRANT," Fiscal Year 2012 Terminations, Reductions, and Savings: Budget of the U.S. Government, Office of Management and Budget, page 100, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

[1212] Rick Armon, "11 Summit projects receive federal funds," Akron Beacon Journal (Ohio), November 3, 2009; http://www.ohio.com/news/68829942.html .

[1213] "More than $3.4 million in HUD grants awarded to not-for-profits, municipalities," Mid-Hudson News (New York), March 25, 2009; http://www.midhudsonnews.com/News/2009/March09/25/RC_HUD_grants-25Mar09.html.

[1214] Martin Berg, "Huge Subsidy for Stadium Architect; Villaraigosa quietly plans to hand Gensler $1 million meant for the poor," LA Weekly (California), April 21, 2011; http://www.laweekly.com/2011-04-21/news/huge-subsidy-for-stadium-architect/ .

A hip atmosphere being created for employees of a wealthy international architecture firm in Los Angeles will be paid for with HUD CDBG funds.[1215]

"When the federal government doles out grants to help low- and moderate-income individuals, it has to make an exception for a city like Newport Beach, [Virginia]," noted the local newspaper *The Daily Pilot*. "The majority of households here earn more than $80,000, and there are few pockets with people of even average means. So when the City Council approved its annual Community Development Block Grant funding this week, more than half the funds were able to pay for decorative sidewalks, street furniture, landscaping and other street improvements," which includes one interesting feature: "purple undulating waves [that] span the pavement near the pier."[1216]

In the mid-1990s, Princeton, Kentucky used a CDBG grant to acquire a piece of property on West Shephardson Street, though the funds were never used. "We've had no use for the property in probably the last 10 to 15 years," the city clerk said. In May, the City Council voted to declare the lot "surplus property."[1217]

In Alabama, money is being used to renovate historic Victorian-style homes. "One of the benefits of owning a historic home is the charm and character of the architecture. Unfortunately, that character often comes with a price — high maintenance bills," according to *The Mobile Press-Register*. To alleviate these costs, the city of Mobile, Alabama, is spending CDBG funds to provide "forgivable 'silent mortgages'" for improvements made to Victorian cottages and other historic homes. "Under the program, eligible participants can get up to $15,000 for roof replacement, new paint, window replacement and other repairs to the house's exterior. … Each

[1215] LA Weekly (California), April 21, 2011; http://www.laweekly.com/photoGallery/index/1253199/0/ .
[1216] Mike Reicher, "Federal grant going to improvements, not affordable housing; High-income Newport Beach finds other uses for its funds, including decorative sidewalks, landscaping," Daily Pilot (Virginia), April 28, 2011; http://www.dailypilot.com/news/tn-dpt-0429-cdbg-20110428,0,190547.story .
[1217] "City council delays veteran van funding", The Times Leader (Kentucky), May 4, 2011.

year the recipient stays in the home, the mortgage will be reduced by 20 percent until, after five years, it's forgiven entirely."[1218]

HUD CDBG grants are paying the costs of "forgivable 'silent mortgages'" for homeowners of Victorian cottages and other historic homes in Mobile, Alabama.[1219]

San Diego has been sitting on CDBG funds for over 20 years and a local radio station reported earlier this year that "last year the city got more than $16 million – but it didn't spend it."[1220]

These are all projects that comply with HUD guidelines and do not include the millions of dollars of CDBG funds that are misspent or lost to fraud. All of these projects listed should be canceled with the funds recouped and returned to the Treasury. The cost of the unused property purchased with CDBG funds should be reimbursed to the Treasury and any grant money that has remained unspent for over five years should be returned.

While the program is intended to address poverty, the formula for distributing CDBG is "resulting in grants going to relatively wealthy communities and college towns," according to testimony before the Senate Homeland Security and Governmental Affairs Committee's Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security.[1221] "The poverty rate variable is problematic. Though poverty rate is a good indicator of community need," explained Eileen Norcross from the Government

[1218] Robert McClendon, "Mobile creates grant for historic home maintenance," Mobile Press-Register (Alabama), May 16, 2011; http://blog.al.com/live/2011/05/mobile_creates_grant_for_histo.html .
[1219] Photo by G.M. Andrews, Mobile Press-Register (Alabama), May 16, 2011; http://blog.al.com/live/2011/05/mobile_creates_grant_for_histo.html .
[1220] Joanne Faryon, "An Unlikely Problem For San Diego: Too Much Money, KPBS Public Broadcasting (California), February 2, 2011; http://www.kpbs.org/news/2011/feb/02/unlikely-problem-sd-too-much-money-bank/.
[1221] Testimony of Eileen Norcross, M.A., Senior Research Fellow for the Government Accountability Project of the Mercatus Center at George Mason University, before the Subcommittee on Federal Financial Management, Government Information and International Security of the Senate Subcommittee on Homeland Security and Government Affairs, June 29, 2006, page 3.
http://hsgac.senate.gov/public/index.cfm?FuseAction=Files.View&FileStore_id=88b17714-faf4-4703-9f16-c512ba919094

Accountability Project at George Mason University's Mercatus Center, "'the current formula allows for relatively low-need college towns to receive relatively large per capita grants because off-campus college students are recorded as being in poverty, when many are receiving unrecorded support from their families. It is better to measure the poverty rate for the non-college student population.'"[1222]

To ensure CDBG funds are prioritized to better address poverty, funds should be provided only to communities with the greatest need and fewest local resources. Full time college students, for example, should be excluded from the calculations of poverty.

Even when CDBG funds do go to needy areas, it is at times difficult to demonstrate the program's effectiveness in improving a community's economic conditions, as illustrated by the example of Buffalo, New York. "Buffalo gets more federal Community Development Block Grant aid per resident than all but one city in the country because of its pervasive poverty. But three decades and $556 million later, there is scant evidence of the federal government's largesse," according to an investigation by the *Buffalo News*. The investigation found "City Hall squandered much of the half-billion dollars in federal aid it received over the past 30 years to revitalize its downtown and neighborhoods and recharge its ailing economy." According to an analysis of the program's expenditures, "more than half went to 'soft costs' that include covering bad loans, paying City Hall salaries and subsidizing an overblown network of neighborhood agencies." As a result, Buffalo "frittered away much of the money through parochial politics and bureaucratic ineptitude, the News found." [1223]

Because wealthy neighborhoods would no longer be eligible for these funds, there is little evidence to demonstrate the effectiveness of this program, and the program has a long history of wasteful spending, the overall CDBG budget should be reduced to $1.5 billion annually. This would produce a savings of $2.5 billion in first year. Funds should be better targeted to truly needy neighborhoods and communities and projects with proven success of generating long term economic development. This would achieve a ten-year savings of $27.5 billion.

Requiring Modest Rent Contributions of Tenants Receiving Housing Assistance

Low income tenants receiving HUD rental assistance "programs usually require that tenants pay 30 percent of their gross monthly household income (after certain adjustments) for rent; the federal government subsidizes the difference between that amount and the maximum allowable rent. In 2010, the Congressional Budget Office estimates, the average combined federal expenditure for all of HUD's rental housing assistance programs was roughly $7,500 per

[1222] Testimony of Eileen Norcross, M.A., Senior Research Fellow for the Government Accountability Project of the Mercatus Center at George Mason University, before the Subcommittee on Federal Financial Management, Government Information and International Security of the Senate Subcommittee on Homeland Security and Government Affairs, June 29, 2006, pages 4 and 5.
http://hsgac.senate.gov/public/index.cfm?FuseAction=Files.View&FileStore_id=88b17714-faf4-4703-9f16-c512ba919094

[1223] James Heaney, "The Half-Billion-Dollar Bust," Buffalo News, November 14, 2004; http://buffalonews.typepad.com/outrages_insights/files/the_halfbillion_dollar_bust.pdf .

household."[1224] CBO recommends a modest and gradual increase in the rent contributions of tenants from 30 percent to 35 percent of adjusted gross income over a five-year period. CBO notes that even with this increase, the tenants' "contribution would still be below the amount that unassisted renters currently spend on rent."[1225] CBO projects this reform would save about $25 billion over ten years.[1226]

Adopting Spending Reductions Proposed by President Obama

President Obama has requested spending reductions for three other HUD programs. Specifically, the President recommended funding the Fair Housing Activities Program at $61 million (a reduction of $11 million), the Housing for the Elderly Program at $274 million (a $551 million reduction), and the Housing for Persons with Disabilities Program at $90 million (a $210 million reduction).[1227] The Administration notes these reductions are necessary "given current fiscal constraints" and even with these reductions, the programs can maintain the current level of services[1228] and "lead to more efficient use" of funds by making "future projects more cost-effective and well-targeted."[1229] These funding proposals should be adopted.

Reducing Excessive Overhead Costs and Unnecessary Bureaucracy

The more it costs to administer a program, the fewer dollars remain to provide housing to those in need. Recent examinations of HUD spending have found increasing amounts spent on overhead and services other than housing. These trends need to be reversed by requiring HUD to spend a greater proportion of its budget on housing rather than administration.

President Obama has proposed cutting $8 million from HUD's administrative budget next year. The Office of Management and Budget (OMB) notes "the Federal Government spends extensive amounts on services or products that may be characterized as administrative or overhead. Over the past five years, spending on certain of these activities has grown substantially." The Obama Administration has directed each agency to cut unnecessary spending and, according to OMB,

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[1224] "Increase Payments by Tenants in Federally Assisted Housing," REDUCING THE DEFICIT: SPENDING AND REVENUE OPTIONS, Congressional Budget Office, March 2011, Page 122; http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf .

[1225] "Increase Payments by Tenants in Federally Assisted Housing," REDUCING THE DEFICIT: SPENDING AND REVENUE OPTIONS, Congressional Budget Office, March 2011, Page 122; http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf

[1226] "Increase Payments by Tenants in Federally Assisted Housing," REDUCING THE DEFICIT: SPENDING AND REVENUE OPTIONS, Congressional Budget Office, March 2011, Page 122; http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf .

[1227] "TERMINATIONS, REDUCTIONS, AND SAVINGS," Fiscal Year 2011Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, pages 76 and 86; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/trs.pdf .

[1228] "TERMINATIONS, REDUCTIONS, AND SAVINGS," Fiscal Year 2011Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 76; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/trs.pdf .

[1229] "TERMINATIONS, REDUCTIONS, AND SAVINGS," Fiscal Year 2011Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 86; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/trs.pdf .

"agencies are busy putting in place the processes and policies during 2011 that will enable them to realize these savings in 2012."[1230]

In addition to the amounts consumed by the federal and state governments, local governments spend at least 17 percent of Community Development Block Grants (CDBG) on administration and planning activities.[1231] But the true cost of overhead and administrative costs of CDBG are disguised. According to an evaluation by GAO, "the expenses subject to the spending limit on administration and planning do not reflect all of the staff and overhead costs being funded with CDBG. CDBG recipients are allowed by regulation to incorporate into individual activity budgets delivery costs such as architectural and engineering expenses, legal expenses, insurance, permit fees, taxes, and similar expenses if such expenses are directly attributable or integral to carrying out an eligible activity. These expenses are not counted toward the 20 percent administrative and planning spending limit."[1232]

Sometimes HUD even encourages cities to spend more of its grant money on overhead expenses, as it did in San Diego. HUD officials "are strongly encouraging the city to devote more money, up to the 20 percent cap, toward administration, at least until the city cleans up the program," said the mayor's chief operating officer. Calling the excessive overhead costs "outrageous," Councilwoman Marti Emerald said "these are dollars that should go straight to people who are in need and programs serving them." The City is spending over $2 million to administer about $13 million of CDBG funds.[1233]

In Buffalo, New York, "some or all of the salaries and benefits of" hundreds of employees of "a sprawling City Hall bureaucracy" have been paid for with $100 million of HUD CDBG funds.[1234]

HUD is spending more and more on counseling with little evidence if it is effective or knowledge of the industry receiving the financial support. "There is limited evidence of the benefits of counseling in making homeownership more sustainable," according to a study commissioned by HUD's own Office of Policy Development & Research (PDR).[1235] Yet, "in fiscal year 2008, HUD's appropriation for counseling increased to $50 million" and "Congress

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[1230] "REDUCTION: ADMINISTRATIVE EFFICIENCY INITIATIVE," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 88; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

[1231] "COMMUNITY DEVELOPMENT BLOCK GRANTS: Program Offers Recipients Flexibility but Oversight Can Be Improved," report GAO-06-732, Government Accountability Office, July 2006, Page 13; http://www.gao.gov/new.items/d06732.pdf .

[1232] "COMMUNITY DEVELOPMENT BLOCK GRANTS: Program Offers Recipients Flexibility but Oversight Can Be Improved," report GAO-06-732, Government Accountability Office, July 2006, Page 21; http://www.gao.gov/new.items/d06732.pdf .

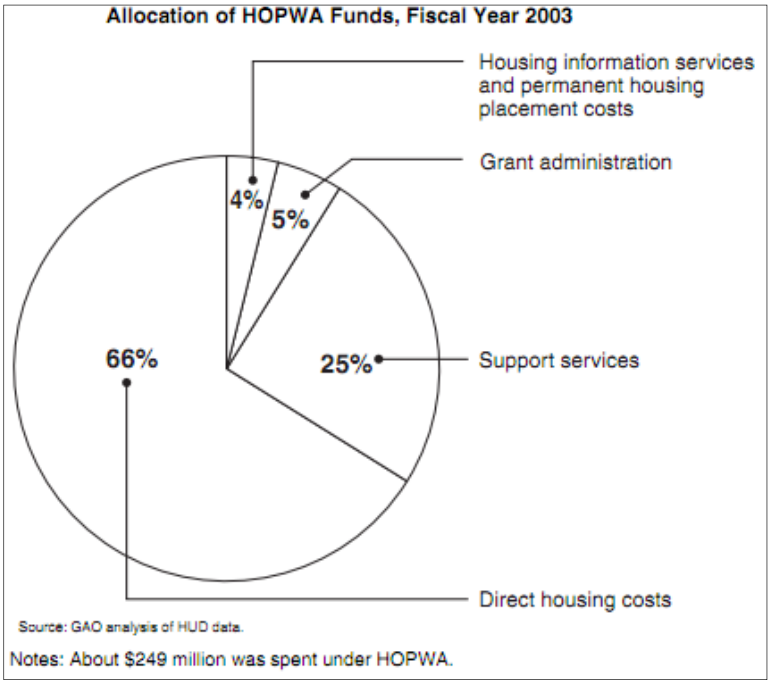
[1233] Helen Gao, "Grant costs challenged; Mayor's plan calls for using 20% of federal funds on overhead," San Diego Union-Tribune, February 25, 2009; http://www.signonsandiego.com/news/2009/feb/25/1m25grant231053-grant-costs-challenged/?zIndex=58076 .

[1234] James Heaney, "The Half-Billion-Dollar Bust," Buffalo News, November 14, 2004; http://buffalonews.typepad.com/outrages_insights/files/the_halfbillion_dollar_bust.pdf .

[1235] Christopher E. Herbert, Jennifer Turnham, and Christopher N. Rodger, "The State of the Housing Counseling Industry," Abt Associates, Executive Summary page xx, September 2008; http://www.huduser.org/Publications/PDF/hsg_counsel.pdf .

also made two appropriations totaling $360 million to support foreclosure mitigation counseling channeled through NeighborWorks America, of which $336 million will be passed through intermediaries to counseling agencies." The report points out that "there is little systematic information about the industry" despite the increasing funding it is receiving from the federal government. [1236]

GAO found administrative costs and other costs not directly related to housing are consuming increasing amounts of funds provided by the Housing Opportunities for Persons with AIDS (HOPWA) program. A GAO analysis found only 66 percent of HOPWA funds were actually being spent on "direct housing costs, such as rental assistance, and housing facility operating costs." Grant administration and other "services," such as "housing information services" and case management collectively consumed one in three dollars appropriated for AIDS housing.[1237]



One in three dollars spent by HUD AIDS housing program are consumed by "services" other than housing for persons with HIV/AIDS, such as housing information services" and "grant administration."[1238]

[1236] Christopher E. Herbert, Jennifer Turnham, and Christopher N. Rodger, "The State of the Housing Counseling Industry," Abt Associates, Executive Summary pages ix- xi, September 2008; http://www.huduser.org/Publications/PDF/hsg_counsel.pdf .

[1237] "HIV/AIDS: Changes Needed to Improve the Distribution of Ryan White CARE Act and Housing Funds," report GAO-06-33, Government Accountability Office, February 2006, page 20; http://www.gao.gov/new.items/d06332.pdf .

[1238] "HIV/AIDS: Changes Needed to Improve the Distribution of Ryan White CARE Act and Housing Funds," report GAO-06-33, Government Accountability Office, February 2006, page 21; http://www.gao.gov/new.items/d06332.pdf .

These excessive costs spent on overhead, unproven counseling services, administration, and other services not directly related to housing siphon away funding for housing for those in need. HUD programs that provide housing aid, therefore, should be required to spend no less than 85 percent of federal funds on direct housing assistance, such as rent and facility costs, with the remainder available for counseling, administrative costs, and other support services that may be necessary. This will ensure the focus of housing programs remains centered on providing housing.

Additionally, the reduced scope of the Department will require a leaner bureaucracy for administering HUD programs. For fiscal year 2011, HUD received about $525 million on salaries and expenses for administration, operations and management, including funds for advertising and promotional activities.[1239] This amount should be reduced by 15 percent, which would be a savings of approximately $80 million.

Directing AIDS Housing to Those with the Greatest Need

In addition to the excessive overhead costs detailed above, federal AIDS housing efforts suffer from waste, fraud, abuse, and duplication that, if addressed, could save millions of dollars while improving services for those in need. After all, every dollar lost to waste, fraud, abuse, neglect, and duplication is a dollar stolen from both taxpayers and those living with AIDS without stable housing.

Over the past decade, scandals involving tens of millions of dollars of misspent federal AIDS housing have come to light across the country. Most recently, *The Washington Post* reported Washington, D.C., "ravaged by the highest rate of AIDS cases in the nation," steered millions of dollars to nonprofit groups "that delivered substandard services or failed to account for any work at all, even as sick people searched for care or died waiting." As some AIDS patients went without electricity or food, shady criminals with "a string of convictions for theft, drugs and forgery" collected millions of dollars from the city for AIDS related services that were never provided or completed.[1240]

All of this occurred right under the nose of HUD officials, headquartered within walking distance of the victimized AIDS patients living in squalor.

Embarrassed that much of the more than $25 million of AIDS funds squandered in the city was HUD money and the city may have also violated more than 60 HUD requirements, the Department threatened to cut off all AIDS housing to Washington. "HUD officials said this is the first time in the AIDS housing program's 18-year history that money would be withheld from a city based on poor performance."[1241]

[1239] "Department of Defense and Full-Year Continuing Appropriations Act, 2011," Public Law 112-10, April 15, 2011, pages 194; http://www.gpo.gov/fdsys/pkg/PLAW-112publ10/pdf/PLAW-112publ10.pdf .

[1240] Debbie Cenziper, "Staggering need, striking neglect," The Washington Post, October 18, 2009, page A1; http://www.washingtonpost.com/wp-dyn/content/article/2009/10/17/AR2009101701984.html .

[1241] Debbie Cenziper, "HUD threatens to cut off D.C. AIDS funding for 2010," The Washington Post, November 12, 2009; http://www.washingtonpost.com/wp-dyn/content/article/2009/11/11/AR2009111117109.html .

Yet, scandals involving millions of dollars of misused AIDS funds have been reported in West Palm Beach, Florida; New York City, New York; Newport News, Virginia; New Orleans, Louisiana; and Washington, DC, have been exposed. AIDS housing funds have been spent on everything from movie tickets, cigarettes, decorations, and weekly BINGO games[1242] to "hefty" six figure salaries for housing executives who oversaw AIDS housing projects that squandered millions of dollars and were never completed.[1243]

As AIDS patients were boarded up in shoddy conditions without electricity, mere walking distance from HUD's headquarters in the nation's capital, AIDS housing funds were wasted on BINGO games and cigarettes and steered to ex-cons and drug dealers for projects that were never completed.

Implementing better controls to curtail waste, fraud and abuse within federal AIDS housing programs would ensure more assistance could be provided to those in need while reducing the overall amount spent.

HUD provides housing services for a number of special populations, including those living with HIV/AIDS in select number of communities. HUD's Office of HIV/AIDS Housing administers Housing Opportunities for Persons with HIV/AIDS (HOPWA), which is divided into three specific programs: The HOPWA Competitive Program, the HOPWA Formula Program, and the HOPWA National Technical Assistance Funding.[1244] In addition to HOPWA, HUD has a variety of other programs designated to serve persons with a variety of needs that can be used to aid persons living with HIV/AIDS, such as:

[1242] Daniel G. Temme, Regional Inspector General for Audit, Mid-Atlantic, 3AGA, "Safe Haven Outreach Ministry, Incorporated, Washington, DC" audit report, Department of Housing and Urban Development Office of Inspector General, audit case number 2004-PH-1008, issued June 3, 2004; http://archives.hud.gov/offices/oig/reports/files/ig431008.pdf

[1243] Gordon Russell "$1.1 million spent, but complex still rots; Politically connected nonprofit fails to deliver on project," The Times-Picayune (New Orleans), May 16, 2004, page 1.

[1244] "Housing Opportunities for Persons with AIDS (HOPWA) Program," HUD website, accessed June 23, 2011; http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/aidshousing/programs .

- *The Shelter Plus Care Program* (S+C) provides "housing and supportive services on a long-term basis for homeless persons with disabilities, (primarily those with serious mental illness, chronic problems with alcohol and/or drugs, and acquired immunodeficiency syndrome (AIDS) or related diseases) and their families who are living in places not intended for human habitation (e.g., streets) or in emergency shelters."[1245]

- *The Supportive Housing Program* (SHP) provides "supportive housing and services,"[1246] to the homeless, "including permanent housing for persons with disabilities, such as homeless persons who are living with HIV/AIDS."[1247]

- *Section 811 Supportive Housing for Persons with Disabilities* "projects may provide assistive services addressing the needs of persons disabled by HIV/AIDS."[1248]

- In some communities, preference for *Section 8 Rental Assistance* is given to "persons with terminal illnesses, including HIV/AIDS, or persons with an immunological disorder of a degenerative nature, such as AIDS or HIV disease."[1249]

- *The HOME Investments Partnerships Program* (HOME) may also provide "a preference for a specific category of individuals with disabilities (e.g., persons with HIV/AIDS).[1250]

Additionally, the Ryan White Comprehensive AIDS Resources Emergency (CARE) Act, administered by the Department of Health and Human Services, provides financial assistance for housing of those living with HIV/AIDS.[1251]

As designed, federal funding for AIDS housing and support services provided by HOPWA and Title I of the Ryan White CARE Act are awarded based upon both living cases of AIDS as well of those of the deceased, rather than on severity of current need. "Both the CARE Act and HOPWA use measures of AIDS cases that do not accurately reflect the number of persons living

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[1245] "Shelter Plus Care Program (S+C)," HUD website, accessed June 24, 2011; http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/homeless/programs/splusc .
[1246] "Supportive Housing Program," HUD website, accessed June 24, 2011; http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/homeless/programs/shp .
[1247] "Federal Housing Programs for Persons With HIV/AIDS," Office of Community Planning and Development U.S. Department of Housing and Urban Development, June 2001, page 2; http://www.hud.gov/offices/cpd/aidshousing/programs/fedprogram.pdf .
[1248] "Federal Housing Programs for Persons With HIV/AIDS," Office of Community Planning and Development U.S. Department of Housing and Urban Development, June 2001, page 2; http://www.hud.gov/offices/cpd/aidshousing/programs/fedprogram.pdf .
[1249] "Federal Housing Programs for Persons With HIV/AIDS," Office of Community Planning and Development U.S. Department of Housing and Urban Development, June 2001, page 2; http://www.hud.gov/offices/cpd/aidshousing/programs/fedprogram.pdf .
[1250] "Federal Housing Programs for Persons With HIV/AIDS," Office of Community Planning and Development U.S. Department of Housing and Urban Development, June 2001, page 2; http://www.hud.gov/offices/cpd/aidshousing/programs/fedprogram.pdf .
[1251] "The Use of Ryan White HIV/AIDS Program Funds for Housing Referral Services & Short-term or Emergency Housing Needs," Health Resources and Services Administration, policy notice 08-01, March 19, 2008; http://hab.hrsa.gov/manageyourgrant/pinspals/housing0801.html .

with AIDS. Some CARE Act grants and HOPWA base grant funding are based on case counts that could include deceased cases because the eligibility and allocations are determined using cumulative case counts," according to an analysis by GAO.[1252] "Because the HOPWA funding formula includes deceased persons, the distribution of funds does not reflect the current distribution of people living with AIDS," according to GAO.[1253] David Vos, Director of HUD's Office of HIV/AIDS Housing, notes that this "cumulative data includes over one half million Americans who have died due to AIDS." He recommends "the HOPWA formula could —if authorized by Congress—be based on CDC's surveillance data on the number of persons currently living with HIV (including persons living with AIDS). This would better target the distribution of HOPWA housing assistance resources to communities based on a more targeted data set reflecting present need."[1254]

AIDS housing funding is based, in part, upon over half-a-million deceased AIDS cases. As a result "the distribution of funds does not reflect the current distribution of people living with AIDS," according to GAO. [1255]

Deceased AIDS patients should no longer be used as a basis for determining HOPWA funding. Formulas should instead be based upon the number of cases of HIV and AIDS cases living in an area. This better targeting of funding will ensure those in greater need receive more adequate resources.

[1252] "HIV/AIDS: Changes Needed to Improve the Distribution of Ryan White CARE Act and Housing Funds," report
GAO-06-332, Government Accountability Office, February 2006, page 15;
http://www.gao.gov/new.items/d06332.pdf .

[1253] "HIV/AIDS: Changes Needed to Improve the Distribution of Ryan White CARE Act and Housing Funds," report
GAO-06-332, Government Accountability Office, February 2006, page 24;
http://www.gao.gov/new.items/d06332.pdf .

[1254] David Vos, Director, Office of HIV/AIDS Housing, Office of Community Planning and Development, "Updating the HOPWA Funding Formula," HUD website, posted April 14, 2011;
http://blog.hud.gov/2011/04/14/updating-hopwa-funding-formula/ .

[1255] "HIV/AIDS: Changes Needed to Improve the Distribution of Ryan White CARE Act and Housing Funds," report
GAO-06-332, Government Accountability Office, February 2006, page 24;
http://www.gao.gov/new.items/d06332.pdf .

Additionally, establishing a "funding floor" requiring no less than 80 percent of HOPWA dollars be spent on direct housing costs would ensure more could be spent to shelter AIDS patients at a lower cost. Improved coordination between AIDS service providers and HUD would also allow those living with AIDS without stable housing to take advantage of the numerous other programs for which they might qualify. The appropriation for HOPWA, which was $335 million in fiscal year 2010, [1256] should be reduced to $250 million.

$88.7 Billion in Savings over the Next Decade

By enacting these reforms which include eliminating at least 12 programs and reducing the cost of 5 other programs and administration, at least $85.7 billion could be saved over the next decade.

PROGRAMS ELIMINATED

Brownfields Economic Development Initiative
Capacity Building for Community Development and Affordable Housing Grants program
Doctoral Dissertation Research Grant program
General Research and Technology Activity program
HOME Investment Partnerships Program
NeighborWorks America
Self-Help Homeowner Opportunity Program
The University Community Fund
Rural Innovation Fund Program
Transformation Initiative: Natural Experiments Grant Program
Transformation Initiative Research Grants: Demonstration and Related Small Grants
Transformation Initiative Research Grants: Sustainable Community Research Grant Program

ADDITIONAL SAVINGS/PROGRAM REDUCTIONS

Administration, Operations and Management
Community Development Block Grant
Fair Housing Activities Program
Housing for the Elderly Program
Housing Opportunities for Persons with AIDS
Housing for Persons with Disabilities Program
Modest increase in the rent contributions of tenants living in federally assisted housing

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TEN YEAR SAVINGS

Discretionary: $88.73 billion
Total: $88.73 billion

[1256] David Vos, Director, Office of HIV/AIDS Housing, Office of Community Planning and Development, "Updating the HOPWA Funding Formula," HUD website, posted April 14, 2011; http://blog.hud.gov/2011/04/14/updating-hopwa-funding-formula/ .

DEPARTMENT OF THE INTERIOR

Often referred as the "Department of Everything Else," the United States Department of the Interior (DOI) administers one of the most diverse set of programs in the federal government.[1257] While most Americans know the Department for its vast land holdings-- it manages one of every five acres in the nation[1258]-- Interior is involved in the construction and management of hundreds of dams and aqueducts in the West, Indian affairs, related schools and universities, conservation programs, prisons, scientific research, arts and museums, climate change, archaeology, wildlife management, energy resource management, offshore drilling, mining, historic preservation, parks and tourism, emergency management, and the management of external American territories and protectorates. At various points throughout its long history, the agency has even overseen pensions and patents for the federal government.[1259]

In FY 2011, Congress appropriated $12.2 billion for Interior programs. In addition, it receives millions in annual "permanent appropriations" not subject to further congressional action ($7.6 billion, FY 2011). In total, the agency will spend $19.8 billion this fiscal year.[1260]

As the Department struggles to maintain its vast land holdings, meet our commitment to Native Americans, and manage critical natural resources, it is important that it operate at peak efficiency, focused on its core missions, and eliminate any unnecessary, wasteful, and duplicative programs.

Reducing Excessive Overhead Costs and Unnecessary Bureaucracy. There are a number of simple cost controls the Department could implement to save tens of millions of dollars without reducing or compromising its core mission.

Administrative Overhead—The administration has proposed cutting $99 million in Interior's administrative budget next year. The Office of Management and Budget (OMB) notes "the Federal Government spends extensive amounts on services or products that may be characterized as administrative or overhead. Over the past five years, spending on certain of these activities has grown substantially." The administration has directed each agency to cut unnecessary spending and, according to OMB, "agencies are busy putting in place the processes and policies

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[1257] Utley, Robert and Barry Mackintosh, The Department of Everything Else, 1989, http://www.cr.nps.gov/history/online_books/utley-mackintosh/index.htm.
[1258] Statement of Secretary Ken Salazar, Senate Energy and Natural Resources Committee, "President's 2011 Budget Request, March 3, 2010, http://www.doi.gov/news/speeches/2010_03_03_speechA.cfm/index.cfm.
[1259] Department of Interior Website, "History of Interior," http://www.doi.gov/whoweare/history.cfm, accessed July 14th, 2011.
[1260] Department of the Interior, "Fiscal Year 2012, The Interior Budget in Brief," Page DO-9, http://www.doi.gov/budget/2012/12Hilites/2012_Highlights_Book.pdf.

during 2011 that will enable them to realize these savings in 2012."[1261] This will result in $1.01 billion is savings over ten years.

Excessive Bureaucracy— With more than 75,000 employees and a payroll exceeding $4.5 billion, the Department is one of the larger civilian agencies in the federal government.[1262] [1263] Though the agency has employees in thousands of locations, approximately 10 percent of its employees and 13.5 percent of agency payroll are located in the Washington, D.C metropolitan area.[1264] By applying the recommendations of the National Commission on Fiscal Responsibility and Reform to reduce overall agency staffing by 15 percent (through attrition), Interior could reduce its overall staffing levels by an estimated 11,000 employees over time.

Office Space— With employees in more than 2,400 locations around the world, the Department owns or leases more than 14 million square feet of rentable building space. [1265] [1266] Despite an unfunded repair and maintenance backlog of between $13-19.2 billion, the Administration's FY 2012 budget estimates it will increase its building space to nearly 15 million square feet in the next fiscal year.[1267] [1268]

Also, the Department is now in its tenth year of renovations on is main headquarters building in Washington, D.C. having already spent more than $225 million to complete 4 of 6 wings on the "limestone and granite clad" building. Though the project received more than $63 million in stimulus funds, the Administration is requesting $50.4 million in FY 2012.[1269] Given the nation's imminent fiscal crisis and continued slow economic recovery, these renovations should be put on hold.

Information Technology (IT) Programs—In FY 2010, the Department spent nearly $1 billion on IT programs ($995

[1261] "REDUCTION: ADMINISTRATIVE EFFICIENCY INITIATIVE," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 88; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .
[1262] Office of Personnel Management, "Employment and Trends, September 2010," http://www.opm.gov/feddata/html/2009/September/table2.asp.
[1263] Office of Personnel Management, "Employment and Trends, September 2010," http://www.opm.gov/feddata/html/2009/September/table9.asp.
[1264] Office of Personnel Management, "Employment and Trends, September 2010," http://www.opm.gov/feddata/html/2009/September/table2.asp.
[1265] Department of the Interior, "Employees," http://www.doi.gov/employees/index.cfm.
[1266] General Services Administration, FY 2012 Congressional Justification, Page FBF-13, http://www.gsa.gov/graphics/staffoffices/FY2012_CONGRESSIONAL_JUSTIFICATION.pdf.
[1267] General Services Administration, FY 2012 Congressional Justification, Page FBF-13, http://www.gsa.gov/graphics/staffoffices/FY2012_CONGRESSIONAL_JUSTIFICATION.pdf.
[1268] Department of the Interior, Office of Inspector General, "Statement Summarizing the Major Management and Performance Challenges Facing the Department of the Interior," http://www.doioig.gov/images/stories/reports/pdf/X-SP-MOI-0008-2010%20Performance%20Challenges.pdf.
[1269] General Services Administration, "Fact Sheet-Alteration Main Interior Building, Washington, DC," http://gsa.gov/graphics/pbs/Main_Interior_Building_Fact_Sheet_Washington_DC.pdf, Last Accessed on July 12, 2011.

million), an important feature for an agency with 75,000 employees and one that is responsible for $9-25 billion in energy lease revenues and billions more in Indian trust accounts.[1270] Unfortunately, analysis by the agency's Inspector General (IG) suggests that these expenditures are redundant, poorly coordinated, and wasteful. The IG found that despite a mandate for all sub-agencies to transition Interior's shared remote access system by 2007, "many bureaus still operate their own separate, remote access systems." The IG further discovered IT asset inventory errors; "duplicative IT functions;" and "inadequate departmental oversight."[1271] Most concerning, the Department's Financial and Business Management System(FBMS), which has been in the works for ten years, continues to face serious implementation challenges. The system was scheduled to be complete by last year, but "to date only three bureaus/offices have transitioned." [1272]

Recent news reports also indicate that at least two offices of the Department are investing heavily in new I-Pads for employees as a replacement for blackberries and laptops. Currently, the U.S. Geological Survey (USGS) is "testing" 1,000 units while the Office of the Secretary has also purchased units for senior staff.[1273] The Bureau of Land Management issued a request for proposals for "Apple Brand Products."[1274]

Given the serious concerns raised by the IG, and the particularly difficult fiscal crisis faced by the federal government, the Department should rein in its undisciplined IT spending by ten percent immediately. This will result in $995 million in savings over the next ten years.

Reclaiming Unspent Funds

It might surprise some to learn that the Department of the Interior maintains billions of dollars in unobligated funds—"the amounts of budget authority that have not yet been committed by contract or other legally binding action by the government."[1275] The administration estimated

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[1270] Department of the Interior, Office of Inspector General, "Statement Summarizing the Major Management and Performance Challenges Facing the Department of the Interior," http://www.doioig.gov/images/stories/reports/pdf/X-SP-MOI-0008-2010%20Performance%20Challenges.pdf.

[1271] Department of the Interior, Office of Inspector General, "Statement Summarizing the Major Management and Performance Challenges Facing the Department of the Interior," Page 3, http://www.doioig.gov/images/stories/reports/pdf/X-SP-MOI-0008-2010%20Performance%20Challenges.pdf.

[1272] Department of the Interior, Office of Inspector General, "Statement Summarizing the Major Management and Performance Challenges Facing the Department of the Interior," Page 3, http://www.doioig.gov/images/stories/reports/pdf/X-SP-MOI-0008-2010%20Performance%20Challenges.pdf.

[1273] TPM Idea Lab, "Interior Department Tests I-Pads Despite Security Concerns," February 4, 2011, http://idealab.talkingpointsmemo.com/2011/02/interior-department-agencies-test-ipads-despite-security-concerns.php.

[1274] FedBizOpps.gov, "70--The U.S. Department of the Interior IT Hardware (Apple Brand Products)," January 29, 2011, https://www.fbo.gov/index?s=opportunity&mode=form&id=d8d89732f041d6d53d96d34180227e26&tab=core&tabmode=list&.

[1275] Office of Management and Budget, "Balances of Budget Authority, FY 2012," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/balances.pdf.

Interior has remaining unspent and unobligated funds of $8.12 billion in FY 2011, up from $7.6 billion in FY 2010.

As the budget deficit is now our most urgent priority, this report proposes that half of these funds, or $4.06 billion should be eliminated.

Duplicative Departmental Initiatives Wasting Scarce Resources

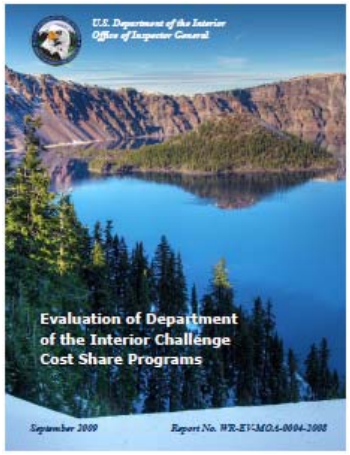
Climate change research and response-- Over the past decade, the federal commitment to climate change research has grown significantly, rising to $23.5 billion in FY 2010.[1276] More than a dozen agencies and departments are now engaged in some form of climate change research with very little coordination among federal agencies. Related research and programs in the Department of the Interior and its sub agencies have mirrored this growth. In FY 2010, the Interior agencies (U.S. Geological Survey, Bureau of Land Management, National Park Service, and the Bureau of Indian Affairs) spent at least $131.2 million on climate change initiatives, including the creation of eight climate science centers and more than twenty landscape conservation cooperatives.[1277]

The federal government must better coordinate its climate change efforts, consolidating its programs under the one primary climate research at the National Science Foundation (NSF). If the Department and Congress believe that climate change requires land management changes, those efforts should be made priorities within the Department's operations budget. This will save approximately $1.31 billion over the next ten years.

Invasive Species-- While overlapping programs make it difficult to pinpoint total federal spending on invasive species activities, agency documents obtained by the Congressional Research Service reveal at least $1.4 billion in spending in FY10,[1278] which nearly doubles total invasive species spending in 2002.[1279] While agencies including the Department of Agriculture, NOAA, the Defense Department, the Environmental Protection Agency, and the National Science Foundation operate multiple invasive species programs, agencies of the Department of the Interior also operate dozens of invasive species programs. The U.S. Fish and Wildlife Service administers eight programs with an invasive species component.[1280] In total, the Department spent $101.3 million in FY 2010 on programs.[1281]

[1276] Council on Environmental Quality, "Federal Climate Change Expenditures Report to Congress," June 2012.
[1277] Department of Interior, "Fiscal Year 2012 The Interior Budget in Brief," February, 2011, http://www.doi.gov/budget/2012/12Hilites/2012_Highlights_Book.pdf.
[1278] Congressional Research Service request, documents include cross-cutting tables from the Departments of Agriculture, Interior, and Commerce, January 15, 2010.
[1279] National Invasive Species Council Website, "National Invasive Species Council: Fiscal Year 2007 Interagency Invasive Species Performance Budget," http://www.invasivespecies.gov/global/org_collab_budget/org_collab_budget_documents/NISC%20FY2007%20Crosscut%20Budget%20Summary.pdf, accessed July 14.
[1280] National Invasive Species Council, "FY 2007 Interagency Invasive Species Performance Budget," http://www.fws.gov/INVASIVES/partnerships.html, Last Accessed on July 12, 2011.
[1281] Department of the Interior, "Fiscal Year 2012, The Interior Budget in Brief," Page L-2, http://www.doi.gov/budget/2012/12Hilites/2012_Highlights_Book.pdf.

While the land management agencies of the Department have a legitimate need for funds to prevent and control costly invasive species on public lands, it does not need its own research, leadership and international cooperation programs. These are all activities more appropriately handled by other federal agencies and should be eliminated. Further, each of the eight Interior agencies receiving invasive species funds do not need separate bureaucracies for prevention, management, and restoration. Interior must consolidate these efforts and eliminate duplicative functions. A reduction of one-third will force the agency to better manage and coordinate invasive species activities. This will result in ten year savings of more than $330 million.



WaterSmart-- The WaterSmart Initiative was launched in 2010 by Secretary of the Interior Ken Salazar as "a new water sustainability strategy" to assist state and local government and others with water sustainability and conservation projects and to reduce the overall "water footprint" of "industrial, landscaping, and agricultural" users.[1282] In only two years, the program has gone from $42.7 million to $71.8 million.[1283] WaterSmart grants for local water projects overlap with other federal loan and grant programs that assist such projects.[1284] Likewise, the Initiative's focus on dealing with the impacts of climate change duplicates other Department programs, as well as those of other federal agencies. The Bureau of Reclamation, which administers the majority of new WaterSmart programs, cannot afford to take on these duplicative functions. It is already responsible for 58 hydroelectric power plants, more than 476 dams (including the Hoover Dam), 348 reservoirs, and 2,659 buildings.[1285] The WaterSmart Initiative should end in favor of its better funded, proven federal counterparts. This will result in an estimated $700 million in savings over ten years.

Department Leveraging Initiative Failing Taxpayers

In an attempt to leverage existing Interior programs and resources, the Department created the multi-agency Challenge Cost Share Program in 1985. What began as a small ($300,000) Bureau of Land Management initiative has grown into a three agency, $18.4 million program that is failing the purpose for which it was created.[1286]

A scathing 2009 report of the Inspector General found that the "bureaus are not requiring, enforcing, or monitoring partners' contributions." When the IG analyzed program transactions it could only verify 12 cents in contributions for every federal dollar allocated, far below the stated one to one goal. The program's success "cannot be measured" according to the IG. The IG

[1282] Department of the Interior, "Interior Launches WaterSmart Initiative," February 22, 2010, http://www.doi.gov/news/pressreleases/2010_02_22_release.cfm.
[1283] Department of the Interior, "Fiscal Year 2012, The Interior Budget in Brief," Page D-1, http://www.doi.gov/budget/2012/12Hilites/2012_Highlights_Book.pdf.
[1284] The Environmental Protection Agency, U.S. Corps of Engineers and the United States Department of Agriculture all have similar programs.
[1285] Bureau of Reclamation, "Fact Sheet," http://www.usbr.gov/facts.html, Last Accessed July 11, 2011.
[1286] Department of the Interior, "Office of Inspector General, "Evaluation of Department of the Interior Challenge Cost Share Programs, September 2009," http://www.doioig.gov/images/stories/reports/pdf/2009-I-00231.pdf.

further explained that program's "continual metamorphosis…has resulted in a lack of Program oversight and uniform policies and procedures."[1287]

The program funds non-core functions of the agency, is poorly conceived and managed, and should be eliminated. This will result in at least $204.25 million in savings over ten years.

The Federal Government Has a Stronger Appetite for Buying New Land than Maintaining What It Already Owns

The federal government now owns so much land that experts can only provide rough estimates of the total acreage under federal control. The Congressional Research Service, which estimates a total of 650 million acres, notes, "The total federal land in the United States is not definitively known, and this figure is an estimate based on several government sources."[1288] This total acreage translates into the federal government owning about one of every three acres nationwide, and nearly one of every two acres in the western United States.[1289]

With so much land in inventory, it is little wonder its maintenance costs are soaring. In fact, the government is struggling to meet some of the most basic and urgent upkeep needs on public lands. According to the Government Accountability Office (GAO), the nation's largest land management administrator, the Department of the Interior, faces a maintenance backlog estimated to range from $13.5 billion to $19.9 billion.[1290]
Yet, in an era of record budget deficits and soaring maintenance costs the federal government continues to purchases *more* land, costing taxpayers billions of dollars. Since the start of the most recent recession, the federal government has spent more than $430 million to purchase additional land, and over the past ten years, it has spent more $2.3 billion to acquire more land.[1291] [1292]

The pace of land purchases is extraordinary. Between 1997 and 2004, the latest years for which reliable information is available, federal land ownership is estimated to have increased from 563.3 million acres to 653.3 million.[1293] That is an increase of more than 90 million acres, or a 16 percent increase in just seven years.

Most of these purchases are made possible by the Land and Water

[1287] Department of the Interior, "Office of Inspector General, "Evaluation of Department of the Interior Challenge Cost Share Programs, September 2009," http://www.doioig.gov/images/stories/reports/pdf/2009-I-00231.pdf.
[1288] Congressional Research Service, "Federal Land Ownership: Current Acquisition and Disposal Authorities," December 16, 2010, http://www.crs.gov/Products/RL/PDF/RL34273.pdf.
[1289] Congressional Research Service, "Federal Land Ownership: Current Acquisition and Disposal Authorities," December 16, 2010, http://www.crs.gov/Products/RL/PDF/RL34273.pdf.
[1290] Government Accountability Office, "Department of the Interior: Major Management Challenges," March 1, 2011, http://www.gao.gov/new.items/d11424t.pdf.
[1291] Congressional Research Service, "Land and Water Conservation Fund: Overview, Funding History and Issues," August 13, 2010, http://www.crs.gov/Products/RL/PDF/RL33531.pdf.
[1292] Congressional Research Service, "Interior, Environment and Related Agencies: FY 2011 Appropriations," May 12, 2011, http://www.crs.gov/Products/R/PDF/R41258.pdf.
[1293] General Service Administration: "Federal Real Property Report," See 1997 and 2004 Reports, http://www.gsa.gov/portal/content/102880.

Conservation Fund (LWCF), a self supporting mechanism established by Congress in 1965. In a classic example of the short term thinking that dominates Congress, the funds can be used for land purchases, but not for maintenance of those same lands. This has allowed land management agencies to swell their land holdings with no consideration for how best to care for the lands once they are purchased. After more than forty years of uninterrupted land purchases and a corresponding jump in maintenance backlogs of the Department, Congress must halt land purchases for the next decade (except for the portion committed to states). This budget proposal recommends using the recently appropriated amounts within the LWCF for land acquisition and "other purposes" exclusively for maintenance of current land and property holdings. This transfer will result in a corresponding decrease in overall DOI appropriations, translating in savings of $410 million annually and $4.1 billion over ten years.

Poor Management of Wildland Fire Protection Efforts Consuming Agency Budgets

Funding for wildland fire management activities have tripled since FY 1999 to about $3 billion annually, while the number of acres burned have doubled.[1294] While much of this activity occurs within the USDA Forest Service, the Department of Interior received $855 million in FY 2011 for its own extensive land holdings, with more than 4,000 full time employee equivalents.[1295]

After a review of federal wildland fire management practices GAO noted, "we continue to believe that wildland fire management is a major management challenge for Interior."[1296] Specifically, GAO auditors found that "the agencies (Interior and USDA) have not yet established clear goals and a strategy to help contain wildland fire costs."[1297]

For instance, both agencies have duplicative "Preparedness," "Fire Suppression Operations," "FLAME," "Hazardous Fuels Reduction," and "Burned Area Rehabilitation" accounts. Ironically, they both have "Joint Fire Science" research accounts.

Another component of the program, the *Rural Fire Assistance Program*, assists rural fire departments with the purchase of "equipment and tools, communications devices, wildland fire training, and community wildfire prevention and education activities." This is duplicative of programs administered by the Department of Homeland Security (DHS) and the Department of Agriculture (USDA). Since 2001, DHS fire assistance programs have provided more than $7.3

[1294] Government Accountability Office, "Department of the Interior: Major Management Challenges," March 1, 2011, http://www.gao.gov/new.items/d11424t.pdf.
[1295] Department of the Interior, Budget Justifications, 2012: Wildland Fire Management," http://www.doi.gov/budget/2012/data/greenbook/FY2012_WFM_Greenbook.pdf.
[1296] Government Accountability Office, "Department of the Interior: Major Management Challenges," March 1, 2011, http://www.gao.gov/new.items/d11424t.pdf.
[1297] Government Accountability Office, "Department of the Interior: Major Management Challenges," March 1, 2011, http://www.gao.gov/new.items/d11424t.pdf.

billion, including $810 million in FY 2011.[1298] Similarly, USDA programs offer substantial assistance as well including roughly $100 million annually from the Forest Service for its rural fire protection program, $5.3 million in FY 2010 for volunteer fire department assistance grants, and $545 million for Rural Development Community Facilities grants and loans. [1299] [1300] [1301]

In proposing its plan to control spending for wildland fire programs, the administration recently cited scientific analysis indicating that costs can be contained in part by more effective and focused reduction in fire fuel loads in areas near human development.[1302] Inattention and poorly focused efforts to control fuel load has also been cited by the GAO.[1303]

By better coordinating research and prevention efforts, and by eliminating duplicative programs, the Department should be compelled to reduce wildland fire spending by 20 percent. This will result in $156 million in one year and $1.73 billion over ten years.

National Park Service: Misplaced Priorities Threaten Treasured Public Lands and Memorials

The most prominent of Interior agencies, the National Park Service (NPS) manages 392 park units covering more than 84 million acres.[1304] New land acquisitions and misplaced priorities have exploded the park service's maintenance backlog, threatening the entire parks system. The agency's estimated $8-10 billion maintenance backlog keeps the parks' more 285 million visitors each from truly enjoying their public lands.[1305]

These urgent needs are system-wide and include the Statue of Liberty, the Grand Canyon, and the USS Arizona Memorial. Even the World War II Memorial in Washington, D.C., the newest memorial on the National Mall has developed significant water leaks to a "225KV transformer and main electrical distribution panel" so severe the National Park Service cannot rule out "catastrophic failure."[1306]

[1298] Kruger, Lennard, Congressional Research Service, "Assistance to Firefighter Programs: Distribution of Fire Grant Funding," June 3, 2011, http://www.crs.gov/Products/RL/PDF/RL32341.pdf.

[1299] Kruger, Lennard, Congressional Research Service, "Assistance to Firefighter Programs: Distribution of Fire Grant Funding," June 3, 2011, http://www.crs.gov/Products/RL/PDF/RL32341.pdf.

[1300] Forest Service, "Budget Justification, 2012," http://www.fs.fed.us/aboutus/budget/2012/justification/FY2012-USDA-Forest-Service-budget-justification.pdf.

[1301] United States Department of Agriculture, "FY 2012 Budget Summary and Annual Performance Plan," http://www.obpa.usda.gov/budsum/FY12budsum.pdf.

[1302] Office of Management and Budget, " Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget," page 153, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

[1303] Government Accountability Office, "Department of the Interior: Major Management Challenges," March 1, 2011, http://www.gao.gov/new.items/d11424t.pdf.

[1304] Vincent, Carol Hardy, Congressional; Research Service Report, "National Park System, Establishing New Units," July 22, 2010, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RS20158&Source=search.

[1305]Vincent, Carol Hardy, Congressional; Research Service Report, "National Park Management," August 15, 2008, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL33484&Source=search.

[1306] Department of the Interior, National Park Service, "Budget Justification, 2012," http://www.doi.gov/budget/2012/data/greenbook/FY2012_NPS_Greenbook.pdf.

With these urgent needs it is especially important for the NPS to eliminate program and activities that divert resources from the mission at hand.

Historic Preservation Programs— NPS spends millions each year for private, non-profit, and local government historic preservation efforts. Though each individual project has merit to its respective community, historic preservation funding for non-federal projects further erodes the agency's ability to handle its core responsibilities. For instance:

- *Route 66 Corridor Preservation Program*— In 1999, Congress created a temporary program to jumpstart historic preservation efforts along historic Route 66, the last sections of which had been decommissioned in 1985. The program "collaborates with private property owners; non-profit organizations; and local, state, federal, and tribal governments to identify, prioritize, and address Route 66 preservation needs."[1307] It also assists with preservation of familiar "gas, eat, sleep"-related businesses, cultural landscapes, the all-important road segments themselves" and "for research, planning, oral history, interpretation, and education/outreach projects related to Route 66."[1308] Grants have been awarded to restore gas stations, roadside motels, and other roadside attractions. The program was originally "scheduled to legislatively terminate" and be transferred to non-federal partners. [1309] It duplicates existing, well-funded Department of Transportation programs, including the National Scenic By-Way program and should be terminated immediately.[1310] Termination of the program will result in $2.9 million in savings.

- *Save America's Treasures/Preserve America*—The Save America's Treasures (SAT) program was created in 1999 "as a two year initiative to commemorate the Millennium," but has continued to fund local historic preservation efforts." [1311] Preserve America, which came four years later as a compliment to SAT, funds "heritage tourism" and related planning efforts. The programs have become a pool of funds for politicians to reward local preservation and tourism efforts. In proposing the termination of both programs, President Obama has noted they "provide mostly local benefits."[1312] Ending these programs will save $300 million over ten years.

- *National Heritage Areas (NHA)*- NHA's are "partnerships among the National Park Service (NPS), states, and local communities, where the NPS supports state and local

[1307] National Park Service, Route 66 Corridor Preservation Program, "Program Description," http://www.cr.nps.gov/rt66/prgrm/index.htm, Last accessed on May 4, 2011.
[1308] National Park Service, Route 66 Corridor Preservation Program, "Program Description," http://www.cr.nps.gov/rt66/prgrm/index.htm, Last accessed on May 4, 2011.
[1309] National Park Service, Route 66 Corridor Preservation Program, "Program Description," http://www.cr.nps.gov/rt66/prgrm/index.htm, Last accessed on May 4, 2011.
[1310] U.S. Department of Transportation, America's By-Ways, "Historic Route 66-Oklahoma," http://www.byways.org/explore/byways/6335/.
[1311] Office of Management and Budget, " Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget," page 64, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .
[1312] Office of Management and Budget, " Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget," page 64, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

conservation through federal recognition, seed money, and technical assistance."[1313] None of the areas are owned or managed by the National Park Service, but Congress has rapidly increased the number of such areas, including one that covers the entire State of Tennessee.[1314] According to the Congressional Research Service, the number of NHA's has grown to 49 over the past 25 years.[1315] One observer of NHA's notes they are "perhaps best regarded as a clever combination of pork-barrel spending and land-use regulations."[1316] President Obama, who himself has consistently made the case for reducing federal NHA contributions, said: "State and local managers of NHAs continue to rely heavily on Federal funding, even though the program was not intended as a pathway to long-term Federal funding." Federal funding private and local heritage tourism and planning should be eliminated. This will results in savings of at least $174 million over the next ten years.[1317]

Park Partnership grants-- The 100th anniversary of our national parks system is still five years away (2016), but for the past five years Congress and the Park Service have spent tens of millions of dollars preparing to mark the occasion. Park Partnership grants were intended to leverage private sector contributions to complete projects within national parks. However, as the Administration has noted "the projects funded have generally not been among the NPS's highest priorities."[1318] Eliminating this program will save taxpayers a minimum of $5 million in the first year and $30 million through 2016, the agency's actual 100th anniversary.

Natural Resource Stewardship programs—Aside from the active day-to-day management of our national parks system, the NPS also engages in multiple natural resource stewardship initiatives that are not central to parks' management and are duplicative of other federal programs. While invasive species, geologic resource management, and environmental damage research directly benefit the national parks system, it is much more difficult to justify cave research, duplicative climate change research, "natural sounds" monitoring, social science programs, and 20 research learning centers (RLC) that overlap with existing university, private, and non-profit initiatives. For instance, a recent report from the NPS supported Urban Ecology Research and Learning Alliance based in the Washington, D.C. metropolitan region highlights

[1313] Vincent, Carol Hardy, Congressional; Research Service Report, "Heritage Areas: Background, Proposals, and Current Issues," June 9, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL33462&Source=search.
[1314] Vincent, Carol Hardy, Congressional; Research Service Report, "Heritage Areas: Background, Proposals, and Current Issues," June 9, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL33462&Source=search.
[1315] Vincent, Carol Hardy, Congressional; Research Service Report, "Heritage Areas: Background, Proposals, and Current Issues," June 9, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL33462&Source=search.
[1316] John J. Miller. "An Ugly Heritage," National Review, January 28, 2008, pages 28-29, http://www.heymiller.com/2009/09/an-ugly-heritage/, accessed July 14, 2011.
[1317] Office of Management and Budget, " Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget," page 54, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .
[1318] Office of Management and Budget, " Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget," page 54, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

the organization's fellowships in writing and web design and a joint research project that "[assessed] effects of visitor harvesting on wild morels."[1319]

Natural resource stewardship programs should be reduced by 30 percent, forcing the agency to prioritize research into areas that directly and uniquely protect our national parks for future generations. This will save taxpayers an estimated $76.1 million annually or $761 million over the next ten years, while ensuring that NPS research dollars are properly prioritized.[1320]

Poorly Managed, Ineffective Wild Horse and Burro Program Costing Millions of Dollars
Since 1971, BLM has been charged with primary responsibility for protecting and managing the wild horse and burro population found on approximately 50 million acres of public land. Despite a threefold increase in spending over the past decade, BLM has never been able to maintain herd levels below those established by law and the horse population on public lands has exploded, now doubling in size every four years.[1321] [1322] Due to constraints placed on it by Congress, BLM has resorted to an ineffective fertility control vaccine that costs $2,200 per mare, and, in most instances, an expensive relocation plan that sends horses to private ranches and accounts for nearly three-quarters of all program costs.[1323] [1324] Further, despite a substantial increase in funds allocated for adoption programs ($2,210 per horse), adoptions have plummeted by 46 percent since 2005.[1325]

Even with this significant funding, more *"wild"* horses and burros exist on private land today, than in the wild on the designated federal lands. [1326] The Secretary of the Interior has called the current program "not sustainable for the animals, the environment, or the taxpayer."[1327] Congressional appropriators declared that "the costs for gathering and holding equines to control populations on public lands have risen beyond sustainable levels." [1328]

[1319] National Park Service, "Research Learning Center Links Science and Education to Parks," http://www.nature.nps.gov/learningcenters/urban/UERLA_poster2005.pdf, Last Accessed on July 12, 2011.
[1320] Department of the Interior, National Park Service, "Budget Justification, 2012,"(page 42), http://www.doi.gov/budget/2012/data/greenbook/FY2012_NPS_Greenbook.pdf.
[1321] Vincent, Carol Hardy, Congressional Research Service, "Wild Horses and Burros: Issues and Background," http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL34690&Source=search, last updated on May 10, 2010.
[1322] Inspector General, Department of the Interior, "Bureau of Land Management Wild Horse and Burro Program," December 2010, http://www.doioig.gov/images/stories/reports/pdf/BLM%20Wild%20Horse%20and%20Burro%20Program%20Public.pdf
[1323]Department of Interior "Bureau of Land Management Fiscal Year 2011 Budget Justification," http://www.doi.gov/budget/2011/data/greenbook/FY2011_BLM_Greenbook.pdf.
[1324] Vincent, Carol Hardy, Congressional Research Service, "Wild Horses and Burros: Issues and Background," http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL34690&Source=search, last updated on May 10, 2010.
[1325] Vincent, Carol Hardy, Congressional Research Service, "Wild Horses and Burros: Issues and Background," http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL34690&Source=search, last updated on May 10, 2010.
[1326] Bureau of Land Management, "Wild Horse and Burro Quick Facts," http://www.blm.gov/wo/st/en/prog/wild_horse_and_burro/wh_b_information_center/Fact_Sheet.html
[1327] Salazar, Secretary Ken, United States Department of the Interior, "Secretary Salazar Seeks Congressional Support for Strategy to Manage Iconic Wild Horses," October 7, 2009, http://www.blm.gov/wo/st/en/info/newsroom/2009/october/salazar_seeks_congressional.html.
[1328] Vincent, Carol Hardy, Congressional Research Service, "Wild Horses and Burros: Issues and Background," http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL34690&Source=search, last updated on May 10, 2010.

Though Congress embarked on an ambitious plan over a decade ago to temporarily boost funding to bring horse herd levels to manageable levels, the problem has only grown worse by ineffective solutions and poor management. Congress should acknowledge that increased spending is not the answer and return it to previous spending levels ($20.4 million) over the next three years. Proven, less costly means for controlling herd levels should be enforced. This will result in first year savings of $20 million and $320 million over the next ten years.

Abandoned Mine Restoration Program Continues To Make Payments to States Who Have Completed Clean-Up Efforts

As the National Commission on Fiscal Responsibility and Reform has previously noted, Congress is continuing to authorize and appropriate payments (Office of Surface) intended for the clean-up of abandoned coal mines to states and tribes that have already been certified as completing their restoration efforts.[1329] These grants account for at least $140 million annually, and the funds are "unrestricted," meaning they can be used for any purpose the state or tribe chooses. Media reports have documented the use of these funds for university programs, highways and hospitals. [1330]

The law should be amended to terminate payments to certified states and tribes, per the recommendation of the current administration. This will result in savings of $140 million in the first year and $1.23 billion through 2021.[1331]

State and Tribal Wildlife Spending Not a Federal Priority

Funded at $90 million in FY 2010 and $62 million in the FY 2011 Continuing Resolution, the state and tribal wildlife grant program assists state and tribal wildlife agencies "develop and implement programs for the benefit of fish and wildlife and their habitat, including species that are not hunted or fished." [1332] The funds can be used for a variety of state and local activities including education, administrative duties, and habitat protection.

While there has been relatively little attention paid to program evaluation, an administration analysis in 2005 indicated that the largest program (Wildlife and Sport Fish Restoration-WR/SFR) that includes this grant was unable to "demonstrate results." At that time, evaluators said: "[t]he program does not currently have long-term performance measures." It further remarked: "The program currently lacks annual performance goals that accurately reflect the purpose of the WR/SFR program."[1333]

[1329] National Commission on Fiscal Responsibility and Reform, "The Moment of Truth," December 2010, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf

[1330] Pelzer, Jeremy, Star-Tribune, "Wyoming Gets $133M in AML Money," December 16, 2010, Ward, Ken, Charleston Gazette, "Obama and Abandoned Coal Mines," February 6, 2009, http://trib.com/news/state-and-regional/article_e90def16-8f15-55c9-af97-60fdaca2e8cd.html.

[1331] Office of Management and Budget, " Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget," Page 81, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf.

[1332] United States Fish and Wildlife Service, "Budget Justifications, 2012," http://www.doi.gov/budget/2012/data/greenbook/FY2012_FWS_Greenbook.pdf.

[1333] United States Fish and Wildlife Service, "Wildlife and Sport Fish Restoration," http://www.fws.gov/Planning/Documents/PART/Wildlife%20and%20Sport%20Fish%20Restoration.pdf, Last Accessed on July 12, 2011.

While the grant often funds legitimate projects, they are primarily of state and local benefit. The Fish and Wildlife Service (FWS) faces its own wildlife management challenges and should be left to focus on areas within its jurisdiction. If the respective state wildlife agencies believe the projects are local priorities, they should bear the true costs. Any federal funds currently used should be reallocated toward deficit reduction.

Using FY 2011 data, this will result in $620 million in savings over ten years.[1334]

Congress Funding Interior Programs and Projects That It No Longer Authorizes

The Congressional Budget Office (CBO) estimates that federal agencies were allocated nearly $300 billion in FY 2010 on programs that were no longer authorized by law.[1335] CBO estimates that an additional 53 laws or programs will expire before the end of FY 2011. [1336] This is an unsettling indication that Congress: a) is failing to review expiring provisions in a timely manner, 2) is bypassing the Congressional committees charged with oversight and measuring program results, thus undermining Congress' primary vehicle for holding agencies accountable; and 3) is deferring to an elite group of appropriators and staff at the expense of representative government and accountability.

According to CBO, expiring provisions in 2011 to be funded under the "Interior, Environment, and Related Agencies" will total more than $765 million.[1337] The Department of the Interior accounts for roughly one-third of the total "Interior, Environment, and Related Agencies" spending measure. This includes $75 million for the Partners for Fish and Wildlife program, which provides financial assistance to private landowners to restore or improve wildlife habitats—a function that should be left entirely to private landowners and one that is already heavily subsidized by Department of Agriculture programs.[1338]

All funding for unauthorized programs or projects should be terminated until Congress can decide whether to renew the expired provisions. This is roughly estimated to save $255 million in FY 2012 Interior spending, and if carried out over ten years, $2.55 billion.

Indian programs

The Bureau of Indian Affairs (BIA) was established in 1824 to carry out certain compensatory services, arranged through a series of treaties, for the inhumane treatment of Native Americans by the early settlers and later Americans. This fiduciary duty of the U.S. government is broadly

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[1334]United States Fish and Wildlife Service, "Budget Justifications, 2012," http://www.doi.gov/budget/2012/data/greenbook/FY2012_FWS_Greenbook.pdf.
[1335] Congressional Budget Office, "Unauthorized Appropriations and Expiring Authorizations," January 2010, http://www.cbo.gov/ftpdocs/108xx/doc10882/01-19-UAEA_Senate.pdf.
[1336] Congressional Budget Office, "Unauthorized Appropriations and Expiring Authorizations," January 2010, http://www.cbo.gov/ftpdocs/108xx/doc10882/01-19-UAEA_Senate.pdf.
[1337] Congressional Budget Office, "Unauthorized Appropriations and Expiring Authorizations," January 2011, http://www.cbo.gov/ftpdocs/120xx/doc12046/01-14-UAEA_Senate.pdf.
[1338] Congressional Budget Office, "Unauthorized Appropriations and Expiring Authorizations," January 2011, http://www.cbo.gov/ftpdocs/120xx/doc12046/01-14-UAEA_Senate.pdf.

coined as its "trust responsibility," which has broadened considerably in recent years through various statutes.

In addition to its fundamental role of managing certain Indian lands and their resources, BIA further provides a variety of Native American-specific programs that include law enforcement, forestry services, social and welfare programs, infrastructure construction and repair, economic development, employment assistance, land and water settlement implementation, and a network of Indian schools through the Bureau of Indian Education.

While Indian country benefits from a dedicated federal agency that attempts to serve the needs of Indian country exclusively, Native Americans and Indian tribes are typically neither excluded nor discouraged from participating in the programs and benefits that other federal agencies provide to the general public. According to BIA, "There are over 20 federal departments and agencies that collectively provide a full range of federal programs to Native Americans similar to those provided to the general public."[1339]

Despites years of federal assistance, Native Americans and Alaska Natives have continued to experience economic hardships for various reasons. To achieve BIA's mission to enhance the quality of life, promote economic opportunity, and to carry out the responsibility to protect and improve the trust assets of American Indians, Congress must ensure BIA is succeeding in its role as administer of public funds and properly managing the interests and assets of our nation's first inhabitants.[1340] To do this, BIA's responsibilities that overlap or are no longer necessary should be ended, so federal resources for Native Americans can be streamlined and put towards their highest and best uses.

Reduce Division of Real Estate Services

This program manages Indian trust lands to ensure they are protected, accounted for, developed, and efficiently utilized. It is found under the Office of Trust Services that together account for the land, record keeping, natural resources, and infrastructure of trust lands.

BIA has proven a poor steward of these resources and responsibility as evidenced in the class action lawsuit *Cobell v. Salazar*, in which it was shown that the federal government directly violated its trust responsibilities. This 1996 court case was filed on behalf of over 300,000 former and current Indian trust beneficiaries for damages caused by BIA's mismanagement of land and natural resources records and accounting claims relating to individual landowners. In 2010, a settlement was reached in 2010 at the cost of $3.4 billion to taxpayers.[1341]

[1339] Department of Interior, "Budget Justifications and Performance Information Fiscal Year 2012: Indian Affairs" http://www.bia.gov/idc/groups/public/documents/text/idc013161.pdf.
[1340] Bureau of Indian Affairs http://www.bia.gov/WhoWeAre/index.htm

[1341] Indian Trust Settlement, Official Cobell v. Salazar Settlement Website; http://www.indiantrust.com/prdoi.php

As the President's FY 2012 *Terminations, Reductions, and Savings* recommended, this proposal will to reduce funding for BIA's Real Estate Services program by $27 million.[1342] This will save $27 million annually and $300 million over ten years.

Reduce the Indian Guaranteed Loan Program

The President's FY 2012 *Terminations, Reductions, and Savings* list proposes to reduce funding by $5 million, because the program has been mismanaged and has failed to effectively serve its intended recipients. Nearly $7 million of the $10 million this program received from the American Recovery and Reinvestment Act (ARRA) was rescinded, because program administrators failed to allocate it properly.[1343] The Small Business Administration and the Department of Agriculture's Rural Development agency maintain multiple credit programs. While they do not exclusively serve Native Americans, like most federal programs, they also do not exclude them from participating.[1344]

This consolidation will save $5 million annually and $55.5 million over ten years

Eliminate the Bureau of Indian Affairs Office of Corrections

There are 94 detention facilities throughout Indian country. Twenty-three of these are directly operated by BIA while the remaining 61 are overseen by BIA.[1345]

Tribal correction facilities have repeatedly been both unsanitary and unsafe. In its 2004 report, the U.S. Department of Interior Inspector General (IG) found detention facilities throughout Indian country were unsafe and that BIA had poorly managed its funding for managing the facilities. A 2011 follow-up report by the IG revealed little progress has been made. Since the 2004 report, BIA has failed to address staffing shortages, despite a 48 percent increase in funding from $43.8 million in 2005 to $64.7 million in 2009. In one instance, BIA mismanaged a $1 million contract with the National Native American Law Enforcement Association intended to improve hiring but was eventually terminated, exhausting nearly the entire amount of the contract without results to show for it.[1346]

Foremost, these shortages leave inmates and staff vulnerable to security threats. Understaffing has led to attacks on correctional officers and even the death of individual in custody. Further,

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[1342]Office of Management and Budget, Fiscal Year 2012, Terminations, Reductions, and Savings, Budget of the U.S. Government; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf

[1343] Office of Management and Budget, Fiscal Year 2012, Terminations, Reductions, and Savings, Budget of the U.S. Government; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf

[1344] Office of Management and Budget, Fiscal Year 2012, Terminations, Reductions, and Savings, Budget of the U.S. Government; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf

[1345] U.S. Department of the Interior, Office of Inspector General, Bureau of Indian Affairs' Detention Facilities, March 2011, Report No.: WR-EV-BIA-0005-2010; http://www.doioig.gov/images/stories/reports/pdf/01%20WR-EV-BIA-0005-2010Public.pdf. Social Capital Review, Matt Rosenberg, "Audit: Bureau of Indian Affairs Jails Still Mismanaged," May 26, 2011; http://socialcapitalreview.org/audit-bureau-of-indian-affairs-jails-still-mismanaged/

[1346] U.S. Department of the Interior, Office of Inspector General, Bureau of Indian Affairs' Detention Facilities, March 2011, Report No.: WR-EV-BIA-0005-2010; http://www.doioig.gov/images/stories/reports/pdf/01%20WR-EV-BIA-0005-2010Public.pdf. Social Capital Review, Matt Rosenberg, "Audit: Bureau of Indian Affairs Jails Still Mismanaged," May 26, 2011; http://socialcapitalreview.org/audit-bureau-of-indian-affairs-jails-still-mismanaged/

these shortages can cause current staff to forego vacation days, sick days, or even maternity leave. In cases where funding was not used for hiring, staff spend the money, in some instances, on non-jail police staff, benefits, training, and equipment.[1347]

Tribes should assume the primary role of operating prison facilities on their own lands. For any shortcomings, the U.S. Department of Justice's Bureau of Prisons (BOP) can fill in the gaps. BOP already maintains 2 percent of its budget for Native American populations or approximately over 4,000 out of 200,000.[1348] This termination will save $837.37 million over ten years.

***Transfer $358 million for Elementary and Secondary Education to States or Tribes at Reduced Rates and Eliminate Funding for Tribal Colleges and Universities and $26.528 million for Education IT**

BIE funds elementary-secondary school system and higher education programs. The network of schools is comprised of 184 schools and dormitories, including over 2,000 structures and 44,000 students in 23 states. Tribes operated 123 of the schools themselves during the 2006-2007 school year while BIE operated the rest.[1349]

One of the primary purposes of Indian-specific education is to provide cultural and historical education for Indian students in the classroom. The statute creating BIE directed the agency to take into consideration the spiritual, mental, physical, and cultural aspects of the student and his or her tribal backgrounds.[1350] While historical education curriculum can be provided by the public school system, cultural education can and should be provided through tribal organization and families themselves rather than subsidized separate schools. This proposal recommends the U.S. Department of Education block grant their education funding to states or willing tribes and reducing funding by half. This agency provides funding for Indian education and will be sufficient in the absence of the Bureau of Indian Affairs.

Currently, the majority of Indian students attend public schools. BIE schools consistently produce low student achievement, and a high number of schools fail to make Adequate Yearly Progress (AYP).[1351] However, it is understandable and worthwhile that tribes prefer to pursue activities that preserve their rich culture and educate students about their unique history. However, this should not come at the cost of substandard education. Cultural and historical learning experiences can also be achieved in public school classrooms and, most importantly, supplemented tribal and community input.

[1347]U.S. Department of the Interior, Office of Inspector General, Bureau of Indian Affairs' Detention Facilities, March 2011, Report No.: WR-EV-BIA-0005-2010; http://www.doioig.gov/images/stories/reports/pdf/01%20WR-EV-BIA-0005-2010Public.pdf. Social Capital Review, Matt Rosenberg, "Audit: Bureau of Indian Affairs Jails Still Mismanaged," May 26, 2011; http://socialcapitalreview.org/audit-bureau-of-indian-affairs-jails-still-mismanaged/

[1348] http://www.ojp.gov/programs/aiana.htm

[1349] Congressional Research Service, Interior, Environment, and Related Agencies: FY2009 Appropriations http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL34461&Source=search#_Toc231376198

[1350]25 CFOR Part 32.3;

[1351]Congressional Research Service, Interior, Environment, and Related Agencies: FY2009 Appropriations http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL34461&Source=search#_Toc231376198

Under this proposal, BIE's elementary and secondary education funding is transferred under the jurisdiction of the U.S. Department of Education[1352] where funding will be consolidated, reduced by 50 percent, and given to states and willing tribes that would have complete authority over the remaining half of the funding. The total cost and savings for BIA reflects the absence of BIE funding.

BIE Funding for tribal colleges and universities should be eliminated

There are currently over thirty tribal colleges and universities throughout the U.S., servicing approximately 30,000 students.[1353]

Often times, a primary distinction of curricula among tribal colleges and public universities is that tribal colleges provide cultural-based degrees to enhance self-esteem and cultural identity that many postsecondary institutions in the general population may not offer. [1354] While this can be a valuable resource and learning tool, it does not merit the taxpayer funding it requires to maintain the existing network of facilities. Other tribal college degrees include topics, such as Indigenous Leadership[1355] and Tribal Casino Management.[1356]

These schools have consistently failed to meet established standards and are not achieving the results that students deserve. Overall, the outcomes at these schools have been substandard. In 2009, the average graduation rate for tribal colleges was 24 percent with most schools falling far below this average.[1357] Seven of the schools' graduation rates are in single digits while two are 0 percent for 2009.[1358] Subsidizing tribal education for the benefit of unique cultural perspectives at the cost of substandard education is not the best use of taxpayer dollars.

Member tuition, association dues, philanthropic donations, and tribal government investment (in some cases from casino revenues) should be the cornerstones of any continuation of these institutions. For example, the Walmart Foundation has given scholarship grants over the years to the American Indian College Fund, which is the nation's largest scholarship provider for Indian

[1352]The U.S. Department of Educate currently administers the Office of Indian Education, which currently administers the Even Start Literacy Grants for Indian Tribes and Tribal Organizations, Demonstration Grants for Indian Children, Indian Education Formula Grants, and Indian Education Professional Development Program http://www2.ed.gov/about/offices/list/oese/programs.html
[1353]American Indian College Fund, Tribal Colleges, Key Facts; http://www.collegefund.org/content/tribal_colleges
[1354]American Indian College Fund, Tribal Colleges, Key Facts; http://www.collegefund.org/content/tribal_colleges
[1355]Leechlake Tribal College, Degree Programs, Indigenous Leadership; http://lltc.edu/academics/degreeprograms/indigenousleadership.htm
[1356]Northwest Indian College, Cooperative Extension, Tribal Casino Management Program; http://www.nwic.edu/content/casino-executive-training
[1357]U.S. Department of Education, Institute of Education Sciences, data compiled by IPEDS Data Center, average calculated by Senate staff; http://nces.ed.gov/ipeds/datacenter/cdsfinal.aspx http://nces.ed.gov/ipeds/datacenter/Statistics.aspx
[1358]U.S. Department of Education, Institute of Education Sciences, data compiled by IPEDS Data Center, http://nces.ed.gov/ipeds/datacenter/Snapshotx.aspx

students.[1359] Other recent donors include MetLife, Hilton, and Hersheys.[1360] The current cost to attend one of these schools is approximately $2,399.[1361]

Eliminate the Job Placement and Training and Economic and Community Development

BIA provides a range of services to enhance economic activity in Indian country and job training for Native Americans. The impacts of these initiatives are unclear as Indian country continues to experience higher levels of unemployment than the general population, as high as 80 percent in some areas.[1362]

The lack of jobs in Indian country, however, cannot be attributed to the lack of available federal job training assistance. There are nine federal agencies that spend $18 billion annually to administer 47 employment and job training programs.[1363] Most existing federal job training programs do not exclude Native Americans from participating.

Some are dedicated entirely or in part to serving Indian country:

- The U.S. Department of Health and Human Services administers the Administration for Native Americans, which services all Indians regardless of federal acknowledgement for social and economic initiatives, including economic development to promote self-sufficiency and cultural preservation.[1364]
- The U.S. Department of Commerce administers a Native American Affairs program, which provides grants for economic development activities in economically distressed communities and regions.[1365]
- The U.S. Commerce Department administers the Minority Business Development Agency to promote private investments in minority businesses.[1366]
- The Small Business Administration maintains the Office of Native American Affairs and Native American Outreach to encourage Native Americans to create their own businesses.[1367]

[1359] United Business Media, PR Newswire, The Wal-Mart Foundation Grants $100,000 to American Indian College Fund for Scholarships, July 12, 2011; http://www.prnewswire.com/news-releases/the-walmart-foundation-grants-100000-to-american-indian-college-fund-for-scholarships-125402533.html

[1360] American Indian College Fund, American Indian College Fund News; http://www.collegefund.org/press

[1361] American Indian College Fund, Facts About American Indian Education PDF; http://www.collegefund.org/userfiles/2011_FactSheet.pdf

[1362] CNN, "Obama Pledges New Relationship with Native Americans," November 5, 2009, http://articles.cnn.com/2009-11-05/politics/obama.tribal.conference_1_tribal-leaders-native-americans-tribes?_s=PM:POLITICS.

[1363] Government Accountability Office (GAO-11-92), "Multiple Employment and Training Programs: Providing Information on Co-Locating and Consolidating Administrative Structures Could Promote Efficiencies," January 2011, See Appendix I.

[1364] U.S. Department of Health and Human Services Website, "About ANA," http://www.acf.hhs.gov/programs/ana/about/about.html, accessed July 15, 2011.

[1365] Department of Commerce Website, "Native American Affairs," http://www.commerce.gov/office-secretary/native-american-affairs, accessed July 15, 2011.

[1366] Minority Business Development Agency Website, "Programs," http://www.mbda.gov/main/programs, accessed July 15, 2011.

[1367] Small Business Administration Website, "Office of Native American Affairs," http://www.sba.gov/about-offices-content/1/2960, accessed July 15, 2011.

- The U.S. Department of Agriculture's Rural Development agency maintains multiple credit programs as mentioned previously.[1368]
- The U.S. Department of Education administers the Career and Technical Education—Indian Set-aside program that provides grants to tribes.[1369]
- The U.S. Department of Education administers the American Indian Vocational Rehabilitation Services, which provides services for Native Americans with disabilities.[1370]
- BIA currently funds two tribal technical schools that are able to centrally train students in various trade skills

This will result in $15.3 million in savings next year and $153 million over ten years.

Environmental Quality

This program seeks to improve and manage land and natural resources and ensure compliance with environmental guidelines. Other federal agencies are already operating programs to provide the same benefits. For example, the U.S. Environmental Protection Agency (EPA) administers the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund. Tribes are not discouraged from applying for these grants. Additionally, the U.S. Fish and Wildlife administers State and Tribal Wildlife Grants.[1371] The U.S. Department of Agriculture administers the Water and Environmental Programs[1372] that service Indian tribes and include loans and grants and specifically targets Indian tribes for assistance.[1373] Finally, the Bureau of Reclamation carries out a number of programs and activities in its relationship with tribes.[1374] This will result in ten year savings of $163.34 million.

Eliminate funding for Endangered and Invasive Species

BIA's program for both initiatives coordinates compliance with the Endangered Species Act and environmental improvement work on trust lands and pest management. Both of these purposes for adequately served by the U.S. Fish and Wildlife Service[1375] and the U.S. Department of

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[1368] U.S. Department of Agriculture Rural Development Website, "About RD," http://www.rurdev.usda.gov/Home.html, accessed July 15, 2011.
[1369] U.S. Department of Education Website, "Fiscal Year 2012 Budget Summary — February 14, 2011" http://www2.ed.gov/about/overview/budget/budget12/summary/edlite-section2e.html, accessed July 15, 2011
[1370] U.S. Department of Education Website, "Fiscal Year 2012 Budget Summary — February 14, 2011" http://www2.ed.gov/about/overview/budget/budget12/summary/edlite-section2b.html, accessed July 15, 2011
[1371] U.S. Department of the Interior, Partnership Success Stories, State and Tribal Wildlife Grants, June 2004. http://www.doi.gov/partnerships/state.html
[1372] U.S. Department of Agriculture, Rural Development, Utilities, Water and Environmental Programs; http://www.rurdev.usda.gov/UWEP_HomePage.html
[1373] U.S. Department of Agriculture, Rural Development, Utilities, Water and Environmental Programs, Native American Tribes; http://www.rurdev.usda.gov/WEP_Native_American_Tribes.html
[1374] U.S. Department of the Interior, Bureau of Reclamation, Indian Policy of the Bureau of Reclamation; http://www.usbr.gov/native/naao/policies/policy.html
[1375] U.S. Fish and Wildlife Service, Endangered Species Program, July 13, 2011; http://www.fws.gov/endangered/. U.S. Fish and Wildlife Service, Invasive Species Program, August 14, 2009; http://www.fws.gov/invasives/.

Agriculture[1376] that play a prominent role in coordinating and conducting endangered species and invasive species management. BIA's program adds an unnecessary layer of administration that duplicates existing efforts. This will save $47.41 million over ten years.

Eliminate Forestry Programs at BIA

This program assists Tribes with the management of forests located on Indian lands, which cover approximately 18 million acres. The U.S. Forest Service is the lead agency to address forestry issues. While the Forest Service's jurisdiction typically includes public lands, it administers a number of grant programs. Indian tribes are already eligible to participate in several of these forestry programs. They are explicitly included as eligible participants in the Forest Land Enhancement Program, the Community Forest and open Space Conservation Program, the Rural Fire Prevention and Control program, and Competitive Allocation of Funds for Cooperative Forest Innovation Partnership Projects.[1377] This will save $485 million over ten years.

Eliminate the Office of Federal Acknowledgement Over the Next Five YEars

BIA established a multi-step process so Indian groups can apply for federal recognition status. There are several benefits of being federally recognized as an Indian tribe.

Since BIA began providing federal acknowledgement to Native Americans in the 1970s, Indian tribes have grown in number to 564.[1378] There are already approximately 56.2 million acres now held in trust by the federal government for tribes and individuals, of which 326 portions are Indian reservations.[1379] Still there are over 350 petitioners from across the state seeking federal acknowledgment. [1380] The federal acknowledgement process, while appropriately thorough, is notoriously lengthy. The process is intended to last over a twenty-five month period, yet, it is not unheard of for a petitioning group to wait decades to learn whether they will be recognized.

Foremost, federally recognized tribes are eligible to have lands taken into trust, securing sole jurisdiction of the land's resources and economic development for the inhabiting tribe and removing the parcels from state regulatory oversight. BIA regulations exempt trust land from local zoning regulations, preventing local governments from carrying out city zoning plans or complying with health and safety goals. Additionally, state sales taxes and local property taxes are not paid on transactions made on trust lands.[1381] Trust land removes the supervision of

[1376]U.S. Department of Agriculture, National Agricultural Library, National Invasive Species Information Center, July 6, 2011; http://www.invasivespeciesinfo.gov/.
[1377]U.S. Code Title 16 Chapter 41, Cornell University Law School; http://www.law.cornell.edu/uscode/usc_sup_01_16_10_41.html
[1378] Federal Register/Vol. 75, No. 190/ Department of the Interior, Bureau of Indian Affairs, Indian Entities Recognized and Eligible to Receive Services from the United States Bureau of Indian Affairs, October 1, 2010; http://www.bia.gov/idc/groups/xofa/documents/document/idc012038.pdf
[1379] U.S. Department of the Interior, Indian Affairs, Frequently Asked Questions, http://www.bia.gov/FAQs/index.htm
[1380]U.S. Department of the Interior, Bureau of Indian Affairs, Office of Federal Acknowledgment, Number of Petitions by State as of April 29, 2011; http://www.bia.gov/idc/groups/xofa/documents/text/idc013621.pdf
[1381]U.S. Department of the Interior, Indian Affairs, Frequently Asked Questions, http://www.bia.gov/FAQs/index.htm

justice enforcement in surrounding communities and transitions it to tribes and, in some cases, the federal government. Additionally, federally recognized tribes are eligible for billions of dollars in federal assistance programs that come from both BIA and various federal agencies as mentioned previously in this report. While this proposal would save $2.1 million annually in congressional appropriations, the foregone costs of federal assistance to newly recognized tribes will be substantial.

After three decades of providing recognized status for hundreds of petitioning Indian groups, it is time for the federal acknowledgement process to end. This program will save $2.1 million annually and $ 23.31million over ten years. It will also generate significant savings by limiting future expansion of existing financial services (savings not reflected in this proposal).

Eliminate the Office of Navajo and Hopi Indian Relocation

The Office of Navajo and Hopi Indian Relocation (ONHIR) was created in 1974 to resolve a land dispute between the Navajo and Hopi Indian Tribes. The Hopi tribe had maintained its land base in Arizona for years and disputed the establishment of Navajo reservation land in their territory. When the Hopis disputed the action, a federal judge directed Congress to solve the dispute, and the Office of Navajo and Hopi Indian Relocation was then created to assist the Navajos in moving to new lands and to build homes for them there.

The Office received was created with $40 million to build houses and transport the Navajo people over a five-year time period to construct approximately 1,000 homes. Over thirty years later, the office still exists and continues to go over budget. Reports have shown the Office has spent over $500 million and constructed over 3,400 homes at $120,000 per house. In 2005, ONHIR reported to the Senate Committee on Indian Affairs that its mission would be completed on September 30, 2010.[1382] Disputes from the Navajo people continue to extend the life of this independent agency over individual tribal members who may have been overlooked for one reason or another, or who may have lived elsewhere when they became head of the household.[1383] After nearly four decades, this office should be eliminated. This will save $88.81 million over ten years**.**

SAVINGS: This plan will result in first year savings of $5.7 billion and at least $26.44 billion.

PROGRAMS ELIMINATED
Ending Failed Cost Share Leveraging Program
Terminating select historic preservation programs
End funding for National Parks 100th birthday commemoration
Eliminate mine clean up funds for state who have completed work
Terminate state and tribal wildlife grants

[1382] U.S. Senate Committee on Indian Affairs, S. Hrg. 109-183, Hearing on the Navajo-Hopi Land Settlement, July 21, 2005.
[1383] Republic Flagstaff Bureau, Mark Shaffer, "Relocation office lives on as its tab tops $500 million, July 6, 2006; http://www.azcentral.com/arizonarepublic/news/articles/0707navajohopi0707side.html?&wired.

ADDITIONAL SAVINGS/PROGRAM REDUCTIONS

Adopt President Obama's administrative savings proposal
Fifteen percent reduction in staff through attrition
Elimination/consolidation of duplicative programs
Halt Renovations of Agency Headquarters)
Information Technology Efficiencies
Shift focus from land acquisition to maintenance
Consolidating duplicative wildland fire programs
Reduction in non-essential Park Service stewardship grants
Wild horse and burro program savings
Rescind 50 percent of unobligated balances
Prohibit funding for expired programs
Reform of Bureau of Indian Affairs programs

DEPARTMENT OF THE INTERIOR TEN YEAR SAVINGS
Discretionary: $26.44 billion
Total: $26.44 billion

DEPARTMENT OF JUSTICE

Responsible for enforcing and upholding the law of the land and ensuring public safety, the Department of Justice (DOJ) has been an integral part of the federal government's role in keeping Americans safe.[1384]

However, Congress has expanded the Department's focus beyond its critical mission, and in many areas DOJ has failed to fulfill its pledge to the American people. With an annual budget of nearly $27 billion,[1385] DOJ continues to be plagued with challenges of mission creep and waste and mismanagement. Congress is largely to blame for creating new duplicative programs and failing to conduct oversight. Congress rarely demands that the Department be accountable for every dollar spent and demonstrate taxpayer dollars are invested in priority programs with measurable results.

By eliminating duplication, rooting out waste and fraud, and reforming critical DOJ programs, the reforms outlined in this proposal will save taxpayers more than $34 billion over the next ten years, and allow the Department to more effectively carry out its mission of defending justice and protecting citizens.

Cancel Drug Enforcement Administration's Mobile Enforcement Team Program

Created in 1995, the Drug Enforcement Administration's (DEA) Mobile Enforcement Team (MET) program is tasked with targeting drug trafficking organizations (DTO). The program was designed to be temporary, deploying teams as needed to work with federal, state, and local law enforcement to counteract violent DTOs and gangs.[1386]

DEA's policy specifically states the program is not only to "reduce drug related violence, [but also] disrupt or dismantle the rapidly increasing number of methamphetamine drug traffickers and laboratories."[1387] However, citing duplication and immeasurable results, the president's 2012 budget proposes elimination of the program, stating, "MET teams have a narrow focus, are duplicative of other Federal, State, and local law enforcement efforts and their effectiveness in reducing crime has not been demonstrated."

[1384] Website of the Department of Justice, "About DOJ," accessed July 16, 2011, ttp://www.justice.gov/02organizations/about.html.
[1385] Congressional Budget Office, funding figures provided to the Office of Senator Coburn.
[1386] Terminations, Reductions, and Savings, Office of Management and Budget, Budget of the U.S. Government, Fiscal Year 2012, at 45.
[1387] Department of Justice, Office of the Inspector General, *Audit of the Drug Enforcement Administration's Mobile Enforcement Team Program*, Audit Report 11-08, December 2010, at 1, *available at* http://www.justice.gov/oig/reports/DEA/a1108.pdf.

As noted in the president's budget, the Mobile Enforcement Teams were intended to provide a significant presence in rural areas, but that has not been the case. According to a 2010 Audit by the DOJ Office of the Inspector General (OIG), "despite its name, the Mobile Enforcement Teams were not mobile. Rather, the teams were operating primarily in metropolitan areas near DEA offices. Consequently, rural law enforcement agencies did not have the benefit of using MET resources to address either methamphetamine or other violent gang problems within their jurisdictions."[1388] In fact, the OIG determined that the "DEA did not have a standardized process to identify local law enforcement agencies most in need of MET program assistance."[1389] In addition, the administration explains how this absence from rural areas has meant the program has not focused on carrying out activities related to methamphetamine enforcement or eradicating gangs as intended.

The most recent budget of the MET program was $39.1 million.[1390] Adopting the president's proposal of eliminating this poorly targeted and duplicative program will **save $434 million over ten years**.

End Funding for the National Drug Intelligence Center

For years, millions of dollars intended for our national defense were siphoned from the military's budget to pay for a single congressional earmark administered not by the Pentagon, but by the Department of Justice. The National Drug Intelligence Center (NDIC) was established in 1992 via an earmark in the Department of Defense appropriations bill, and received more than $44 million in 2010.

According to its own website, the NDIC exists to "coordinate and consolidate drug intelligence from all national security and law enforcement agencies, and produce information regarding the structure, membership, finances, communications, and activities of drug trafficking organizations." Yet, the Center has long been considered duplicative of other federal efforts, as outlined by President Obama FY 2012 budget, which proposes a 45 percent ($19 billion) reduction in the program, citing this extensive overlap with other federal efforts "including the Department of Defense, the Defense Intelligence Agency, DOJ, the Department of Homeland Security, the Department of the Treasury, and the Central Intelligence Agency." The president's budget goes on to explain the NDIC "remains largely duplicative of other Federal and State and local drug intelligence centers and produces documents, research and reports which are available from other sources."[1391] In addition, the FY 2012 budget notes several constraints to NDIC's effectiveness, including "its inability to access certain 'proprietary' law enforcement information

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[1388] Department of Justice, Office of the Inspector General, *Audit of the Drug Enforcement Administration's Mobile Enforcement Team Program*, Audit Report 11-08, December 2010, at iii, *available at* http://www.justice.gov/oig/reports/DEA/a1108.pdf.

[1389] Department of Justice, Office of the Inspector General, *Audit of the Drug Enforcement Administration's Mobile Enforcement Team Program*, Audit Report 11-08, December 2010, at viii, *available at* http://www.justice.gov/oig/reports/DEA/a1108.pdf.

[1390] Department of Justice, 2012 budget request, http://www.justice.gov/02organizations/budget-rollout-presentation.pdf.

[1391] Terminations, Reductions, and Savings, Budget of the U.S. Government, Fiscal Year 2012, at p. 132, *available at* http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf.

and data; its remote location in Johnstown, Pennsylvania; and the duplication of computer forensics software produced by NDIC and that of a subsidiary of the National Institute of Science and Technology."[1392]

NDIC was previously targeted for elimination by the Bush administration, which in its FY 2008 budget proposed only enough funding in order to wind down the Center, stating, "The NDIC is one of several Federal drug intelligence centers, and it has been slow to delineate a unique and useful role within the larger drug intelligence community."[1393]

When the NDIC opened, the Government Accountability Office (GAO) issued a report noting that NDIC duplicates the activities of 19 drug intelligence centers that already existed.[1394] Fifteen primarily existed to "gather and analyze time-sensitive information such as current location and movement of specific drug smuggling activities" and the other four "generally produce information on long-term trends and patterns."[1395]

In 2005, the center was labeled a "boondoggle" by *U.S. News & World Report,* which noted "the facility has run through six directors, been rocked by scandal, and been subjected to persistent criticisms that it should have never been created at all. … But as any veteran of Washington's budget wars will tell you, closing even a single federal program can be a herculean task. Perhaps no example is more illuminating than the NDIC."[1396]

A Pennsylvania newspaper, *The Centre Daily News*, noted in 2007 that "the NDIC has persisted, despite lingering questions about its effectiveness in coordinating the efforts of federal authorities to collect and analyze intelligence on the domestic trafficking of cocaine, heroin, methamphetamine and other drugs."[1397]

With an average annual budget of $30 to $44 million, NDIC has cost more than half a billion dollars since its inception.
Eliminating the NDIC would save $488 million over the next ten years.

Transfer Responsibilities of the U.S. Parole Commission to the U.S. Probation Office

Parole became possible for federal prisoners on June 25, 1910,[1398] but federal parole, along with the U.S. Parole Commission (USPC), was eliminated by Congress in 1984.[1399] Despite this

[1392] Terminations, Reductions, and Savings, Budget of the U.S. Government, Fiscal Year 2012, at p. 132, *available at* http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf.
[1393] Office of Management and Budget, "Major Savings and Reforms in the President's FY 2008 Budget," February 2007, http://www.gpoaccess.gov/usbudget/fy08/pdf/savings.pdf.
[1394] "Drug Control; Coordination of Intelligence Agencies," U.S. General Accounting Office, April 1993, http://archive.gao.gov/t2pbat6/149104.pdf.
[1395] "Drug Control; Coordination of Intelligence Agencies," U.S. General Accounting Office, April 1993, http://archive.gao.gov/t2pbat6/149104.pdf.
[1396] Bret Schulte. "A Drug War Boondoggle: The White House wants to kill it, but a little government agency may manage to live on," *U.S. News World & Report*, May 1, 2005, *available at* http://www.usnews.com/usnews/news/articles/050509/9ndic.htm.
[1397] Daniel Lovering. "Official: disputed Pa. facility plays vital part in drug war," *Centre Daily News*, June, 30, 2007.
[1398] The Parole Act of 1910; 36 Stat. 819, Comprehensive Crime Control Act of 1984.

decisive action, as well as the authorized elimination of the Parole Commission effective November 1, 1992, taxpayers still pay for the U.S. Parole Commission every year.

Since the abolition of the USPC, the commission has been reauthorized on more than one occasion, and it has taken on new responsibilities seemingly intended to justify its existence, contrary to original congressional intent. In fact, Congress enacted the Parole Commission Phase-out Act of 1996, which again extended the life of the Parole Commission until November 1, 2002.[1400] However, it reduced the number of Parole Commissioners, and also required the Attorney General to provide Congress an annual report from FY 1988 through FY 2002 to justify the continuation of the USPC. If such justification did not exist, it provided for transfer of USPC functions to another entity within DOJ.

Elimination of the USPC never actually occurred, and the passage of the National Capital Revitalization and Self-Government Improvement Act of 1997 effectively revitalized the USPC by giving it additional responsibilities.[1401] As a result of continued reauthorizations, USPC not only monitors federal prisoners sentenced prior to November 1, 1987 (when parole existed), it also manages the following:

- Federal Offenders (offenses committed before November 1, 1987)
- D.C. Parolees (offenses committed before August 5, 2000)
- D.C. Code Offenders (offenses committed after August 4, 2000)
- Uniform Code of Military Justice Offenders (offenses committed after August 15, 2001)[1402]
- Transfer-Treaty Cases (offenses committed after October 31, 1987)
- State Probationers and Parolees in Federal Witness Protection Program

The additional duties imposed upon the USPC appear to be an effort by Congress to ensure the USPC will never be abolished. However, even the USPC actually acknowledged the intent for its elimination:

> In the Parole Commission Phaseout Act of 1996, Congress recognized that some form of parole function would have to remain beyond 2002, but this Act did not envision the substantial, ongoing responsibilities for D.C. Code felony offenders given the Parole Commission by the National Capital Revitalization and Self-Government Improvement Act of 1997.[1403]

Recently, however, the U.S. Parole Commission unexpectedly found itself in the middle of an ethical and political firestorm. Veronza Bowers, after spending a 31-year sentence in federal prison in Florida on a murder conviction was scheduled for parole in 2004. But before he was released, one of the commissioners, Deborah Spagnoli, improperly intervened to block him from

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[1399] P.L. 98-473
[1400] P.L. 104-232
[1401] P.L. 105-33
[1402] 28 CFR 2.35 (d)
[1403] Department of Justice , History of United States Parole Commission, *available at* http://www.justice.gov/uspc/history.htm.

going free, creating a secret backchannel all the way to the Attorney General.[1404] Commissioners are supposed to remain independent in such circumstances, but in this circumstance used political connections to overturn a prior decision.[1405] The episode raised troubling questions about the commission independence.

The USPC has received between $10 million to $13 million annually since 2006.[1406] The duties of the USPC before they were expanded are minimal due to the dwindling number of pre-1987 prisoners that were both eligible for parole and actually received it. This responsibility could be consolidated with the U.S. Probation Office (USPO), which falls under the budget of the U.S. Courts. District of Columbia offenders and those in the Witness Protection Program could also be included with the USPO, and the military offenders transferred to the Department of Defense. Finally, state probationers should be supervised by the state in which the offender was sentenced. Ending this outdated and unnecessary program would **save taxpayers at least $146 million over the next 10 years.**

End the National Institute of Justice

The Department of Justice's National Institute of Justice (NIJ), within the Office of Justice Programs, is home to two offices: the Office of Research and Evaluation (ORE) and the Office of Science and Technology (OST).[1407] NIJ is touted as the "research, evaluation, and development agency for the DOJ," but it primarily carries out this activity by awarding grants to others for these activities.[1408] While it conducts "internal evaluations" for the DOJ, it has consistently failed to fairly award both competitive and non-competitive grants and contracts, raising questions about its effectiveness. The amount of funding at stake is significant. In 2008 and 2009, for DNA and other forensic technology grants alone, NIJ awarded approximately $302 million for over 700 grants.[1409]

In a 2009 audit, the DOJ Office of the Inspector General (OIG) found "OJP and NIJ could not document that grant awards during fiscal years 2005 through 2007 were made based on fair and

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[1404] Stephens, Joe, "Allegations of Impropriety Surround the Little-Known U.S. Parole Commission," *Washington Post*, May 26, 2009, http://www.washingtonpost.com/wp-dyn/content/article/2009/05/25/AR2009052502357.html.
[1405] Stephens, Joe, "Allegations of Impropriety Surround the Little-Known U.S. Parole Commission," *Washington Post*, May 26, 2009, http://www.washingtonpost.com/wp-dyn/content/article/2009/05/25/AR2009052502357.html?sid=ST2009052600940.
[1406] Nathan James, Oscar R. Gonzales, and Jennifer D. Williams, *Commerce, Justice, Science, and Related Agencies: FY2011 Appropriations*, Congressional Research Service, R41161, May 17, 2011, at 19, 22; Nathan James, Oscar R. Gonzales, and Jennifer D. Williams, *Commerce, Justice, Science, and Related Agencies: FY2010 Appropriations*, Congressional Research Service, R40644, January 19, 2010, at 19, 23; William J. Krouse, Oscar R. Gonzales, and Jennifer D. Williams, *Commerce, Justice, Science and Related Agencies: FY2009 Appropriations*, Congressional Research Service, RL34540, May 11, 2009, at 30, 37; William J. Krouse, Edward V. Murphy, and M. Angeles Villarreal, *Commerce, Justice, Science, and Related Agencies: FY2008 Appropriations*, Congressional Research Service, RL34092, March 17, 2008, at 32, 35; and Susan B. Epstein, M. Angeles Villarreal, *Science, State, Justice, Commerce and Related Agencies (House)/Commerce, Justice, Science and Related Agencies (Senate): FY2007 Appropriations*, Congressional Research Service, RL33470, May 9, 2007, at 8, 15.
[1407] U.S. Department of Justice, Office of Justice Programs, http://www.ojp.usdoj.gov/about/offices/nij.htm.
[1408] *Id.; See also* James, Nathan, *An Overview & Funding History of Select Department of Justice (DOJ) Grant Programs*, Congressional Research Service, RL33489, January 16, 2008, at 2.
[1409] U.S. Department of Justice, Office of Justice Programs, National Institute of Justice, *Titles II and III: Justice for All Act of 2004; DNA Analysis Backlog Elimination Act of 2000*, Report to Congress, October 2010, at p. 1.

open competition because it did not maintain adequate pre-award records. In addition, NIJ managers did not properly address potential conflicts of interest among its staff involved in making award decisions."[1410] The OIG concluded it could not verify the awards it analyzed "were based on fair and open competition" because the NIJ does not comply with document requirements established by the Office of Justice Programs (OJP).[1411]

Furthermore, while federal agencies must systematically review internal conflicts of interest,[1412] and eliminate them, NIJ has failed to do so. Rather, NIJ employees with financial and other conflicts of interest consistently reviewed grant applications inappropriately, even when monitored by a supervisor.[1413] The OIG even found NIJ grantees involved in lobbying related to their NIJ grants did not disclose such activity on their grant applications as they are required to do.[1414]

NIJ's non-competitive award process is also problematic. According to the OIG, even an NIJ official attests "the NIJ has not developed procedures or guidance on what constitutes a reasonable basis for awarding a grant non-competitively."[1415] Such procedures combined with NIJ's questionable lobbying activities have yielded troubling results.

In 2002, NIJ awarded a non-competitive cooperative agreement of $153,914 to Smith Alling Lane in Tacoma, Washington "to conduct a comprehensive survey to develop data for analyzing the effective of expanding DNA legislation on solving and preventing crimes."[1416] While asserting Smith Alling Lane was the only organization that had the experience to conduct the survey, the OIG "found no documentation that supported how the NIJ reached its decision."[1417] Smith Alling Lane continued to receive more awards, despite questions surrounding its independence.[1418]

Furthermore, Smith Alling Lane's lobbying activities related to DNA policies likely benefited some of its clients as legislation in 2000, and 2002-2006 provided "more funding for DNA-

[1410] U.S. Department of Justice, Office of Justice Programs, National Institute of Justice, *Titles II and III: Justice for All Act of 2004; DNA Analysis Backlog Elimination Act of 2000*, Report to Congress, October 2010, at p. 8.
[1411] U.S. Department of Justice, Office of Justice Programs, National Institute of Justice, *Titles II and III: Justice for All Act of 2004; DNA Analysis Backlog Elimination Act of 2000*, Report to Congress, October 2010, at p. 11.
[1412] 5 C.F.R. §§ 2634 – 2635.
[1413] U.S. Department of Justice, Office of Justice Programs, National Institute of Justice, *Titles II and III: Justice for All Act of 2004; DNA Analysis Backlog Elimination Act of 2000*, Report to Congress, October 2010, at 14.
[1414] U.S. Department of Justice, Office of Justice Programs, National Institute of Justice, *Titles II and III: Justice for All Act of 2004; DNA Analysis Backlog Elimination Act of 2000*, Report to Congress, October 2010, at xiii.
[1415] U.S. Department of Justice, Office of Justice Programs, National Institute of Justice, *Titles II and III: Justice for All Act of 2004; DNA Analysis Backlog Elimination Act of 2000*, Report to Congress, October 2010, at xvi.
[1416] U.S. Department of Justice, Office of Justice Programs, National Institute of Justice, *Titles II and III: Justice for All Act of 2004; DNA Analysis Backlog Elimination Act of 2000*, Report to Congress, October 2010, at xvi.
[1417] U.S. Department of Justice, Office of Justice Programs, National Institute of Justice, *Titles II and III: Justice for All Act of 2004; DNA Analysis Backlog Elimination Act of 2000*, Report to Congress, October 2010, at xvii.
[1418] U.S. Department of Justice, Office of Justice Programs, National Institute of Justice, *Titles II and III: Justice for All Act of 2004; DNA Analysis Backlog Elimination Act of 2000*, Report to Congress, October 2010, at xvii.

related analysis and research, and the Department of Justice's NIJ awarded grants and contracts to Smith Alling Lane's clients to perform DNA-related work."[1419]

Similarly, NIJ provided non-competitive awards to the National Forensic Science Technology Center (NFSTC) in Largo, Florida from 2000-2006.[1420] The awards amounted to $34,202,675 for NFSTC, of which $20,914,071 were congressional earmarks—all without written justifications.[1421] Two of these awards "improperly directed the NFSTC to use Smith Alling Lane to perform work under the agreements without preparing a justification for such a non-competitive selection."[1422] In fact, an NIJ program manager states a "former NIJ Division Chief directed him to require the NFSTC to use Smith Alling Lane as a condition of the two agreements."[1423]

Overall, relationships between NIJ and NFSTC officials created significant conflicts of interest issues. NIJ would hire certain officials from NFSTC for "temporary" assignments where they would be involved in overseeing NIJ grant programs.[1424] For example, over $45 million was awarded to NFSTC while its deputy executive director was on detail to NIJ.[1425] *Politico* reported in May 2009 that six of NFSTC's "current and former employees and board members have worked for the agency."[1426]

NIJ is unnecessary and lacks internal control policies, consistently fails to award grants in a fair and open manner, and has a troubling record of misusing taxpayer funds. In 2010, NIJ received $48 million in funding.[1427]
Estimated ten-year savings for elimination of this program would be $533 million.

Eliminate the Community Oriented Policing Services Program

Started in 1994, the Community Oriented Policing Services (COPS) program was created to "advance community policing in all jurisdictions across the United States."[1428] This grant

[1419] U.S. Department of Justice, Office of Justice Programs, National Institute of Justice, *Titles II and III: Justice for All Act of 2004; DNA Analysis Backlog Elimination Act of 2000*, Report to Congress, October 2010, at xvii.
[1420] U.S. Department of Justice, Office of Justice Programs, National Institute of Justice, *Titles II and III: Justice for All Act of 2004; DNA Analysis Backlog Elimination Act of 2000*, Report to Congress, October 2010, at xvii.
[1421] U.S. Department of Justice, Office of Justice Programs, National Institute of Justice, *Titles II and III: Justice for All Act of 2004; DNA Analysis Backlog Elimination Act of 2000*, Report to Congress, October 2010, at xviii.
[1422] U.S. Department of Justice, Office of Justice Programs, National Institute of Justice, *Titles II and III: Justice for All Act of 2004; DNA Analysis Backlog Elimination Act of 2000*, Report to Congress, October 2010, at xvii.
[1423]U.S. Department of Justice, Office of Justice Programs, National Institute of Justice, *Titles II and III: Justice for All Act of 2004; DNA Analysis Backlog Elimination Act of 2000*, Report to Congress, October 2010, at xix.
[1424] U.S. Department of Justice, Office of Justice Programs, National Institute of Justice, *Titles II and III: Justice for All Act of 2004; DNA Analysis Backlog Elimination Act of 2000*, Report to Congress, October 2010, at xix.
[1425] U.S. Department of Justice, Office of Justice Programs, National Institute of Justice, *Titles II and III: Justice for All Act of 2004; DNA Analysis Backlog Elimination Act of 2000*, Report to Congress, October 2010, at xx.
[1426] Ben Protess, *Complex Strands of DNA Backlog*, POLITICO, May 5, 2009,http://www.politico.com/news/stories/0509/22070.html.
[1427] http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41161&Source=search
[1428] Nathan James, *Community Oriented Policing Services (COPS): Background and Funding*, Congressional Research Service, RL33308, June 2, 2011, at 1.

program allows law enforcement agencies to hire and train police officers, purchase crime-fighting technologies, and develop and test innovative policing strategies.[1429]

One of the program's first goals was to put 100,000 state and local police officers on the street by the year 2000.[1430] However, if is doubtful that the COPS program ever met this goal. While the COPS Office claims to have hired 117,000 officers to date, several sources, including the Government Accountability Office and the National Institute of Justice question this figure, indicating significantly fewer officers were actually hired.[1431] According to the Congressional Research Service: "The GAO found that COPS funding paid for a total of about 88,000 additional *officer-years* from 1994 to 2001. An evaluation of the COPS program sponsored by the National Institute of Justice (NIJ) found that under the best-case scenario, of the 105,000 officer and officer equivalents funded by the COPS program by May 1999, an estimated 84,600 officers would have been hired by 2001 before declining to 83,900 officers by 2003. Under the worst-case scenario, an estimated 69,000 officers would have been hired by 2001 before declining to 62,700 officers by 2003."[1432]

COPS has also proven when state and local responsibilities are subsidized by the federal government, state and local governments will quit paying for these responsibilities, leading to an increased burden on federal taxpayers for an inherently local responsibility. A 1999 report of the DOJ inspector general revealed that in the early years of the program, federal funds were frequently being used to *supplant* state and local efforts, rather than *supplement* it.[1433]

As a result of continued and increased federal funding under COPS and other law enforcement assistance grants, state and local governments also shift accountability for local crime to the federal government when ordinary street crime is the primary responsibility of state and local government.[1434] By providing COPS funding, the federal government has overstepped its constitutional boundaries. As a Heritage Foundation analysis of the program explains, "If Congress wants to aid in the fight against crime, it should limit itself to vindicating uniquely federal interests, starting with those that the Constitution clearly assigns to the national government, and to performing roles that only the federal government alone can fulfill. The

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[1429] Nathan James, *Community Oriented Policing Services (COPS): Background and Funding*, Congressional Research Service, RL33308, June 2, 2011, at 1.
[1430] Nathan James, *Community Oriented Policing Services (COPS): Background and Funding*, Congressional Research Service, RL33308, June 2, 2011, at 1.
[1431] Nathan James, *Community Oriented Policing Services (COPS): Current Legislative Issues*, Congressional Research Service, R40709, June 1, 2011, at 11.
[1432] http://www.fas.org/sgp/crs/misc/R40709.pdf
[1433] Department of Justice, Office of Inspector General, "Police Hiring and Redeployment Grants: Summary of Audit Findings and Recommendations, October 1996 – September 1998," http://www.justice.gov/oig/reports/COPS/a9914/9914pt1.htm.
[1434] David Muhlhausen, Ph.D., *Adding COPS Funding to the Economic Stimulus Package Will Not Stimulate the Economy, Nor Will It Effectively Combat Crime*, Congressional Testimony before the Senate Committee on the Judiciary, January 8, 2009, *available at*http://www.heritage.org/Research/Testimony/Adding-COPS-Funding-to-the-Economic-Stimulus-Package-Will-Not-Stimulate-the-Economy-Nor-Will-It-Effectively-Combat-Crime.

federal government should not become a crutch on which local law enforcement becomes dependent."[1435]

As detailed in testimony before the Senate Judiciary Committee, for example, in 2005, Boston Mayor Thomas Menino blamed his inability to properly staff the Boston Police Department on a lack of COPS funding. After receiving millions of dollars in the 1990s for additional police officers, "Boston promised to retain these officers and maintain the same staffing levels after the federal contributions expired. Instead of developing a plan to retain the officers, Mayor Menino decided to downsize officer staffing after the grants expired, in violation of the federal grant rules."[1436] Even though COPS grants requires grantees to specify how it plans to obtain funding for continuing the program after federal funding expires, many state and local governments, like Boston, view COPS grants as an entitlement, and the federal government is blamed for inadequately staffed police departments.

Despite claims to the contrary, there is little evidence showing that COPS funding has directly impacted violent crime rates. The Congressional Research Service notes COPS "has awarded more than $11.4 billion to over 13,000 law enforcement agencies…since it started awarding grants in 1994."[1437] *USA Today* uncovered that in 2005 that, of three major studies on the issue, only one that was funded by the DOJ, found that COPS had any effect on crime rates.[1438] However, "the Government Accounting Office, Congress' nonpartisan oversight arm, dismissed DOJ's study as 'inconclusive.'"[1439] In fact, in 2005, *USA Today* also noted Oklahoma City is one example of a city that did not participate in COPS, but experienced a drop in crime equivalent to cities that received grants. These findings have raised questions about whether there is any correlation between COPS hiring grants and the drop of the nation's crime rates.[1440]

According to the Federal Bureau of Investigation (FBI) Uniform Crime Reports (UCR), the violent crime rate has declined since the 1990s.[1441] However, this downward trend has continued even when funding for COPS has decreased. In 2001, The Heritage Foundation's Center for Data Analysis (CDA) conducted an evaluation of COPS effectiveness from 1995-1998. "It found that COPS grants for the hiring of additional police officers and for technology had no

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[1435] David B. Muhlhausen, Ph.D. and Brian W. Walsh, *COPS Reform: Why Congress Can't Make the COPS Program Work*, The Heritage Foundation, No. 2188, September 26, 2008, *available at* http://s3.amazonaws.com/thf_media/2008/pdf/bg2188.pdf.

[1436] David Muhlhausen, Ph.D., *Adding COPS Funding to the Economic Stimulus Package Will Not Stimulate the Economy, Nor Will It Effectively Combat Crime*, Congressional Testimony before the Senate Committee on the Judiciary, January 8, 2009, at 2, *available at* http://www.heritage.org/Research/Testimony/Adding-COPS-Funding-to-the-Economic-Stimulus-Package-Will-Not-Stimulate-the-Economy-Nor-Will-It-Effectively-Combat-Crime.

[1437] Nathan James, *Community Oriented Policing Services (COPS): Background and Funding*, Congressional Research Service, RL33308, June 2, 2011.

[1438] Peter Eisler and Kevin Johnson, *10 Years and $10B Later, COPS Drawing Scrutiny*, USA TODAY, April 11, 2005, *available at* http://www.usatoday.com/news/washington/2005-04-10-cops-cover_x.htm.

[1439] Peter Eisler and Kevin Johnson, *10 Years and $10B Later, COPS Drawing Scrutiny*, USA TODAY, April 11, 2005, *available at* http://www.usatoday.com/news/washington/2005-04-10-cops-cover_x.htm.; *see also Technical Assessment of Zhao and Thruman's 2001 Evaluation fo the Effects of COPS Grants on Crime*, Government Accountability Office, GAO-03-867R, June 12, 2003, at 3.

[1440] Peter Eisler and Kevin Johnson, *10 Years and $10B Later, COPS Drawing Scrutiny*, USA TODAY, April 11, 2005, *available at* http://www.usatoday.com/news/washington/2005-04-10-cops-cover_x.htm.

[1441] Federal Bureau of Investigation, Uniform Crime Report, 2009, Table 1, *available at* http://www2.fbi.gov/ucr/cius2009/data/table_01.html (accessed June 26, 2011).

statistically significant effect on reducing the rates of violent crime."[1442] CDA conducted a second analysis in 2006 for a more extended period of time, 1990-1999, and confirmed the earlier conclusions, which "found the ineffectiveness of COPS grants awarded to large cities may be due to their misuse, with grants awarded to large cities used to supplant local police expenditures."[1443] Significantly, from 2002-2004, both the violent crime rate *and* COPS funding significantly declined, indicating again that there was little correlation.[1444]

In a 2005 study, GAO found crime in the early 1990s had already begun to decline before COPS was even created in 1994.[1445] "Hence the factors other than COPS grants that were responsible for precipitating the decline in crime could have continued to influence its decline throughout the 1990s…To the extent that any of these factors are correlated with the distribution of COPS grants, they could be responsible for impacts that have been attributed to COPS grants."[1446] GAO concluded "COPS grants were not the major cause of the decline in crime from 1994 through 2001."[1447]

Furthermore, COPS grants are too often hampered by waste, fraud, abuse, and duplication. In the president's budget requests for FY 2004 through FY 2006, the Program Assessment Rating Tool (PART) indicated COPS results were "not demonstrated." In 2004, the PART analysis noted "COPS program's long-term goals have no timelines or specific targets," and new objectives have replaced the original goals of hiring more police officers.[1448] In 2005, PART also questioned to what extent law enforcement agencies desired funding for expanding community policing versus sustaining their normal hiring efforts. Agencies are not allowed to use COPS grants to supplant their budgets, but rather as a supplement. However, the PART evaluation notes that "COPS has not been able to define or quantify the remaining unmet 'need' for community policing beyond the number of grant applications it receives."[1449]

The 2005 *USA Today* report also found "a less than flattering view of the COPS program is emerging: Federal audits of just 3% of all COPS grants have alleged $277 million was misspent.

[1442] David Muhlhausen, Ph.D., *Adding COPS Funding to the Economic Stimulus Package Will Not Stimulate the Economy, Nor Will It Effectively Combat Crime*, Congressional Testimony before the Senate Committee on the Judiciary, January 8, 2009, at 7, *available at* http://www.heritage.org/Research/Testimony/Adding-COPS-Funding-to-the-Economic-Stimulus-Package-Will-Not-Stimulate-the-Economy-Nor-Will-It-Effectively-Combat-Crime.

[1443] *Id; see also* David B. Muhlhausen, Ph.D. and Brian W. Walsh, *COPS Reform: Why Congress Can't Make the COPS Program Work*, The Heritage Foundation, No. 2188, September 26, 2008, at 10, *available at* http://s3.amazonaws.com/thf_media/2008/pdf/bg2188.pdf.

[1444] Federal Bureau of Investigation, Uniform Crime Report, 2009, Table 1, *available at* http://www2.fbi.gov/ucr/cius2009/data/table_01.html (accessed July 16, 2011); *see also* Nathan James, *Community Oriented Policing Services (COPS): Background and Funding*, Congressional Research Service, RL33308, June 2, 2011, at 7.

[1445] *Community Policing Grants: COPS Grants Were a Modest Contributor to Declines in Crime in the 1990s*, Report to the Chairman, Committee on the Judiciary, House of Representatives, GAO-06-104, October 2005, at 9.

[1446] *Community Policing Grants: COPS Grants Were a Modest Contributor to Declines in Crime in the 1990s*, Report to the Chairman, Committee on the Judiciary, House of Representatives, GAO-06-104, October 2005, at 9.

[1447] *Community Policing Grants: COPS Grants Were a Modest Contributor to Declines in Crime in the 1990s*, Report to the Chairman, Committee on the Judiciary, House of Representatives, GAO-06-104, October 2005, at 16.

[1448] Budget of the United States Government, Performance and Management Assessments, FY 2004, at p. 178, *available at* http://www.gpoaccess.gov/usbudget/fy04/pdf/pma.pdf.

[1449] Budget of the United States Government, PART Assessments, FY 2005, at p. 20, *available at* http://www.gpoaccess.gov/usbudget/fy05/pdf/part/justice.pdf.

Tens of thousands of jobs funded by the grants were never filled, or weren't filled for long."[1450] For example, the very small city of Picuris Pueblo, New Mexico, which is on an Indian reservation, has a two-person police department. Yet, it "was awarded $728,125 from 1995 to 2000 to hire eight additional officers."[1451] The town was unable prove whether the officers were hired, and the police department was actually closed in 2002, without evidence of what happened to the grant money.

The 2009 American Recovery and Reinvestment Act (ARRA) provided the COPS program with an additional $1 billion in funding.[1452] However, many police departments were ineligible for grants due to past misuse of COPS funding. *USA Today* reported twenty-six police agencies in 16 states were barred from COPS stimulus funds "after misusing millions of dollars in prior aid."[1453]

In addition, the DOJ OIG noted in a May 2010 audit that there is potential overlap between COPS and other programs.[1454] The DOJ OIG found the COPS hiring program overlapped with OJP's Edward Byrne Memorial Justice Assistance Grant (JAG) program and the Edward Byrne Competitive Grant Program.[1455]

Finally, given the lack of measurable data on the impact of this program to reducing crime, COPS grants are simply not producing the results needed to justify their more than $494 million annual price tag. In a discussion of issues facing Congress regarding the program's reauthorization, CRS highlights this concern:

> "After years of decreasing appropriations for COPS hiring grants, Congress included $1 billion for hiring grants in the American Recovery and Reinvestment Act of 2009 (P.L. 111-8), the highest level of funding for COPS hiring grants since FY1999. In addition, Congress provided funding for hiring programs as a part of the annual appropriation for COPS in both FY2010 and FY2011. Given the interest in COPS hiring programs, Congress might want to consider the issue of whether the COPS program was effective at meeting its goal of increasing the number of police officers."[1456]

[1450] Peter Eisler and Kevin Johnson, *10 Years and $10B Later, COPS Drawing Scrutiny*, USA TODAY, April 11, 2005, *available at* http://www.usatoday.com/news/washington/2005-04-10-cops-cover_x.htm.

[1451] Peter Eisler and Kevin Johnson, *10 Years and $10B Later, COPS Drawing Scrutiny*, USA TODAY, April 11, 2005, *available at* http://www.usatoday.com/news/washington/2005-04-10-cops-cover_x.htm.

[1452] U.S. Department of Justice, Office of the Inspector General, Audit Division, *A Review of the Selection Process for the COPS Hiring Recovery Program*, No. 10-25, May 2010, at p. i, *available at* http://www.justice.gov/oig/reports/COPS/a1025.pdf.

[1453] Kevin Johnson, *No Stimulus for Police After Past Violations*, USA TODAY, May 6, 2009, *available at* http://www.usatoday.com/news/nation/2009-05-06-blacklist_N.htm.

[1454] U.S. Department of Justice, Office of the Inspector General, Audit Division, *A Review of the Selection Process for the COPS Hiring Recovery Program*, No. 10-25, May 2010, at p. 32, *available at* http://www.justice.gov/oig/reports/COPS/a1025.pdf.

[1455] U.S. Department of Justice, Office of the Inspector General, Audit Division, *A Review of the Selection Process for the COPS Hiring Recovery Program*, No. 10-25, May 2010, at p. 32, *available at* http://www.justice.gov/oig/reports/COPS/a1025.pdf.

[1456] CRS R40709, "Community Oriented Policing Services (COPS): Current Legislative Issues" Congressional Research Service, June 1, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R40709&Source=search.

Ending the COPS program will save taxpayers more than $5.5 billion over the next ten years.

Reduce Funding for the Edward Byrne Memorial Grant Program by 50 Percent

The Edward Byrne Memorial Grant Program consists of two programs, the Justice Assistance Grant (Byrne JAG) and the Byrne Competitive Grant (Byrne Competitive). Byrne JAG funds are awarded non-competitively on a formula basis, while Byrne Competitive funds are awarded through a merit-based application process.[1457] In the past, there has also been a Byrne Discretionary Grant (Byrne Discretionary), which consisted of approximately $180 million annually in congressionally earmarked funds for local Byrne programs. Federal funding provided through each of the Byrne programs can be used for the same purposes, which broadly include "state and local initiatives, technical assistance, training, personnel, equipment, supplies, contractual support, information systems, and national initiatives."[1458]

Byrne JAG is a formula grant program that directs federal funding to state and local law enforcement to be used for equipment, training, technical assistance, and information systems to assist with the apprehension, prosecution, adjudication, detention and rehabilitation of offenders. Funds are awarded to localities based on a *formula* accounting for state population and violent crime rates. Since 2005, the program has been funded on average at $460 million annually, with an additional $2 billion provided by the 2009 Recovery Act.[1459] Byrne JAG's predecessor programs received even more between FY 1998 and FY 2004, averaging $944 million.[1460] President Bush's 2008 budget effectively eliminated this program by proposing to consolidate it with dozens of anti-crime programs.

Grant management has appeared on the DOJ OIG's list of Top 10 Management Challenges since 2000, and Byrne programs are no exception[1461] In June 2011 testimony before the House Committee on Oversight and Government Reform, the acting inspector general concluded, "further improvements are needed, and considerable work remains before managing the billions of dollars the Department awards annually in grants is no longer a top challenge for the Department."[1462]

[1457] U.S. Department of Justice, Office of the Inspector General, Audit Division, *Office of Justice Programs' Recovery Act and Non-Recovery Act Programs for Edward Byrne Memorial Justice Assistance Grants and Byrne Competitive Grants*, Audit Report 10-43, August 2010, at p. i, *available at* http://www.justice.gov/oig/reports/OJP/a1043.pdf.

[1458] U.S. Department of Justice, Office of the Inspector General, Audit Division, *Office of Justice Programs' Recovery Act and Non-Recovery Act Programs for Edward Byrne Memorial Justice Assistance Grants and Byrne Competitive Grants*, Audit Report 10-43, August 2010, at p. ii, *available at* http://www.justice.gov/oig/reports/OJP/a1043.pdf.

[1459] Nathan James, "Edward Byrne Memorial Justice Assistance Grant (JAG) Program," Congressional Research Service, RS22416, June 2, 2011, p. 5.

[1460] Nathan James, "Edward Byrne Memorial Justice Assistance Grant (JAG) Program," Congressional Research Service, RS22416, June 2, 2011, p. 5.

[1461] U.S. Department of Justice, Office of the Inspector General, *Top Management Challenges in the Department of Justice*, *available at* http://www.justice.gov/oig/challenges/index.htm.

[1462] Statement of Cynthia A Schnedar, Acting Inspector General, U.S. Department of Justice, House Committee on Oversight and Government Reform, Subcommittee on Technology, Information Policy, Intergovernmental Relations and Procurement Reform, June 23, 2011, p. 7, *available at http://oversight.house.gov/images/stories/Testimony/6-23-11_Schnedar_Tech_Fed_Grants_Testimony.pdf.*

Critics on the right and left have recently agreed the Byrne program should be phased out. Groups like the National Taxpayers Union, Drug Policy Alliance, and American Civil Liberties Union (ACLU) have all opposed the Byrne programs for a variety of reasons, yet the program lives on as Congress continues to provide funding for these grants.[1463] The Drug Policy Alliance (DPA) notes Byrne JAG is one of several "failed drug war programs that are ineffective at best, and often actively harmful…[DPA is] working to dismantle wasteful drug law enforcement programs like the Byrne Justice Assistance Grant program, which funds hundreds of regional drug taskforces that are notorious for wasting taxpayer dollars and fostering corruption."[1464]

Furthermore, in a June 2008 letter to Representatives John Conyers and Lamar Smith of the House Judiciary Committee, the ACLU asked the committee not to reauthorize the Byrne JAG program unless it was reformed.[1465] The letter noted concern with the program's funding of regional anti-drug task forces, which the ACLU alleges "have very little state or federal oversight and are prone to corruption…."[1466]

In a 2010 Audit Report, the DOJ OIG examined 12 state and local recipients of Byrne JAG funding. Nine of the 12 audits showed significant weaknesses, resulting in the DOJ OIG questioning $618,915 in grant expenditures, and identifying $3.5 million in enhanced revenues.[1467] For example, the Washington, D.C. Justice Grants Administration could not provide documentation for $324,011 in grant expenditures, and the Indiana Criminal Justice Institute "did not identify and report $3,482,466 in program income related to the grant."[1468]

In the same audit, the DOJ OIG noted five of the 12 grant recipients could not account for any of the property they purchased with Byrne JAG funds. In December 2008, the City of Jackson, Mississippi spent over $79,000 for a "line of fire" targeting package for a police department firing range. Yet, in January 2010, the package had not been installed because the site preparation was incomplete.[1469] The city also purchased 262 GPS units for police officers at a

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[1463] Radley Balko, *Bad Cop: Why Obama is Getting Criminal Justice Policy Wrong*, SLATE, October 6, 2008, *available at* http://www.slate.com/id/2201632/.

[1464] Drug Policy Alliance, "Wasted Tax Dollars," *available at* http://www.drugpolicy.org/issue/wasted-tax-dollars/our-priorities.

[1465] ACLU Coalition Letter to House Judiciary Leadership Urging Them Not to Reauthorize the Byrne Justice Assistance Grant, June 17, 2008, *available at* http://www.aclu.org/drug-law-reform/aclu-coalition-letter-house-judiciary-leadership-urging-them-not-reauthorize-byrne-j.

[1466] ACLU Coalition Letter to House Judiciary Leadership Urging Them Not to Reauthorize the Byrne Justice Assistance Grant, June 17, 2008, *available at* http://www.aclu.org/drug-law-reform/aclu-coalition-letter-house-judiciary-leadership-urging-them-not-reauthorize-byrne-j.

[1467] U.S. Department of Justice, Office of the Inspector General, Audit Division, *Office of Justice Programs' Recovery Act and Non-Recovery Act Programs for Edward Byrne Memorial Justice Assistance Grants and Byrne Competitive Grants*, Audit Report 10-43, August 2010, p. 15, *available at* http://www.justice.gov/oig/reports/OJP/a1043.pdf.

[1468] U.S. Department of Justice, Office of the Inspector General, Audit Division, *Office of Justice Programs' Recovery Act and Non-Recovery Act Programs for Edward Byrne Memorial Justice Assistance Grants and Byrne Competitive Grants*, Audit Report 10-43, August 2010, p. 17, *available at* http://www.justice.gov/oig/reports/OJP/a1043.pdf.

[1469] U.S. Department of Justice, Office of the Inspector General, Audit Division, *Office of Justice Programs' Recovery Act and Non-Recovery Act Programs for Edward Byrne Memorial Justice Assistance Grants and Byrne*

cost of over $49,000, but over 2 years later, 151 units (a $31,418 value) "were still in the Police Department's warehouse because the units provide only geographic coordinates. The GPS units are now obsolete because the Police Department is now installing laptop computers with GPS software."[1470] The city also treated its purchase of laptop computers similarly. In 2007, the city spent $204,600 in grant funds for 50 laptop computers for patrol cars. However, two years later, 47 of those laptops (a $192,324 value) were still sitting in the Police Department's warehouse. "By January 2010, only 19 of the laptops had been installed in patrol cars."[1471]

Half of the 12 Byrne JAG audits conducted by the DOJ OIG found recipients did not submit accurate annual progress reports. In one example, a Marion County, South Carolina, grantee did not submit any annual progress reports for its 2005 Byrne JAG grant (from October 1, 2004 through September 30, 2008), except for a final progress report, because "officials said they had not had a grants manager and were not aware of the requirements for submitting progress reports."[1472]

Overall, the DOJ OIG report concludes that just this small sample of audits indicates the "grant recipients lack appropriate procedures and practices in implementing important grant requirements…The failure to implement the grant requirements can lead to mismanagement or improper use of grant funds."[1473]

The Byrne Competitive program is a recent creation of Washington lawmakers. While it is the only truly competitive Byrne program, it is not actually authorized by Congress, but instead was created through the appropriations process. It receives the least amount of funding of all Byrne programs, approximately $30 million - $40 million per year.

Even the competitive application process for selecting grantees under the Byrne Competitive program, which has only existed for 3 years, fails to function properly. The DOJ OIG notes 40% of the 2009 applications failed to meet solicitation requirements; however, the Bureau of Justice Assistance (BJA), OJP's grant administering component, chose 649 of these applications to

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Competitive Grants, Audit Report 10-43, August 2010, p. 19, *available at* http://www.justice.gov/oig/reports/OJP/a1043.pdf.

[1470] U.S. Department of Justice, Office of the Inspector General, Audit Division, *Office of Justice Programs' Recovery Act and Non-Recovery Act Programs for Edward Byrne Memorial Justice Assistance Grants and Byrne Competitive Grants*, Audit Report 10-43, August 2010, p. 15, *available at* http://www.justice.gov/oig/reports/OJP/a1043.pdf.

[1471] U.S. Department of Justice, Office of the Inspector General, Audit Division, *Office of Justice Programs' Recovery Act and Non-Recovery Act Programs for Edward Byrne Memorial Justice Assistance Grants and Byrne Competitive Grants*, Audit Report 10-43, August 2010, p. 15, *available at* http://www.justice.gov/oig/reports/OJP/a1043.pdf.

[1472] U.S. Department of Justice, Office of the Inspector General, Audit Division, *Office of Justice Programs' Recovery Act and Non-Recovery Act Programs for Edward Byrne Memorial Justice Assistance Grants and Byrne Competitive Grants*, Audit Report 10-43, August 2010, p. 24, *available at* http://www.justice.gov/oig/reports/OJP/a1043.pdf.

[1473] U.S. Department of Justice, Office of the Inspector General, Audit Division, *Office of Justice Programs' Recovery Act and Non-Recovery Act Programs for Edward Byrne Memorial Justice Assistance Grants and Byrne Competitive Grants*, Audit Report 10-43, August 2010, p. 29, *available at* http://www.justice.gov/oig/reports/OJP/a1043.pdf.

continue into the peer review process.[1474] DOJ OIG reviewed a sample of 95 rejected applications and found BJA failed to record the reason for each denial. This prevents the Grants Management System (GMS) from accurately reflecting "reasons applications were denied."[1475] As a result, the system cannot be used to identify data that could help find weaknesses in the application process.[1476]

While the Byrne Competitive program has only existed for a short period of time, it is already showing signs of poor grant management, despite its attempt to actually competitively award grant funds.

In 2010, the Byrne JAG program received $519 million in funding and reducing its budget by half would save $259.5 million in the first year and $2.88 billion over ten years.[1477]

Reduce Juvenile Justice Grants Within the Office of Juvenile Justice and Delinquency Prevention by 50 Percent

The mission of the Office of Juvenile Justice and Delinquency Prevention (OJJDP) is to provide "national leadership, coordination, and resources to prevent and respond to juvenile delinquency and victimization."[1478] It assists states and communities to implement programs to improve state juvenile justice systems by providing funding via multiple juvenile justice grant programs. Beginning in the 1960s, the federal government began establishing programs to influence state juvenile justice systems.[1479]

There are major concerns with OJJDP and the grants it awards: (1) juvenile justice is a matter best handled at the local, rather than the federal, level; (2) grant programs within Juvenile Justice and Delinquency Prevention Act (JJDPA) overlap one another and other DOJ programs; and (3) OJJDP has faced significant management challenges with its grant awarding process.

As outlined by the Congressional Research Service, "Administering justice to juvenile offenders has largely been the domain of the states….there is no federal juvenile justice system."[14801481]

[1474] U.S. Department of Justice, Office of the Inspector General, Audit Division, *Office of Justice Programs' Recovery Act and Non-Recovery Act Programs for Edward Byrne Memorial Justice Assistance Grants and Byrne Competitive Grants*, Audit Report 10-43, August 2010, p. 39, *available at* http://www.justice.gov/oig/reports/OJP/a1043.pdf.

[1475] U.S. Department of Justice, Office of the Inspector General, Audit Division, *Office of Justice Programs' Recovery Act and Non-Recovery Act Programs for Edward Byrne Memorial Justice Assistance Grants and Byrne Competitive Grants*, Audit Report 10-43, August 2010, p. xvi, *available at* http://www.justice.gov/oig/reports/OJP/a1043.pdf.

[1476] U.S. Department of Justice, Office of the Inspector General, Audit Division, *Office of Justice Programs' Recovery Act and Non-Recovery Act Programs for Edward Byrne Memorial Justice Assistance Grants and Byrne Competitive Grants*, Audit Report 10-43, August 2010, p. xvi, *available at* http://www.justice.gov/oig/reports/OJP/a1043.pdf.

[1477] http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41161&Source=search

[1478] Office of Juvenile Justice and Delinquency Prevention website, *available at* http://www.ojjdp.gov/about/missionstatement.html.

[1479] Kristin M. Finklea, *Juvenile Justice Funding Trends*, Congressional Research Service, June 14, 2011, at 1.

[1480] CRS RL33947, "Juvenile Justice: Legislative History and Current Legislative Issues," Congressional Research Service, January 6, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL33947&Source=search.

However, since the 1960s, the federal government has played an important role in juvenile justice by establishing agencies and grant programs directed at state juvenile justice systems.

Over the years, JJDPA has been modified several times, broadening its mandates and adding grant programs.[1482] Even in the initial years when Congress made efforts to provide assistance to states, juvenile arrests for violent crimes increased by 216%.[1483] This failure to reduce juvenile crime rates, combined with a consensus "that the federal government's efforts to address juvenile justice were unfocused and underfunded,"[1484] led to Congress passing the JJDPA in 1974 to coordinate the federal government's response to juvenile delinquency.

However, even early legislation in the 1970s was plagued with problems of delay and inefficiency. The House Committee on Education and Labor stated that, "less than a third of the $150 million authorized for FY1968-1971 was appropriated. Furthermore, only half of the funds that were appropriated were actually expended. The funds were generally spent on underfunded, unrelated and scattered projects."[1485]

The juvenile justice grant programs now provide funding for a wide array of purposes, many of which overlap. For example, at least nine areas of specific overlap exist between just two of the grant programs. Moreover, three of the programs allow funding for additional programs not included in the specific purpose areas identified by the Act.[1486] Even in an effort to repeal and consolidate smaller grant programs into the Juvenile Delinquency Prevention Block Grant, appropriators have continued to fund the repealed programs rather than the streamlined one contained in the JJDPA.[1487]

The Juvenile Justice Delinquency and Prevention Act (JJDPA) includes four major grant programs, funded at $423.5 million in FY 2010:

[1481] CRS RL33947, "Juvenile Justice: Legislative History and Current Legislative Issues," Congressional Research Service, January 6, 2011, at p. 4, *available at* http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL33947&Source=search.

[1482] CRS RL33947, "Juvenile Justice: Legislative History and Current Legislative Issues," Congressional Research Service, January 6, 2011, at p. 4, *available at* http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL33947&Source=search

[1483] CRS RL33947, "Juvenile Justice: Legislative History and Current Legislative Issues," Congressional Research Service, January 6, 2011, at p. 2, *available at* http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL33947&Source=search

[1484] CRS RL33947, "Juvenile Justice: Legislative History and Current Legislative Issues," Congressional Research Service, January 6, 2011, at p. 6, *available at* http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL33947&Source=search

[1485] CRS RL33947, "Juvenile Justice: Legislative History and Current Legislative Issues," Congressional Research Service, January 6, 2011, at p. 4, *available at* http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL33947&Source=search(quoting U.S. Congress, House Committee on Education and Labor, *Juvenile Justice and Delinquency Prevention Amendments of 1977*, H.Rept. 95-313, pp. 35-36.)

[1486] *See generally*, Finklea, Kristin, "Juvenile Justice: Legislative History and Current Legislative Issues," Congressional Research Service, January 6, 2011, p. 9-18.

[1487] Finklea, Kristin, "Juvenile Justice: Legislative History and Current Legislative Issues," Congressional Research Service, January 6, 2011, p. 20.

- State Formula Grant program;
- Juvenile Delinquency Prevention Block Grant program;
- Challenge/ Demonstration Grant; and
- Title V Grant programs.

Another DOJ program, the Juvenile Accountability Block Grant, also provides funding for juvenile justice efforts.

These juvenile justice programs not only duplicate each other, but also other Department of Justice programs, including the following list, all of which allow funding to be used for juvenile justice programs and efforts:

- Byrne JAG, which will receive $260 million annually under this plan can be used for such broad areas as "state and local initiatives, technical assistance, training, personnel,…and criminal justice information systems to improve or enhance such areas as law enforcement programs; prosecution and court programs; and prevention and education programs…[among others]."[1488]

- Byrne Competitive Grant Program, which was funded at $40 million in FY 2010, and funds broad categories of activity such as preventing crime and drug abuse, enhancing local law enforcement, enhancing local courts, enhancing local corrections and offender reentry;

- Part B State Formula Grants ($75 million in FY 2010) and Part C Delinquency Prevention Block Grants (not funded in FY 2010) "both feature a wide array of purpose areas…that are largely similar. For example, both grant programs include purpose areas for: counseling, mentoring, and training programs; community based programs and services; and after school programs, [among others]."[1489]

- Part C Delinquency Prevention Block Grants (not funded in FY 2010), Part E Challenge Grants ($91.1 million-earmarked), and Title V Incentive Grants ($65 million in FY 2010) "all include language allowing OJJDP to provide funding for additional programs not included in the specific purposes areas identified."[1490]

- The JABG ($55 million in FY 2010), Part C Delinquency Prevention Block Grants, and Part B State Formula Grants all allow grant awards to address substance abuse, gang prevention and mental health.[1491]

[1488] Nathan James, *Edward Byrne Memorial Justice Assistance Grant (JAG) Program*, Congressional Research Service, RS22416, June 2, 2011, at 4.
[1489] Kristin Finklea, "Juvenile Justice: Legislative History and Current Legislative Issues," Congressional Research Service, January 6, 2011, p. 20.
[1490] Kristin Finklea, "Juvenile Justice: Legislative History and Current Legislative Issues," Congressional Research Service, January 6, 2011, p. 20.
[1491] Kristin Finklea, "Juvenile Justice: Legislative History and Current Legislative Issues," Congressional Research Service, April 14, 2009, p. 21.

The juvenile justice programs also have a track record of misuse. In 2006, the DOJ OIG issued an audit report on the JABG awards to the Oklahoma Office of Juvenile Affairs (OJA) in Oklahoma City, Oklahoma.[1492] OJJDP awarded approximately $11.75 million to OJA, and the IG questioned "100 percent of the net amount of federal funds drawn down for the four on-going grants."[1493]

In a recent audit of an OJJDP grant to the Education Development Center, Inc. (EDC) in Newton, Massachusetts, the IG found abuse in a variety of areas. OJJDP awarded two grants totaling approximately $3.1 million to EDC, all of which was for training and technical assistance to support juvenile justice programs for involved youth and Indian Tribes.[1494] "For both awards, EDC expended $2,237,658 on award-related projects related to indirect administrative costs, conferences, personnel, travel, and outside consultants."[1495] The IG questioned $161,727 of those costs.[1496]

For a three-day conference hosted by EDC in New Orleans, Louisiana in September 2008, which 24 people attended, the IG found food and beverage costs "exceeded allowable expenditures by $9,620."[1497] EDC spent over $14,000 in grant funds on food and beverage, exceeding the allowable cost of $4,609.[1498] When asked about these excessive costs, EDC told the IG that OJP's program manager had approved the conference. But, when questioned further, EDC could not provide "any documentation supporting their position that OJP gave specific approval for this conference."[1499]

[1492] U.S. Department of Justice, Office of the Inspector General, *Juvenile Accountability Incentive Block Grants Awarded to the Oklahoma Office of Juvenile Affairs*, Audit Report GR-80-06-002, February 2006, *available at* http://www.justice.gov/oig/grants/g8006002.htm#1.

[1493] U.S. Department of Justice, Office of the Inspector General, *Juvenile Accountability Incentive Block Grants Awarded to the Oklahoma Office of Juvenile Affairs*, Audit Report GR-80-06-002, February 2006, *available at* http://www.justice.gov/oig/grants/g8006002.htm#1.

[1494] U.S. Department of Justice, Office of the Inspector General, *Audit of the Office of Justice Programs, Office of Juvenile Justice and Delinquency Prevention Awards to the Education Development Center, Inc., Newton Massachusetts*, Audit Report GR-70-11-002, January 2011, at p. 1, *available at* http://www.justice.gov/oig/grants/2011/g7011002r.pdf.

[1495] U.S. Department of Justice, Office of the Inspector General, *Audit of the Office of Justice Programs, Office of Juvenile Justice and Delinquency Prevention Awards to the Education Development Center, Inc., Newton Massachusetts*, Audit Report GR-70-11-002, January 2011, at p. 7, *available at* http://www.justice.gov/oig/grants/2011/g7011002r.pdf.

[1496] U.S. Department of Justice, Office of the Inspector General, *Audit of the Office of Justice Programs, Office of Juvenile Justice and Delinquency Prevention Awards to the Education Development Center, Inc., Newton Massachusetts*, Audit Report GR-70-11-002, January 2011, at p. 8, *available at* http://www.justice.gov/oig/grants/2011/g7011002r.pdf.

[1497] U.S. Department of Justice, Office of the Inspector General, *Audit of the Office of Justice Programs, Office of Juvenile Justice and Delinquency Prevention Awards to the Education Development Center, Inc., Newton Massachusetts*, Audit Report GR-70-11-002, January 2011, at p. 9, *available at* http://www.justice.gov/oig/grants/2011/g7011002r.pdf.

[1498] U.S. Department of Justice, Office of the Inspector General, *Audit of the Office of Justice Programs, Office of Juvenile Justice and Delinquency Prevention Awards to the Education Development Center, Inc., Newton Massachusetts*, Audit Report GR-70-11-002, January 2011, at p. 9, *available at* http://www.justice.gov/oig/grants/2011/g7011002r.pdf.

[1499] U.S. Department of Justice, Office of the Inspector General, *Audit of the Office of Justice Programs, Office of Juvenile Justice and Delinquency Prevention Awards to the Education Development Center, Inc., Newton*

Investigation into Former OJJDP Director

In 2008, doubts were expressed about the neutrality of the grant awarding process by J. Robert Flores, the former Director of OJJDP. Press reports state federal prosecutors opened a criminal investigation of Mr. Flores concerning questions about his hiring practices, travel expenses and personal ties to groups to which he gave millions of federal grant dollars. *ABC News* noted "current and former Justice Department employees allege that Flores ignored the staff rankings in favor of programs that had political, social or religious connections to the Bush White House."[1500] Flores "gave the money to the World Golf Foundation's First Tee program, even though Justice Department staffers had rated the program 47th on a list of 104 applicants."[1501] The alleged reason: the organization paid for him to join them in a round of golf. The article went on to quote a former employee of Flores' office, Scott Peterson, who states "this is cronyism, this is waste, fraud and abuse."[1502]

Since beginning his term, Flores oversaw the distribution of roughly $1.5 billion in federal grants.[1503] The House Oversight & Government Reform Committee held a hearing in June 2008 on grant-making practices at the DOJ,[1504] at which Mr. Flores was the sole witness.

The hearing specifically focused on the juvenile crime prevention grants awarded by OJJDP in FY 2007. The career DOJ official who supervised the peer review process, Jeff Slowikowski, told the Committee that summaries of 18 specific high scoring applications were forwarded to Mr. Flores, which Flores understood to be a "recommended pool to choose from."[1505] Slowikowski said in his interview that the "18 summarized applications represented probably $40 million in requested funding….[W]hy keep going down the list when you can't…award these. You know, if you wanted to award all 18, you couldn't do it because we're nowhere near that type of funding."[1506] Ultimately, Mr. Flores funded five of the 18 recommended programs with a total of $3.88 million. He chose five programs that were not recommended to award $4.32 million.[1507]

Massachusetts, Audit Report GR-70-11-002, January 2011, at p. 10, *available at* http://www.justice.gov/oig/grants/2011/g7011002r.pdf.

[1500] Brian Ross, et al. "Justice Department Official Awards $500,000 Grant to Golf Group," ABC NEWS, June 9, 2008, *available at* http://abcnews.go.com/Blotter/story?id=5033256&page=1.

[1501] Brian Ross, et al. "Justice Department Official Awards $500,000 Grant to Golf Group," ABC NEWS, June 9, 2008, *available at* http://abcnews.go.com/Blotter/story?id=5033256&page=1.

[1502] Brian Ross, et al. "Justice Department Official Awards $500,000 Grant to Golf Group," ABC NEWS, June 9, 2008, *available at* http://abcnews.go.com/Blotter/story?id=5033256&page=1.

[1503] Brian Ross, et al. "Justice Department Official Awards $500,000 Grant to Golf Group," ABC NEWS, June 9, 2008, *available at* http://abcnews.go.com/Blotter/story?id=5033256&page=1.

[1504] H. Rept. 110-123 (June 19, 2008).

[1505] Memorandum from House Committee on Oversight and Government Reform Majority Staff to Members of the Committee, *Supplemental Information for Full Committee Hearing on Department of Justice Grantmaking*, June 19, 2008, at p. 4, *citing* Interview of Jeffrey Slowikowski on June 6, 2008.

[1506] Memorandum from House Committee on Oversight and Government Reform Majority Staff to Members of the Committee, *Supplemental Information for Full Committee Hearing on Department of Justice Grantmaking*, June 19, 2008, at p. 4, *citing* Interview of Jeffrey Slowikowski on June 6, 2008.

[1507] Memorandum from House Committee on Oversight and Government Reform Majority Staff to Members of the Committee, *Supplemental Information for Full Committee Hearing on Department of Justice Grantmaking*, June 19, 2008, at p. 5, *citing* Interview of Jeffrey Slowikowski on June 6, 2008.

In June 2008, several U.S. Senators authored a letter to Attorney General Mukasey noting the allegations against OJJDP and Mr. Flores.[1508] The Senators requested detailed information on all OJJDP policies governing evaluation of grants, lists of applicants for discretionary grants awarded in FY07, documents relating to the technical review of applications, communications between Flores and others relating to any grant proposals and a summary of all investigations or audits concerning Flores and any OJJDP officials who participated in the grant evaluation process.[1509]

Juvenile Justice Grant Programs Consistently Draw Ineffective Ratings

ExpectMore.gov has previously noted that the program was not "effectively targeted so that resources will address the program's purpose directly and will reach intended beneficiaries."[1510] In addition, the program does not "use strong financial management practices…. [There is a] need for significant improvements to the de-obligation/closeout process for grant and non-grant undelivered orders."[1511] In addition, "the vast majority of appropriated funds are designated as formula grants, block grants, or noncompetitive programs earmarked for award to specific organizations. In FY2006, 2005 and 2004, the proportion of appropriated funds available for competitive award was only 14%, 13% and 14%, respectively."[1512]

Until the Department of Justice and Congress can assure taxpayers scarce federal resources are not begin lost to waste and mismanagement through OJP programs, Congress should reduce funding for these efforts. Reducing funding for these accounts by 50 percent will **save $3.1 billion over ten years** and serve to better target and focus DOJ funding to efforts with measureable outcomes.

Reduce Funding for the Office of Violence Against Women by 20 Percent

The Office of Violence Against Women (OVW) was established in 1994 as part of the Violent Crime Control and Law Enforcement Act of 1994.[1513] The funding is supposed to help local

[1508] Letter to Attorney General Mukasey from Senators Leahy, Specter, Mikulski, Kohl and Feinstein on the reauthorization of JJDPA, June 27, 2008, *available at* http://leahy.senate.gov/press/press_releases/release/?id=e0bd3a20-816f-46c2-88e8-85d56a012f9b and http://leahy.senate.gov/imo/media/doc/General%20Mukasey%20.pdf.
[1509] Letter to Attorney General Mukasey from Senators Leahy, Specter, Mikulski, Kohl and Feinstein on the reauthorization of JJDPA, June 27, 2008, *available at* http://leahy.senate.gov/press/press_releases/release/?id=e0bd3a20-816f-46c2-88e8-85d56a012f9b and http://leahy.senate.gov/imo/media/doc/General%20Mukasey%20.pdf.
[1510] Juvenile Justice Programs Assessment, ExpectMore.gov, http://georgewbush-whitehouse.archives.gov/omb/expectmore/detail/10003813.2006.html (*accessed* July 16, 2011).
[1511] Juvenile Justice Programs Assessment, ExpectMore.gov, http://georgewbush-whitehouse.archives.gov/omb/expectmore/detail/10003813.2006.html (*accessed* July 16, 2011).
[1512] Juvenile Justice Programs Assessment, ExpectMore.gov, http://georgewbush-whitehouse.archives.gov/omb/expectmore/detail/10003813.2006.html (*accessed* July 16, 2011).
[1513] P.L. 103-322, Title IV.

governments fund law enforcement, education and social programs to prevent crimes against women.[1514]

The largest VAWA program, the Services-Training-Officers-Prosecutors (STOP) formula grants, focuses on helping state, local, and tribal governments "strengthen law enforcement, prosecution, and victims' services in cases involving violent crimes against women."[1515] However, subsequent legislation in both 2000 and 2005 has greatly expanded the services available under this and other VAWA grant programs to beyond the original program intent.[1516]

While important, the VAWA programs are in many ways duplicative of the Family Violence Prevention and Services Act (FVPSA), which funds grant programs run by the Department of Health and Human Services (HHS). It was enacted in 1984 and "assists states in preventing incidents of family violence and provides shelter and related assistance to victims of family violence and their dependents."[1517]

The VAWA grant program has at times seen its funds wasted by fraud and abuse. In June 2011, DOJ's acting inspector general testified before the House Committee on Oversight and Government Reform regarding improving oversight and accountability in the federal grant process. She testified that even oversight functions were duplicative at DOJ. "We found that the OVW and COPS perform certain monitoring and oversight services that are duplicative of the services available through OJP."[1518] She went on to note calculation errors in OVW's administration of $225 million in Recovery Act funding "where OVW internal peer reviewers incorrectly tabulated individual application scores and thus incorrectly ranked some applications higher than others."[1519]

OVW has also processed applications, even when the peer reviewers had conflicts of interest. In a July 2010 audit of OVW's Recovery Act funding, the DOJ OIG found at least 23 grants where "peer reviewers signed and dated conflict of interest forms before the date they were assigned specific applications to review."[1520]

[1514] Laney, Garrine P., "Violence Against Women Act: History and Federal Funding," Congressional Research Service, February 26, 2010, p. 1-2.
[1515] Laney, Garrine P., "Violence Against Women Act: History and Federal Funding," Congressional Research Service, February 26, 2010, p. 1-2.
[1516] Laney, Garrine P., "Violence Against Women Act: History and Federal Funding," Congressional Research Service, February 26, 2010, p. 2-3.
[1517] Laney, Garrine P., "Violence Against Women Act: History and Federal Funding," Congressional Research Service, February 26, 2010, p. 1.
[1518] Statement of Cynthia A Schnedar, Acting Inspector General, U.S. Department of Justice, House Committee on Oversight and Government Reform, Subcommittee on Technology, Information Policy, Intergovernmental Relations and Procurement Reform, June 23, 2011, p. 3, *available at* http://oversight.house.gov/images/stories/Testimony/6-23-11_Schnedar_Tech_Fed_Grants_Testimony.pdf.
[1519] Statement of Cynthia A Schnedar, Acting Inspector General, U.S. Department of Justice, House Committee on Oversight and Government Reform, Subcommittee on Technology, Information Policy, Intergovernmental Relations and Procurement Reform, June 23, 2011, p. 4, *available at* http://oversight.house.gov/images/stories/Testimony/6-23-11_Schnedar_Tech_Fed_Grants_Testimony.pdf.
[1520] U.S. Department of Justice, Office of the Inspector General, "The Office on Violence Against Women's Recovery Act Grant Selection Process," Audit Report 10-31, July 2010, p. iv, *available at* http://www.justice.gov/oig/reports/OBD/a1031.pdf.

Peer reviewers also incorrectly tabulated application scores for at least 39 out of 76 applications. Those miscalculations directly resulted in some applications being ranked above than others that should have had higher scores.[1521] The IG has noted that "even slight miscalculations of an application's final score may enhance or impair the chance an applicant has to receive a recommendation for an OVW award."[1522]

OVW used four percent ($8.6 million) of the total Recovery Act funds ($225 million) for technical assistance and training. In reviewing grants for its Transitional Housing Program grant, which provide funding for organizations to provide short-term housing or related support services, the IG found OVW "contracted with Lockheed Martin Aspen Systems (Lockheed Martin) to coordinate the peer review of its…applications with external subject matter experts."[1523] OVW spent over $630,000 of funds it set aside for technical assistance and training to pay for lodging, travel, and meeting rental space for its peer reviewers. The latter went on to receive "an honorarium of $100 for each application they evaluated and scored."[1524]

Even when the IG issues recommendations in its audit reports, OVW failed to follow through. For example, in a 2006 audit report on the DOJ's grant closeout process, the DOJ OIG recommended "OVW resolve $37 million in questioned costs related to grant drawdowns occurring more than 90 days past the grant end date and de-obligate and put to better use over $14 million obligated to expired grants."[1525] Yet, OVW was unable to comply with even these recommendations despite multiple communications from DOJ OIG.

Further, grants under the Violence Against Women Act have gone to questionable organizations. At a recent oversight hearing before the Senate Committee on the Judiciary, Auburn L. Watersong, an Economic Justice Specialist at the Vermont Network Against Domestic and Sexual Violence in Montpelier, Vermont testified about her organization's work to "provide lifesaving services to victims and their families."[1526] According to their annual report, the Vermont Network Against Domestic and Sexual Violence received $1.9 million in federal

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[1521] U.S. Department of Justice, Office of the Inspector General, "The Office on Violence Against Women's Recovery Act Grant Selection Process," Audit Report 10-31, July 2010, p. iv, *available at* http://www.justice.gov/oig/reports/OBD/a1031.pdf.

[1522] U.S. Department of Justice, Office of the Inspector General, "The Office on Violence Against Women's Recovery Act Grant Selection Process," Audit Report 10-31, July 2010, p. ix, *available at* http://www.justice.gov/oig/reports/OBD/a1031.pdf.

[1523] U.S. Department of Justice, Office of the Inspector General, "The Office on Violence Against Women's Recovery Act Grant Selection Process," Audit Report 10-31, July 2010, p. 15, *available at* http://www.justice.gov/oig/reports/OBD/a1031.pdf.

[1524] U.S. Department of Justice, Office of the Inspector General, "The Office on Violence Against Women's Recovery Act Grant Selection Process," Audit Report 10-31, July 2010, p. 15, *available at* http://www.justice.gov/oig/reports/OBD/a1031.pdf.

[1525] Statement of Cynthia A Schnedar, Acting Inspector General, U.S. Department of Justice, House Committee on Oversight and Government Reform, Subcommittee on Technology, Information Policy, Intergovernmental Relations and Procurement Reform, June 23, 2011, p. 5-6, *available at* http://oversight.house.gov/images/stories/Testimony/6-23-11_Schnedar_Tech_Fed_Grants_Testimony.pdf.

[1526] Testimony of Auburn L. Watersong, Economic Justice Specialist, Vermont Network Against Domestic and Sexual Violence, Senate Committee on the Judiciary, May 5, 2010, *available at* http://www.judiciary.senate.gov/hearings/testimony.cfm?id=e655f9e2809e5476862f735da15ccca0&wit_id=e655f9e2809e5476862f735da15ccca0-2-0.

funding in 2010.[1527] However, the organization only serves to further funnel money to other similar organizations, keeping a portion for itself. The "network" organization's staff "provide technical assistance and training to member programs and statewide partners, inform public policy, and coordinate statewide projects and conferences."[1528]

VAWA programs are mismanaged, use federal dollars to fund state responsibilities, and provide funds to some organizations that may have little impact on reducing violence against women or directly protecting female victims.

In 2010, OVW received $418.5 million in funding.[1529] The government should reduce this amount by 20 percent, which would achieve a savings of $83.7 million in the first year and **$929 million over ten years.**

Eliminate the OVW Green Working Group

In 2010, OVW created a "green" working group to "study and employ different strategies to reduce energy consumption. The working group was charged with organizing mandatory all-staff training on environmental impact and accountability."[1530] Energy and environmental programs are more appropriately housed at one of the governments several agencies dedicated to these matters, such as the Environmental Protection Agency or the Department of Energy, both of which already operate many federal efforts aimed at reducing energy consumption. This program should be eliminated.

Reduce staffing levels in law enforcement areas where investigations have decreased

Proper staffing of law enforcement agencies is essential. However, in certain situations when there is a steady decrease in caseloads, the government should consider corresponding staffing level reductions.

Reduce INTERPOL's budget by 10%. INTERPOL is an organization composed of 188 member countries that facilitates cross-border police cooperation and apprehends criminals who flee internationally.[1531] INTERPOL's United States operation has seen a decreased caseload from 2010, yet the President's 2012 budget request increases INERPOL's budget by 10%. From 2010 to 2012, INTERPOL has seen a 12.3% decrease in the number of domestic requests for assistance and a 13.4% decrease in international requests for assistance. They have opened 13% fewer cases and closed 12.6% fewer cases.[1532]

[1527] Vermont Network Against Domestic and Sexual Violence, Annual Reports, http://www.vtnetwork.org/wp-content/uploads/2010-VT-Network-ann-report-draft3.pdf
[1528] Vermont Network Against Domestic and Sexual Violence Website at http://www.vtnetwork.org/about/.
[1529] http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41161&Source=search
[1530] U.S. Department of Justice, FY 2012 Performance Budget, Office on Violence Against Women, Congressional Submission, Feb. 2011, at 4.
[1531] "About INTERPOL," INTERPOL, http://www.interpol.int/public/icpo/default.asp.
[1532] President's 2012 Budget Request.

Currently, the United States does not fully utilize INTERPOL. While they take requests from other countries to find fugitives or missing persons, U.S. law enforcement routinely does not send requests to other countries, even for international fugitives. In 2009, INTERPOL notices were only issued 14 of 32 international fugitives listed on the websites of the DEA, FBI, and ICE.[1533]

By decreasing INTERPOL's budget by 10% from 2010 levels, there will still be an increase in dollars spent *per case*. This 10% decrease will result in a savings **of $33.3 million over ten years**, while still providing more money per case than was allocated in 2010.

Transfer the Office of Dispute Resolution to the Office of Legal Policy

The president's 2012 budget suggests transferring DOJ's Office of Dispute Resolution to the Office of Legal Policy (OLP) and including it in OLP's general administration appropriation. This will result in **a savings of $11.10 million over ten years**, while continuing to promote the effective use of alternative dispute resolution processes.

Reduce Construction Budgets for the FBI, ATF and U.S. Marshals

The U.S. Marshals spent $27 million on construction in 2010. This budget should be reduced by $11 million for 2012, which is a proposal supported by the administration. It would result in a savings of $122.11 million over ten years.

The Bureau of Alcohol, Tobacco, Firearms, and Explosives spent $14 million in 2010; however, the president requested only $4 million in 2012. Reducing that budget to the level in the President's request would save $111.01 over ten years.

The FBI spends a great deal more than many other components of DOJ. The bureau spent $361 million on construction in 2010. In his 2012 budget, the president requested reducing the construction budget to $81 million, which would result in 10-year savings of $3.108 billion.

In total, reducing construction budgets to these amounts would result in a **ten-year savings of $3.341 billion.**

Require State and Locals to Contribute 25 Percent to OCDETF

Law enforcement agencies working together often yield positive results. Federal law enforcement around the country partners with state and local law enforcement to find and apprehend criminals in a variety of crimes. However, law enforcement can work together without spending any money by simply opening the lines of communication and using the resources already allocated to them. By partnering, overhead costs should naturally come down and all agencies should save money.

[1533] DOJ's Inspector General Audit Report 09-35, "The United States Central Bureau of INTERPOL," Department of Justice Inspector General, September 2009, http://www.justice.gov/oig/reports/plus/a0935/final.pdf.

However, in 2010, $528.6 million went to the Organized Crime Drug Enforcement Task Forces which operate in only nine select areas of the United States, despite being paid for by taxpayers around the entire country.[1534] Requiring the affected regions to contribute 25 percent toward this special task force, while still retaining all of the funding for individual law enforcement agencies, **would save $1.47 billion over ten years.**

Furthermore, the task forces have never had dedicated staff before, they simply drew from the staff of the law enforcement strategies. Yet, the President's 2012 budget requests 26 full-time equivalents which results in $4 million for personnel.[1535] The task forces should operate without personnel as they have done in the past.

Collect Reimbursements from State & Local Governments for Lab Work

Lab work has become an integral part of law enforcement. It is essential to analyze DNA samples as well as drug samples to ensure that the government can prove that those accused of drug crimes actually possessed the drug charged. Most crimes, however, are state and local crimes. Yet the federal government still does a large amount of the lab work for state and local governments.

Under our Constitution, state crimes should be handled by the states. Therefore, any lab work performed by the federal government on behalf of the states should be reimbursed by the state government. This reimbursement would save the federal government $1.114 billion a year[1536] and over ten years would result **in a savings of $12.375 billion**.

Make NICS a fee-based system

The National Instant Background Check System (NICS) provides instant, call-in background checks for retailers who sell firearms. The service is provided free of charge both to the retailer and the buyer of the firearm. The users of this service should pay a fee so that taxpayers are not subsidizing their purchase. In most states, and under a federal pilot program that has ended, non-profit organizations pay a fee to the FBI for criminal background checks of their volunteers, yet those purchasing firearms do not pay a fee to the federal government for the NICS check.[1537]

Furthermore, federal appropriations provide grants to state and local governments to add information to the database, which includes criminals and those with a history of mental illness. In 2010, the federal government granted $20 million for these grants.[1538] That is in addition to the actual operating cost of NICS, which is $70 million per year including personnel and overhead,[1539] for a total of $90 million spent on NICS each year.

[1534] President's FY2012 Budget Request.
[1535] President's FY2012 Budget Request.
[1536] FY2010 Consolidated Appropriations Act, P.L. 111-117 (2009).
[1537] The FBI does not actually receive any fees from private entities, only other federal agencies. However, many of their fees are simply funneled from the public through another federal agency, such as those to do background checks for a passport or for those who work with children.
[1538] FY2010 Consolidated Appropriations Act, P.L. 111-117 (2009).
[1539] Meeting with FBI Staff.

By requiring either retailers or purchasers of firearms to pay a fee for this service, the federal government **could save $222.02 million over ten years**, while still providing these grants to state and local governments.

Reduce Certain Allocations for Official Receptions and Representations

Many government entities are allocated money for "receptions and representations;" however, the amount they are allocated varies widely. For example, the Federal Prison System received $6,000 and the Attorney General received $50,000, yet the FBI received $205,000.[1540]

Agencies of the Department of Justice should not receive more than the Attorney General himself. Those agencies which receive more than $50,000 should reduce their budgets to $40,000 for receptions and representations.

Only two agencies get more than the Attorney General: The FBI ($205,000) and the Drug Enforcement Administration ($100,000). Reducing these to $40,000 each will result in a ten year savings of $2.94 million.

End Funding for Project Gunrunner

The 2010 budget includes $17.99 million for Project Gunrunner, which launched the highly controversial Operation Fast and Furious.[1541] It has been uncovered that Project Gunrunner was used to put guns into the hands of Mexican drug cartels. ATF Field Agents voiced strong opposition to the operation and have testified before Congress. While ATF could have stopped the sale of many guns that went to Mexican cartels, they told these agents to stand down, supplying guns to the cartels in order to track them.[1542]

Those guns were later found at the murder scene *Border Patrol Agent Brian Terry*.[1543] Since then, the ATF has refused to turn over of documents to the House Government Oversight and Reform Committee, even after a subpoena was issued.[1544] This money could be better spent. Reducing ATF's budget by the amount of the project would **save $199.69 million over ten years.**


Border Patrol Agent Brian Terry

[1540] FY2010 Consolidated Appropriations Act, P.L. 111-117 (2009).
[1541] FY2010 Appropriations Bill; CRS Report: R40644, "Commerce, Justice, Science, and Related Agencies: FY2010 Appropriations," Congressional Research Service, January 19, 2010, http://www.crs.gov/Products//r/pdf/R40644.pdf.
[1542] Sanchez, Mary. "A Gun Sting by ATF Goes Wrong," *Philadelphia Enquirer*, June 26, 2011, http://articles.philly.com/2011-06-26/news/29705360_1_atf-drug-cartels-border-agents.
[1543] Perez, Evan. "GOP Lawmakers Press Investigation of Gun Operation," *The Wall Street Journal*, June 9, 2011, http://blogs.wsj.com/washwire/2011/06/09/gop-lawmakers-press-investigation-of-gun-operation.
[1544] Walsh, Sean Collins, "Top Agency Official Knew of Disputed Gun Program," *The New York Times*, June 15, 2011, http://www.nytimes.com/2011/06/16/us/16guns.html.

Eliminate Duplication between ATF and FBI for Explosives Investigations

Currently, both the Bureau of Alcohol Tobacco Firearms and Explosives (ATF) and the Federal Bureau of Investigation (FBI) have jurisdiction over explosives investigations. There is often confusion over which agency has the lead in any certain investigation, causing potential duplication.[1545] They also operate separate explosives training schools and explosive laboratories.[1546] Not only does this duplication waste money, the IG found that jurisdictional disputes "can delay investigations, interviews, and crime scene processing," putting safety at risk.[1547]

Combine duplicative training programs. Both agencies operate explosives training programs, and both training facilities are located at the same place, Redstone Arsenal in Huntsville, Alabama.[1548] The ATF spent $11 million in 2010 on their National Center for Explosives Training and Research while the FBI spent another $7.5 million on their Hazardous Devices School.[1549] These training programs should be combined and the total budget reduced by 25% to account for efficiencies that will result from the merger. This will mean a ten-year savings of $51.34 million.

The FY2010 budget also included $5 million for construction at ATF's National Center for Explosives Training and Research. Although $6 million was appropriated in 2011 for the same purpose, this money was not requested by the President again in 2012, and thus should not be in the future. Eliminating this $5 million expenditure results in **a ten-year savings of $55.50 million.**

Combine duplicative laboratory operations. Both agencies operate separate explosives laboratories. ATF operates three laboratories throughout the country and FBI operates one.[1550] The total cost of ATF's laboratories is $11.2 million and the FBI's cost is $6.6 million. These laboratories could be combined at least to adopt a common laboratory information management system, and training of laboratory personnel could be coordinated.[1551] Combining both

[1545] Testimony of DOJ Inspector General Glenn A. Fine ("Federal law gives the FBI and ATF concurrent jurisdiction over most federal explosives crimes. Yet, the FBI and ATF have developed separate and often conflicting approaches to explosives investigations and related activities such as explosives training, information sharing, and forensic analysis.") http://www.justice.gov/oig/testimony/t1002.pdf

[1546] GAO Report: GAO-11-318SP, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue," Government Accountability Office, March, 2011, http://www.gao.gov/new.items/d11318sp.pdf.

[1547] Testimony of DOJ Inspector General Glenn A. Fine, February 24, 2010, http://www.justice.gov/oig/testimony/t1002.pdf.

[1548] GAO Report: GAO-11-318SP, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue," Government Accountability Office, March, 2011, http://www.gao.gov/new.items/d11318sp.pdf.

[1549] Testimony of DOJ Inspector General Glenn A. Fine, February 24, 2010, http://www.justice.gov/oig/testimony/t1002.pdf.

[1550] GAO Report: GAO-11-318SP, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue," Government Accountability Office, March, 2011, http://www.gao.gov/new.items/d11318sp.pdf.

[1551] Testimony of DOJ Inspector General Glenn A. Fine, February 24, 2010 http://www.justice.gov/oig/testimony/t1002.pdf.

laboratories and reducing their total budget by 25% to account for efficiencies will result in a **ten-year savings of $49.40 million.**

The FBI Laboratory in rural Virginia could benefit from efficiencies if combined with ATF's three laboratories.

End the National Gang Intelligence Center and the National Gang Targeting, Enforcement, and Coordination Center

A 2009 IG Report found that after almost three years of operation, the National Gang Intelligence Center (NGIC) and GangTECC had not made any significant impact on anti-gang activities at the Department of Justice.[1552]

NGIC had not established a gang information database for collecting and disseminating gang intelligence as was directed by statute. NGIC also had not developed the capability to effectively share gang intelligence with other law enforcement organizations.[1553]

GangTECC, on the other hand, has no budget, and is composed of member agencies.[1554] The Bureau of Alcohol, Tobacco, and Firearms, for example, spent $373,000 detailing two staff members to GangTECC.[1555] The member agencies, however, are not required to inform GangTECC of their investigations and prosecutions, which means GangTECC cannot sort out

[1552] DOJ Inspector General Report: I-2010-001, "A Review of the Department's Anti-Gang Intelligence and Coordination Centers," Department of Justice Inspector General, November 2009, http://www.justice.gov/oig/reports/FBI/i2010001.pdf.
[1553] DOJ Inspector General Report: I-2010-001, "A Review of the Department's Anti-Gang Intelligence and Coordination Centers," Department of Justice Inspector General, November 2009, http://www.justice.gov/oig/reports/FBI/i2010001.pdf.
[1554] DOJ Inspector General Report: I-2010-001, "A Review of the Department's Anti-Gang Intelligence and Coordination Centers," Department of Justice Inspector General, November 2009, http://www.justice.gov/oig/reports/FBI/i2010001.pdf.
[1555] CRS Report: R41206, "The Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF): Budget and Operations for FY 2011," June 6, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41206.

conflicts among the department's gang-related activities as directed by the Deputy Attorney General.[1556]

NGIC received $7.9 million in FY2010[1557] and ending the program would result in a ten-year savings of $87.7 million.

End ATF's Violent Crime Reduction Program

The Bureau of Alcohol, Tobacco, Firearms, and Explosives receives $1 million for the "Violent Crime Reduction Program." This money originally came from the Treasury Department's Asset Forfeiture Fund when ATF was part of that agency, and has been rolled over in unobligated funds year after year.

Now that ATF has been brought under DOJ, agency lawyers have determined that the Bureau does not have the authority to spend this money, and has asked Congress to rescind these funds. The fact that it has not been rescinded, despite ATFs request, and continues to appear in the President's budget request is considered a clerical error by ATF.[1558]

The money was originally intended to do a study on micro-stamping. This technology would stamp each bullet fired from a gun with a unique code. Law enforcement could then find the code on shell casings and crime sites and trace them, building a database of gun owners. However, ATF says that many outside groups are now doing studies on this technology; therefore, there is no need for ATF to duplicate their work.[1559]

This money for the Violent Crime Reduction Program should be rescinded in accordance with ATF's request. Rescinding this money would save $1 million.

Eliminate Waste in Human Trafficking Spending

Human labor and sex trafficking are morally reprehensible, and we must endeavor to eliminate this criminal industry. We must care for the victims of this crime and vigorously prosecute the perpetrators who take advantage of others. However, we must do so in a fiscally responsible manner that avoids waste and duplication so that every dollar spent truly helps victims and is used effectively to stop this crime.

There has been a general pattern of wasteful grants in the trafficking arena. Some examples include:

- $50,000 from the Trafficking in Persons Office at the Department of State to produce an anti-trafficking music video.[1560]

[1556] DOJ Inspector General Report: I-2010-001, "A Review of the Department's Anti-Gang Intelligence and Coordination Centers," Department of Justice Inspector General, November 2009, http://www.justice.gov/oig/reports/FBI/i2010001.pdf
[1557] Meeting with FBI staff.
[1558] Phone call with ATF Congressional Affairs.
[1559] Phone call with ATF Congressional Affairs.
[1560] State Department spreadsheet of trafficking grants; FY2008 expenditure.

- $115,000 from the Bureau of East Asian and Pacific Affairs for "no specific project yet."[1561]
- $20,900 from the Bureau of European and Eurasian Affairs to produce a 15-minute film to be "entered into international film festivals."[1562]
- $100,000 from the Trafficking in Persons Office to Casa del Migrante, but no project description was given.[1563]
- $200,000 from the Trafficking in Persons Office at the State Department to develop an online and mobile application about trafficking.[1564]
- $1,481,700 from the Bureau of Educational and Cultural Affairs at the State Department for "87 government officials, human rights activists, law enforcement officials, and NGO representatives [to] explore U.S. efforts to combat trafficking in persons at the local, state, and national levels."[1565]

Other examples include the Bureau of European and Eurasian Affairs, which funded a summer camp for girls in Armenia ($17,095)[1566], a series of radio programs in Kosovo ($21,950)[1567], and a trafficking prevention seminar in Russia ($12,088).[1568] While some of these may be worthwhile causes to some, that money could be better spent caring for victims and prosecuting perpetrators.

Many trafficking funds suffer from poor accounting and most funds are granted without any method of determining if they are actually helping to solve the problem. In a report to the Senate Appropriations Committee's Subcommittee on Foreign Operations, the State Department gathered trafficking funding information to assess how it is being spent. However, to simple questions such as "What percentage of these funds from each of these spigots are for direct services to victims?" and "What amount of funds for each of these programs is specifically used to assist local authorities in apprehension and prosecution of trafficking/slavery perpetrators?" the State Department said that "Sixty-seven (67%) of all projects reported to [the Trafficking in Persons Office] were able to include an estimated breakdown of funds to address the category of information requested." That means that nearly one-third of funds could not be accounted for, even in general terms, to assess whether they were going to victims services, law enforcement, or something else.

Funds that cannot be accounted for are not helping to solve the problem. These funds are spread among a number of different accounts. The Economic Support Fund (ESF) allocates $25.3 million to trafficking, but only $18.6 million could be reported, resulting in $6.7 million that could not be accounted for and should be reduced. The International Narcotics Control and Law Enforcement (INCLE) account allocates $14.6 million for trafficking, but only $11.9 million could be reported, leaving $2.7 million that could not be accounted for and should be reduced. The Assistance for Europe, Eurasia, and Central Asia (AEECA) fund allocated $9.14 million for

[1561] State Department spreadsheet of trafficking grants, FY2008 expenditure.
[1562] State Department spreadsheet of trafficking grants, FY2008 expenditure.
[1563] State Department spreadsheet of trafficking grants, FY2009 expenditure.
[1564] State Department spreadsheet of trafficking grants, FY2010 expenditure.
[1565] State Department spreadsheet of trafficking grants, FY2010 expenditure.
[1566] State Department spreadsheet of trafficking grants, FY2009 expenditure.
[1567] State Department spreadsheet of trafficking grants, FY2009 expenditure.
[1568] State Department spreadsheet of trafficking grants, FY2009 expenditure.

trafficking, but only $6.22 could be reported, resulting in $2.92 million that could not be accounted for. Lastly, the Development Assistance (DA) fund allocated $18.50 million to trafficking, but could not account for $4.44 million of those funds.[1569]

Reducing these funds by the amount that could not be accounted for results in a savings of $26.38 million per year, and a savings of $292.84 million over ten years.

Reduce Trafficking Funding at the Department of Justice in accordance with the President's plan. The Department of Justice also has issues with waste and mismanagement when it comes to trafficking funds. In 2010, $12.5 million was appropriated for victims' services grants, as well as other authorized uses such as an annual trafficking conference and two studies on trafficking in the United States.[1570] But the DOJ Inspector General has found that grantees have significantly overstated the number of victims they are helping. In addition, the amount of money spent per victim varies widely by grantee, from $2,500 per victim to $33,333. Between April 2007 and March 2008, the Inspector General audited seven grantees and found "significant deficiencies" with all of them.[1571] For example, one grantee charged $716,512 to a grant in unallowable or unsupportable costs and failed to achieve four of their six grant objectives, all while turning in financial and progress reports late.[1572] This money could be better spent and better accounted for, and the President requested only $10 million for this purpose in 2012, a 20% reduction. This money would be better spent if this money was reduced, and the President's request seems reasonable. This will save $14.04 million over ten years.

End the Human Smuggling and Trafficking Center. The Human Smuggling and Trafficking Center (HSTC) was created by the Intelligence Reform Act & Terrorism Prevention Act of 2004 to be a clearinghouse for information about smuggling and trafficking.[1573] Since then, however, the HSTC has done little. It is mostly supported by Immigration and Customs Enforcement, but has detailees from four other federal agencies. Many of these agencies want to end their participation in the HSTC, which has put out only a few reports, most of which simply compile newspaper articles. The FBI, CIA, CIS, and Counselor Affairs Office at the State Department have all ended their participation with the HSTC.[1574] The HSTC has an operating budget of $6.59 million a year from ICE appropriations, though that does not include the staff members that are detailed from other agencies. The detailed staff, however, are at the GS-13 or GS-14 level,[1575] meaning their salaries can be estimated to be more than $650,000. Simply ending the ICE portion of the budget would save $73.15 million over 10 years.

[1569] U.S. Department of State Report to U.S. Senate Approproations Committee, Subcommittee on Foreign Operations, 2011.
[1570] FY2010 Appropriations Bill.
[1571] Gleen A. Fine, "Top Management and Performance Challenges in the Department of Justice," Inspector General Memorandum, November 13, 2008, http://www.justice.gov/oig/challenges/2008/index.htm.
[1572] DOJ Inspector General's Audit Report: GR-30-07-004, "Office for Victims of Crime, Victims of Exploitation, and Trafficking Assistance Grant: Boat People S.O.S., Inc., Falls Church, Virginia," Department of Justice Office of Inspector General, July 2007.
[1573] P.L. 108-458; 22 U.S.C. § 7119a
[1574] Briefing from ICE staff.
[1575] Briefing from ICE staff.

In total, these reforms in the trafficking area would save the United States $403.7 million over 10 years.

Eliminate State Criminal Alien Assistance Program

The State Criminal Alien Assistance Program (SCAAP) provides federal payments to states and localities that incurred correctional costs for incarcerating illegal aliens. The Bush 2008 budget suggested eliminating the program, which would save $330 million per year and $3.66 billion over 10 years. In the alternative, the program could be reduced pursuant to Obama's suggestion, which would eliminate payments for "unknowns." Unknowns are those whose immigration status cannot be determined and are 58% of all claims. **Eliminating payments for those individuals would save $194 million per year or $2.2 billion over 10 years.**

Reduce Staff at the Office of Legal Policy

In their 2012 justification, the Office of Legal Policy requests funding to add two attorney positions at a cost of $201,000 with no justification. They should be subject to the Department hiring freeze and should reduce their staff by 10%. This reduction would **save $6.9 million over 10 years.** The Office also has a travel budget of $7,000 that should be eliminated.

Office of Information Policy

The Office of Information Policy has been doing a terrible job of keeping up with Freedom of Information requests as evidenced by a recent Senate Judiciary Committee hearing. The Office should not receive an increase in funding until the Faster FOIA Commission completes its work, scheduled for one year after it is enacted. The Senate passed the bill on May 26, 2011.

Eliminate Public Safety Benefits Program

This program provides disability benefits for state and local public safety officers, including law enforcement and fire and rescue workers. It provides death and education benefits for their survivors. This is clearly not a federal responsibility and is a labor intensive endeavor for some of the beneficiaries.

Eliminate Participation in the World Anti-Doping Agency

The federal government pays $1.9 million per year in dues to the World Anti-Doping Agency, which is an international independent agency composed and funded equally by the sport movement and governments of the world. It is a Swiss private law Foundation. Its seat is in Lausanne, Switzerland, and its headquarters are in Montreal, Canada. The Americas pay 29% of the total funds with 50% of this 29% being paid by the U.S. Canada pays 25% and the remaining 25% is split between all the other countries. **Eliminating participation in this agency would save $21 million over 10 years.**

DEPARTMENT JUSTICE TEN YEAR SAVINGS
Discretionary: $34.54 billion
Total: $34.54 billion

DEPARTMENT OF LABOR

Elevated to cabinet-level status in 1913, the U.S. Department of Labor (DOL) exists to improve working conditions and expand employment opportunities for Americans. For fiscal year (FY) 2012, the President requests nearly $110 billion ($12.8 billion in discretionary) to support the efforts of the agency, which currently employs more than 17,200 workers. To better serve the American workforce and taxpayers, the Labor Department must limit and focus existing programs, as well as eliminate wasteful practices and programs.

Improving Management to Control Costs and Identify and Prevent Waste and Fraud. Taxpayers must have absolute confidence that federal agencies are not wasting their hard-earned dollars. The Labor Department, however, disagrees and recently failed to comply in an audit of its finances. For the first time in over a dozen years, the agency could not issue an "unqualified audit report" – meaning it failed to produce sufficient information for independent auditors to make an informed judgment on its finances.[1576]

The inability of the Department to submit the requisite information stemmed from problems associated with its New Core Financial Management System, as well as ignoring warnings from its auditor. While KPMG, the auditor, warned the Department in late 2009 of a number of risks associated with implementation, the agency failed to address identified risks. As a result, KPMG found this "contributed to DOL subsequently facing many significant challenges related to its financial reporting process."[1577]

While DOL re-submitted the necessary information to receive a qualified audit in March 2011, the final audit still found four material weaknesses and two significant deficiencies in the Labor Department's financial management system – making it the only executive agency to have multiple new material weaknesses last year.

According to the independent audit conducted by KPMG, and certified by the Office of Inspector General, DOL does not have sufficient controls over financial reporting and budgetary accounting, lacks adequate controls over access to key financial systems, and needs to improve how it prepares and reviews journal entries. In addition, the audit found the agency lacked sufficient control over its payroll and failed to prevent untimely and inaccurate processing of certain transactions. At the same time, DOL was also in violation of two federal laws intended to promote the integrity of financial management in the federal government.

[1576] FY 2010 Agency Financial Report, November 15, 2010, http://www.dol.gov/_sec/media/reports/annual2010/2010annualreport.pdf.
[1577] FY 2010 Agency Financial Report, November 15, 2010, http://www.dol.gov/_sec/media/reports/annual2010/2010annualreport.pdf.

This type of mismanagement must be rectified, immediately. Congress should continue vigorous oversight of DOL's financial management system until all material weaknesses and deficiencies are fully resolved.

Reforming Unemployment Compensation.

The Unemployment Compensation ("UC") program (commonly known as "Unemployment Insurance" or "UI") is a State-Federal partnership that pays benefits to laid-off workers who become unemployed through no fault of their own and meet certain other eligibility requirements. UC is the most expensive program at DOL, making total payments of $156 billion in 2010.[1578] Program costs have significantly increased during the economic downturn, and Congress must take steps to reign in these escalated costs. At the same time, program mismanagement and beneficiary fraud must be addressed.

Return to Pre-Stimulus Benefit System.

Despite numerous studies showing the provision of unemployment benefits increases unemployment, since 2008 Congress has enriched the framework of unemployment benefits available to the jobless. Not surprisingly, this has resulted in dramatically increased federal program costs. Under the standard unemployment framework, when eligible workers lose their jobs, UC may provide up to 26 weeks of income support.[1579] In recent years, however, a maximum of 99 weeks of unemployment support has become possible.

The provision and federal financing of additional weeks of unemployment expires at the end of calendar year 2011. It must not be extended. In addition, the full federal financing of the Extended Benefits should also be allowed to expire.

[1578] Total payments in recent years are higher than typical due to increased federal unemployment benefits made available in 20092009 and 2010.

[1579] The duration of standard benefits varies on a state-by-state basis. For example, until recently, all states paid at least up to 26 weeks of UC benefits. In 2011, five states passed legislation to decrease their maximum UC benefit durations (Arkansas, Missouri, Michigan, Florida and Illinois). Two states exceed 26 weeks: Montana up to 28 weeks and Massachusetts up to 30 weeks. Congressional Research Service, "Unemployment Insurance: Consequences of Changes in State Unemployment Compensation Laws," Katelin P. Isaacs, June 10, 2011.

Table 3. Revenue and Expenditures Associated with Unemployment Compensation, FY2001-FY2011
(in billions of dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011[a]
UC revenue, total	**27.8**	**27.5**	**33.2**	**39.3**	**41.8**	**43.0**	**41.2**	**39.4**	**37.8**	**44.7**	**51.4**
FUTA tax	6.9	6.6	6.5	6.6	6.7	7.1	7.3	7.2	6.7	6.4	6.7
State UC taxes	20.8	20.9	26.7	32.7	35.1	35.9	33.7	32.2	31.1	38.3	44.7
UC outlays, total	**28.1**	**50.9**	**54.3**	**42.5**	**32.6**	**31.7**	**32.7**	**43.0**	**119.7**	**156.1**	**129.5**
Regular benefits	27.3	42.0	42.0	36.9	31.2	30.2	31.4	38.1	75.3	63.0	61.0
Extended benefits	[b]	0.16	0.32	0.16	0.00	0.20	0.00	0.02	4.1	7.8	9.5
Emergency UC	—	7.9	11	4.1	—	—	—	3.6	32.7	72.1	55.4
Federal Additional Compensation	—	—	—	—	—	—	—	—	6.5	11.7	1.9
UCFE/UCFX[c]	0.5	0.5	0.6	0.8	0.8	0.8	0.7	0.7	1.0	1.3	1.5
Trade Benefits	0.3	0.3	0.4	0.5	0.6	0.5	0.6	0.6	0.1	0.2	0.2
Administrative costs	**3.6**	**3.7**	**4.1**	**3.9**	**3.8**	**3.9**	**3.7**	**3.9**	**4.3**	**5.5**	**5.5**

Source: U.S. Department of Labor, *UI Outlook*, January 2001-February 2011, and updates.
a. Estimated for 2011.
b. Less than $5 million.
c. UC benefits for federal employees (UCFE) and former military servicemembers (UCFX).

Reduce Administrative Costs.
Administrative costs have also increased dramatically in recent years. In FY2011, it is estimated the government will provide $5.5 billion to states to administer unemployment benefits. The American Recovery and Reinvestment Act of 2009 (Public Law 111-5, the federal stimulus program) provided a total of $500 million in additional funds to states to help with administrative costs of unemployment benefits.[1580] As the government returns to the pre-99 week system of benefits, funding for administrative costs should also return to prior-year levels, saving roughly $1.6 billion annually.

In addition, while states have some discretion to spend federal UI dollars to pay for office furnishings, reasonable limitations should be placed on the use of these funds. While basic office needs may be a reasonable expenditure, other expenditures are highly questionable. For example, Maine recently spent $60,000 of federal UI funds on a 36-foot mural containing images of labor union strikes.[1581] Clearly, restrictions on these funds are needed.

Rescind Unspent Stimulus Dollars for UI Modernization
Under the federal stimulus law, Congress provided $7 billion to be used for UI benefit payments for states whose UI laws meet (or were changed) to expand unemployment benefits

[1580] Katelin P. Isaacs and Julie M. Whittaker, "Unemployment Insurance: Programs and Benefits (RL33362)," Congressional Research Service, March 1, 2011.
[1581] "Uncle Sam Tells Maine Governor to Repay Cost of Removed Mural of Labor History," FOX News, April 5, 2011; http://www.foxnews.com/politics/2011/04/05/uncle-sam-tells-maine-governor-repay-cost-removed-mural-labor-history/.

permanently.[1582] To receive this money, states must apply. According to a September 2010 IG report, however, approximately *$4 billion of the $7 billion in funds had not yet been applied for, and at least $1.3 billion of the $4 billion is unlikely to be applied for by states, at all*. States cited increased costs for benefit payments and the political difficulty of making the required changes, as the primary reasons they would not apply. Of the $3 billion that *has been* received, states "were not able to provide data regarding claimants' payments under the new provisions enacted in state laws."[1583] Any outstanding funds not applied for by states should be rescinded and put toward deficit reduction.

Ending Unemployment Subsidies for the Wealthy.
Unemployment benefits should only go to people who need them. Yet, thousands of individuals with adjusted gross incomes exceeding $1 million are routinely receiving unemployment benefits.

- ✓ As many as 2,840 households who reported an income of $1 million or more on their tax returns were paid a total of $18.6 million in UI benefits in 2008, according to the Internal Revenue Service.

- ✓ This included more than 800 earning over $2 million and 17 with incomes exceeding $10 million.

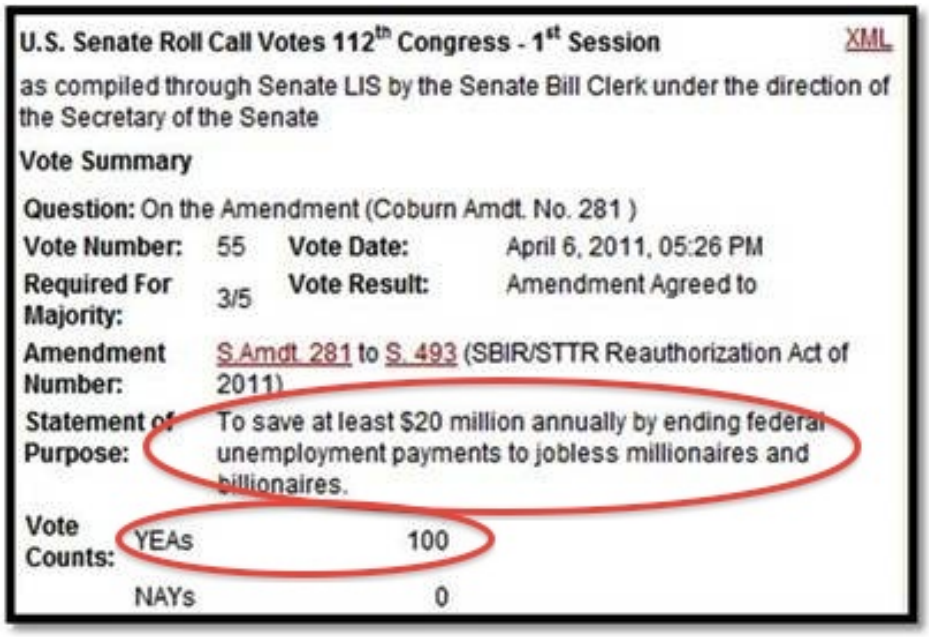
- ✓ In all, multi-millionaires were paid $5.2 million in jobless benefits in 2008.[1584]

When the median income of working Americans is less than $50,000,[1585] it is illogical for the government to consider an individual earning millions of dollars eligible for UI. Why should someone struggling to make ends meet working full time, or two jobs, pay into a system that provides benefits to someone not working, yet earning millions of dollars a year?

The U.S. Senate voted *unanimously* in April 2011 to end UI for millionaires and billionaires, a reform that would save $20 million annually. Congress should complete the work begun by the Senate and enact this legislation.

Congress should also carefully consider ending federal unemployment subsidies below that level. For example, one estimate shows that ending subsidies for individuals with taxable incomes over $120,000 would save $3.3 billion over the next decade.[1586]

[1582]U.S. Department of Labor Inspector General, "Recovery Act: More Than $1.3 Billion in Unemployment Insurance Modernization Incentive Payments Are Unlikely to Be Claimed by States," September 30, 2010, http://www.oig.dol.gov/public/reports/oa/2010/18-10-012-03-315b.pdf.
[1583] U.S. Department of Labor Inspector General, "Recovery Act: More Than $1.3 Billion in Unemployment Insurance Modernization Incentive Payments Are Unlikely to Be Claimed by States," September 30, 2010, http://www.oig.dol.gov/public/reports/oa/2010/18-10-012-03-315b.pdf.
[1584] "SOI Tax Stats - Individual Statistical Tables by Size of Adjusted Gross Income," Internal Revenue Service website, accessed April 13, 2011; http://www.irs.gov/taxstats/indtaxstats/article/0,,id=96981,00.html .
[1585] "Income, Poverty and Health Insurance Coverage in the United States: 2009," U.S. Census Bureau, September 16, 2010; http://www.census.gov/newsroom/releases/archives/income_wealth/cb10-144.html.
[1586] Citizens Against Government Waste, "Prime Cuts" webpage, http://www.cagw.org/reports/prime-cuts/prime-cuts-database.html, accessed June 14, 2011.



U.S. Senate Roll Call Votes 112th Congress - 1st Session XML

as compiled through Senate LIS by the Senate Bill Clerk under the direction of the Secretary of the Senate

Vote Summary

Question: On the Amendment (Coburn Amdt. No. 281)

Vote Number:	55	**Vote Date:**	April 6, 2011, 05:26 PM
Required For Majority:	3/5	**Vote Result:**	Amendment Agreed to

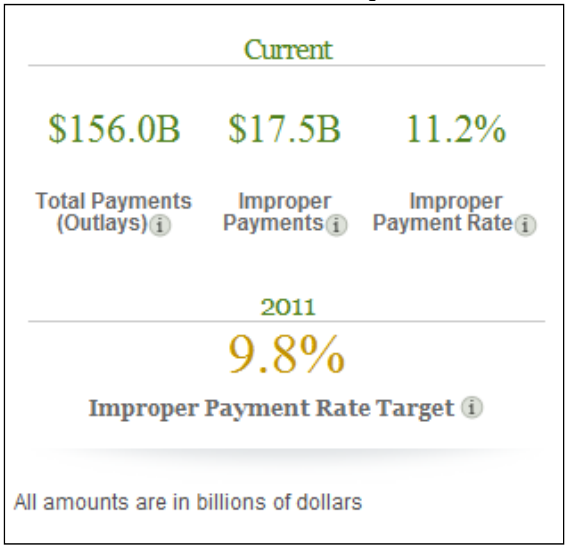
Amendment Number: S.Amdt. 281 to S. 493 (SBIR/STTR Reauthorization Act of 2011)

Statement of Purpose: To save at least $20 million annually by ending federal unemployment payments to jobless millionaires and billionaires.

Vote Counts:	YEAs	100
	NAYs	0

Curb Improper Payments.

As more Americans rely on unemployment benefits during the economic downturn, program mismanagement and fraud have increased. According to the Office of Management and Budget (OMB), the UI program recorded $17.5 billion in improper payments in 2010, with an improper payment rate of 11.2 percent.[1587] The vast majority of these erroneous payments were to individuals who did not meet the active work search requirements.



[1587] OMB, http://www.paymentaccuracy.gov/programs/unemployment-insurance.

An estimated 2.4 percent of UI benefits were overpaid due to fraud – up from 2.0 percent in 2009.[1588] The IG also noted it continues to uncover UI fraud committed by individuals, as well as identify theft schemes designed to illegally obtain UI benefits.[1589]

Examples of fraud and questionable spending include:

- UI payments made to prison inmates, including more than $690,000 paid to prisoners in Wisconsin,[1590] New York,[1591] Washington state,[1592] and Maine.[1593] The prevalence of inmates receiving UI was surprising, according to New York Labor Department Commissioner Colleen Gardner.[1594]

- California wrongly paid $1.3 million in UI to 186 state employees who were fired for misconduct, including a correctional officer who was arrested after a hit-and-run incident while driving drunk, a prison guard who was involved in drug dealing and a prison gang, and an employee who did not show up for work for six months.[1595]

- Thousands of non-citizens, including illegal immigrants, are receiving millions of dollars of UI payments. The Michigan Unemployment Insurance Agency (UIA) "did not ensure that alien claimants met federal and State eligibility requirements for receiving UI benefits. As a result, from October 1, 2007 through June 30, 2010, UIA potentially made improper UI benefits payments totaling up to $7.9 million to 1,201 alien claimants," according to the Michigan Auditor General.[1596] "The Colorado Department of Labor and Employment (CDLE) regularly makes unemployment insurance payments to illegal aliens and other citizens who don't qualify for the taxpayer-funded benefit," according to the *Fort Collins Republican Examiner*. Two years ago, the department "shut down the

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[1588] U.S. Department of Labor Office of Inspector General, *Semiannual Report to Congress, Volume 65, October 1, 2010 to March 31, 2011.*

[1589] U.S. Department of Labor Office of Inspector General, *Semiannual Report to Congress, Volume 65, October 1, 2010 to March 31, 2011.*

[1590] Scott Bauer, "Audit finds Wis. prisoners got federal benefits," Associated Press, April 1, 2011; http://www.chicagotribune.com/news/chi-ap-wi-wisconsin-aidaudi,0,6735503.story.

[1591] "Labor Department and County Sheriffs Crack Down on Inmates who Attempt to Collect Unemployment Insurance Behind Bars," New York State Department of Labor, November 16, 2010; http://www.labor.ny.gov/pressreleases/2010/november-16-2010.shtm.

[1592] "Investigators finding more benefits fraud," Washington State Employment Security Department, April 12, 2011; http://www.esd.wa.gov/newsandinformation/releases/investigators-finding-more-benefits-fraud.php.

[1593] Betty Adams, "Portland man faces charges in jail time unemployment; Accused of collecting $3,000," Kennebec Journal (Maine), April 6, 2011; http://www.kjonline.com/news/portland-man-lands-in-hot-water-for-jailtime-unemployment_2011-04-05.html.

[1594] Dave Canfield, "Inmates in New York's county jails collecting unemployment benefits illegally," The Record (New York), November 17, 2010; http://www.troyrecord.com/articles/2010/11/17/news/doc4ce3748d5af97158939452.txt .

[1595] Michael Rothfeld, "California corrections agency wrongly paid $1.3 million to fired workers," The Los Angeles Times (California), March 31, 2009; http://articles.latimes.com/2009/mar/31/local/me-prisons31 .

[1596] "Performance Audit of Unemployment Insurance Benefit Overpayments and Nonmonetary Eligibility Determinations," Michigan Office of the Auditor General, March 2011, page 38; http://audgen.michigan.gov/comprpt/docs/r641031510.pdf.

system responsible for identifying unqualified residents" and "stopped questioning immigration status of applicants."[1597]

- UI payments continue to be made to dead people. Michigan paid $350,000 in UI to 115 deceased claimants between October 1, 2007 and June 30, 2010. One deceased recipient was paid $32,594 and other dead beneficiaries received payments for as many as 87 weeks.[1598] In New York, "14 UI claims totaling $12,268 were paid after the claimant's date of death."[1599] "People collected jobless benefits under the names of family members who were dead" in Washington state.[1600]

These examples represent millions of dollars misspent every year for questionable, erroneous, and often illegal purposes. While it is appropriate that states retain maximum flexibility in running their programs, it is also appropriate for the federal government to proactively deter abuse and inappropriate reliance on its programs.

Congress must:

- Prohibit eligibility for individuals while incarcerated;
- Prohibit eligibility for individuals while vacationing internationally;
- Actively pursue recovery of benefits provided to dead people; and
- Prohibit simultaneous receipt of *both* UI and benefits under Social Security Disability Insurance ("SSDI") or Supplemental Security Income ("SSI"). These programs serve contradictory purposes: unemployment provides temporary support to those ***able*** to work but unemployed, whereas SSDI and SSI are intended to provide support to disabled individual who are *physically or mentally unable* to work.

In general, most UI *over*payments are lost to individuals who claim UI despite returning to work. Overpayments also occur as a result of insufficient or late information regarding the worker status or the inability to validate the individual has met work search requirements.[1601]

For example, nine U.S. Postal Service employees in South Carolina were recently indicted for claiming unemployment benefits.[1602] A Texas man collected $30,000 while working for the

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[1597] Michelle Hurni, "Illegal Immigrants in Colorado Receive Unemployment Insurance," Fort Collins Republican Examiner (Colorado), November 9, 2010; http://www.examiner.com/republican-in-fort-collins/illegal-immigrants-colorado-receive-unemployment-insurance.

[1598] "Performance Audit of Unemployment Insurance Benefit Overpayments and Nonmonetary Eligibility Determinations," Michigan Office of the Auditor General, March 2011, pages 33- 34; http://audgen.michigan.gov/comprpt/docs/r641031510.pdf .

[1599] Correspondence from Bernard J. McHugh, New York Director of State Expenditures, to Colleen C. Gardner, New York Commissioner of the Department of Labor, July 29, 2010, page 3; http://www.osc.state.ny.us/audits/allaudits/093010/2009bse3a004.pdf.

[1600] Derek Wang, "Unemployment Fraud Statistics Don't Tell The Whole Story," KUOW Puget Sound Public Radio; April 13, 2011; http://www.kuow.org/program.php?id=23123 .

[1601] "Unemployment Insurance Benefit Payment Integrity," Employment and Training Administration website, accessed April 14, 2011; http://www.ows.doleta.gov/unemploy/improp_pay.asp.

Postal Service.[1603] A Texas Workforce Commission (TWC) employee who left the agency "stole multiple identities, and then used her inside knowledge of the UI process to file false claims," collecting $14,534.[1604] In New York, one man certified nine times that he was jobless and collected $4,398 in benefits despite being employed.[1605]

It is also known that individuals intentionally game the system to get around the time limits and collect thousands of dollars of UI payments every year. For example, one man received UI benefits for 14 consecutive years, from 1995 to 2009, defrauding the program of more than $300,000.[1606]

To strengthen the shortcomings of the current system, Congress should:

- ✓ Strengthen verifications that ensure beneficiaries are in fact legal citizens.

- ✓ Implement recommendations of the Department of Labor's Inspector General (IG) to reduce improper payments by granting the Department and the IG legislative authority to access state UI wage records, SSA wage records, and employment information from the National Directory of New Hires (NDNH). The IG contends that by cross-matching UI claims against NDNH data, states can better detect overpayments, however, statutory authority is needed.[1607]

- ✓ Require, as proposed by the Administration in its *Unemployment Compensation Program Integrity Act of 2011*, all *re-hires* be reported by all employers to the state and national directories of new hires. Employers would be required to report on rehired workers if they have been separated from the company for at least 60 days.

- ✓ Require states to assess a penalty of the full amount overpaid on any claim for benefits as a result of fraud.

- ✓ As proposed by the Administration in its *Unemployment Compensation Program Integrity Act of 2011*, prohibit states from relieving an employer of benefit charges due to a benefit overpayment if the employer has caused the overpayment by failing to provide

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[1602] "Area USPS employees face fraud indictments," The Times and Democrat (South Carolina), April 12, 2011; http://www.thetandd.com/news/local/crime-and-courts/article_e5a9c016-64b7-11e0-a793-001cc4c002e0.html.
[1603] Walt Nett, "Surprisingly little prison time given for unemployment fraud," Lubbock Avalanche-Journal (Texas), March 7, 2010; http://lubbockonline.com/stories/030710/col_571809288.shtml.
[1604] "Criminal Prosecutions of Unemployment Insurance Fraud - Recent Dispositions," The Texas Workforce Commission, February 7, 2011; http://www.twc.state.tx.us/ui/bnfts/prosecutiondispo.html.
[1605] Correspondence from Bernard J. McHugh, New York Director of State Expenditures, to Colleen C. Gardner, New York Commissioner of the Department of Labor, July 29, 2010, page 4; http://www.osc.state.ny.us/audits/allaudits/093010/2009bse3a004.pdf.
[1606] "Father and Daughter Charged with Illegally Receiving More Than $300,000 in Unemployment Benefits," United States Attorney's Office District of Connecticut, U.S. Department of Justice, April 8, 2010; http://www.justice.gov/usao/ct/Press2010/20100408.html.
[1607] Testimony of the U.S. Department of Labor Inspector General before the House Appropriations Subcommittee on Labor, Health and Human Services and Education, March 17, 2011, http://appropriations.house.gov/_files/031711ElliotPLewisDOLOIGTestimonyonUIImproperPayments.pdf, accessed June 27, 2011.

timely or adequate information in response to a request from the pertinent state agency, and if the employer has established a pattern of failing to respond timely or adequately to such requests.

- ✓ Require offset of benefits in the case where individuals receive an overpayment and later re-enter the program. Under current law, UI benefits "may" be reduced to recover prior overpayments; statutory language should be changed to read "shall."

State UI Loan Reform

During the economic downturn, available taxes and reserve balances have failed to cover state UI costs. In turn, some states borrowed funds from the federal government to meet UI obligations. In addition, the stimulus temporarily waived the interest payments and accrual of interest payments on such loans. As a result, 32 of 53 state and U.S. territories currently owe the U.S. Treasury in excess of $44 billion in loans because their UI trust funds were insolvent. As the federal government works with states to repay these loans, Congress should also determine what reforms are necessary and appropriate to prevent this from happening again.

Re-focus Occupational Safety and Health Administration (OSHA)

The Occupational Safety and Health Administration (OSHA) division of the U.S. Department of Labor ensures the safety and health of America's working men and women. While OSHA's work is important, it could and should be carried out more efficiently to save taxpayer dollars while simultaneously enhancing worker safety.

In recent years, OSHA's appropriations have increased significantly. OSHA received $558.6 million in FY 2011 – $72.6 million more than the $486 million provided in FY 2008. Additional increases are also requested in the President's budget FY 2012, bringing total appropriations to $583 million.[1608] Over the past three years, OSHA has attempted to intensify its commitment on regulatory enforcement. OSHA, however, has failed.

Despite additional resources for direct compliance enforcements, inspection levels have decreased when compared to FY 2008. After an increase of $40.76 million, federal enforcement program inspections dropped by 84, from 38,591 in FY2008 to 38,507 in FY2010. Further, state program funding increased by $14.9 million over the same time period, yet despite additional funds, state inspections decreased by 256.

[1608] Office of Management and Budget, FY 2012 Budget Request, U.S. Department of Labor, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/lab.pdf, accessed June 12, 2011.

	Federal Enforcement Funding	Federal Inspections	State Program Funding	State Inspections
FY2008[1609]	**$182,631,000**	**38,591**	**$89,502,000**	**57380**
FY2010[1610]	**$223,399,000**	**38,507**	**$104,393,000**	**57124**
Difference	**$40,760,000**	**-84**	**$14,891,000**	**-256**

Additionally, a September 2010 IG audit also calls into question whether OSHA is effectively managing certain aspects of its enforcement activities.[1611] According to the IG:

- During the two-year audit period, nearly all citations OSHA issued were reduced – 98 percent of citations received reductions, making reduced penalties a virtual entitlement.
- Penalties of $523.5 million were reduced by $351.2 million, or 67 percent.
- Reductions were granted without always considering an employer's overall safety and health performance.
- 24 percent of the violations were issued to 4,791 employers (227 with fatalities) that had a history of serious violations in two or more inspections and received reductions of $86.6 million.
- Half of these offenders violated a similar standard on subsequent inspections.

While employers are able to contest citations believed to be unwarranted, the IG found OSHA failed to evaluate the impact of penalty reductions on incentives for employers to improve workplace safety and health. As a result, OSHA cannot determine if the $351.2 million of reduced penalties still resulted in effectively deterring future workplace hazards and improving safety and health.[1612] The IG also found that 36 percent (or $127 million of the $351.2 million) of penalty reductions were potentially inappropriate, including $94.1 million in monetary

[1609] U.S. Department of Labor website, "FY 2010 Budget Justification, OSHA," http://www.dol.gov/dol/budget/2010/PDF/CBJ-2010-V2-08.pdf, accessed June 26, 2011.
[1610] U.S. Department of Labor website, "FY 2011 Budget Justification, OSHA," http://www.dol.gov/dol/budget/2012/PDF/CBJ-2012-V2-11.pdf, accessed June 26, 2011.
[1611] U.S. Department of Labor, Office of Inspector General, "OSHA Needs to Evaluate the Impact and Use of Hundreds of Millions of Dollars in Penalty Reductions as Incentives for Employers to Improve Workplace Safety and Health," Report No. 02-10-201-10-105, September 30, 2010, http://www.oig.dol.gov/public/reports/oa/2010/02-10-201-10-105.pdf, accessed June 11, 2011.
[1612] U.S. Department of Labor, Office of Inspector General, "OSHA Needs to Evaluate the Impact and Use of Hundreds of Millions of Dollars in Penalty Reductions as Incentives for Employers to Improve Workplace Safety and Health," Report No. 02-10-201-10-105, September 30, 2010, http://www.oig.dol.gov/public/reports/oa/2010/02-10-201-10-105.pdf, accessed June 11, 2011.

reductions, $31.8 million in unjustified settlements, and $1.1 million based on erroneous facts.[1613]

Clearly, OSHA must do a better job of effectively carrying out its enforcement activities while efficiently using taxpayer resources.

In addition to reforming its enforcement activities, OSHA should place a greater emphasis on voluntary compliance programs, which have a proven track record of success, are cost efficient, and cover more places of employment.

While great value exists in protecting our workforce from hazards, it is impossible for OSHA to inspect all 7.5 million workplaces in the United States.[1614] For perspective, in FY2010 OSHA performed 38,507 federal health and safety inspections – or 1 in every 195 workplaces.[1615] If OSHA reaches their goal of 41,000 federal health and safety inspections in FY2012, that would still only be 1 in every 183 workplaces.[1616] With goals of increased federal inspections yielding menial returns, OSHA should instead look to leverage funds to get the greatest utility out of limited resources through voluntary compliance programs.

Voluntary compliance programs, such as the Voluntary Protection Program ("VPP"), have a track record of efficient and effective outcomes in ensuring worker safety:

- Under VPP, worksites that pass the rigorous evaluation process have an average Days Away Restricted or Transferred (DART) case rate of 52 percent below the average for its industry.

- In recent years, smaller worksites have made significant strides in VPP participation, increasing from 28 percent of total VPP sites in 2003 to 39 percent in 2008, thanks to innovations such as the mentoring and SHARP programs.[1617]

- VPP keeps employees safer; it also saves companies and the taxpayers' money.[1618]

- In 2007, Federal Agency VPP participants saved the government more than $59 million by avoiding injuries and private sector VPP participants saved more than $300 million.[1619]

[1613] U.S. Department of Labor, Office of Inspector General, "OSHA Needs to Evaluate the Impact and Use of Hundreds of Millions of Dollars in Penalty Reductions as Incentives for Employers to Improve Workplace Safety and Health," Report No. 02-10-201-10-105, September 30, 2010, http://www.oig.dol.gov/public/reports/oa/2010/02-10-201-10-105.pdf, accessed June 11, 2011.
[1614] http://www.dol.gov/dol/budget/2012/bib.htm#osha
[1615] Staff analysis, based on data contained in the FY 2012 Budget Justification, OSHA, http://www.dol.gov/dol/budget/2012/PDF/CBJ-2012-V2-11.pdf.
[1616] Staff analysis, based on data contained in the FY 2012 Budget Justification, OSHA, http://www.dol.gov/dol/budget/2012/PDF/CBJ-2012-V2-11.pdf.
[1617] U.S. Department of Labor website, "OSHA Voluntary Protection Program" webpage, http://www.osha.gov/dcsp/vpp/all_about_vpp.html, accessed June 24, 2011.
[1618] Government Accountability Office, "OSHA's Voluntary Protection Programs: Improved Oversight and Controls Would Better Ensure Program Quality," GAO-09-395, May 20, 2009, pg. 10, http://www.gao.gov/products/GAO-09-395, accessed June 24, 2011.

Given their success and cost efficiency, OSHA should emphasize voluntary compliance programs, while ensuring its limited enforcement tools are effectively targeted and carried out. Such reforms, while also returning OSHA to its FY2008 levels of $486 million, would save at least $72.6 million annually (FY2011 level is $558.6 million).[1620]

Terminate OSHA Susan Harwood Grants – Savings $11 million annually
Susan Harwood Grants fund training and education programs that duplicate other efforts within OSHA. For example, one function of the Susan Harwood Grant program is to develop training programs in foreign languages for migrant workers. This initiative is duplicative of several other government funded sources:

- The Electronic Library of Construction Occupational Safety and Health is funded by the National Institute for Occupational Safety and Health (FY 2011: $316 million) within the Center for Disease Control (CDC) and contains a plethora of workplace safety training programs in a variety of languages, including a dedicated webpage for Spanish users.[1621]

- The OSHA training institute, which offers training and education in occupational safety and health, offers 14 different Spanish job training courses in three different training centers.[1622]

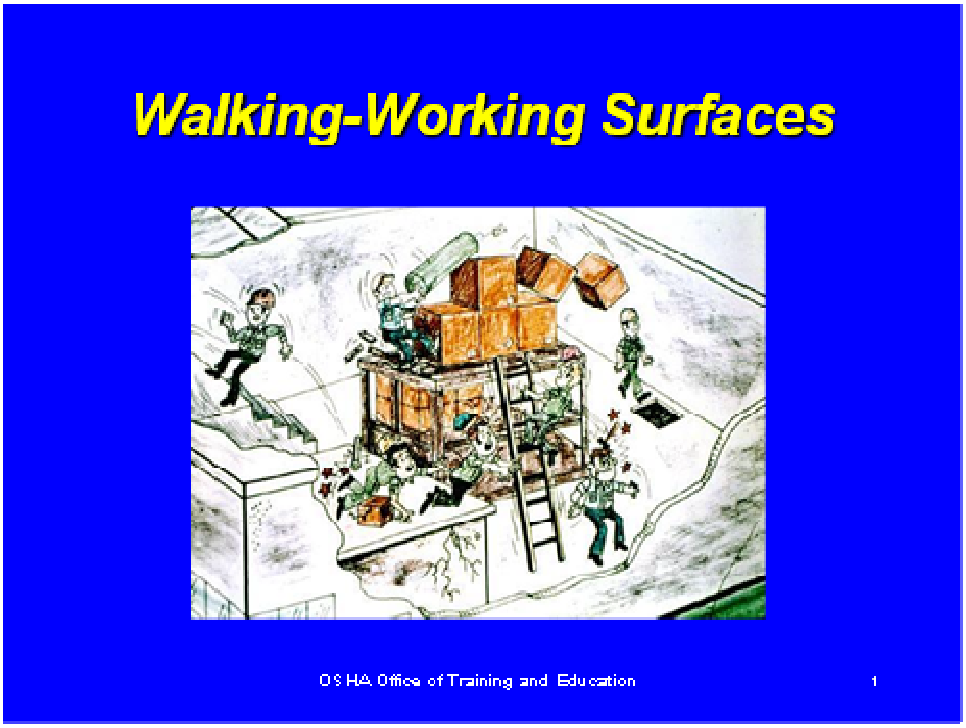
- There are about 40 Spanish workplace safety documents available through the OSHA Resource Center Loan Program, which offers occupational safety and health training videos for loan.[1623]

Overall, there have been about 397 grants that awarded $75.25 million since 2003.[1624] Out of these 397 grants, only 29 grantees published information on their use of funds on the OSHA website.[1625] This calls into question whether the program successfully disseminates information to other employers on best practices cultivated by grant funds. Rather than awarding $200,000 grants to reproduce existing material, OSHA would better serve the American taxpayer by simply sending a web-link to the material that is already developed and available.

Beyond duplication, a number of grants are awarded to develop products of questionable merit. For example, the University of Alabama received $191,000 to teach employees how not to fall.

[1619] U.S. Department of Labor website, "OSHA's Voluntary Protection Program: A Model of Safety and Health Excellence That Works!," Danielle Gibbs and Eric Lahaie, http://www.osha.gov/dcsp/vpp/articles/modelthatworks_2009.html, accessed June 24, 2011.
[1620] The President requests $583 million in FY 2012.
[1621] Elcosh webpage, http://www.elcosh.org/es/, accessed June 25, 2011.
[1622] U.S. Department of Labor website, "OSHA Training Institute: Education Centers" webpage, http://www.osha.gov/dte/edcenters/spanish_online_courses.html, accessed June 25, 2011.
[1623] U.S. Department of Labor website, http://www.osha.gov/dte/resource_center/subject.html, accessed June 25, 2011.
[1624] U.S. Department of Labor website, OSHA Susan Harwood Training Grant Award Announcements, http://www.osha.gov/dte/sharwood/grant_awards.html, accessed June 25, 2011.
[1625] U.S. Department of Labor website, OSHA Grantee Material webpage, http://www.osha.gov/dte/grant_materials/material_listing_topic.html, accessed June 25, 2011.

This was one of five fall protection grants awarded in FY2010.[1626] Further, in FY 2004, the Boat People SOS received $199,760 to "develop and translate five training modules for residential construction covering falls, electrical, struck-by, trenching and excavation, and hazardous materials. Audio and videotapes will be developed in Vietnamese with Chinese and Korean subtitles."[1627] *Four years later*, American taxpayers received a 21-page PowerPoint presentation on "slips, trips, and falls," at a cost of $9,512 per slide.[1628]



Part of a 21 page PowerPoint presentation on "slips, trips, and falls" that cost taxpayers $9,512 per slide as a result of a Susan Harwood Training Grant that took four years to complete.[1629]

Consolidate Federal Job Training

Federal job training and employment programs serve a noble cause. Many times, however, they duplicate private sector efforts, where there is an inherent incentive to invest in human capital. In fact, the American Society for Training and Development estimates that private U.S. organizations spent a staggering $125.9 billion on employee learning and development in 2009.[1630]

Despite private sector support of job training, the federal government funds dozens of duplicative and wasteful job training and employment programs. In FY2009, nine federal agencies spent

[1626] http://www.osha.gov/pls/oshaweb/owadisp.show_document?p_table=NEWS_RELEASES&p_id=18387
[1627] http://www.osha.gov/pls/oshaweb/owadisp.show_document?p_table=NEWS_RELEASES&p_id=11027
[1628] http://www.osha.gov/dte/grant_materials/fy08/sh-17036-08.html
[1629] http://www.osha.gov/dte/grant_materials/fy08/sh-17036-08.html
[1630] American Society for Training and Development, "2010 State of the Industry Report," http://store.astd.org/Default.aspx?tabid=167&ProductId=21822, accessed June 24, 2011.

approximately $18 billion to administer 47 separate and duplicative employment and job training programs, according to the Government Accountability Office ("GAO"). The Department of Labor alone will spend $8.6 billion in FY2011 on employment and training activities.[1631]

The true number of government-funded job training programs, however, is likely much larger and costlier. In addition to the 47 job training programs GAO identified, GAO pointed to an additional 51 federal programs that *could be* categorized as federal job training programs, but ultimately did not make the cut because the programs did not meet GAO's strict definition of a "job training and employment" program.[1632] Nor did GAO include federal assistance to unemployed workers – such as the Social Security Administration's Ticket-to-Work program.[1633]

What's more, GAO found all but three of the 47 programs *overlap with at least one other program* and provide similar services to similar populations – yet maintain separate administrative structures.[1634]

For example, three federal programs – Temporary Assistance for Needy Families (TANF), Employment Services/Wagner-Peyser Funded Activities, and Workforce Investment Act (WIA) Adult Programs – were found to provide some of the same employment and training services to low-income individuals, but maintained separate administrative infrastructure resulting in taxpayer money lost to unnecessary overhead costs.[1635]

More disturbing is inadequate meaningful program evaluations, leading GAO to find that "little is known about the effectiveness of most [federal job training and employment] programs."[1636]

GAO's findings are a stunning indictment of Congress' inability to effectively manage taxpayer funded programs. *Over a decade earlier*, GAO warned Congress *of the same problem*. In 1996, GAO made clear that:

> [a]lthough the federal government spends billions of dollars annually to support employment and training programs, little is known about their long-term effects on

[1631] Budget of the U.S. Government, Fiscal Year 2012, Analytical Perspectives (Washington: Government Printing Office), Table 33-1.
[1632] Government Accountability Office (GAO-11-92), "Multiple Employment and Training Programs: Providing Information on Co-Locating and Consolidating Administrative Structures Could Promote Efficiencies," January 2011, See Appendix I.
[1633] For a list of the forty-seven programs identified by GAO as job training and employment programs, see appendix A of "Help Wanted" report. The GAO identified another 51 federal programs that had the potential to be categorized as a federal job training program, but ultimately excluded from its final list. Government Accountability Office (GAO-11-92), "Multiple Employment and Training Programs: Providing Information on Co-Locating and Consolidating Administrative Structures Could Promote Efficiencies," January 2011, See Appendix I.
[1634] Government Accountability Office (GAO-11-92), "Multiple Employment and Training Programs: Providing Information on Co-Locating and Consolidating Administrative Structures Could Promote Efficiencies," January 2011, pg. 13.
[1635] Government Accountability Office (GAO-11-92), "Multiple Employment and Training Programs: Providing Information on Co-Locating and Consolidating Administrative Structures Could Promote Efficiencies," January 2011, pg. 18.
[1636] Government Accountability Office (GAO-11-92), "Multiple Employment and Training Programs: Providing Information on Co-Locating and Consolidating Administrative Structures Could Promote Efficiencies," January 2011.

> participants' earnings and employment rates. Few training programs have been rigorously evaluated to assess their net impact, and, for those that have, the research results have been inconclusive.[1637]

Another problem of federal job training programs is the significant infrastructure cost. For example, under the Workforce Investment Act, DOL funds nearly 3,000 "One-Stop Career Centers," intended to serve as a hub for individuals to access various employment and training services. Yet, the government reports that only 2.5 million of the 150 million people that comprise the American workforce are served annually by these centers –meaning just over three people are served on average per work day.[1638]

Also of concern is that many of these programs waste taxpayer money by training individuals for jobs that do not exist in large numbers. For example, according to recent data from the BlueGreen Alliance and the Economic Policy Institute, there were 3,586 graduates of Department of Labor-funded green job training programs as of September 30, 2010, but only 466 entered new jobs upon completion of the program.[1639]

Recommendations

Job training programs within the Labor Department should be consolidated and the overall funding level reduced by two-thirds. Job training should be consolidated into one streamlined funding source that is directed to states for two distinct purposes: (1) to support states' efforts to provide job training to the unemployed and (2) to support enhanced training for those individuals trying to advance their career opportunities. State systems could use the funding in effective ways, through strengthened partnerships between community colleges and industry, investments in public libraries, or by strengthening job training provided through the Temporary Assistance for Needy Family Programs (TANF).

In addition to consolidating the DOL's job training programs, the $1.8 billion Job Corps program (and associated properties) should be turned over to the states, which can more effectively cater to the unemployed in local job markets. Job Corps alone constitutes 99 percent of the DOL's building inventory costing over $30 million annually in maintenance.[1640] Indeed, the federal government has also failed to properly oversee the Job Corps program. Consider the following:

- Plagued with problems, the IG has "consistently identified challenges to the effectiveness of the Job Corps program."[1641]

[1637] Government Accountability Office, "Job Partnership Training Act," GAO/HEHS-96-40, March 1996, p. 1.
[1638] Cato Institute, "Employment and Training Programs; Ineffective and Unneeded," Chris Edwards and Daniel J. Murphy, June 2011, http://www.downsizinggovernment.org/labor, accessed June 24, 2011.
[1639] Amy Rigby, ABC News, "Work is Scarce for Obama's Green Job Training Grants," May 4, 2011, http://abcnews.go.com/Business/work-scarce-obamas-green-job-training-grads/story?id=13420977, accessed June 24, 2011.
[1640] FY 2012 Congressional Budget Justification, ETA, Job Corps. http://www.dol.gov/dol/budget/2012/PDF/CBJ-2012-V1-05.pdf.
[1641] U.S. Department of Labor Office of Inspector General, *Semiannual Report to Congress, Volume 65, October 1, 2010 to March 31, 2011.*

- Nor does Job Corps effectively place participants in job, with the IG determining "Job Corps has been challenged to meet its placement and recruitment goals over the past several years."[1642]

- Lack of oversight is also an issue due to "weak controls at centers [] result[ing] in the overstatement of performance results and unallowable costs charged to Job Corps."[1643]

- Wasteful management practices also prevent efficient targeting of taxpayer money to actual job training. For example, the federal Job Corps program wasted $31 million in stimulus dollars in securing an $82 million multi-year lease with one Los Angeles entity.[1644]

- The IG has identified unsafe and unhealthy conditions due to the lack of required safety inspections at some centers.[1645] For example, federal investigators found loose garbage attracting flies, dead cockroaches and other unsafe conditions at the Gainesville, Florida Job Corps site operated by DEL-JEN Incorporated. Other dangerous incidents occurring at the Job Corp site were never reported by program officials, including physical assaults and possession of weapons and narcotics.[1646]

Terminating Other Outdated, Wasteful, Duplicative, and Failed Projects

Statistical Agency Consolidation

Today, at least 70 different federal agencies engage in statistical activities, and the division of labor between them often makes little sense. Experts have concluded that consolidation of the major economic statistical agencies would produce better data at a lower cost. Consolidating the Bureau of Labor Statistics with the Bureau of the Census would help reduce redundancy. This consolidation has been estimated to save $50 million over ten years.[1647]

[1642] U.S. Department of Labor Office of Inspector General, *Semiannual Report to Congress, Volume 65, October 1, 2010 to March 31, 2011.*

[1643] U.S. Department of Labor Office of Inspector General, *Semiannual Report to Congress, Volume 65, October 1, 2010 to March 31, 2011.*

[1644] U.S. Department of Labor, Office of Inspector General, "Recovery Act: Job Corps Could Not Demonstrate that the Acquisition of the New Facility at the Los Angeles Job Corps Center Using a Multi-Year Lease was the Least Expensive Option," Report Number 18-10-009-03-370, September 30, 2010, http://www.oig.dol.gov/public/reports/oa/2010/18-10-009-03-370.pdf, accessed February 8, 2011.

[1645] U.S. Department of Labor Office of Inspector General, *Semiannual Report to Congress, Volume 65, October 1, 2010 to March 31, 2011.*

[1646] U.S. Department of Labor Inspector General, "Performance Audit of *DEL-JEN, Incorporated Job Corps Centers* to the National Director, Office of Job Corps," Report Number 26-10-001-01-370, November 2009, http://www.oig.dol.gov/public/reports/oa/2010/26-10-001-01-370.pdf, accessed February 7, 2011. The IG's audit work was conducted at DEL-JEN corporate administrative office in Gardena, California; Gainesville Job Corps Center (Gainesville) in Gainesville, Florida; and the Albuquerque Job Corps Center (Albuquerque) in Albuquerque, New Mexico. Its audit work at Albuquerque was limited to validating the hotline complaint allegations directed at Albuquerque.

[1647] http://www.dlc.org/documents/Fiscal_Responsibility_04302007.pdf.

BLS International Labor Comparison Program

The Bureau of Labor Statistics' ("BLS") International Labor Comparison Program serves an unnecessary function and as such, was slated for elimination in the Presidential FY2012 budget. The President's budget justification argues, "[t]he data series is used to produce articles, technical papers, or special reports *that are not widely used* (emphasis added)."[1648] Eliminating this Bureau would save $2 million annually.

Transitional Jobs Demonstration

Nor would the President's FY2012 budget fund another round of Transitional Job Demonstrations. In 2011, the Administration is launching a $45 million demonstration, including a random-assignment evaluation, to test the effectiveness of enhanced transitional jobs programs focused on non-custodial parents and ex-offenders. The Administration contends that "[r]esults from this evaluation can be used to improve existing transitional jobs programs and inform decisions about the models that should be supported in the future."[1649] Eliminating this program will save $45 million annually.

Bureau of International Labor Affairs

While the Bureau of International Labor Affairs ("ILAB") admirably seeks to ensure workers in other countries are treated fairly, its efforts are duplicative.

For example, the United States Agency for International Development ("USAID") seeks to enhance economic growth and trade through enabling a better business environment by "leveling the playing field for all by addressing issues such as legal empowerment of the poor, empowering business women leaders, and the distortionary impact of vested interests." Examples of overlapping initiatives of USAID with the efforts of ILAB in fiscal year FY2010 include: USAID spent $698 million on Social and Economic Services & protection for vulnerable populations, $383.5 million on Civil Society initiatives, $271.9 million on Rule of Law and Human Rights, and $248 million on economic opportunity in foreign nations.[1650]

Also, ILAB's Office of Child Labor, Forced Labor, and Human Trafficking (OCFT) duplicates efforts elsewhere in the government – such as the work of the U.S. Department of Justice's Office of Overseas Prosecutorial Development, Assistance and Training[1651] and the State Department's Office To Monitor and Combat Trafficking in Persons.[1652] What's more, at a time when the domestic debt tops $14 trillion and unemployment continues to surpass 9 percent, resources directed to ILAB are best retained to improve the U.S. economy. Eliminating this program saves $92 million annually.

[1648] OMB, FY 2012 Terminations, Reductions and Savings, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf.

[1649] President's FY 2012 Budget Request, "Terminations, Reductions and Eliminations," Office of Management and Budget, pg. 79, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf, accessed June 25, 2011.

[1650] USAID website, "Where does USAID's Money Go?" webpage, http://www.usaid.gov/policy/budget/money/, accessed June 25, 2011.

[1651] U.S. Department of Justice webpage, "DOJ/OPDAT Trafficking in Persons," webpage, http://www.justice.gov/criminal/opdat/acheive/traffic-n-persons.html, accessed June 25, 2011.

[1652] U.S. Department of State website, "Office To Monitor and Combat Trafficking in Persons," webpage, http://www.state.gov/g/tip/, accessed June 25, 2011.

Repeal Davis Bacon

The Davis-Bacon Act requires government contractors to pay wages averaging 22 percent above market rates. As such, wages are not cost efficient and inflate the cost of federal construction projects by 9.9 percent.[1653] Repealing the Davis-Bacon Act and paying market wages would save taxpayers $11.4 billion in 2010.[1654] In addition, millions spent to enforce the Act by the Department's Wage and Hour Division would also be saved.

Women's Bureau

The Women's Bureau at the U.S. Department of Labor is tasked with the development of policies and standards that safeguard the interests of working women. A woman's ability to advance in the American labor force has changed significantly since the creation of the Bureau in 1920. Its functions are outdated and far removed from the *de facto* spending priorities of the nation.

The policies and standards that safeguard the interests of women have been U.S. law for over half a century. Title XII of the Civil Rights Act of 1964 prohibits employment discrimination based on race, color, religion, sex and national origin. In FY2010, the Equal Employment Opportunity Commission ("EEOC") spent approximately $106.7 million dollars enforcing alleged instances of title XII gender discrimination.[i]

A number of private sector organizations also aim to achieve goals similar to the Women's Bureau. With 216 separate organizations enrolled in the National Council of Women's Organizations alone,[ii] there is a strong coalition to establish and pursue goals that promote female interests.

Moreover, the stated goals of the Women's Bureau are duplicative of other federal programs and laws already in place. While these goals[iii] include the promotion of equal pay, workplace flexibility, STEM training for higher paying jobs, and homeless women veterans, they are duplicated by:

[1653] Heritage Foundation, "Davis-Bacon Suspension Would Fund 160,000 New Construction Jobs," January 27, 2011, http://www.heritage.org/research/reports/2010/01/davis-bacon-suspension-would-fund-160000-new-construction-jobs, accessed June 26, 2011.

[1654] Heritage Foundation, "Davis-Bacon Suspension Would Fund 160,000 New Construction Jobs," January 27, 2011, http://www.heritage.org/research/reports/2010/01/davis-bacon-suspension-would-fund-160000-new-construction-jobs, accessed June 26, 2011.

[i] Staff analysis based on data from: Equal Employment Opportunity Commission, "Charge Statistics: FY 1997-FY 2010," http://www.eeoc.gov/eeoc/statistics/enforcement/charges.cfm and Equal Employment Opportunity Commission, FY 2012 Budget Justification to Congress: http://www.eeoc.gov/eeoc/plan/2012budget.cfm, both sources accessed July 1, 2011.

[ii] National Council of Women's Organizations, "Our Members" web page, http://www.womensorganizations.org/index.php?option=com_content&task=blogcategory&id=73&Itemid=82, accessed July 1, 2011.

[iii][iii] U.S. Department of Labor, "Women's Bureau Priority Issues" web page, http://www.dol.gov/wb/programs/four_priorities_2010.htm, accessed July 1, 2011.

- The Equal Pay Act of 1963 amended the Fair Labor Standards Act to abolish wage disparity based on sex. The defining principle of the law is that equal work garners equal pay, regardless of gender.

- The Family Medical Leave Act of 1993 is a federal law that already accomplishes the goal of workplace flexibility through the requirement of businesses to allow for employees to take job-protected leave due to a serious health condition, to take care of a sick family member, or take care for a new born.

- In 2010 there were approximately 99 federal STEM programs totaling $4.8 billion dollars in funding. A STEM initiative through the Women's Bureau is highly duplicative of efforts made by eleven separate federal agencies.

- The Women's Bureau initiative of finding homeless women's veterans a path to good jobs and financial security is duplicative of the Department of Veterans Affairs Homeless Veterans program, the National Council on Homelessness, and several other Veterans employment programs administered by the Department of Labor, the Department of Defense, Department of Veterans Affairs, Department of Homeland Security, and the Office of Personnel Management.

Eliminating the Women's Bureau would save $12 million annually.

NATIONAL LABOR RELATIONS BOARD

Reset NLRB Appropriations to Align with the Changed Dynamics of the American Labor Force. The National Labor Relations Board ("NLRB") resolves charges and petitions filed by individuals, employers, or unions regarding secret ballot elections, the composition of bargaining units, and unfair labor practices.

The amount of casework the NLRB oversees has declined significantly over the past thirty years. Nevertheless, the NLRB has continued to maintain steady appropriation increases without accounting for the changes in the American labor force or the amount of work the agency actually performs.

For example, over the past 30 years, inflation-adjusted appropriations to the NLRB has decreased by ***1 percent***, while during the same time period the amount of casework performed by the agency decreased by ***54 percent***. The American taxpayers are owed an explanation as to how the same amount of money appropriated 30 years ago, now only buys half the work.

Year	Total Appropriations	2010 CPI Inflation Adjusted	Caseload[1655]	Private Sector Union Membership[1656]
1980	$108,192,951	$286,312,000	57,381	20.1%
1990	$140,713,516	$234,763,000	41,507	11.9%
2000	$205,600,314	$260,350,000	35,249	9%
2010	$283,400,000	$283,400,000	26,553	6.9%

A modern government should adapt to national needs. Unfortunately, Congress continues to waste taxpayer dollars by rubberstamping appropriation increases without accounting for the changes occurring in America's private sector labor force.

NLRB appropriation levels should be indexed based on fiscal year 2000 NLRB caseload amounts, resetting the NLRB appropriation's levels to $196,121,125 – for a savings of $87,278,875.[1657]

Implement Cost Savings Recommended by NLRB Inspector General.
Congress should also implement recent recommendations by the NLRB IG as a means of further modernizing the NLRB. The IG recently found that:

> [d]espite the loss of union activity in certain geographic areas, the NLRB maintains a Regional Office presence in those areas. In addressing the recommendations, managers should question the basic assumptions upon which the NLRB Regional operations have been based for decades and ensure that the Regional Office structure is designed to meet future case processing needs.**[1658]**

As a result, the IG recommended the following measures to reduce cost and increase efficiency:

- NLRB regions with less than 800 cases be considered for consolidation into another region, or with one office being a regional office and another being a resident office;

[1655] FY 2011 projected total case intake is 27,900 and projected total case intake for FY 2012 is 29,300. Historical information on the NLRB's workloads is available through the NLRB annual reports, http://www.nlrb.gov/annual-reports, and the National Labor Relations Board, FY 2012 Budget Justification, http://www.nlrb.gov/sites/default/files/documents/188/just2012full.pdf.
[1656] Bureau of Labor Statistics, http://www.bls.gov/news.release/union2.nr0.htm
[1657] For FY2010, Congress appropriated $283.4 million for the NLRB. The Administration requested $287.1 million for FY2011 and $287.7 million for FY2012.
[1658] National Labor Relations Board, Office of Inspector General, "Case Processing Costs: Report No. OIG-AMR-64-11-02,"April 7, 2011.

- NLRB regions that are located in or near the same metropolitan area be considered for consolidation into either a single office or a regional office with resident office;

- Relocating offices in high rent urban office districts to locations that offer lower leases costs when the relocation will result in cost savings; and

- Eliminate, by attrition, positions in overstaffed regions as represented by the ratio of cases to case processing employees.[1659]

The IG adds that it does not consider any single recommendation to be an alternative for another, and asserts that data supports implementation of each recommendation to achieve maximum cost savings.[1660]

PENSION BENEFIT GUARANTY CORPORATION AND OTHER PENSION REFORMS

Reform PBGC Board and Pension Premiums.
The Pension Benefit Guarantee Corporation ("PBGC") is a self-supporting federal agency created to insure participants and beneficiaries covered by private-sector pension plans.

PBGC is financed mainly through premiums assessed on employers offering pension plans and the assumed pension fund investments of failed companies. According to the PBGC's 2010 Annual Report,[1661] premiums are lower than what a private financial institution would charge for insuring comparable risk because, unlike private insurers, the PBGC is unable to adjust levels to adequately account for risk. Congress alone has the authority to set pension premiums and has failed to timely and adequately adjust premium levels. The inability of Congress to properly manage pension premiums has led, in part, to the chronic and severe underfunding of the agency. At the end of FY2010, the PBGC's estimated liabilities exceeded its assets by $23 billion.

Suggested reforms would give the PBGC Board sole authority to set premium levels. For example, the President's FY 2012 budget[1662] and also the President's National Commission on

[1659] National Labor Relations Board, Office of Inspector General, "Case Processing Costs: Report No. OIG-AMR-64-11-02,"April 7, 2011.
[1660] National Labor Relations Board, Office of Inspector General, "Case Processing Costs: Report No. OIG-AMR-64-11-02,"April 7, 2011.
[1661] Pension Benefit Guaranty Corporation 2010 Annual Report, http://www.pbgc.gov/Documents/2010_annual_report.pdf, accessed June 9, 2011.
[1662] Office of Management and Budget, FY 2012 Budget Request, U.S. Department of Labor, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/lab.pdf.

Fiscal Responsibility and Reform[1663] both include proposals that allow the PBGC board to increase both flat- and variable-rate premiums. Doing so is estimated to increase revenue by approximately $16 billion over ten years.[1664]

The PBGC board, however, seems indifferent to its duties. The Board, comprised of the secretaries of Labor, Commerce and Treasury, has only met twenty-three times since 1980 according to GAO.[1665] GAO also reports that historically these secretaries did not have the time or resources to direct and oversee PBGC. For example, during a critical and economically challenging two-year period between February 2008 and February 2010, the board did not meet at all.[1666]

Given the inability of Congress to set premiums appropriately and the troubling indifference of the Board, confidence cannot be placed in either Congress or the Board to set premiums that properly account for risk and that will keep the program solvent in the future. Consequently, this proposal would require the PBGC's Board to annually *recommend* to Congress appropriate changes to both flat- and variable-rate premiums. If Congress fails to act within 90 days on such recommendations, the changes recommended by the Board would automatically take effect within 90 days.

Such a reform would help to ensure that PBGC is able to properly manage its insurance program, while avoiding a taxpayer bailout, but ensuring appropriate checks and balances between the PBGC and Congress.

Other Pension Reforms

Improved Disclosure of Public Pension Plans.
By any measure, nearly all state and local pension plans are underfunded. According to the Public Fund Survey of 126 state and local pension plans, which account for about 85 percent of pension assets in the United States, the unfunded liabilities of such plans equal $700 billion. Alternative measures of liability, which better account for pension obligations, reveal significantly higher levels of unfunded liabilities in public pension plans – between $2 and $3 trillion.[1667]

[1663] National Commission on Fiscal Responsibility and Reform, "The Moment of Truth," December 1, 2010, http://www.fiscalcommission.gov/news/moment-truth-report-national-commission-fiscal-responsibility-and-reform.
[1664] National Commission on Fiscal Responsibility and Reform, "The Moment of Truth," December 1, 2010, http://www.fiscalcommission.gov/news/moment-truth-report-national-commission-fiscal-responsibility-and-reform.
[1665] Government Accountability Office, Testimony Before the Committee on Health, Education, Labor, and Pensions, U.S. Senate, "Pension Benefit Guaranty Corporation: Improvements Needed to Strengthen Governance Structure and Strategic Management
Statement of Barbara D. Bovbjerg, Managing Director Education, Workforce, and Income Security, December 1, 2010.
[1666] Government Accountability Office, Testimony Before the Committee on Health, Education, Labor, and Pensions, U.S. Senate, "Pension Benefit Guaranty Corporation: Improvements Needed to Strengthen Governance Structure and Strategic Management
Statement of Barbara D. Bovbjerg, Managing Director Education, Workforce, and Income Security, December 1, 2010.
[1667] Congressional Budget Office, "The Underfunding of State and Local Pension Plans," May 2011.

This reform would help shore-up public pension plans by implementing provisions of the Public Employee Pension Transparency Act. This legislation provides incentives to state and local public pension plans to accurately disclose their liabilities. More specifically, state and local governments who *choose* not to report their pension liabilities using more realistic discount rates *choose* to forgo the federal benefit of tax exempt financing. State and local governments would not be compelled to comply with the law. In addition, no funding standards would be set, nor would benefits be affected.

Close Off FERS to New Entrants

Currently, the Federal Employee Retirement System ("FERS") system is underfunded by nearly a billion dollars. In the coming years, as more of the retirement burden falls on the FERS system, the required federal government contributions to FERS will skyrocket. This reform would close off the FERS defined benefit plan to *new entrants only* starting in 2012. The Thrift Savings Plan with the current match (up to 5%) would remain in place for current and future federal workers. Overall, the savings realized by Treasury from enacting this change total over $75 billion over ten years.

Equalize FERS Contributions

As the required federal government contributions to FERS skyrocket, federal worker contributions are not expected to keep pace. This reform equalizes FERS contributions between the employee and employer. OPM estimates the cost of the FERS basic annuity at an amount equal to 12.5 percent of pay (CRS). The federal government contributes 11.7 percent of this amount and the other 0.8 percent is paid by employees. This reform would also put federal employees on par with state and local employees. Overall, the savings realized by Treasury resulting from this change total $121 billion over ten years.

Eliminate FERS Special Supplement for New Annuitants

Because Social Security retirement benefits cannot begin before the age of 62 (at the early retirement age), Congress included in FERS a temporary supplemental benefit for workers who retire before age 62. This "FERS supplement" is paid to workers who retire at the age of 55 or older with at least 30 years of service or at the age of 60 with at least 20 years of service. It is also paid to law enforcement officers, firefighters, and air traffic controllers who retire at the age of 50 or later with 20 or more years of service. The supplement is equal to the estimated Social Security benefit that the individual earned while employed by the federal government. It is paid only until the age of 62, regardless of whether the retiree chooses to apply for Social Security retired worker benefits at 62 years old. Eliminating this option would save $1.342 billion over ten years.

CSRS COLA Reform

This reform would defer the Cost of Living Adjustment ("COLA") for retirees in the current system until age 62, including for civilian and military retirees who retire well before a conventional retirement age. In place of annual increases, this proposal suggests providing a one-time catch-up adjustment at age 62 to increase the benefit to the amount payable had full COLAs been in effect. This reform saves $3.37 billion over ten if applied to current and future annuitants.

DEPARTMENT OF LABOR TEN YEAR SAVINGS
Discretionary: $67.87 billion
Mandatory: $200.71 billion
Total: $268.58 billion

DEPARTMENT OF STATE AND FOREIGN OPERATIONS FUNDING

When the American people are asked what government spending should be cut in order to balance the federal budget, foreign aid programs generally top the list.[1668] [1669] In fact, the annual State and Foreign Operations appropriations have increased over 80 percent from 2002 to 2010, adjusting for inflation. President Obama's budget request for Fiscal Year 2012 is a record-high $59 billion for State and Foreign Operations appropriations.[1670]

Proponents of foreign aid sometimes argue that it represents only one percent of the federal budget (actually closer to 1.5 percent), and that eliminating all of it would not solve our nation's fiscal problems. That is true, but it is true of every other area. And just as other chapters of this report show how other budget lines have wasteful, duplicative and low-priority spending, the Department of State and its Foreign Operations budget is no different.

When reviewing this chapter, it is good to remember that United States citizens are themselves extremely generous with their own money in donating cash to help developing countries. In 2007, U.S. residents sent nearly $37 billion to developing countries through foundations, religious organizations, and other groups. This figure does not count the $79 billion in remittances sent from private individuals here back to relatives and loved ones in developing countries.[1671] Also, positive economic development occurs from the nearly $100 billion in foreign investment U.S. businesses make in these countries.

The budget recommendations below for the Department of State and Foreign Operations would return spending to the levels of the average of the 2001-2010 decade and save nearly $190 billion over ten years. Funding for a number of smaller region-specific foundations and programs within the Department of State or USAID would be eliminated. Some of these programs would be able to meet their resource needs through private funding. Others could be consolidated and managed through existing organization structures at the Department of State or USAID.

Aid to Iraq, Afghanistan, and Pakistan is not cut under these proposals. The United States is still fully engaged with these countries and to cut their funding at this point in time would not be prudent. However, aid to these countries, especially Afghanistan, must be closely monitored given the history of corruption and poor results from our aid to that nation.

[1668] Gallup Poll, "Americans Oppose Cuts in Education, Social Security, Defense," January 26, 2011, http://www.gallup.com/poll/145790/americans-oppose-cuts-education-social-security-defense.aspx.
[1669] CNN Poll, "Reality Check: What we really know about the budget," March 31, 2011, http://www.cnn.com/2011/POLITICS/03/31/gallery.reality.budget/index.html.
[1670] CRS R41905, "State, Foreign Operations, and Related Programs: FY2012 Budget and Appropriations," July 7, 2011.
[1671] Adelman, Carol, "Global Philanthropy and Remittances: Reinventing Foreign Aid," Hudson Institute, 2009, http://www.hudson.org/files/documents/BJWA_15%202_Adelman.pdf.

Operating Expenses

Diplomatic and Consular Operations - $22.75 billion

The National Commission on Fiscal Responsibility and Reform presented an option to reduce the overhead cost of diplomatic operations that would save around $13 billion over the next ten years.[1672] The Commission's option represents around a 10 percent cut to those operations and returns them to a 2010 level of funding. This recommendation doubles that, to roughly 20 percent. The Commission presented reasonable options for the Department of State to consider, such as re-examining the need for Washington D.C. pay for Foreign Service Officers serving overseas.[1673]

Beginning in 2009, Congress started paying Foreign Service Officers additional money in the form of locality pay when they were stationed overseas. The purpose of locality pay is to equalize government salaries with salaries earned by private-sector workers in comparable geographic regions here in the United States. Foreign Service Officers who work overseas are provided with foreign cost-of-living adjustments based on the expenses in the nation they are stationed, subsidized housing, and hardship and danger pay for working overseas, if applicable. Other options include revising the expensive 'one size fits all' strategy for building consulates and embassies.[1674]

USAID Operating Expenses - $6 billion

For Fiscal Year 2012, President Obama requested $1.5 billion for the United States Agency for International Development (USAID) for operating expenses.[1675] This is a massive increase from their operating expenses from just 2009, where they were able to manage their mission with $1 billion in operating expenses.[1676] Congress should return operating expenses back to their 2009 levels - $1 billion per year - which is appropriate if other options are adopted to reduce funding, grants, loans and other programs to lower priority countries.

Educational and Cultural Exchange Programs - $5.3 billion

This recommendation would significantly reduce funding for the State Department's Educational and Cultural Exchange programs, which fund a range of worthwhile activities such as Fulbright Academic Exchanges. However, the Bureau of Educational and Cultural Affairs also pays for

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[1672] "$200 Billion in Illustrative Savings: Option 14," National Commission on Fiscal Responsibility and Reform, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.
[1673] "$200 Billion in Illustrative Savings: Option 14," National Commission on Fiscal Responsibility and Reform, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.
[1674] "$200 Billion in Illustrative Savings: Option 14," National Commission on Fiscal Responsibility and Reform, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.
[1675] United States Agency for International Development, "Congressional Budget Justification: Volume 2, Fiscal Year 2012," http://www.usaid.gov/performance/cbj/158267.pdf.
[1676] United States Agency for International Development, "Congressional Budget Justification: Volume 2, Fiscal Year 2011," page 1, http://www.state.gov/documents/organization/137936.pdf.

other programs which may be less of a priority for our nation given our current fiscal situation. Examples of potential lower priority programs funded in the past include:

- Funding for Summer Institutes for European Student Leaders. This funding allows high school and college students from Denmark, France, Germany, and the United Kingdom to come at U.S. taxpayer expense to the U.S. to learn about civic activism and environmental leadership at American colleges.[1677]
- Funding for the U.S. Presentation at the 54th International Art Exhibition, Venice, Italy. This was to fund a taxpayer-funded trip for the winning American artist and his or her work to travel to Venice, Italy to exhibit.[1678]
- Separate funding for the U.S. Presentation at the 13th International Architecture Exhibition, also in Venice. Similar to the Art Exhbition, this program provides $100,000 in taxpayer funds for a winning architect to travel to Venice.[1679]
- The American Music Abroad program for ten overseas tours of American music to include country and western, "urban music," rock and roll, and contemporary urban music.[1680]
- Using American film directors, writers and "anti-piracy experts" to teach other nations "expertise in the business and creative aspects of filmmaking, such as marketing and distribution, special effects, and computer animation."[1681]
- Bringing international authors and writers from around the world to Iowa to learn about creative writing in the United States.[1682]
- Funding for other countries to "enhance and improve the infrastructure of youth sports programs" overseas.[1683]

Voluntary Funding for the United Nations and the UN Tax Equalization Fund - $22.4 billion

The United States taxpayer is the single largest contributor to the United Nations. The U.S. currently gives over $6 billion a year to the U.N., with much of that contribution as 'voluntary.'[1684]

[1677]Grants.gov, "Summer Institutes for European Student Leaders," http://www.grants.gov/search/search.do?mode=VIEW&oppId=69033", accessed July 17, 2011.
[1678]Grants.gov, "Official U.S. Presentation at the 54th International Arts Exhibition, Venice, Italy," http://www.grants.gov/search/search.do;/?oppId=50653&mode=VIEW, accessed July 17, 2011.
[1679]Grants.gov, "Official U.S. Presentation at the 13th Annual International Architecture Exhibition, (2012), Venice, Italy," http://www.grants.gov/search/search.do;?oppId=64633&mode=VIEW, accessed July 17, 2011.
[1680] Federal Register, "Bureau of Educational and Cultural Affairs (ECA) Request for Grant Proposals," Feb. 1, 2008, http://edocket.access.gpo.gov/2008/E8-1749.htm, accessed July 17, 2011.
[1681] Department of State, "American Film Programs," http://exchanges.state.gov/cultural/american-film-program.html, accessed July 8, 2011.
[1682] Department of State, "International Writing Program, http://exchanges.state.gov/cultural/iwp.html, accessed July 8, 2011.
[1683] Department of State, "Sports Programs," http://exchanges.state.gov/sports/programs.html#visitors, accessed July 8, 2011,.
[1684] Department of State, "Report to Congress on U.S. Contributions to the United Nations System," February 2, 2010, http://www.state.gov/documents/organization/137490.pdf, accessed July 17, 2011.

Voluntary contributions finance special programs and offices created by the U.N. system, such as the United Nations Development Program (UNDP), the United Nations Environment Program (UNEP), the United Nations Children's Fund (UNICEF), and the U.N. Democracy Fund (UNDEF).

The United States' payments to these organizations are entirely optional; the United States is not legally obliged to contribute to these programs. This differs from the assessed contributions that the United States pays as part of its agreements as a member of that body and agreements to pay a portion of U.N. peacekeeping activities.

The United States contributes $4 billion in voluntary payments to the United Nations.[1685] This recommendation reduces the amount of U.S. government-wide voluntary contributions by $2 billion a year.

U.S. voluntary contributions are financed through the annual appropriations legislation, primarily through the State and Foreign Operations Appropriations bill. However, almost every department of the federal government contributes to the United Nations with either cash or in-kind contributions.[1686] For example the Department of the Interior contributed $40,000 in Fiscal Year 2008 for Marine Turtle Conservation. The United States also contributed $1.1 million for the United Nations Convention on Endangered Species.[1687] This $1 billion cap leaves plenty of room for the United States to give its past contributions to programs Congress and the administration deem truly important, such as UNICEF, the UNDP, and IAEA.

The Director of the Office of Management and Budget, in coordination with the National Security Council and the Secretary of State would be required to prioritize the voluntary contributions to the United Nations and determine which programs are the most important to American national interests.

This option would also eliminate the United Nations' Tax Equalization Fund. In general United Nations employees have always been exempt from taxes paid to them by the United Nations. The United States differs from most nations by taxing the employee salaries of U.S. citizens at the United Nations.

In order to alleviate this situation, the U.S. and the United Nations created a Tax Equalization Fund. Under this system, U.S. citizens who are U.N. employees pay federal income taxes on their wages, then are reimbursed for those taxes by the U.N. from a fund that the United States pays into with dues.

The description above does not describe the full complexity of the Tax Equalization Fund, which is so difficult to administer that the United Nations has received $179 million in excess

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[1685] Department of State, "Report to Congress on U.S. Contributions to the United Nations System," February 2, 2010, http://www.state.gov/documents/organization/137490.pdf, accessed July 17, 2011.
[1686] Department of State, "Report to Congress on U.S. Contributions to the United Nations System," February 2, 2010, http://www.state.gov/documents/organization/137490.pdf, accessed July 17, 2011.
[1687] Department of State, "Report to Congress on U.S. Contributions to the United Nations System," February 2, 2010, http://www.state.gov/documents/organization/137490.pdf, accessed July 17, 2011.

contributions to the Tax Equalization Fund from the United States, and does not know what to do with it.[1688]

The Tax Equalization Fund requires staff to compile the amounts each year, which vary based on different factors. The fund violates the principle of tax equity by taxing Americans at different rates for similar work. Diplomats and other Department of State employees who work with the United Nations in New York are required to pay their taxes without any reimbursement from the U.S. government.

There is currently a cumulative surplus of $179 million payable to the United States. This is a one-time payment. These funds could be applied to debt reduction as well as at least $5 million per year after the elimination of the program.

International Program Elimination and Consolidation

The Asia Foundation and the East-West Center - $465 Million

Congress should end federal funding for the Asia Foundation and the East-West Center. The U.S. taxpayer paid $19 million in Fiscal Year 2010 to The Asia Foundation, a non-profit organization founded in the 1960s to strengthen civil society in Asia.[1689] Programs the Asia Foundation funds sponsor exchanges for Americans to live and study in Asia, and a Congressional Fellowship Program.[1690] [1691] This program duplicates existing development programs funded by the State Department, USAID, and charity organizations. Eliminating federal funding would not eliminate The Asia Foundation, as it receives funding from private donors.

A similar candidate for elimination is the East-West Center (EWC) in Hawaii. It is a non-profit education and research organization founded in 1960 that promotes better relations and understanding between the United States, Asia and the Pacific.[1692] It brings Americans and individuals from the Asia Pacific region to the Center for policy-oriented study, training, and research.[1693] In 2008, the U.S. government provided over 70 percent of the EWC's funding.[1694]

[1688] Schaefer, Brett, "The U.N. Should Pay What It Owes the U.S. from Its Tax Equalization Fund," Heritage, November 8, 2010, http://www.heritage.org/research/reports/2010/11/the-un-should-pay-what-its-owes-the-us-from-its-tax-equalization-fund.

[1689] Public Law 111-117, http://www.gpo.gov/fdsys/pkg/PLAW-111publ117/pdf/PLAW-111publ117.pdf, accessed July 17, 2011.

[1690] The Asia Foundation website, "Exchanges," http://asiafoundation.org/program/overview/exchanges, accessed July 17, 2011.

[1691] The Asia Foundation website, "Congressional Fellows Program," http://asiafoundation.org/program/overview/congressional-fellows-program, accessed July 17, 2011.

[1692] East-West Center website, "About EWC," http://www.eastwestcenter.org/about-ewc/, accessed July 17, 2011.

[1693] East-West Center, "2010 Annual Report," http://www.eastwestcenter.org/fileadmin/resources/publications/PDF/annualreport2010-lowresolution.pdf, accessed July 17, 2011.

[1694] Office of Management and Budget, "Presidential Terminations, Reductions, and Savings, Budget of the U.S. Government, Fiscal Year 2010" http://www.gpoaccess.gov/usbudget/fy10/pdf/trs.pdf, accessed July 17, 2011.

President Obama listed the East-West Center in his proposals on budget savings.[1695] The East West Center duplicates existing cultural exchange programs at the State Department and also receives funding from outside sources such as private donations and charities.

International Clean Technology Fund - $3.3 billion

President Bush in 2008 proposed the creation of an International Clean Technology Fund to provide resources to China to help them develop their domestic clean energy research and development.[1696] Congress devoted $300 million taxpayer dollars for foreign clean-energy development in Fiscal Year 2010.[1697] This duplicates the mission of the Strategic Climate Fund (SCF), which is a U.S. taxpayer-funded program at the World Bank that develops renewable and clean energy for developing countries. Moreover, China is already enjoying profits from clean technology from its prominent position in two major markets of "clean technology" goods. China is a world leader in the manufacture of solar panels,[1698] and produces 90 percent of the current supply of "rare earth," a key element to the production of hybrid automotive batteries.[1699]

National Endowment for Democracy - $1.3 billion

The National Endowment for Democracy (NED) is funded at over $100 million annually.[1700] The nonprofit organization was created in the early 1980s to provide cash grants promoting democracy around the world through election monitoring and promoting civic involvement. Despite being a non-government organization, more than 99percent of the National Endowment for Democracy's funds come from the U.S. taxpayer.[1701]

This office duplicates the work of the State Department's Bureau of Democracy, Human Rights, and Labor. The Bureau's goals are "supporting and promoting democracy programs throughout the world," which it says it does by "supporting election monitoring and parliamentary development."[1702]

[1695] Office of Management and Budget, "Presidential Terminations, Reductions, and Savings, Budget of the U.S. Government, Fiscal Year 2010" http://www.gpoaccess.gov/usbudget/fy10/pdf/trs.pdf, accessed July 17, 2011.
[1696] White House Archives, "President Bush Delivers State of the Union Address," http://georgewbush-whitehouse.archives.gov/news/releases/2008/01/20080128-13.html, Jan. 28, 2008, accessed July 17, 2011.
[1697] CRS Report R41228, "State Foreign Operations, and Related Programs: FY2011 Budget and Appropriations," March 8, 2011.
[1698] Keith Bradsher, "China Racing Ahead of U.S. in the Drive to Go Solar," *New York Times*, Aug. 24, 2009, http://www.nytimes.com/2009/08/25/business/energy-environment/25solar.html, accessed July 15, 2011.
[1699] Jason Scott and Jennifer Freedman, "EU Says China Is Tightening Rare-Earth accessed Even as Quotas Increase," Bloomberg News, July 15, 2011, http://www.bloomberg.com/news/2011-07-14/china-almost-doubles-rare-earth-export-quota-in-second-half-after-wto-move.html, accessed July 15, 2011.
[1700] CRS Report R416890, "The FY2012 State and Foreign Operations Budget Request," March 9, 2011.
[1701] National Endowment for Democracy "2009 Independent Auditors' Report," http://www.ned.org/sites/default/files/AuditReport_09.pdf.
[1702] Bureau of Democracy, Human Rights, and Labor "Democracy," Department of State, http://www.state.gov/g/drl/democ/index.htm, accessed July 17, 2011.

End Foreign Aid for Countries that Own Billions in US Debt - $18.3 billion

The U.S. gave a total of $1.7 billion[1703] in foreign assistance in 2010 to countries holding at least $10 billion in U.S. Treasury securities.[1704] According to the Treasury Department, the largest holder of U.S. debt as of March is China, which holds $1.1 trillion Treasury bonds, and received $27.2 million in foreign aid in 2010.[1705]

Brazil held $193.5 billion in Treasury securities and received $25 million in U.S. foreign aid, while Russia had $127.8 billion and received $71.5 million, India held $39.8 billion and received $126.6 million from the U.S. [1706] [1707]

These countries' ability to invest billions in our debt is a strong indicator they do not require foreign aid from the United States. Congress should eliminate all foreign aid programs for countries that own more than $10 billion in U.S. treasury securities.

Consolidate Global Climate Change Funding - $15.4 billion

The State Department requested $1.4 billion in funding for the international programs to combat global climate change among the Departments of State, USAID, and the Department of the Treasury.[1708] [1709] This recommendation would eliminate all programs regarding global climate change through the Departments of State, Treasury and USAID and instead allow other nations to share in the knowledge about climate change from other federal agencies such as the National Oceanic and Atmospheric Administration (NOAA).

Consolidate Development Assistance with the Millennium Challenge Corporation - $17 billion

Development Assistance funds long-term projects for the improvement of developing countries[1710], similar to the Millennium Challenge Corporation (MCC). The Department of State

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[1703] This excludes foreign aid for Colombia and Mexico, which are primarily counter-narcotics programs that impact the United States.
[1704] Major Foreign Holders of Treasury Securities, http://www.treasury.gov/resource-center/data-chart-center/tic/Documents/mfh.txt, June 15, 2011, accessed July 17, 2011.
[1705] CRS Memorandum, "FY2010 U.S. Foreign Assistance to Major Holders of U.S. Treasury Securities," May 13, 2011, http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=8afef35c-cdd1-487c-9a30-5b83a16104e6, accessed July 17, 2011.
[1706] Major Foreign Holders of Treasury Securities, http://www.treasury.gov/resource-center/data-chart-center/tic/Documents/mfh.txt, June 15, 2011, accessed July 17, 2011.
[1707] CRS Memorandum, "FY2010 U.S. Foreign Assistance to Major Holders of U.S. Treasury Securities," May 13, 2011, http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=8afef35c-cdd1-487c-9a30-5b83a16104e6, accessed July 17, 2011.
[1708] Department of State, "Congressional Budget Justification Volume 2: Foreign Operations," Page 5, http://pdf.usaid.gov/pdf_docs/PCAAC013.pdf, accessed July 17, 2011.
[1709] CRS Report R41680, "The FY2012 State and Foreign Operations Budget Request," March 9, 2011.
[1710] Department of State, "Congressional Budget Justification Volume 2: Foreign Operations FY2012," Page 89, http://www.usaid.gov/performance/cbj/158267.pdf.

requested $2.9 billion for development assistance for Fiscal Year 2012. These funds include programs such as "Feed the Future," Global Climate Change funding, and basic education initiatives.

The State Department requested (separately) over $1 billion in funding for five-year long-term projects for countries committed to responsibly using this aid to improve their citizens' lives through the Millennium Challenge Corporation (MCC).[1711]

This recommendation would reduce Development Assistance by $1.55 billion and allow projects that would have been funded through Development Assistance to compete for funding through the Millennium Challenge Corporation (MCC). Funding for the MCC would not be reduced. Full funding within the Development Assistance budget would also remain for USAID's Feed the Future Initiative ($922.3 million) and the USAID FORWARD Initiative.[1712]

Consolidate Regional Development Organizations with the World Bank - $7.9 Billion

In addition to funding the World Bank, the United States also funds similar regional multilateral development banks that focus on certain areas of the world. The purposes are similar: loans and aid for infrastructure and other projects intended to grow the economies of the recipients.

This option would end U.S. funding for the listed regionally focused organizations and direct them to either consolidate with the World Bank, International Monetary Fund, or operate without U.S. funds. Extremely poor countries still would be able to apply for loans from the World Bank and International Monetary Fund.

- Inter-American Foundation
- Inter-American Development Bank
- Inter-American Investment Corporation
- Enterprise for the Americas Multilateral Investment Fund
- African Development Foundation
- African Development Bank
- Asian Development Fund
- Asian Development Bank
- International Fund for Agricultural Development

[1711] CRS Report R41680, "The FY2012 State and Foreign Operations Budget Request," March 9, 2011.
[1712] Global Climate Change is listed as both "Development Assistance" and "Global Climate Change" funding in the budget justification. The savings from eliminating Global Climate Change funding are not double-counted.

International Program Reductions

Reduce Economic Support Funding - $42 Billion

The President requested over $7 billion for Fiscal Year 2012 for the Economic Support Fund, one of the largest accounts for foreign aid.[1713]

This option would reduce our foreign aid by focusing it on the key nations of Afghanistan and Iraq as well as maintain funding for the Human Rights and Democracy Fund. All other programs would be funded through private donations and non-governmental organizations.

Reduce Funding by 20 Percent to the World Bank - $3 billion

The World Bank's purpose is to makes loans and grants to developing countries for projects that will improve their economies, alleviate poverty, and eventually create enough growth so that further assistance is not needed. However, one of the top recipients of lending from the World Bank is China. In 2010, China received over $4 billion in new loans from the World Bank.[1714] The cumulative lending to China from the World Bank has been $47 billion for 323 development projects.[1715] This is in spite of the fact that China is lending over $110 billion of its own money to developing nations during this same time period.[1716]

The Department of State requested over $1.3 billion for funds for the World Bank for Fiscal Year 2012, more than the $1.2 billion it provided in Fiscal Year 2010 and Fiscal Year 2011.[1717] This option would reduce that amount by 20 percent and freeze it at that level for the next ten years. This would still provide over a $1 billion per year to the World Bank and force the World Bank to re-examine its priorities on its need for lending.

Reduce Foreign Military Financing - $27 billion

The United States Foreign Military Financing program provides funding to other nations to purchase military equipment made the United States and its allies. These funds are intended to both help other nations defend themselves as well as promote joint and allied operations with the United States by providing similar and compatible military equipment for wartime use.[1718]

[1713] CRS Report R416890, "The FY2012 State and Foreign Operations Budget Request," March 9, 2011.
[1714] CRS Report R41170, "Multilateral Development Banks: Overview and Issues for Congress," March 7, 2011.
[1715] World Bank, "China Projects and Programs," June 30, 2010, http://www.worldbank.org/en/country/china/projects.
[1716] Dyer, Geoff and Anderlini, Jamil, "China's lending hits new heights," January 17, 2011, Financial Times, http://www.ft.com/cms/s/0/488c60f4-2281-11e0-b6a2-00144feab49a.html#axzz1S03C5Nfy.
[1717] CRS Report R416890, "The FY2012 State and Foreign Operations Budget Request," March 9, 2011.
[1718] Defense Security Cooperation Agency, "Foreign Military Financing Program," Department of Defense, http://www.dsca.osd.mil/home/foreign_military_financing%20_program.htm, accesseded July 17, 2011.

The Department of State requested $6.5 billion in funding for Fiscal Year 2012 for Foreign Military Financing in base and supplemental funding.[1719] This option would reduce this amount $3 billion per year for the next ten years and fund Foreign Military Financing for Israel, in accordance with the Memorandum of Understanding on U.S. Military Assistance signed during President Bush's administration. $2.75 billion of this funding will be used to purchase 20 F-35 fighter planes made in the United States.[1720]

DEPARTMENT OF STATE AND ADDITIONAL FOREIGN AID TEN YEAR SAVINGS
Discretionary: $192.12 billion
Total: $192.12 billion

[1719] United States Agency for International Development, "Congressional Budget Justification: Volume 2, Fiscal Year 2012," http://www.usaid.gov/performance/cbj/158267.pdf.
[1720] CRS Report RL33222, "U.S. Foreign Aid to Israel," Congressional Research Service, September 16, 2010.

DEPARTMENT OF TRANSPORTATION

The Department of Transportation (DOT) has existed since 1967 and is comprised primarily of the Federal Highway Administration (FHWA) and the Federal Aviation Administration (FAA), but also houses several other agencies focused on various aspects of America's transportation network. This Department is funded through various trust funds (which are financed through user fees) and direct federal appropriations. The majority of funding comes from user fees like the federal highway gas tax.

FHWA is primarily funded by federal gas taxes collected at gasoline pumps and deposited in the Highway Trust Fund (HTF) and FAA is primarily funded by an assortment of fees levied on airplane passengers and airplane users deposited in the Airport and Aviation Trust Fund (AATF).

Unfortunately, Congress has over the last decade managed to bankrupt both the HTF and the AATF as a result of reckless spending decisions that have dramatically increased the amount and the types of projects eligible for funds from these accounts. While most Americans would assume that FHWA only funds interstate transportation projects such as the Interstate Highway and regulates transportation industries, Congress and various Administrations have greatly expanded the scope and purpose of DOT. The current mission of DOT is not only to provide Americans with a national transportation system, but to provide a "fast," "accessible and convenient transportation system…"[1721]

Because of increasingly fragmented, wasteful and duplicative spending the Government Accountability Office (GAO) recently concluded that "Large increases in federal expenditures for transportation in recent years have not commensurately improved system performance."[1722] This mismanagement has resulted in a deteriorating state in infrastructure and increased our national debt and prompted GAO to include the HTF on its "High-Risk" list since 2007.

In 2010, DOT found that of the 604,413 bridges in the U.S., 156,276 (26 percent) were deficient. This includes 70,430 (12 percent) "structurally deficient" bridges and 85,846 (14 percent) "functionally obsolete" bridges.[1723] Structurally deficient bridges need to be monitored

[1721] United States Department of Transportation Website, "About DOT," http://www.dot.gov/about.html, accessed July 14, 2011.
[1722] GAO-11-3118SP, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue," Government Accountability Office, March 2011, http://www.gao.gov/new.items/d11318sp.pdf, accessed July 14, 2011.
[1723] "Conditions of U.S. Highway Bridges," Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics, National Transportation Statistics, 2008, Table 1-27, http://www.bts.gov/publications/national_transportation_statistics/html/table_01_27.html, accessed July 14, 2011.

and repaired often because of deterioration or damage.[1724] Functionally obsolete bridges do not have the dimensions to adequately serve traffic demand, or may not be able to handle occasional roadway flooding.[1725] More than one fourth of all bridges monitored by DOT are either structurally deficient or functionally obsolete.

The 2008 "Status of the Nation's Highways, Bridges, and Transit: Conditions and Performance" report[1726] estimated that the cost to fix all existing bridge deficiencies is $98.9 billion in 2008 dollars. The repair cost reflected in this figure would include those aimed at addressing structural deficiencies as well as some functional deficiencies (it does not include the cost of replacing existing bridges with wider bridges with additional through lanes).[1727] In 2004, DOT estimated an existing bridge investment backlog of $65.3 billion to fix all current bridge deficiencies.[1728]

According to the American Society of Civil Engineers, substandard road conditions are a significant factor in one third of car fatalities (or 13,700 deaths).[1729] Unacceptable road conditions affect personal and financial costs associated with travel, including vehicle operation and maintenance, traffic delays, and crashes.[1730] According to the most recent statistics, 33 percent of America's major roads are in poor or mediocre condition and 36 percent of the nation's major urban highways are congested.[1731] Poor road conditions cost U.S. motorists $67 billion a year in repairs and operating costs (or $333 per motorist) and car fatalities cost each Americans an additional $819 in medical and other costs.[1732] Americans also spend 4.2 billion hours a year stuck in traffic at a cost of $78.2 billion a year in wasted time and fuel costs ($710 per motorist).[1733]

Also, "FHWA Bridge Programs Mobility Measures," U.S. Department of Transportation Federal Highway Administration, http://www.fhwa.dot.gov/bridge/mobility.cfm, accessed July 14, 2011.

[1724] Federal Highway Administration Website, "Status of the Nation's Highways, Bridges, and Transit: 2004 Conditions and Performances," http://www.fhwa.dot.gov/policy/2004cpr/chap15c.htm, accessed July 14, 2011.

[1725] Research and Innovative Technology Administration Bureau of Transportation Statistics Website, "Structurally Deficient and Functionally Obsolete Bridges: All Roadways, 1992-2002," http://www.bts.gov/publications/transportation_statistics_annual_report/2004/html/chapter_02/figure_11_05.html, accessed July 14, 2011.

[1726] Federal Highway Administration Website, "2008 Status of the Nation's Highways, Bridges, and Transit: Conditions and Performance," http://www.fhwa.dot.gov/policy/2008cpr/, accessed July 14, 2011.

[1727] E-mail from Department of Transportation Congressional Liaison, July 8, 2011

[1728] CRS Report RL34127, "Highway Bridges: Conditions and the Federal/State Role," Congressional Research Service, August 10, 2007, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL34127&Source=search, accessed July 11, 2011.

[1729] American Society of Civil Engineers Website, "Roads," http://www.infrastructurereportcard.org/fact-sheet/roads, accessed July 14, 2011.

[1730] "2006 Status of the Nation's Highways, Bridges, and Transit: Conditions and Performance," Department of Transportation, 2006, http://www.fhwa.dot.gov/policy/2006cpr/pdfs/chap3.pdf, accessed July 14, 2011.

[1731] American Society of Civil Engineers Website, "Roads," http://www.infrastructurereportcard.org/fact-sheet/roads, accessed July 14, 2011.

[1732] TRIP National Transportation Research Group Website, "Key Facts About America's Surface Transportation System and Federal Funding," http://www.tripnet.org/Fact_Sheet_National.pdf, accessed July 14, 2011

[1733] American Society of Civil Engineers Website, "Roads," http://www.infrastructurereportcard.org/fact-sheet/roads, accessed July 14, 2011.

Unfortunately, our aviation infrastructure is also in need of significant upgrades. While air traffic is predicted to increase two to three times by 2025,[1734] the current Air Traffic Control (ATC) system is already overwhelmed with 50,000 flights every day[1735] and more than 700 million passengers every year.[1736] GAO estimates that one in every four flights is already delayed.[1737] In 2008, the Joint Economic Committee estimated that the costs of flight delays total $41 billion annually.[1738]

The Inspector General for the Department of Transportation has concluded the current system "will not be sufficient to meet the anticipated demand for air travel or significantly reduce delays at already congested airports."[1739] The current, radar-based air traffic control (ATC) system – which is less advanced than the global position satellite system (GPS) systems used by millions of Americans in their cars – needs to be updated. The Air Transport Association describes the current system as "relying on World War II-era radar and technologies."[1740] This system forces airplanes to rely on ground-based, instead of satellite-based navigation systems and on human-centric ATC instead of automated assisted air traffic management. Total costs for the necessary technological improvements are around $40 billion in public and private costs.[1741]

Since the last transportation authorization bill (SAFETEA-LU), Congress has committed funding amounts that are significantly greater than the amounts being collected for the HTF. While the trust fund had an excess of almost $11 billion in FY05 ($20 billion in FY00), it ran out by the end of FY08. As a result, Congress has bailed out the HTF three times since FY08 for a total of $35 billion.[1742] The Congressional Budget Office (CBO) estimates an annual shortfall in the HTF of $13 billion to $14 billion and that the HTF will have drained the last of the $35 billion in bailout funds by the summer of 2012.[1743]

[1734] "Business Case for the Next Generation Air Transportation System," Joint Planning Development Office, August 24, 2007, http://www.jpdo.gov/library/nextgen_business_case_ver_1.pdf, accessed July 14, 2011.
[1735] GAO Report: GAO-08-1154T, "Next Generation Air Transportation System: Status of Key Issues Associated with the Transition to NextGen," United States Government Accountability Office, September 11, 2008, http://www.gao.gov/new.items/d081154t.pdf, accessed July 14, 2011.
[1736] Inspector General Report: AV-2008-087, "Observations on Short-Term Capacity Initiatives," FAA Inspector General, September 26, 2008, http://www.oig.dot.gov/sites/dot/files/pdfdocs/WEB_FILE_Short_Term_Capacity_Initiatives_av-2008-087.pdf, accessed July 14, 2011.
[1737] GAO Report: GAO-08-1154T, "Next Generation Air Transportation System: Status of Key Issues Associated with the Transition to NextGen," United States Government Accountability Office, September 11, 2008, http://www.gao.gov/new.items/d081154t.pdf, accessed July 14, 2011.
[1738] Levin, Alan, "Flight Delays Cost Economy $41B in '07," *USA Today*, May 22, 2008, http://www.usatoday.com/travel/flights/delays/2008-05-22-travel-delays-billions_N.htm.
[1739] Scovel, Calvin, "Testimony before the House Committee on Science and Technology in a hearing titled "*The Next Generation Air Transportation System: Status and Issues*," FAA Inspector General, September 11, 2008, http://www.gpo.gov/fdsys/pkg/CHRG-110hhrg44270/html/CHRG-110hhrg44270.htm.
[1740] U.S. Travel Association Website, "Air Traffic Control Modernization," http://www.ustravel.org/government-affairs/domestic-policy-issues/air-traffic-control-modernization, accessed July 14, 2011.
[1741] GAO Report: GAO-11-358T, "Airport and Airway Trust Fund: Declining Balance Rises Concerns over Ability to Meet Future Demands," Government Accountability Office, February 3, 2011, http://www.gao.gov/new.items/d11358t.pdf, accessed July 14, 2011.
[1742] In 2008, Congress passed the first HTF bailout of $8.017 billion from the Treasury to the HTF (P.L. 110-318). In 2009, Congress passed another for $7 billion (H.R. 3357) and then a third one in 2010 (H.R. 2847) of $20 billion.
[1743] "The Highway Trust Fund and Paying for Highways," Congressional Budget Office, May 17, 2011, http://cbo.gov/ftpdocs/121xx/doc12173/05-17-HighwayFunding.pdf, accessed July 14, 2011.

A similar story applies to Congress' management of the AATF where Congress drained a balance of $7.35 billion in FY01 to a low of $300 million in FY09. In FY10, the AATF balance was about $770 million thanks to a General Fund Transfer of $1 billion and an overall increase of annual General Fund spending of $3.17 billion over the past two years.[1744]

Federal transportation spending should only go to critical national priorities that ensure the safety and operability of crucial interstate infrastructure. Purely intrastate and parochial initiatives should not be prioritized by the federal government, but by states and localities. Congress can also no longer afford to spend billions of federal transportation dollars on non-transportation priorities such as scenic beautification, air quality, bike path, ferryboat, transportation museum, and pedestrian walkway projects.[1745] DOT can also no longer afford to spend money on futuristic pie-in-the-sky projects such as high-speed rail when the state of our nation's bridges and roads is poor and our national debt is at record-high levels. Lastly, Congress must enable states to have greater freedom in spending the federal gasoline tax dollars collected in their states on state transportation priorities. Special interest provisions that drag out project costs and timelines must be either eliminated or dramatically reformed to further provide states with the ability to weather significant funding cuts in a down economy.

The goal of this plan is four-fold:

1. To reduce trust fund commitments to bring them into line with expected revenues and prohibit any future Congressional bailouts;
2. To eliminate any non-critical General Fund spending within DOT;
3. To eliminate or reform unfunded mandates and non-transportation-related requirements that increase transportation project costs and timelines; and
4. To enable states to opt-out out of the Federal-Aid highway program or Mass Transit Programs funded by HTF spending.

In FY10, DOT received total appropriations $76.86 billion, including $54.244 billion from trust funds and $21.877 billion from the Treasury. This plan would reduce and reform trust fund spending to increase the effectiveness of this spending and decrease spending from non-trust fund sources. In total, this plan reduces spending by $19.777 billion in FY12 and $192.228 billion over ten years. This includes a cut of $9.776 billion in FY12 for trust fund spending cuts and $10.002 billion in FY12 in General Fund spending cuts, and $109.716 billion over the next ten years in trust fund spending cuts and $82.513 billion in General Fund spending cuts over the next ten years.

[1744] GAO Report: GAO-11-358T, "Airport and Airway Trust Fund: Declining Balance Rises Concerns over Ability to Meet Future Demands," Government Accountability Office, February 3, 2011, http://www.gao.gov/new.items/d11358t.pdf, accessed July 14, 2011.

[1745] Coburn, Tom, "Out of Gas: Congress Raids the Highway Trust Fund for Pet Projects While Bridges and Roads Crumble," July 2009, http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=80b3458b-b6e2-470a-be24-bb82b93d10c2.

Department-Wide Reforms

In 2008 as part of the FY09 budget proposal, the Bush Administration proposed to rescind any highway and bridge earmark from the 1998 highway bill (TEA21) that had less than 10 percent of funds spent or obligated. This reform was estimated to save $626 million – including $389 million in 152 earmarks that had 0 percent of funding obligated a decade after passage. DOT Secretary Ray LaHood also endorsed the proposal to rescind these unused old earmarks.

A January a *USA Today* article further examined unspent, old earmarks and found:

- For at least 3,649 of those earmarks, not a single dollar had gone toward its intended purpose;
- Almost 1 in 3 highway dollars earmarked since 1991 — about $13 billion — remains unspent;
- Orphan earmarks count against a state's share of federal highway funds and have taken billions of dollars away from state transportation departments across the nation;
- During the past 20 years, orphan earmarks reduced the amount of money that states would have received in federal highway funding by about $7.5 billion;
- Some orphan earmarks are leftovers from long-completed projects, including 1991 earmarks "for various transportation improvements in connection with the 1996 Olympics."[1746]

The 112th Congress has endorsed variations of this proposal with the Senate agreeing to eliminating earmarks across all agencies that remain 90 percent or more unused nine years after being appropriated,[1747] and the President recently signed an appropriations bill that rescinded earmarks within the 1998-passed Transportation Equity Act for the 21st Century (Public Law 105-178) for which less than ten percent has been obligated.[1748] This budget recommends adopting the Senate-passed language and rescinding all federal earmarks nine years or older that have obligated ten percent or less of their federal commitments. Expected savings for DOT are at least $26 million in FY12[1749] and $260 million over ten years.

DOT also ends each fiscal year with billions of dollars in unobligated funds that are not earmarks. In 2009, the total amount of unobligated DOT funds was approximately $26 billion, but two years later, DOT has $58.663 billion in unobligated funds.[1750] These funds have yet to be assigned to any federal project. This budget recommends rescinding funds that have been unobligated for more than five years to reduce our deficit. This will ensure that any funds rescinded are low-priority, since if they were high priority, they would have been obligated within five years of being appropriated. According to DOT, there are least $830 million in

[1746] Podkul, Cezary and Kort, Gregory, "'Earmarks' to nowhere: States losing billions," *USA Today*, January 2011, http://abcnews.go.com/Politics/earmarks-states-losing-billions/story?id=12540712.
[1747] S.AMDT.64 to S. 223, 112th Congress.
[1748] P.L. 112-10, Section 2211.
[1749] E-mail from the Department of Transportation Budget Office to Senator Coburn's office, July 16, 2011.
[1750] "Balances of Budget Authority Budget of the U.S. Government, Fiscal Year 2012," Office of Management and Budget, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/balances.pdf.

unobligated funds ten years or older.[1751] Under Washington budget scoring rules, a rescission of $2 unobligated balances will yield a savings of $1. Consequently, expected savings are considerably more than $430 million in FY12 and over ten years.[1752]

Reduce Administrative Expenses for the Department

For fiscal year 2012, the Obama Administration has recommended reducing the administrative budget of DOT by $98 million. This would include reforms to travel and relocation, printing, supplies and materials, and service spending.[1753] Instituting these reforms is expected to save $98 million in FY12 and $1.074 billion over ten years.

Federal Aviation Administration (FAA)

FAA received almost $16 billion in FY10 appropriations ($15.992 billion). Within FAA, funding is broken into four different categories: Operations ($9.35 billion), Facilities & Equipment ($2.936 billion), Research, Engineering, & Development ($191 million), and Grants-in-Aid for Airports/Airport Improvement Program ($3.515 billion).[1754]

The Airport and Airway Trust Fund (AATF) finances most of FAA's budget and is funded primarily by passenger and international travel taxes.[1755] Unlike the Highway Trust Fund (HTF), most of the AATF is subject to Congressional appropriations, meaning Congress has to appropriate AATF spending before funds can be spent. The AATF typically finances about 80 percent of the FAA's total budget, including:

- All of the federal funding for capital improvements to the aviation system, including:
  - The Airport Improvement Program (AIP);
  - The Facilities and Equipment account; and
  - The Research, Engineering, and Development account;
- Most of the funds for FAA's operations account (Air Traffic Control and Safety Inspection), varying between 43 percent and 85 percent.
- All but $50 million of the Essential Air Service (EAS) program – even though it is administered by DOT, instead of FAA.

In FY10, the AATF balance was about $770 million according to the Government Accountability Office (GAO).[1756] However, this balance has declined from about $7.35 billion

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[1751] "Department of Transportation Unspent Grants Prior to FY2002," Department of Transportation Spreadsheet, July 16, 2011.
[1752] "Department of Transportation Unspent Grants Prior to FY2002," Department of Transportation Spreadsheet, July 16, 2011.
[1753] Office of Management and Budget, Executive Office of the President, Budget of the U.S. Government, "Fiscal Year 2012 Terminations, Reductions, and Savings," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf, accessed July 14, 2011.
[1754] E-mail response from the Federal Aviation Administration Congressional Liaison to Senator Coburn's office, July 8, 2011.
[1755] "Financing Federal Aviation Programs," Congressional Budget Office, May 7, 2009, http://cbo.gov/ftpdocs/101xx/doc10116/FAA_testimony.pdf.
[1756] GAO Report: GAO-11-358T, "Airport and Airway Trust Fund: Declining Balance Rises Concerns over Ability to Meet Future Demands," Government Accountability Office, February 3, 2011, http://www.gao.gov/new.items/d11358t.pdf, accessed July 14, 2011.

in FY01 to a low of $300 million in FY09. According to GAO, Congress has drained AATF by changing how future revenues are calculated in 2000. Funding levels are now based off of the revenue collections in the first quarter of the preceding year. In 9 of the past 10 years, forecasts have exceeded actual revenues to a total of over $9 billion.[1757] To make up for the potential shortfall, more General Fund Revenue has been used to supplement FAA appropriations (including a $1 billion injection in FY09). General Fund appropriations have increased by 138 percent over the last 10 years (including a $3.07 billion increase over just the past two years) while AATF appropriations have only increased by 2 percent.[1758] In FY10, 33 percent of FAA expenditures came from the General Fund ($5.35 billion), including 57 percent of the Operations budget.[1759]

In recent years, collections have totaled between $10 and 12 billion annually. Fluctuations have occurred as a result of economic conditions that either encourage or discourage air travel. In the last few years, revenues have gone from $12 billion in FY08 to $10.7 billion FY09, to just over $11 billion in FY10. Because of the change in revenue forecasts, Congress has consistently appropriated more money than is actually available, leading to more General Fund revenue spending and an increased national debt.[1760]

This plan recommends limiting appropriations of the AATF funds to 90 percent of expected revenues, ensuring somewhat of a buffer in case revenue projections are overly optimistic. This approach will reduce the need for General Fund Transfers and was endorsed earlier this year by the Senate Finance Committee and included in the Senate-passed FAA reauthorization bill (S. 223).

Increasing the Effectiveness of AIP Funding

While Congress and the FAA agree that significant technological and infrastructure improvements are necessary to upgrade our aviation system, Congress has failed to ensure funding is being prioritized for these "NextGen" developments. NextGen development has been identified as the necessary solution to capacity and safety concerns with the current Air Traffic Control (ATC) system for more than 10 years, but progress has been slow. In 2003, Congress created the Joint Planning and Development Office (JPDO) to implement a 20-year plan on how to adopt NextGen by 2025.[1761]

[1757] GAO Report: GAO-11-358T, "Airport and Airway Trust Fund: Declining Balance Rises Concerns over Ability to Meet Future Demands," Government Accountability Office, February 3, 2011, http://www.gao.gov/new.items/d11358t.pdf.

[1758] GAO Report: GAO-11-358T, "Airport and Airway Trust Fund: Declining Balance Rises Concerns over Ability to Meet Future Demands," Government Accountability Office, February 3, 2011, http://www.gao.gov/new.items/d11358t.pdf, accessed July 14, 2011.

[1759] E-mail from the Federal Aviation Administration Congressional Liaison to Senator Coburn's office, July 8, 2011.

[1760] GAO Report: GAO-08-1154T, "Next Generation Air Transportation System: Status of Key Issues Associated with the Transition to NextGen," United States Government Accountability Office, September 11, 2008, http://www.gao.gov/new.items/d081154t.pdf.

[1761] P.L. 108-176.

It is expected that completing this system will cost between $15 and $22 billion for the federal government and between $14 and $20 billion for the airplane industry[1762] yet Congress only appropriated $188 million for NextGen in 2008, $638 million in 2009, and $868 million in 2010. At the same time, Congress appropriated billions of dollars in parochial and low-priority projects. These projects further dilute the impact of available funds and drives up the overall cost of FAA programs.

Many of these low-priority projects are funded through the Airport Improvement Projects (AIP) grant program, which received over $3.5 billion in FY10. AIP grant funding is usually spent on projects that support aircraft operations such as runways, taxiways, aprons, noise abatement, land purchase, and safety or emergency equipment. All funds come from the AATF. While large airports receive AIP funding as well, small airports are more dependent on AIP grants than large or medium-sized airports. Unfortunately, funding has often been misspent on low-priority projects at small airports at the cost of critical technological improvements at larger airports that are struggling with congestion and aviation safety.

One significant reason for this is that AIP has an incredible federal cost-share of 95 percent for non-primary airports (airports that have less than 10,000 enplanements annually). This rate was recently increased from 90 percent,[1763] to 95 percent.[1764] The current rate is 20 percent higher than the same cost-share for other airports qualifying for AIP funding.[1765] This high federal cost-share has contributed to dozens of low-priority AIP projects that crowd out more important aviation projects and prohibit effective leveraging of valuable AIP funds.

Because of the small local commitment, small airports are encouraged to find projects to fund with valuable AIP grants. Often, this results in non-priority projects being funded:

- The Pellston Regional Airport in northern Michigan, which averaged 66 departing passengers a day in 2009, receiving $7.5 million from federal taxpayers to build a 34,500-square-foot, lodge-style building with three stone fireplaces, ticket counters with stone facade and exposed log beams decorating the business center, observation deck and lounge with picture windows. State and local costs totaled $900,000. Since the terminal opened in 2004, the number of departures has dropped 22 percent and the number of departing passengers has decreased by 32 percent.[1766]
- Kentucky's Williamsburg-Whitley County Airport receiving $11 million in federal money to build an airport with a 5,500-foot lighted runway, a Colonial-style terminal with white columns, and hundreds of acres for growth, even though it does not have any airline passengers and is used only by private airplanes. On a typical day, the airport has just two or three flights.[1767]

[1762] GAO Report: GAO-08-1154T, "Next Generation Air Transportation System: Status of Key Issues Associated with the Transition to NextGen," United States Government Accountability Office, September 11, 2008, http://www.gao.gov/new.items/d081154t.pdf, accessed July 14, 2011.
[1763] (49 USC 47109(a)).
[1764] P.L. 108-176.
[1765] (49 USC 47109).
[1766] Frank, Thomas, "72-passenger-a-day airport gets $7.5M for terminal," December 14, 2009, *USA TODAY*, http://www.usatoday.com/travel/flights/2009-12-13-airports-side_N.htm.
[1767] Frank, Thomas, "Feds keep little-used airports in business," September 17, 2009, *USA TODAY*, http://www.usatoday.com/travel/flights/2009-09-17-little-used-airports_N.htm.

- A general aviation airport with 46 planes on 45-acres in Delaware getting a new 4,200-foot runway built. This project was funded through a $909,806 American Recovery and Reinvestment Act (aka, federal "stimulus" program) grant – an award that was promptly criticized by the DOT IG for its questionable economic merit. Since 2001, the state [has] collected about $13.7 million in AIP grants for the runway construction project. Another $6 million is expected to complete this project by 2015. The stimulus award was part of $1.1 billion in the bill designated for AIP projects. Barely two weeks after the grant was awarded, the IG singled out the Delaware Airpark grant as one of six that didn't meet the FAA's threshold for establishing the highest priority projects for stimulus grants. "We found no evidence in FAA's project justification documents that Agency officials considered the long-term economic merits…" the report, as recounted by *The New Journal*, states.[1768]
- Halliburton Field Airport in Duncan, OK, getting $700,000 for a terminal with a pilot room and a reception room. The airport, open only to private planes, has 24 landings and takeoffs a day, mostly local pilots in piston-engine planes.[1769]
- Idaho's Pocatello Regional Airport spending $7 million of its $18 million in federal funds on low-priority projects since 1998. That includes $1.6 million in 2006-07 to renovate the deteriorating parking lot that is free of charge."[1770]
- Lake Cumberland Regional Airport in Kentucky getting $3.5 million to build a glass-fronted terminal in 2004 when the airport had no passenger flights. This has handled about 80 takeoffs and landings a day of private planes, FAA figures show, until June of 2009 when Locair began flights to three destinations, including Washington.[1771]
- $100 million being spent in earmarked AIP funds for 11 small airports where one of the two major cargo carriers (UPS or FedEx) has a large operation with daily flights. The funds have paid to expand or upgrade runways and taxiways to handle the large jets flown by FedEx and UPS. Over a nine-year period, Texans in Congress have steered $26 million to lengthen two runways at Fort Worth Alliance Airport to 11,000 feet from their current spans of 9,600 feet and 8,220 feet. FedEx is the only carrier that uses the runways on a regular basis.[1772]
- Montana's Great Falls International Airport receiving $7.5 million in earmarked funds from 2001 to 2005 to install for FedEx a system that lets planes take off and land in low visibility.
- Louisville's International Airport receiving $11.2 million in earmarks since 2002 to expand a runway and build a taxiway to handle wide-body jets that UPS was planning to

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[1768] Eder, Andrew, "Airpark's federal grant afloat in jet stream of controversy: Economic merit of runway project debated," *The News Journal*, January 5, 2010, http://www.delawareonline.com/article/20100105/NEWS/1050335/Airpark-s-federal-grant-afloat-in-jet-stream-of-controversy.

[1769] Frank, Thomas, "72-passenger-a-day airport gets $7.5M for terminal," December 14, 2009, *USA TODAY*, http://www.usatoday.com/travel/flights/2009-12-13-airports-side_N.htm.

[1770] Frank, Thomas, "72-passenger-a-day airport gets $7.5M for terminal," December 14, 2009, *USA TODAY*, http://www.usatoday.com/travel/flights/2009-12-13-airports-side_N.htm.

[1771] Frank, Thomas, "Airports get $1.1B for pet projects," *USA Today*, November 2, 2009, http://www.usatoday.com/NEWS/usaedition/2009-11-02-1Aearmark02_ST_U.htm?csp=34.

[1772] Frank, Thomas, "UPS, FedEx reap the benefits of airports' pet projects," November 2, 2009, *USA TODAY*, http://www.usatoday.com/news/washington/2009-11-01-earmarks-side_N.htm?loc=interstitialskip.

fly to Europe and Asia. Even though UPS canceled its plan in 2007 to buy wide-body jets, the airport is finishing the work to handle them.[1773]

- Statesville Regional airport in North Carolina getting $6.5 million in earmarks from 2003 to 2008 to extend its runway to accommodate Lowe's five corporate jets based at the airport.[1774]

When even the former Transportation Committee Chairmen in the House of Representatives, who co-sponsored the bill to increase the federal cost-share, concludes that the current cost-share is "too high,"[1775] Congress should take note. The high federal cost-share led the appropriation of millions in wasteful projects in the eyes of everyone, including many of the airport managers that benefitted from them. The Pocatello airport manager concluded when asked about using AIP funds to repave a parking lot, "A parking lot is probably the lowest-priority project eligible, even below the terminal. The fact that we did not have other projects that were essential at that time made it a good use of those funds." Idaho's Pellston airport manager defended the decadent terminal project for his small airport by claiming: "It's every airport's job to get as much as it can for itself."[1776]

This plan recommends increasing the local cost-share over three years – from 95 percent to 85 percent in FY12, 80 percent in FY13, and 75 percent in FY14, giving airport managers and communities greater flexibility in meeting their construction needs while making the cost-share consistent for all airports.

Further leveraging these funds will not only increase the number of projects that can be funded, but increase the effectiveness of AIP nationally. It will also enable the AIP program to effectively weather a budget-recommended decrease in the AIP program of $1 billion annually. President Obama has also recommended reducing $1 billion in AIP funds in his budget for FY12.[1777] This $1 billion decrease will be applied to General Fund FAA appropriations and result in $10.958 billion in savings over the next decade.

Another reason for waste within AIP is that many of these projects were earmarks. According to a review by the Department's Inspector General, "many earmarked projects considered by the agencies as low priority are being funded over higher priority, non-earmarked projects."[1778]

[1773] Frank, Thomas, "UPS, FedEx reap the benefits of airports' pet projects," November 2, 2009, *USA TODAY*, http://www.usatoday.com/news/washington/2009-11-01-earmarks-side_N.htm?loc=interstitialskip.

[1774] Frank, Thomas, "Airports get $1.1B for pet projects," *USA Today*, November 2, 2009, http://www.usatoday.com/NEWS/usaedition/2009-11-02-1Aearmark02_ST_U.htm?csp=34.

[1775] Frank, Thomas, "Feds keep little-used airports in business," September 17, 2009, *USA TODAY*, http://www.usatoday.com/travel/flights/2009-09-17-little-used-airports_N.htm.

[1776] Frank, Thomas, "72-passenger-a-day airport gets $7.5M for terminal," December 14, 2009, *USA TODAY*, http://www.usatoday.com/travel/flights/2009-12-13-airports-side_N.htm.

[1777] Executive Office of the President of the United States, Budget of the U.S. Government, "Fiscal Year 2012 Terminations, Reductions and Savings," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf.

[1778] Inspector General Report Number: AV-2007-066, "Review of Congressional Earmarks Within Department of Transportation Programs," Department of Transportation Inspector General, September 7, 2007, http://www.oig.dot.gov/sites/dot/files/pdfdocs/Congressial_Earmarks-_AV-2007-66----508_Compliant.pdf.

In fact, 99 percent of reviewed earmarks (which totaled over $400 million) were not subject to the FAA's authority review. For AIP earmarks, 42 percent of the earmarks sampled would never have been even considered for funding by the FAA. A candidate for an AIP grant would be part of the national Airport Capital Improvement Plan (ACIP), which is formulated by FAA in cooperation with states, planning agencies, and airport sponsors. In all cases, the planning process culminates in a list of priority projects to be funded within a given time frame." 53 of the 125 earmarked AIP projects would not have even been considered for funding.[1779] This plan recommends maintaining the earmark prohibition.

Lastly, Congress must also amend AIP award criteria to ensure the most important national aviation projects are funded with federal funds. According to *USA Today,* there are 2,834 airports nationwide with no scheduled passenger flights. In comparison, there are 139 well-known commercial airports that handle almost all passenger flights. AIP has been used by Congress to direct $15 billion to general-aviation airports.

- Half of the airports are within 20 miles of another private-aviation airport.
- The funding for such airports soared from $470 million in 1999 to $1 billion in 2007, even as private flying declined by 19 percent during that period and commercial air traffic congestion became a major problem and federal funding for the necessary technology is lacking. In 2009, small airports received $1.2 billion.
- General-aviation airports are vastly underused. A USA Today analysis of aviation plans in seven states indicates that more than half of their 312 general-aviation airports operate at less than 10 percent capacity. Nearly 90 percent operate at less than one-third of their capacity, well below the rates of larger airports that serve commercial passengers.
- Three-quarters of general-aviation airports lose money every year and stay solvent only with cash from local taxpayers.
- Nearly 2,400 airports have received $10 billion combined in federal dollars while handling fewer than 80 flights a day, according to FAA flight estimates. Most of the flights carry only a few people. Chicago's O'Hare International Airport handles that many flights in a half-hour.
- Only 2 percent to 3 percent of general-aviation airports charge planes to land.
- FAA records show that 66 percent of the nation's private airplanes are flown primarily for "personal/recreational" use. An additional 6 percent are used for flight instruction. Just 16 percent are flown primarily for business purposes.[1780]

Improving the criteria must also result in prohibiting FAA from making AIP grant awards on anything besides the criteria. In 2009, years later while reviewing stimulus FAA grants, the IG concluded that at least $272 million in grants were awarded by the Federal Aviation Administration (FAA) to airports that were rated as a low priority, calling into question why the

[1779] Inspector General Report Number: AV-2007-066, "Review of Congressional Earmarks Within Department of Transportation Programs," Department of Transportation Inspector General, September 7, 2007, http://www.oig.dot.gov/sites/dot/files/pdfdocs/Congressial_Earmarks-_AV-2007-66----508_Compliant.pdf.
[1780] Frank, Thomas, "Feds keep little-used airports in business," September 17, 2009, *USA TODAY*, http://www.usatoday.com/travel/flights/2009-09-17-little-used-airports_N.htm.

awards were made.[1781] This IG report found that AIP funds were awarded for total airport replacements when there were other nearby airports and transportation options and that AIP funds were also awarded to airports with prior grant management problems. The FAA defended these awards to projects that did not meet the threshold criteria by claiming "Just because something came in under [the threshold] doesn't mean it's disqualified."[1782]

This plan recommends including criteria for AIP projects that require project applicants to set forth in their applications how their projects will address capacity, congestion, navigation, and safety problems or facilitate NextGen development at airports, and recommends requiring the FAA to use these criteria to prioritize AIP grants.

Congress should not be prioritizing over 2,000 airports with little to no commercial passengers each year over projects for critical national aviation improvements. These three reforms help turn a program that has been used to fund billions of dollars in questionable and low-priority funding into a program that advances a national and secure aviation network. Total savings resulting from these reforms are $10.958 billion over the next decade.

Essential Air Service

Following deregulation of the airline industry in 1978, the Essential Air Service (EAS) program was created to give commercial airports not immediately supported by the market up to ten years to transition to a free-market system. This "temporary" program, like so many other federal programs, has morphed into a permanent $200 million subsidy program that utilizes a dozen airline carriers in over 150 communities.

The effectiveness of this program as anything other than enabling commercial airports to remain afloat is questionable, since the goal of the program was to help airports transition away from federal subsidies for air carrier service. The Government Accountability Office found in 2009 that subsidies continue to increase even as low-cost carriers have increased air service "raise concerns about whether the program can continue to operate as it has."[1783] In the same report, GAO also found that these low-cost flights at non-subsidized airports are often more convenient and cheaper than EAS flights.

According to recent FAA data, taxpayers subsidize air service at 37 EAS airport communities within the continental U.S. airport that are less than 100 miles from other commercial airports at $53 million each year. One such example is in Macon (GA), 80 miles from one of the largest airports in the country – Atlanta's Hartsfield-Jackson International Airport. The 35-minute flight to Macon costs passengers just $39 per seat, but taxpayers are left with a $464 bill. Even when

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[1781] Inspector General Advisory No. AA-2009-003, "ARRA Advisory – FAA's Process for Awarding ARRA Airport Improvement Program Grants," Department of Transportation Inspector General, August 6, 2009, http://www.oig.dot.gov/sites/dot/files/pdfdocs/Final_ARRA_Advisory_AIP_(3).pdf.

[1782] Conkey, Christopher, "FAA Stimulus Recipients Got Low Priority Ratings," *Wall Street Journal*, October 7, 2009, http://online.wsj.com/article/SB125488410700569995.html.

[1783] GAO-09-753, "National Transportation System, Options and Analytical Tools to Strengthen DOT's Approach to Supporting Communities' Access to the System," Government Accountability Office, July 2009, http://www.gao.gov/new.items/d09753.pdf, accessed July 14, 2011.

there are no passengers, the flights continue. What's even more outrageous is that a similar flight is heavily subsidized just 70 miles from Atlanta's airport in Athens as well. Taxpayers there pay "only" $135 per passenger.[1784]

Additionally, according to recent FAA data, taxpayers subsidize air service at 25 airports (not including airports in Alaska) that have less than 10 passengers a day at $34 million annually.[1785] The argument behind EAS is that small communities needed help subsidizing commercial air service because before deregulation, such service was commonly used. However, when airports are averaging fewer than 10 passengers a day, the question is whether or not there is any need for commercial service in the first place.

With the increase in low-cost flights at regular commercial airports and the growth of these airports, taxpayers should not be expected to subsidize air service indefinitely, especially in communities that are close to other airports and barely have any passengers. With the exception of EAS communities in Alaska, which face significant transportation constraints, this plan recommends phasing out the entire EAS program over five years, but, initially, only eliminates EAS airports within 100 miles of any non-EAS commercial airport or with less than 10 passengers a day immediately. This reform phase-in will allow states and communities receiving EAS subsidies to determine whether or not impacted air communities are worthy of state and local funding. The Congressional Budget Office has also recommended that Congress consider eliminating EAS in its budget options.[1786] Savings would be $78 million in FY12 and $1.677 billion over ten years.[1787] This includes $548 million in General Fund savings and $1.129 billion AATF savings.

Small Community Air Service Development Program (SCASDP)

The Small Community Air Service Development Program (SCASDP) program was created in 2000 to help underserviced small community airports enhance their commercial air service with temporary help.[1788] SCASDP grants go to communities that desire more air carrier service or lower air fares and are mainly used as marketing enhancement for existing airlines, revenue guarantees to attract new commercial routes that would otherwise be unsustainable or a combination of both. Since 2002, there have been 256 grants awarded for over $117 million. EAS communities are also eligible for these subsidies.[1789]

[1784] "Tax Dollars Wasted on Empty Airline Flights," October 29, 2010, WSBTV.com (Atlanta), http://www.wsbtv.com/news/25567372/detail.html.
[1785] Calculations based off of spreadsheets supplied by Department of Transportation Congressional Affairs, July 8, 2011.
[1786] "Budget Options Volume 2" Congressional Budget Office, August 2009, http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf.
[1787] Calculations based off of spreadsheets supplied by Department of Transportation Congressional Affairs, July 8, 2011.
[1788] Department of Transportation Office of Aviation Analysis (website), "Small Community Air Service Development Program," http://ostpxweb.dot.gov/aviation/X-50%20Role_files/smallcommunity.htm#Use, accessed July 14, 2011.
[1789] "Subsidized Essential Air Service Outside of Alaska," Department of Transportation EAS and Domestic Analysis Division, January 1, 2010, http://ostpxweb.dot.gov/aviation/x-50%20role_files/NonAlaska010110.pdf.

The Department of Transportation's Inspector General found a 70 percent failure rate for SDASDP grants awarded from 2001-2003, stating "Most Projects Failed to Fully Achieve Their Objectives" and 62.5 percent of all grants did not accomplish any of their objectives.[1790] Wasteful examples of projects include:

- Tunica Municipal Airport, located ***39 miles*** from Memphis International Airport, received funds to establish its first scheduled commercial service route to Atlanta.[1791] Tunica, MS, a small gambling community, received the grant based on a cost sharing arrangement with local casinos, partnering tax payer dollars with gambling revenue to subsidize potential gamblers' travels that do not want to make the short drive from the major airport in Memphis. The SCASDP funded route ended with the expiration of the revenue guarantees.[1792]
- Rockford-Chicago Airport, located ***72 miles*** from Chicago O'Hare (the third busiest airport in the world) received a grant in 2009 to establish new service to a priority business destination, despite having received a SCASDP grant in 2005 to accomplish the same goal. The previous grant failed to make the Chicago-Rockford to Denver route sustainable without revenue guarantees. A spokeswoman at the airport referred to the federal grant money as a "risk-free trial."[1793]
- Palmdale Regional Airport, located ***73 miles*** from Los Angeles International airport (the 7th busiest airport in the world) was a 2006 SCASDP recipient of a grant to establish its first commercial route from the airport to San Francisco through revenue guarantees.[1794] United Airlines discontinued the new route the day after the grant funds expired.[1795]
- Two primary airports in Knoxville, TN and Huntsville, AL, with more than 1.35 million enplanements combined in 2009, used SCASDP grants for revenue guarantees to establish new commercial service routes. McGhee-Tyson Airport in Knoxville used the funds to attain air service to the vacation destination of Myrtle Beach, SC, and Huntsville International Airport used its grant to establish a new route to Baltimore/Washington International even though it already had unsubsidized service to the two other Washington, D.C. area airports.[1796]
- Dothan Regional Airport, located within ***120 miles*** of six airports with better service and more competitive rates, received a SCASDP grant for the second time in 2010. The previous attempt in 2002 failed to sustain commercial airline service despite being tagged

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[1790] Report Number: CR- 2008-051, "The Small Community Air Service Development Program," Department of Transportation, May 13, 2008, http://ostpxweb.dot.gov/aviation/X-50%20Role_files/OIG_Report_May_2008.pdf.
[1791] Docket Number: OST-2009-0149, "Mississippi Tunica Airport Proposal," Department of Transportation Office of Aviation Analysis, August 28, 2009, http://www.regulations.gov/#!documentDetail;D=DOT-OST-2009-0149-0039.
[1792] Tunica Airport (website), "Flight Schedule," http://www.tunicaairport.com/flight-information/flight-schedule, accessed July 14, 2011.
[1793] Bona, Thomas V, "RFD gets $500,000 grant to attract more passengers," *Rockford Register Star*, February 12, 2010, http://www.rrstar.com/carousel/x1025060394/RFD-gets-500K-grant-to-attract-more-fliers.
[1794] "Los Angeles World Airports, City of Palmdale Request Airline Proposals for Commercial Air Service at Palmdale Regional Airport," *Market Wire*, November 20, 2006, http://www.redorbit.com/news/business/738703/los_angeles_world_airports_city_of_palmdale_request_airline_proposals/index.html.
[1795] Weikel, Dan, "Officials seek to boost regional airports," *Los Angeles Times*, November 18, 2008, http://articles.latimes.com/2008/nov/18/local/me-regional18.
[1796] Clines, Keith, "Huntsville International Airport receives $1 million federal grant to woo low-fare carrier," *The Huntsville Times*, February 19, 2010, http://blog.al.com/breaking/2010/02/huntsville_international_airpo_3.html.

with the special Air Zone Development designee. This tag constitutes direct help from the Secretary of Transportation along with additional assistance from the Department of Commerce to attract business and improve land development in the designated area.[1797]

- An SCASDP grant was used by a Port Angeles, WA airport to hire a marketing advisor, whose strategy was to put the airport on the approved General Services Administration Airports so that government workers assigned to a local federal project could be reimbursed to fly there. This federal grant essentially paid $360,000 for an employee to find a way to use government money to reimburse government workers so they can fly to a more conveniently located airport to work on a government funded project.[1798]

For the third year in a row, the president's budget proposal did not request any funding for the Small Community Air Service Development Program.[1799] This plan similarly recommends eliminating this wasteful program with a 70 percent failure rate. Expected savings from this reform are $7 million annually and $76.7 million over ten years.

Conclusion

With a compelling need for substantial investment in and oversight of NextGen technology improvements that are estimated to cost in the range of $40 billion[1800] and with an all-time high debt of more than $14 trillion, Congress cannot afford to waste limited federal funds and Congressional attention on parochial and wasteful projects. The goal for Congress should be to ensure a strong and secure federal aviation network – not to use aviation funds for economic development in communities.

This plan reduces FAA spending by $1.085 billion in FY12 and by $12.712 billion over ten years.

Federal Highway Administration

The Federal Highway Administration (FHWA) administers the Federal-Aid Highway Program – the program that funds interstate highway construction. This agency administers the majority of DOT funding with an FY10 appropriation of $42.789 billion. Almost all of this funding comes from highway user fees also known as federal gasoline taxes ($41.846 billion). These user fees are deposited in the Highway Trust Fund (HTF) and appropriated by Congress.

[1797] Docket: DOT-OST-2009-0149, "Dothan Regional Airport," U.S. Department of Transportation, August 28, 2009, http://www.regulations.gov/#!documentDetail;D=DOT-OST-2009-0149-0007.

[1798] Dickerson, Paige "Kenmore Air eyes setting up Expedia, Travelocity links," *Peninsula Daily News*, August 9, 2010, http://www.peninsuladailynews.com/article/20100810/NEWS/308109993/kenmore-air-eyes-setting-up-expedia-travelocity-links.

[1799] "Fiscal Year 2012 Budget of the U.S. Government Appendix," Office of Management and Budget, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/appendix.pdf, (page 890).

[1800] GAO Report: GAO-08-1154T, "Next Generation Air Transportation System: Status of Key Issues Associated with the Transition to NextGen," United States Government Accountability Office, September 11, 2008, http://www.gao.gov/new.items/d081154t.pdf, accessed July 14, 2011.

The HTF is supposed to fund surface transportation and is split into the highway account and the mass transit account. The primary revenue sources (about 90 percent) for these accounts are the 18.4 cent per gallon tax on gasoline and a 24.4 cent per gallon tax on diesel fuel. The transit account receives 2.86 cents per gallon of fuel taxes, and there is also a 0.1 cent per gallon fuel tax reserved for the leaking underground storage tank (LUST) fund.

According to the Congressional Research Service, "The Highway Revenue Act of 1956 established the federal Highway Trust Fund for the direct purpose of funding the construction of an interstate highway system, and aiding in the finance of primary, secondary, and urban routes."[1801] However, "the federal role in surface transportation has expanded to include broader goals and more programs."[1802] In 1983, Congress divided the HTF into the Highway Account and the Mass Transit Account, and in subsequent highway reauthorization bills in 1991, 1998, and 2005 Congress added a variety of non-highway projects as well.

Unfortunately, increasing the type of projects that are eligible for HTF funding has helped bankrupt the HTF. Additionally, the last transportation reauthorization bill (SAFETEA-LU) purposefully sought to deplete almost the entire HTF surplus (expected outlays exceeded expected revenue by $10.4 billion over the five-year authorization – leaving only an expected $0.4 billion out of the $10.8 billion surplus). As Government Accountability Office (GAO) puts it:

> "This left little room for error… A revenue shortfall of even 1 percent below what SAFETEA-LU had predicted over the 5-year period would result in a cash shortfall in the account balance."[1803]

While the FY10 appropriation was almost $43 billion, the Congressional Budget Office (CBO) estimates that actual HTF revenues were around $30 billion, meaning that Congress has enabled an annual deficit in HTF spending of $13 billion or more than 40 percent. CBO estimates that under the current circumstances the HTF will be drained by the summer of 2012.[1804]

This is all the more remarkable because Congress has not only drained $11 billion in previous HTF reserves since FY2005 (and $20 billion since FY2000), but also $35 billion in Congressional bailout funds.[1805] This $35 billion was immediately added to our national debt and will never be paid back from HTF payments. Congress never bailed out the HTF in its history until 2008. Since then, it has bailed out the HTF twice more. This means that in less than three years, Congress has already transferred $35 billion to the HTF without changing spending transportation spending levels.

[1801] CRS Report: RL30304, "The Federal Excise Tax on Gasoline and the Highway Trust Fund: A Short History, Congressional Research Service," April 4, 2006.
[1802] GAO-08-400, "Surface Transportation: Restructured Federal Approach Needed for More Focused, Performance-Based, and Sustainable Programs," Government Accountability Office, March, 2008, http://www.gao.gov/new.items/d08400.pdf, accessed July 14, 2011.
[1803] GAO-09-845T, "Highway Trust Fund: Options for Improving Sustainability and Mechanisms to Manage Solvency," Government Accountability Office, June 25, 2009, http://www.gao.gov/new.items/d09845t.pdf.
[1804] "The Highway Trust Fund and Paying for Highways," Congressional Budget Office, May 17, 2011, http://cbo.gov/ftpdocs/121xx/doc12173/05-17-HighwayFunding.pdf.
[1805] In 2008, Congress passed the first HTF bailout of $8.017 billion from the Treasury to the HTF (P.L. 110-318). In 2009, Congress passed another for $7 billion (H.R. 3357) and then a third one in 2010 (H.R. 2847) of $20 billion.

Despite this record funding, GAO found that "large increases in federal expenditures for transportation in recent years have not commensurately improved system performance."[1806] Additionally, GAO found substantial duplication and mismanagement resulting from "a fragmented approach" to funding national transportation needs.[1807] There are more than 100 programs being administered by DOT and FHWA – many of which have duplicative functions. President Barack Obama has recognized the difficulty in effectively administering these "duplicative, often-earmarked" programs and has recommended consolidating 55 FHWA programs and merging them into five separate accounts.[1808]

To address the huge funding gap in the HTF and to eliminate wasteful and low-priority spending, this plan similarly recommends consolidating all FHWA programs into five major accounts:

1. National Highway System;
2. Interstate Maintenance;
3. National Bridge Replacement and Maintenance;
4. Surface Transportation; and
5. National Highway Traffic Safety Administration.

With the exception of the safety account, these core accounts would be almost completely block-granted to states, leaving each state to decide how best to address its highway needs. Programs not specifically eliminated in this plan would be consolidated within the five core funding accounts based on the Administrator's determinations of best fit. While the merged programs would no longer exist, states could continue to fund projects eligible under the old programs with funds within the core account the old program was merged into. This approach is similar to both the President's recent approach and the Highway Reauthorization bill introduced in the House of Representatives by Representative John Mica.[1809]

Taking only the FY10 funding for the first four accounts and the budgets of two DOT safety agencies totals less than $30 billion. This means that around $13 billion each year is spent on set-asides and other funding accounts, many of which are low-priority or non-core transportation funding accounts. By prioritizing only core national transportation concerns, Congress will enable states to weather a significant funding decrease, continue to address national infrastructure deficiencies, and help ensure better use of HTF revenues for taxpayers by giving states more discretion in how they want to spend these funds.

[1806] GAO-11-318SP, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue," Government Accountability Office, March, 2011, http://www.gao.gov/new.items/d11318sp.pdf, accessed July 14, 2011.

[1807] GAO-11-318SP, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue," Government Accountability Office, March, 2011, http://www.gao.gov/new.items/d11318sp.pdf, accessed July 14, 2011.

[1808] "Budget of the U.S. Government for Fiscal Year 2012, Department of Transportation Funding Highlights," Office of Management and Budget, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/transportation.pdf.

[1809] House of Representatives Transportation and Infrastructure Committee Website, "Press Releases," July 7, 2011, http://transportation.house.gov/news/PRArticle.aspx?NewsID=1337, accessed July 15, 2011.

This plan recommends cutting $9.748 billion in FY12 and $108.806 billion over the next ten years in low-priority HTF funding within and outside of these core accounts and increasing the flexibility for states in using these funds for transportation projects. Within FHWA, this includes cuts of $8.661 billion in FY12 and $96.895 billion over ten years.

Eliminating Low Priority Spending

In addition to prioritizing these four main accounts, this plan recommends eliminating dozens of low-priority transportation programs to reduce the total amount appropriated from the HTF to match incoming revenues.

From the FHWA account, GAO found that from 2004 to 2008, $28 billion was wasted on projects that were not related to the maintenance and construction of highways and bridges.[1810] By eliminating these programs and reducing overall appropriation levels, Congress will be ensuring that the HTF is healthy financially without increasing taxes on Americans and with minimal negative effects on critical national transportation infrastructure. Some examples of recent wasteful projects include:

- $878,000 for a pedestrian and bicycle bridge for a Minnesota town of 847;
- $2 million in stimulus funds will pay for a bike lane along a deteriorating road in Pennsylvania, where exasperated local officials say the road is so bad they may be forced to drive on the bike path instead;
- $1.6 million for a ferry boat program in Oklahoma that features Saturday morning cartoon cruises with Bugs Bunny and Wile E. Coyote on the ferry's flat screen T.V.;
- $84 million went for 398 pedestrian and bicyclist safety projects, including a brochure that encourages bicyclists to "Make eye contact, smile, or wave to communicate with motorists. Courtesy and predictability are a key to safe cycling;"
- $3.1 million in federal stimulus funds to make a historic canal boat a permanent floating museum in New York, in addition to the $28 million obligated for transportation museum funding from FY2004-2008;
- $18 million for motorcyclist safety grants; which helped fund a "cruisin' without bruisin'" brochure reminding bikers to "Obey traffic lights, signs, speed limits, and lane markings … and always check behind you and signal before you change lanes;" and
- $3.4 million in federal stimulus funds for a road-kill reduction project in Florida, which will help turtles and other wildlife pass under a highway.[1811]

The funding of these projects has real consequences on the condition of critical transportation infrastructure needs. As Oklahoma Department of Transportation Director Gary Ridley writes, "when the core transportation infrastructure of this Nation has an enormous backlog of

[1810] Coburn, Tom, "Out of Gas: Congress Raids the Highway Trust Fund for Pet Projects While Bridges and Roads Crumble," July 2009, http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=80b3458b-b6e2-470a-be24-bb82b93d10c2.

[1811] Coburn, Tom, "Out of Gas: Congress Raids the Highway Trust Fund for Pet Projects While Bridges and Roads Crumble," July 2009, http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=80b3458b-b6e2-470a-be24-bb82b93d10c2.

unaddressed deficiencies, we simply question the merit of mandating transportation funding for peripheral projects and programs."[1812]

Enhancements

Members of Congress unfairly mandated that ten percent of all surface transportation program (STP) funds (which total around $6.577 billion annually) be spent on "enhancements"[1813] – including bike paths, sidewalks and flower beds along highways.[1814] This mandate is outrageous, especially considering that it requires states with critical infrastructure needs to set aside its highway priorities for projects that are low priority and parochial. It is one thing for a state to demand bike projects in their state, but for Members of Congress from other states to dictate that their surface transportation funds must be spent on bike paths is inappropriate.

Including stimulus funds, more than $1 billion was spent on Transportation Enhancement Grants in FY09[1815] and $571 million was spent in FY10.[1816] According to a news article, recent DOT changes have resulted in giving biking and walking projects the same importance as automobiles in transportation planning and the selection of projects for federal money.[1817] According to GAO, from 2004 to 2008, $3.7 billion was spent on transportation enhancement projects.[1818] This included:

- $2 billion for 5,500 bike and pedestrian projects;
- $850 million for "scenic beautification" and landscaping projects;
- $224 million on Projects to rehabilitate and operate historic transportation buildings, structures, and facilities; and
- $28 million to establish 55 transportation museums.

In total there are 12 different enhancement activities that can be funded.[1819] Some recent projects include a project to excavate a ship in Maryland[1820] and $270,000 to renovate and operate a

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[1812] Ridley, Gary, "Testimony of Gary Ridley, Oklahoma Secretary of Transportation for a hearing before the Senate Environment and Public Works Committee entitled 'Issues for Surface Transportation Authorization,'" April 14, 2011, http://epw.senate.gov/public/index.cfm?FuseAction=Minority.Blogs&ContentRecord_id=5555a932-802a-23ad-4071-d449105588d5&Issue_id=

[1813] Section 133(d)(2) title 23, & Section 1132 of the Energy Independence and Security Act of 2007.

[1814] CRS Report: R41512, "Surface Transportation Program Reauthorization Issues for the 112th Congress," Congressional Research Service, December 1, 2010, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41512&Source=search.

[1815] Department of Transportation Website, "Apportionments and Obligations, FY2009," http://www.fhwa.dot.gov/environment/te/appor_res_2009.htm, accessed July 14, 2011.

[1816] E-mail from Department of Transportation Congressional Liaison to Senator Coburn's Office, October 26, 2010.

[1817] "Obama administration spends $1.2 billion on cycling and walking initiatives," *The Telegraph*, June 16, 2010, http://www.telegraph.co.uk/news/worldnews/northamerica/usa/7834334/Obama-administration-spends-1.2-billion-on-cycling-and-walking-initiatives.html.

[1818] Coburn, Tom, "Out of Gas: Congress Raids the Highway Trust Fund for Pet Projects While Bridges and Roads Crumble," July 2009, http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=80b3458b-b6e2-470a-be24-bb82b93d10c2.

[1819] U.S. Department of Transportation Website, "Transportation Enchancement Activities," http://www.fhwa.dot.gov/environment/te/, accessed July 14, 2011.

[1820] Leaderman, Daniel, "Sunken ship may contain piece of Bladensburg history: Archeologists work to unearth piece of War of 1812 battle," *Business Gazette*, September 2, 2010, http://www.gazette.net/stories/09022010/bowinew160236_32545.php

historical trolley as part of a museum's effort in Pennsylvania.[1821] This money could be used instead to address highways and bridges in poor condition.

These projects are routinely singled out as wasteful by transportation groups and state transportation departments and should not be funded with HTF revenues. Eliminating these projects would save about $600 million in FY12 in HTF funds and $6.575 billion over ten years.

Earmarks

Until this year, taxpayers have seen billions of their gas tax dollars wasted on parochial projects in other states, such as the "Bridges to Nowhere." A fairly recent phenomenon, Congress only included 10 earmarks in its 1982 highway bill, but quickly embraced this wasteful practice:

- The 1982 highway bill included 10 demonstration projects totaling $386 million;
- The 1987 highway bill included 152 demonstration projects totaling $1.4 billion;
- The 1991 highway bill included 538 location-specific projects totaling $6.1 billion;
- The 1998 highway bill included 1,850 earmarked projects totaling $9.3 billion; and
- The 2005 highway bill included over 5,634 earmarked projects totaling $21.6 billion.

In a 2007 study, the DOT Inspector General (IG) found that 15.49 percent of all FHWA funds were earmarked in FY06 ($5.675 billion). The Federal Transit Administration (FTA) also had 28 percent of its FTA funds earmarked (for $2.406 billion).[1822] Even without including authorized earmarks, this total over the five-year span of the last reauthorization bill would cover the cost of all three HTF bailouts ($35 billion).

The IG also found that earmarks negatively impact the mission and goals of federal transportation programs in five ways:

1) **Earmarks can reduce funding for the states' core transportation programs.** For example, in Fiscal Year 2006, Congress earmarked over 5,600 projects valued at over $3.5 billion in just three transportation programs. Transportation officials believed many of these projects would not have been high priority candidates for funding under the states' formula programs.
2) **Earmarks do not always coincide with DOT strategic research goals.**
3) **Many low priority, earmarked projects are being funded over higher priority, non-earmarked projects.**
4) **Earmarks provide funds for projects that would otherwise be ineligible.** For example, for Fiscal Year 2006, 16 of 65 earmarked projects in Federal Highway Administration's (FHWA) Interstate Maintenance Discretionary Program, totaling more

[1821] Griffith, Randy, "Museum refurbishing former city trolley," *The Tribune-Democrat*, April 18, 2010, http://tribune-democrat.com/local/x993504637/Museum-refurbishing-former-city-trolley

[1822] Inspector General Report Number: AV-2007-066, "Review of Congressional Earmarks Within Department of Transportation Programs," Department of Transportation Inspector General, September 7, 2007, http://www.oig.dot.gov/sites/dot/files/pdfdocs/Congressial_Earmarks-_AV-2007-66----508_Compliant.pdf.

than $14 million, did not meet statutory program criteria and would not have received funding under the regular funding process.

5) **Earmarks can disrupt the agency's ability to fund programs as designated when authorized funding amounts are exceeded by over-earmarking.** In SAFETEA-LU, earmarks actually exceeded the authorized funding levels for three of the five FHWA research programs for FY 2006, resulting in across-the-board program cuts to stay within authorized funding levels for each of the three programs.[1823]

President Obama also highlighted several transportation spending accounts that were exclusively earmarked, including the Surface Transportation Priorities account which received almost $300 million in appropriation in FY10, for termination.[1824] While Congress has agreed to abstain from earmarks for this year, this plan recommends eliminating permanently transportation funding accounts that have been heavily earmarked, including:

- Surface Transportation Priorities – This program is exclusively earmarked. In FY10, $293 million is appropriated for this account with a 100 percent federal cost-share. President Obama has twice[1825] recommended eliminating this program because it consists exclusively of earmarked projects, is duplicative, and States or localities are not given the flexibility to target them to their highest transportation priorities.[1826]
- High Priority Projects – This account is entirely earmarked for 5,091 projects that receive guaranteed funding. FY10 costs were $2.996 billion.[1827]
- Projects of National and Regional Significance – An entirely earmarked account in the last authorization bill for high-cost transportation projects that are of national or regional importance in enhancing the surface transportation system. GAO found that both stakeholders and DOT said that not using the criteria-based competitive process for this program to select projects made it difficult to determine whether the projects funded were national or regional priorities and to determine where improvements should be made.[1828] FY10 costs were $356 million.[1829]

[1823] Inspector General Report Number: AV-2007-066, "Review of Congressional Earmarks Within Department of Transportation Programs," Department of Transportation Inspector General, September 7, 2007, http://www.oig.dot.gov/sites/dot/files/pdfdocs/Congressial_Earmarks-_AV-2007-66----508_Compliant.pdf, accessed July 14, 2011.

[1824] Executive Office of the President of the United States, Budget of the U.S. Government, "Fiscal Year 2011 Terminations, Reductions and Savings," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/trs.pdf, accessed July 14, 2011.

[1825] Executive Office of the President of the United States, Budget of the U.S. Government, "Fiscal Year 2010 Terminations, Reductions and Savings," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2010/assets/trs.pdf, accessed July 14, 2011.

[1826] Executive Office of the President of the United States, Budget of the U.S. Government, "Fiscal Year 2011 Terminations, Reductions and Savings," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/trs.pdf, accessed July 14, 2011.

[1827] U.S. Department of Transportation Website, "Fact Sheets on Highway Provisions," http://www.fhwa.dot.gov/safetealu/factsheets/highpriproj.htm, accessed July 14, 2011.

[1828] GAO-09-219, "Surface Transportation, Clear Federal Role and Criteria-Based Selection Process Could Improve Three National and Regional Infrastructure Programs," Government Accountability Office, February 2009, http://www.gao.gov/new.items/d09219.pdf, accessed July 14, 2011.

[1829] U.S. Department of Transportation Website, "Fact Sheets on Highway Provisions," http://www.fhwa.dot.gov/safetealu/factsheets/natlregl.htm, accessed July 14, 2011.

- The National Corridor Infrastructure Improvement Program is an earmarked account that provides funding for highway construction projects in corridors of national significance to promote economic growth and international or interregional trade by enhancing freight mobility.[1830] GAO found that both stakeholders and DOT said that not using the criteria-based competitive process for this program to select projects made it difficult to determine whether the projects funded were national or regional priorities and to determine where improvements should be made.[1831] This program received $390 million in FY10 appropriations.[1832]
- The Transportation, Community, and System Preservation program (TCSP) is a heavily earmarked account that provides grants to States and local governments for planning, developing, and implementing strategies to integrate transportation and community and system preservation plans and practices. Projects include street-widening, sidewalk improvements, and "streetscape beautification."[1833] Of the $57 million appropriated for TCSP projects in FY10, 90 percent ($51.5 million) were earmarked.[1834]
- The Ferry Boats and Ferry Terminal Facilities Program is heavily earmarked and provides up to 100 percent funding for the construction of ferry boats and ferry terminal facilities that have a strong public nexus. In addition to its annual appropriation of $67 million,[1835] this program also receives $20 million in General Fund revenue to fund these activities in three select states and the program received $60 million from stimulus funding.[1836] Lastly, there is also a program set-aside for ferry projects in Hawaii and Alaska that receives $15 million annually in mass transit funds.[1837] Eliminating these HTF programs and the related General Fund program would save $82 million in annual HTF funds and $20 million in annual DOT funds.
- The Bridge Set-aside for Designated projects is an entirely duplicative program of the overall Highway Bridge program that is heavily earmarked. Repealing this program results in $100 million in FY12 savings.[1838]
- Interstate Maintenance Discretionary is an entirely duplicative program that is heavily earmarked for interstate maintenance projects within the states of earmark sponsors. For example, for Fiscal Year 2006, 16 of 65 earmarked projects, totaling more than $14 million, did not meet statutory program criteria and would not have received funding

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[1830] U.S. Department of Transportation (website), "Fact Sheets on Highway Provisions," http://www.fhwa.dot.gov/safetealu/factsheets/corridors.htm, accessed July 14, 2011.
[1831] GAO-09-219, "Surface Transportation, Clear Federal Role and Criteria-Based Selection Process Could Improve Three National and Regional Infrastructure Programs," Government Accountability Office, February 2009, http://www.gao.gov/new.items/d09219.pdf, accessed July 14, 2011.
[1832] Federal Highway Administration Website, "Fact Sheets on Highway Provisions," http://www.fhwa.dot.gov/safetealu/factsheets/corridors.htm, accessed on July 14, 2011.
[1833] Federal Highway Administration Website, "Transportation, Community, and System Preservation Program- FY 2010 Grants," http://www.fhwa.dot.gov/tcsp/grantaward.cfm?fy=2010&show=all, accessed on July 14, 2011.
[1834] Federal Highway Administration Website, "TCSP Projects," http://www.fhwa.dot.gov/tcsp/projects.html, accessed on July 14, 2011.
[1835] Federal Highway Administration Website, "Ferry Boat Discretionary Program Information," http://www.fhwa.dot.gov/discretionary/fbdinfo.cfm, accessed on July 14, 2011.
[1836] Federal Highway Administration Website, "Fact Sheets on Highway Provisions," http://www.fhwa.dot.gov/safetealu/factsheets/ferryboats.htm, accessed on July 14, 2011.
[1837] 49 U.S.C. 5309(m)(6)(B).
[1838] Federal Highway Administration Website, "Fact Sheets on Highway Provisions," http://www.fhwa.dot.gov/safetealu/factsheets/bridge.htm, accessed on July 14, 2011.

under the regular funding process.[1839] Repealing this program results in $100 million in FY12 savings.[1840]

- The Public Lands Highways Discretionary program (PLHD) funds transportation projects that improve access to and within the Federal lands of the nation. This program represents another set-aside, discretionary program that is heavily earmarked. In FY10, Congress designated a total of $83,021,930 or 81 percent of PLHD funds for earmarks. The federal share for this earmark program is 100 percent. Eligible projects include land acquisition, parking lots, pedestrian and bicycle improvements and visitor centers. Repealing this program results in $102 million in FY12 savings.[1841]

Eliminating these earmark program reduces HTF appropriations by $4.476 billion in FY12 and $49.05 billion over ten years. It also reduces General Fund Appropriations by $20 million in FY12 and $219.17 million over ten years.

Congestion Mitigation and Air Quality program

The Congestion Mitigation and Air Quality program (CMAQ) was authorized in the 1991 highway program to provide funds for projects to help states and localities meet the requirements of the Clean Air Act Amendments (CAAA) of 1990 by reducing congestion.[1842] CMAQ funds are spent on transit projects, traffic flow improvement projects such as incident management, HOV lanes, and traffic signal improvements, bike baths, and pedestrian projects.[1843] Congress spent $1.77 billion in FY10 on this air quality improvement program.[1844] This program, if necessary, would more appropriately be funded by the Environmental Protection Agency (EPA), which administers the Clean Air Act, or by states and localities. This plan would eliminate this program and reduce annual HTF appropriations by $1.77 billion in FY12 and $19.4 billion over ten years.

The National Historic Covered Bridge Preservation Program

This program was established in the Transportation Equity Act for the 21st Century bill (TEA-21) in 1998 and may only fund bridges listed in the Department of Interior's (DOI) National Register of Historic Places.[1845] The program provides grants to repair or rehabilitate a dozen or so covered bridges each year. In total $60.4 million has been appropriated for this program.[1846]

[1839] Inspector General Report Number: AV-2007-066, "Review of Congressional Earmarks Within Department of Transportation Programs," Department of Transportation Inspector General, September 7, 2007, http://www.oig.dot.gov/sites/dot/files/pdfdocs/Congressial_Earmarks-_AV-2007-66----508_Compliant.pdf.
[1840] Federal Highway Administration Website, "Fact Sheets on Highway Provisions," http://www.fhwa.dot.gov/safetealu/factsheets/im.htm, accessed on July 14, 2011.
[1841] Federal Highway Administration Website, "Public Lands Highway Discretionary," http://www.fhwa.dot.gov/discretionary/plhcurrsola3.cfm, accessed on July 14, 2011.
[1842] CRS Report: RL33995, "Surface Transportation Congestion: Policy and Issues," Congressional Research Service, February 6, 2008, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL33995&Source=search.
[1843] Federal Highway Administration Website, "Congestion Mitigation and Air Quality Improvement (CMAQ) View Photo Library," http://www.fhwa.dot.gov/environment/air_quality/cmaq/reference/photo_library/index.cfm, accessed on July 14, 2011.
[1844] Federal Highway Administration Website, "Fact Sheets on Highway Provisions," http://www.fhwa.dot.gov/safetealu/factsheets/cmaq.htm, accessed on July 14, 2011.
[1845] Federal Highway Administration Website, "National Historic Covered Bridge Preservation Program," http://www.fhwa.dot.gov/bridge/covered.cfm, accessed on July 14, 2011.
[1846] E-Mail from Congressional Research Service to the Office of Senator Coburn, March 14, 2011.

According to the executive director of the Historic Bridge Foundation, "While some covered bridges are still in use, others have been bypassed in favor of steel bridges. The covered bridges' main function now is to look scenic and attract tourists."[1847] It is questionable why highway dollars are being spent on a historical preservation program in the first place. Some examples of projects funded with highway dollars include:

- The historic Chambers Railroad covered bridge in Cotton Grove, OR, that received a $1.3 million grant from the National Historic Covered Bridge Preservation Program in FY08[1848] is set to be destroyed and rebuilt as a tourist destination, with better access and historical panels. The city is chipping in less than $140,000 for the project.[1849]
- Madison, IA, received $375,000 through the federal preservation program to install infrared cameras and fire detection equipment on its bridges after arson fires destroyed one bridge and another arson fire nearly destroyed a bridge.
    - According to a recent *Associated Press* story, "even the county official in charge of the bridges of Madison County says other needs come first." Todd Hagan, Madison County's engineer and head of the local covered bridge program, said Madison needs federal help keeping its roads paved more than it needs covered bridge aid. Paving expenses, he said, may force Madison to return some roads to gravel.[1850]

The Senate recently agreed to eliminate this program by unanimous consent.[1851] Eliminating this program would save $8 million in FY12 appropriations within the HTF and $87.7 million over ten years.

Safe Routes to School

The Safe Routes to School (SRTS) program awards grants to states to fund initiatives that help children walk and bicycle to school instead of by car or even bus. On SRTS' Website, numerous health concerns are listed as reasons why it SRTS is necessary.[1852] While that may be the case, it is difficult to understand why federal transportation funding should be dedicated to this program, let alone federal funding, for these completely intrastate and parochial initiatives. Set-asides like SRTS siphon away critical dollars from surface transportation priorities and represent low-priority spending at a time when billions of dollars in HTF spending have to be cut. This plan recommends eliminating SRTS for FY12 savings of 183 million and ten-year savings of $2.005 billion.[1853]

[1847] Lowy, Joan, "New federal budget austerity endangers program aimed at preserving historic covered bridges," *Associated Press*, March 9, 2011, http://www.startribune.com/nation/117664493.html.
[1848] Federal Highway Administration Website, "National Historic Covered Bridge Preservation Program Request for FY 2009 Project Applications," http://www.fhwa.dot.gov/bridge/nhcbp/090112a.cfm, accessed on July 14, 2011.
[1849] Milbourn, Todd, "Historic Bridge ready to collapse," *KVAL News*, http://www.kpic.com/news/local/84644932.html, accessed on July 14, 2011.
[1850] Lowy, Joan, New federal budget austerity endangers program aimed at preserving historic covered bridges, *Associated Press*, March 9, 2011, http://www.startribune.com/nation/117664493.html.
[1851] S. Amdt. 217 to S. 493, 112th Congress.
[1852] Federal Highway Administration Website, "Safe Routes to Schools," http://safety.fhwa.dot.gov/saferoutes/, accessed on July 14, 2011.
[1853] Federal Highway Administration Website, "Fact Sheets on Highway Provisions," http://www.fhwa.dot.gov/safetealu/factsheets/saferoutes.htm, accessed on July 14, 2011.

National Scenic Byways Program

The National Scenic Byways Program subsidizes roads designated as National Scenic Byways, All-American Roads or America's Byways which are designated because of "outstanding scenic, historic, cultural, natural, recreational, and archaeological qualities."[1854] Funding is eligible for numerous activities including development and implementation of a marketing program, development and provision of tourist implementation, and construction of bicycle and pedestrian facilities, interpretive facilities, overlooks and other enhancements for byway travelers. This program duplicates numerous other Heritage Preservation programs within the federal government (such as the The Route 66 Corridor Preservation Program and preservation efforts funded by the Historic Preservation Fund) and is a questionable use of federal highway funds. This plan recommends eliminating this program for FY12 savings of $43.5 million and ten-year savings of $476.7 million.[1855]

Recreational Trails Program

The Recreational Trails Program "provides funds to the States to develop and maintain recreational trails and trail-related facilities for both nonmotorized and motorized recreational trail uses."[1856] This program serves an entirely parochial purpose and should not be funded with federal highway funds. This plan recommends eliminating this program for FY12 savings of $85 million and ten-year savings of $931.5 million.[1857]

Federal Lands Highways Program

The Federal Lands Highways program consists of several programs that fund transportation-related projects on or near federal lands. Some of these programs included the Park Roads and Parkways program, the Refuge Roads program, and the Public Lands Highways program.

The Park Roads and Parkways program (PRP) provides funding for most any type of transportation-related projects to or within a unit of the National Park Service (NPS). These funds can even be used to satisfy state/local matching share for other FHWA funded projects. The federal share for this program is 100 percent. Eligible projects include land acquisition, transportation planning for tourism and recreational travel, interpretive signage, pedestrian and bike projects, and visitor centers. This is not a high priority use of federal transportation funds. This plan recommends eliminating this funding account for a savings of $240 million in FY12 and $2.63 billion over ten years.[1858]

The Public Lands Highways program (PLH) provides funding for transportation planning, research, and engineering and construction of transportation initiatives related to public land use. These funds can even be used to satisfy state/local matching share for other FHWA funded

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[1854] Federal Highway Administration Website, "The National Scenic Byways Program" Web page, http://www.byways.org/learn/program.html, accessed July 14, 2011.
[1855] Federal Highway Administration Website, "Fact Sheets on Highway Provisions," http://www.fhwa.dot.gov/safetealu/factsheets/scenic.htm, accessed on July 14, 2011.
[1856] Federal Highway Administration Website, "Recreational Trails Program," http://www.fhwa.dot.gov/environment/rectrails/, accessed July 14, 2011.
[1857] Federal Highway Administration Website, "Fact Sheets on Highway Provisions," http://www.fhwa.dot.gov/safetealu/factsheets/rectrails.htm, accessed on July 14, 2011.
[1858] Federal Lands Highway Website, "Park Roads and Parkways (PRP)," http://flh.fhwa.dot.gov/programs/prp/, accessed on July 14, 2011.

projects. The federal share for this program is 100 percent. The PLH Program is comprised of two main sub-programs: the Forest Highways (FH) Program and the Public Lands Highways – Discretionary (PLHD) Program. PLHD receives $102 million in annual appropriations (or 34 percent) and the remainder, $198 million (or 66 percent) is allocated to FH. PLHD is a discretionary and heavily earmarked account discussed earlier in this plan. The FH program funds a wide array of transportation projects that provide access to or are within a National Forest or Grassland. Funds can also be used to purchase transit vehicles and for public transit facilities on public lands. The most recent reauthorization bill also added three new eligible activities for Forest Highway funds: Maintenance, Hunting and Fishing Access Signs, and Aquatic Organism Passage projects.[1859] Up to $10 million can be used by the Secretary of Agriculture to facilitate the passage of aquatic species beneath roads in the National Forest System.[1860] While this program is duplicative of Paul S. Sarbanes Transit in Parks Program, it is also not a high priority use of HTF funds. This plan recommends eliminating the entire account for a savings of $300 million in FY12 and $3.288 billion over ten years ($2.169.8 billion for the FH program).

The Refuge Roads program is administered jointly by DOT and the U.S. Fish and Wildlife Service (FWS). Funding is used for transportation projects to and within the National Wildlife Refuge System (NWRS). The most recent highway reauthorization bill expanded the scope of eligible projects to include interpretive signage and recreational trails. These funds can even be used to satisfy state/local matching share for other FHWA funded projects. The federal share for this program is 100 percent. This is not a high priority use of federal transportation funds. This plan recommends eliminating this funding account for a savings of $29 million in FY12 and $317.8 million over ten years.[1861]

While it is important for our public lands to be well-maintained, it is inappropriate for these maintenance activities to be financed in part by transportation user fees. Because of the necessary decrease in highway spending, these low-priority accounts should not be funded any more through highway funding accounts.

Regional Funding Accounts

While not unique to FHWA, billions of taxpayer dollars have been appropriated for regional commissions or initiatives. This fragmented approach to funding our highways takes the decision-making out of states and their transportation departments and results in state transportation priorities not getting funded. While some worthy projects are funded through these regional entities, this plan recommends eliminating them to allow for further consolidation and streamlining of FHWA funding for states.

[1859] Federal Lands Highway Website, "Forest Highways (FH)," http://flh.fhwa.dot.gov/programs/plh/fh/, accessed on July 14, 2011.
[1860] Federal Highway Administration Website, "Fact Sheets on Highway Provisions," http://www.fhwa.dot.gov/safetealu/factsheets/fedlands.htm, accessed on July 14, 2011.
[1861] Federal Lands Highway Website, "Refuge Roads," http://flh.fhwa.dot.gov/programs/rr/documents/rr.pdf, accessed on July 14, 2011.

The Appalachian Development Highway System

ADHS funds the construction of the Appalachian corridor highways in 13 states to promote economic development and to establish a state-federal framework to meet the needs of the region.[1862] The 2005 surface transportation bill authorized $470 million annually from 2005 through 2009 for the ADHS (in total more around $9 billion has been appropriated for this system since 1964[1863]). Additional funds have been earmarked for West Virginia portions of this highway system for FY10. This multi-state project has come under scrutiny because Virginia has refused to build its part of the ADHS, calling into question the benefit of funding the ADHS.[1864] The President recommended terminating funds earmarked for this program because such funding is duplicative and siphons funds from state transportation departments.[1865] This program duplicates several ongoing efforts within DOT including the Federal-Aid Highway Program (FAHP),[1866] the Surface Transportation Program,[1867] and the Highway Research and Development Program.[1868] Eliminating this program saves $470 million within the HTF in FY12 and $5.15 billion over ten years.

The Denali Access System Program

This program receives an annual set-aside for planning, design, engineering, and construction of roads and other surface transportation infrastructure identified for a region in Alaska, through the Denali Commission. The funds go directly to the commission to connect isolated rural communities to a road system, and to foster regional economic growth.[1869] The Denali Commission, an independent federal agency, also receives funding from other sources and has received nearly $1 billion in federal funding.[1870] Both the Bush and Obama administrations called for budget reductions citing the commission's inability to demonstrate results[1871] and that dozens of other federal programs duplicate its efforts.[1872] DAS funds may also be used as the

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[1862] Federal Highway Administration Website, "Fact Sheets on Highway Provisions," http://www.fhwa.dot.gov/safetealu/factsheets/appalachia.htm, accessed on July 14, 2011.
[1863] CRS Report: 98-973 E, "Appalachian Development Highway Program (ADHP): An Overview," Congressional Research Service, December 7, 1998, http://www.crs.gov/products/rs/pdf/98-973.pdf?Source=404.
[1864] Drew Griffin and Steve Turnham, CNN.com, "West Virginia's road to nowhere gets stimulus boost," http://www.cnn.com/2009/US/03/12/corridor.h/index.html, accessed on July 14, 2011.
[1865] Executive Office of the President of the United States, Budget of the U.S. Government, "Fiscal Year 2010 Terminations, Reductions and Savings," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2010/assets/trs.pdf.
[1866] Federal Grants Wire Website, "Highway Planning and Construction (20.205)," http://www.federalgrantswire.com/highway-planning-and-construction.html, accessed July 15, 2011.
[1867] Federal Highway Administration Website, "Fact Sheets on Highway Provisions," http://www.fhwa.dot.gov/safetealu/factsheets/stp.htm, accessed on July 14, 2011.
[1868] Federal Grants Wire Website, "Highway Planning and Construction (20.200)," http://www.federalgrantswire.com/highway-research-and-development-program.html, accessed on July 14, 2011.
[1869] Federal Highway Administration Website, "Fact Sheets on Highway Provisions," http://www.fhwa.dot.gov/safetealu/factsheets/denali.htm, accessed on July 14, 2011.
[1870] "Agency Financial Report (AFR), Annual Performance Report (APR), 2010," Denali Commission Inspector General, http://www.denali-oig.org/Images/IG-PAR-2010.pdf; "Budget Justification Fiscal year 2012," Denali Commission, http://www.denali.gov/index.php?option=com_docman&task=doc_download&gid=343&Itemid=253
[1871] Executive Office of the President of the United States, "Major Savings and Reforms in the President's 2009 Budget," February 2008, http://www.gpoaccess.gov/usbudget/fy09/pdf/savings.pdf.
[1872] Executive Office of the President of the United States, Budget of the U.S. Government, "Fiscal Year 2012 Terminations, Reductions and Savings," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf.

non-Federal share of the costs of other federal transportation projects.[1873] President Obama recommended eliminating additional earmarked funds for the Denali Access System and the Denali Commission, because of duplication concerns and because "regional set asides such as this one are over and above formula allocations that allow States to set their own priorities and address local and regional needs."[1874] DAS is duplicative of numerous other transportation and economic development programs. Eliminating this program saves $15 million within the HTF in FY12 and $164.4 million over ten years.

Delta Regional Transportation Development Program

This program supports multistate transportation projects in the eight States comprising the Delta Region (Alabama, Arkansas, Illinois, Kentucky, Louisiana, Mississippi, Missouri, and Tennessee). Some of these primarily earmarked projects are done in conjunction with the Delta Regional Authority (DRA), an independent federal agency,[1875] to increase the economic vitality of the region.[1876] The Federal share is 80 percent, subject to the sliding scale adjustment. Delta funds may also be used as the non-Federal share of the costs of other federal transportation projects. This program is duplicative of numerous other transportation and economic development programs. Eliminating this program saves $10 million within the HTF in FY12 and $109.6 million over ten years.

Federal Motor Carrier Safety Administration, National Highway Traffic Safety Administration, and the FHWA Safety Program

HTF revenues fund three separate safety programs that focus on different aspects of highway safety.

The Federal Motor Carrier Safety Administration (FMCSA), which received $550 million in HTF funds in FY10, regulates large trucks and buses. It was established in 2000[1877] and has seen its appropriations increase from $105 million in FY2000 to $550 million in FY10.[1878]

The National Highway Traffic Safety Administration (NHTSA), which received $873 million in FY10, conducts a number of highway safety programs. Specifically, NHTSA sets and enforces safety performance standards for motor vehicles and motor vehicle equipment, conducts research on driver behavior and traffic safety, administers "local" highway safety programs, investigates safety defects in motor vehicles, sets and enforces fuel economy standards, investigates odometer

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[1873] *U.S. Department of Transportation, Federal Highway Administration, "Denali Access System Program" Fact Sheet, http://www.fhwa.dot.gov/safetealu/factsheets/denali.htm, accessed July 15, 2011.*

[1874] Executive Office of the President of the United States, Budget of the U.S. Government, "Fiscal Year 2012 Terminations, Reductions and Savings," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf.

[1875] Delta Regional Authority Website, "About Us," http://www.dra.gov/about-us/default.aspx, accessed July 14, 2011.

[1876] U.S. Department of Transportation Website, "Fact Sheets on Highway Provisions," http://www.fhwa.dot.gov/safetealu/factsheets/deltaregion.htm, accessed July 14, 2011.

[1877] U.S. Department of Transportation Federal Motor Carrier Safety Administration Website, "Our Mission," http://www.fmcsa.dot.gov/about/what-we-do/mission/mission.htm, accessed July 14, 2011.

[1878] CRS Report R41541, "Federal Transportation Funding: Selected Programs, FY2000-FY2010," Congressional Research Service, December 2, 2010, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41541&Source=search#_Toc281397762.

fraud, establishes and enforces vehicle anti-theft regulations and provides consumer information on motor vehicle safety topics.[1879] NHTSA has also seen its funding increase dramatically over the last decade from $368 million in FY00 to $873 million in FY10.[1880]

The majority of NHTSA's FY10 budget ($620 million or 71 percent)[1881] was for state grant programs that are intended to increase highway safety. These programs include:

- Safety Belt Performance grants ($124.5 million). These funds encourage the enactment and enforcement of state laws requiring the use of safety belts in passenger motor vehicles. In recent years, this program has become a slush fund for Members of Congress to use for other funding priorities because these grants are not used;[1882]
- State traffic safety improvement grants ($34.5 million). These funds encourage States to adopt and implement effective programs to improve the timeliness, accuracy, completeness, uniformity, integration, and accessibility of State data that is needed to identify priorities for national, State, and local highway and traffic safety program;[1883]
- High visibility enforcement program ($29 million). This program assists states in enforcing seat belt or alcohol/drug-impaired driving laws;[1884]
- Motorcycle Safety grants ($7 million). This program encourages States to adopt and implement effective programs to reduce the number of single and multi-vehicle crashes involving motorcyclists.[1885] These grants helped fund a "cruisin' without bruisin'" brochure reminding bikers to "Obey traffic lights, signs, speed limits, and lane markings … and always check behind you and signal before you change lanes;"[1886]
- Occupant Protection Incentive Grants ($25 million). This program is used by states to implement and enforce occupant protection programs;[1887]
- Child Safety and Child Booster Seat Safety Incentive Grants ($7 million). These grants go to states that have passed a law requiring any child riding in a passenger vehicle who

[1879] National Highway Traffic Safety Administration Website, "Who We Are and What We Do," http://www.nhtsa.gov/About+NHTSA/Who+We+Are+and+What+We+Do, accessed July 14, 2011.
[1880] CRS Report R41541, "Federal Transportation Funding: Selected Programs, FY2000-FY2010," Congressional Research Service, December 2, 2010, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41541&Source=search#_Toc281397762.
[1881] CRS Report R41650, "Department of Transportation Budget FY2012," Congressional Research Service, February 24, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41650&Source=search.
[1882] National Highway Traffic Safety Administration Website, "Section 406 SAFETEA-LU Fact Sheet," http://www.nhtsa.gov/Laws+&+Regulations/Section+406+SAFETEA-LU+Fact+Sheet, accessed July 15, 2011.
[1883] National Highway Traffic Safety Administration Website, "Section 408 SAFETEA-LU Fact Sheet," http://www.nhtsa.gov/Laws+&+Regulations/Section+408+SAFETEA-LU+Fact+Sheet, accessed July 15, 2011
[1884] National Highway Traffic Safety Administration Website, "SAFETEA-LU High Visibility Enforcement Fact Sheet," http://www.nhtsa.gov/Laws+&+Regulations/SAFETEA-LU+High+Visibility+Enforcement+Fact+Sheet, accessed July 15, 2011.
[1885] National Highway Traffic Safety Administration Website, "Section 2010 SAFETEA-LU Fact Sheet," http://www.nhtsa.gov/Laws+&+Regulations/Section+2010+SAFETEA-LU+Fact+Sheet, accessed July 15, 2011.
[1886] Coburn, Tom, "Out of Gas: Congress Raids the Highway Trust Fund for Pet Projects While Bridges and Roads Crumble," July 2009, http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=80b3458b-b6e2-470a-be24-bb82b93d10c2.
[1887] National Highway Traffic Safety Administration Website, "Section 405 SAFETEA-LU Fact Sheet," http://www.nhtsa.gov/Laws+&+Regulations/Section+405+SAFETEA-LU+Fact+Sheet, accessed July 15, 2011.

is too large to be secured in a child safety seat to be secured in a child specific type of restraint;[1888]

- Alcohol-Impaired Driving Countermeasures Incentive Grant Program ($139 million). These funds are used to encourage States to adopt and implement effective programs to reduce traffic safety problems resulting from individuals driving while under the influence of alcohol;[1889]
- State and Community Highway Safety Grants ($235 million). These funds support State highway safety programs, designed to reduce traffic crashes and resulting deaths, injuries, and property damage.[1890] These grants are completely duplicative of all the other state grant funding accounts; and
- Administrative expenses of managing these programs total $18.5 million annually.

While these grants may be useful to some states, they do not address national transportation needs and instead seek to supplement state safety efforts. Some of these grants have become irrelevant and others are entirely duplicative of the overall State and Community Highway Safety grant program. This plan recommends eliminating every grant program except for the State and Community Highway Safety grant program. Up to 3 percent of this account may be used for administration expenses. This plan also recommends phasing out this remaining state grant program over five years. Savings resulting from these reforms are $384.5 million the first year and $5.98 billion over ten years.

The FHWA Office of Safety focuses on improving highway and road safety through highway engineering, planning, and safety audits. Safety improvements include increasing sign and pavement marking visibility, installing rumble strips, specifying skid-resistant pavements, and paving shoulders to eliminate edge drop-offs. FHWA also invests in numerous safety awareness programs, including duplicative seat-belt-use promotion campaigns (NHTSA administers its own seat-belt use grant program).[1891] The budget for this office comes out of overall FHWA operating expenses totaling around $420 million annually. DOT was unable to provide a budget number for the annual cost to taxpayers for this office.[1892]

Although these three entities do not completely overlap, there is no need for there to be three separate highway safety programs. FHWA Office of Safety already state that they coordinate with NTHSA and FMCSA to develop and implement multi-faceted, intermodal safety programs.[1893] This plan recommends consolidating these three programs into a one-stop safety

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[1888] National Highway Traffic Safety Administration Website, "Section 2011 SAFETEA-LU Fact Sheet Draft," http://www.nhtsa.gov/Laws+&+Regulations/Section+2011+SAFETEA-LU+Fact+Sheet+Draft, accessed July 15, 2011.
[1889] National Highway Traffic Safety Administration Website, "Alcohol-Impaired Driving Countermeasures Incentive Grants," http://www.nhtsa.gov/Laws+&+Regulations/ci.Section+410+SAFETEA-LU+Fact+Sheet.print, accessed July 15, 2011.
[1890] National Highway Traffic Safety Administration Website, "Section 402 SAFETEA-LU Fact Sheet," http://www.nhtsa.gov/Laws+&+Regulations/Section+402+SAFETEA-LU+Fact+Sheet, accessed July 15, 2011.
[1891] Department of Transportation Federal Highway Administration Website, "About Us," http://safety.fhwa.dot.gov/about/, accessed July 15, 2011.
[1892] E-mail from Congressional Research Service to Senator Tom Coburn's Office, July 11, 2011.
[1893] Department of Transportation Federal Highway Administration Website, "About Us," http://safety.fhwa.dot.gov/about/, accessed July 15, 2011.

shop for highway users. Combining these three programs into NTHSA and implementing the recommended cuts to NHTSA results in a total safety budget of $628 million in FY12. HTF savings resulting from these reforms would total at least $541.5 million in FY12 and $7.7 billion over ten years.

Streamline or Eliminate Burdensome Political Mandates

Certain federal laws hinder adequate transportation infrastructure construction by delaying transportation projects and greatly increasing their costs. State DOT directors struggle to complete projects timely and under budget in large part due to onerous federal laws. These laws only apply to funds awarded through the Highway Trust Fund and Treasury. Many of these requirements are outdated and have not been indexed to inflation. GAO found in 2008, that 39 of 51 states (including D.C.) avoided using federal funds for certain projects because of these restrictions.[1894] While some states have similarly onerous compliance laws, many do not.

Environmental Review Mandate

For surface transportation projects, "environmental review" includes two related processes. First, it involves the process of preparing the appropriate documentation under the National Environmental Policy Act of 1969 (NEPA). Second, it involves the process for completing any other environmental permit, approval, review, or study required for a project under any local, state, tribal, or federal law other than NEPA.

While the intent of the NEPA process is noble, its administration has resulted in an unwieldy bureaucratic process that increases transportation project costs and timelines. According to a study done for the American Association of State Highway and Transportation Officials (AASHTO), the environmental costs were all over the map from 5 percent to 50 percent of costs with an average around 10-20 percent. These figures did not include things like staff time, hearings, or escalation costs resulting from project delays. While there have not been many studies done on the actual costs because states rarely track these costs,[1895] common estimates peg increased costs at between 8 and 10 percent.[1896]

The delays are also considerable. The Federal Highway Administration (FHWA) reviewed and compiled time frame data for transportation projects needing an Environmental Impact Statement (EIS) as part of the NEPA process,[1897] and found that "13 percent took 10 or more years to complete NEPA; 19 percent were completed in 7 - 10 years; 16 percent were completed in 3

[1894] GAO-09-36, "Federal Requirements for Highways May Influence Funding Decisions and Create Challenges, but Benefits and Costs Are Not Tracked," Government Accountability Office, December 2008, http://www.gao.gov/new.items/d0936.pdf, accessed July 15, 2011.

[1895] Macek, Nathan, "Right of Way and Environmental Mitigation Costs— Investment Needs Assessment," American Association of State Highway and Transportation Officials, August 2006, http://onlinepubs.trb.org/onlinepubs/archive/NotesDocs/20-24%2854%29_B_%20FR.pdf, July 15, 2011.

[1896] Department of Transportation Website, "Evaluating the Performance of Environmental Streamlining: Development of a NEPA baseline for Measuring Continuous Performance," http://www.environment.fhwa.dot.gov/strmlng/baseline/section2.asp, accessed July 15, 2011.

[1897] Which includes but is not limited to: the Clean Water Act, the Clean Act, the Endangered Species Act, Section 138, Title 23 of the U.S. Code (preventing the use of parkland or recreational areas in the development of highway projects, except where no feasible and prudent alternative exists), and the National Historic Preservation Act of 1966.

years or less. The majority of the projects (51 percent) took 4 - 6 years to complete. For the total of 37 projects [surveyed], the average amount of time elapsed … was found to be 67 months, or 5-1/2 years, while the median value was found to be 5 years.[1898]

For projects that have a "Finding of No Significant Impact" (FONSI), or a "Categorical Exclusion" (CE), FHWA found that "70 percent of the respondents indicated that it generally takes less than 2 years to process a FONSI, while an additional 8 divisions, or 34 percent, indicated that it generally takes between 2 to 3 years. In the case of CEs, 22 divisions, or 85 percent of respondents, indicated that it takes less than one year to process a CE, with 18 of them, or 70 percent, indicating that it takes less than 6 months. Based on the responses received, FHWA has estimated that the typical time frame for completing a FONSI is about 18 months while the typical time frame for completing a CE is 6 months."[1899] In other words, it typically takes one and a half years to go through the NEPA process 18 months even if there is no negative environmental impact.

The NEPA process is unfairly mandated even for projects that are building on existing rights of way – in other words in an area where NEAP was already conducted previously. NEPA was created to ensure transportation projects on "virgin alignments" were done with an analysis considering the environmental impact of such construction – it should not apply to maintenance or rehabilitation projects.[1900]

Advocates for NEPA reform also argue the process duplicates another environmental review process, Section 4(f) of the DOT Act of 1966, which additionally requires that any land from publicly owned parks, recreational areas, wildlife and waterfowl refuges, or public and private historical sites undergo a study that demonstrates using this land is necessary.

State DOT's must additionally get a permit from the Corps of Engineers for any projects where concrete is below the ordinary high water mark or in a jurisdictional wetland. For areas greater than half an acre, an extended process with comments is required to obtain a Section 404 permit.

Davis Bacon

The Davis–Bacon Act requires federal construction contractors to pay at least the wage rates prevailing on non-federal construction projects in the same locality. The act was intended to prevent the purchasing power of the federal government from driving down construction wages during the Great Depression. Federal contractors must then pay their employees at least the prevailing wage for each class of worker.

[1898] Department of Transportation Website, "Evaluating the Performance of Environmental Streamlining: Development of a NEPA baseline for Measuring Continuous Performance," http://www.environment.fhwa.dot.gov/strmlng/baseline/section2.asp, accessed July 15, 2011.

[1899] Department of Transportation Website, "Evaluating the Performance of Environmental Streamlining: Development of a NEPA baseline for Measuring Continuous Performance," http://www.environment.fhwa.dot.gov/strmlng/baseline/section2.asp, accessed July 15, 2011.

[1900] Ridley, Gary, "Testimony of Gary Ridley, Oklahoma Secretary of Transportation for a hearing before the Senate Environment and Public Works Committee entitled 'Issues for Surface Transportation Authorization,'" April 14, 2011, http://epw.senate.gov/public/index.cfm?FuseAction=Minority.Blogs&ContentRecord_id=5555a932-802a-23ad-4071-d449105588d5&Issue_id=

Nowadays, however, Davis–Bacon wages in most cities bear no resemblance to prevailing market wages. In some cities, Davis–Bacon rates are more than double market wages. In other cities, Davis–Bacon rates are below the minimum wage. Inspector General audits found errors in 100 percent of wage reports examined. Most prevailing wage surveys are years out of date. Some rates in effect have not been updated since the 1970s. Davis–Bacon rates average 22 percent above market wages. [1901]

According to the Congressional Research Service, the threshold of $2,000 has never been adjusted for inflation. The Davis-Bacon Act was enacted in 1931. Initially, the act applied to construction projects of more than $5,000. The threshold was lowered to $2,000 in 1935. If you were to index this amount, it would come to $31,320; if you were to index the 5,000 amount from 1935, it would be $78,300.[1902]

The Congressional Budget Office (CBO) did a study in 1983 that estimated Davis-Bacon increased costs by 3.7 percent,[1903] and GAO found an increase of 3.4 percent in 1979 and recommended, **"Congress should repeal the Davis-Bacon Act and rescind the weekly payroll reporting requirement of the Copeland Anti-Kickback Act because of: (1) significant increased costs to the federal government; (2) the impact of excessive wage determination rates on inflating construction costs and disturbing local wage scales; and (3) the fact that contractors tend to pay prevailing rates, which is the intent of the act, when determinations are too low."**[1904]

Unfortunately, Congress has refused to address this issue, even though dozens of states have their own prevailing wage laws.[1905] According to the Heritage Foundation, the Davis–Bacon Act increases the cost of federally funded construction projects by 9.9 percent. Repealing Davis–Bacon restrictions would allow the government to build more infrastructure and create 100,000 more construction-related jobs at the same cost to taxpayers (or save the federal government $9 billion on annual construction costs).[1906]

Other Federal Mandates

There are numerous other federal mandates that unfairly delay and prevent significant construction projects. Mandates such as the transportation enhancement requirement or even unreasonable interpretations of important federal laws like the Americans with Disabilities Act (ADA) have led to transportation funds and resources being wasted silly projects like a

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[1901] Audit Report No. 04-04-003-04-420, "Concerns Persist with the Integrity of Davis-Bacon Prevailing Wage Determinations, Department of Labor Inspector General, March 30, 2004, http://www.oig.dol.gov/public/reports/oa/2004/04-04-003-04-420.pdf, accessed July 15, 2011.

[1902] CRS Report: 94-408, "The Davis-Bacon Act: Institutional Evolution and Public Policy," Congressional Research Service, November 30, 2007.

[1903] "Modifying the Davis-Bacon Act: Implications for the Labor Market and the Federal Budget," Congressional Budget Office, July 1983, http://www.cbo.gov/ftpdocs/50xx/doc5030/doc12-entire.pdf, accessed July 15, 2011.

[1904] HRD-79-18, "The Davis-Bacon Act Should Be Repealed," Government Accountability Office, April 27, 1979, http://www.gao.gov/products/HRD-79-18, July 15, 2011.

[1905] "Prevailing Wage Laws," Ohio Legislative Service Commission Staff, February 25, 2005, http://www.lsc.state.oh.us/membersonly/126prevailingwagelaws.pdf, accessed July 15, 2011.

[1906] Sherk, James, "Davis–Bacon Act Extensions: The Heritage Foundation 2010 Labor Boot Camp," The Heritage Foundation, January 14, 2010, http://www.heritage.org/Research/Reports/2010/01/Davis-Bacon-Act-Extensions-The-Heritage-Foundation-2010-Labor-Boot-Camp, accessed July 15, 2011.

"sidewalk to nowhere."[1907] Several non-transportation agencies are currently also promulgating rules that would further impede the ability of state DOT directors to efficiently and effectively utilize important federal transportation funds to address critical infrastructure needs. These regulations include expansions of previous interpretations of the Clean Air Act and the Clean Water Act.

These and other mandates unnecessarily drive up costs and delay construction while our nation's infrastructure is deteriorating and transportation funding is scarce. It is critical for Congress to repeal unnecessary mandates like the Transportation Enhancement and Davis-Bacon mandates, streamline the environmental review processes, and prevent unnecessary future regulatory changes at a time when it cannot increase funding for transportation infrastructure. This also includes mandating that federal DOT safety laws are promulgated only if absolutely necessary and only in a way that minimizes economic costs to transportation improvements and related industries. Congress should also encourage turning over the responsibility of administering NEPA-like processes to the states to reduce unnecessary bureaucracy and waste and build upon a current pilot project which allows some states to do this partially.[1908] Based on this information, these reforms would decrease transportation costs for states between 10 and 40 percent and enable transportation dollars to be stretched further.

Giving States the Flexibility to Manage their Own Highway Gas Taxes for Highways

Even though "the Highway Revenue Act of 1956 established the federal Highway Trust Fund for the direct purpose of funding the construction of an interstate highway system, and aiding in the finance of primary, secondary, and urban routes,"[1909] today the HTF is used for all types of projects. Congress' mismanagement has led to crumbling infrastructure, increased public debt, and a bankrupt HTF.

The justification and purpose behind the collection of a federal gasoline tax was to build an interstate system. Since this system has been constructed 60 years later, states should have the ability to manage the gas taxes collected within their state if they believe they can do a better job than the federal government.

This plan recommends giving states the ability to keep these funds if they agree to maintain the interstate highway system and spend these funds on transportation projects. A small portion of these funds would be set aside for federal safety accounts, but states would have the ability to manage the remainder of their Highway Tax Revenues dedicated for Federal Highway funding or Mass Transit accounts as if they were state revenues. Nothing would force states to opt-out and states would not only have one chance to opt-out, but could decide to before each fiscal year begins.

[1907] Cameron, Alex, "Stimulus Funds Going to Handicap Ramps to Nowhere," *News On 6*, December 16, 2009, http://www.newson6.com/story/11690769/stimulus-funds-going-to-handicap-ramps-to-nowhere.
[1908] 23 USC 327.
[1909] CRS Report: RL30304, "The Federal Excise Tax on Gasoline and the Highway Trust Fund: A Short History, Congressional Research Service," April 4, 2006.

By giving states the option to manage HTF dollars themselves, Congress would also be placing an effective accountability check on itself and the Administration, because if they proved to continue to be poor managers of these dollars, states would opt-out. This proposal is identical to a current bill in the House of Representatives (H.R. 1585) and has the support of 24 Members of the House, 13 senators, three governors, and several national and state fiscal and transportation groups. This reform would curb wasteful Congressional spending and encourage innovation within states to address our infrastructure backlog without increasing spending.

Federal Railroad Administration

The Federal Railroad Administration (FRA) was created in 1966. Its primary purpose is to develop and enforce rail safety regulations. It has, however, over its history, also adopted significant rail funding programs, including, recently, very large annual appropriations for developing high-speed rail corridors.[1910] In FY10, FRA received $4.36 billion in federal appropriations. More than 57 percent of this budget ($2.5 billion) went to high-speed rail assistance. An additional 36 percent went to Amtrak for capital and operating assistance, leaving only $295 million (7 percent) for administering and developing rail safety regulations and other responsibilities.

High Speed Rail

While proponents of high-speed rail existed before 2009, little federal funding was obligated towards actually planning and building high-speed rail corridors in America. But the federal stimulus bill (P.L. 111-5) appropriated $8 billion towards this endeavor and an additional $2.5 billion was added in the FY10 appropriations bill, for a total of $10.5 billion in less than two years.

According to the Congressional Research Service, "Critics have questioned the economic efficiency of building an expensive high speed rail network in the United States." Despite the large amount in funding available to states for these types of projects, three states—Wisconsin, Ohio, and Florida—have rejected high speed rail projects for which their states had received grants totaling $3.6 billion because of questions about the long-term feasibility of such projects[1911] and other states are considering returning their grant awards for similar reasons. According the Department of Transportation, from the $10.5 billion appropriated, $5.23 billion remains unobligated, including $2.15 billion of stimulus funding as well as $1.86 billion from regular appropriations.[1912]

While the idea of high-speed rail may have merit in the future, given the nation's record-high national debt and transportation infrastructure deficit, this plan recommends eliminating all high-speed rail grants and rescinding any unobligated high-speed rail grants. Savings resulting from these reforms would be $6.51 billion in FY12 and $31.41 billion over ten years.

[1910] Federal Railroad Administration Website, "About the FRA," http://www.fra.dot.gov/Pages/2.shtml, accessed July 15, 2011.
[1911] CRS Report R41650, "Department of Transportation Budget FY2012," Congressional Research Service, February 24, 2011.
[1912] E-mail from Department of Transportation Congressional Liaison to Senator Tom Coburn's Office, July 14, 2011.

Amtrak

Congress has appropriated more than $30 billion for Amtrak rail service since the program's inception, even though the Rail Passenger Service Act of 1970 required that Amtrak "operate rail passenger service on a for-profit basis…," and Congress again demanded Amtrak become self-sufficient by 2003 in 1997. Unfortunately, Amtrak continues to receive over $1.5 billion in taxpayer funds each year. In FY10, Amtrak received $1.565 billion in appropriations, including $1.002 billion for capital improvements and $563 million for operating assistance.

In 2005, the Government Accountability Office (GAO) found that Amtrak lost $244 million in subsidies for Amtrak's food service for passengers between 2002 and 2004,[1913] despite the fact that Congress had mandated previously "Amtrak may provide food and beverage services on its trains only if revenues from the services each year at least equal the cost of providing the services."[1914] Despite attempts to prevent taxpayers from subsiding Amtrak food service at $85 million a year Congress refused to increase food prices even as Amtrak continually loses money and requires more than $1.5 billion in annual federal subsidies.[1915]

Amtrak also receives annual appropriations of $20 million from the Federal Emergency Management Agency (FEMA) for an Intercity Passenger Rail Program**.**[1916] This program provides duplicative funding to protect critical surface transportation infrastructure and the traveling public from acts of terrorism, major disasters, and other emergencies within the Amtrak rail system. Only Amtrak is eligible to apply for this grant program.[1917] This grant program duplicates the Transit Security Grant Program, which is intended "to create a sustainable, risk-based effort to protect critical surface transportation infrastructure and the traveling public from acts of terrorism, major disasters, and other emergencies."[1918] This more general program was funded at $253 million this year.[1919]

To help strengthen the operations of Amtrak, this plan recommends requiring Amtrak to charge food prices that cover the cost of providing food onboard such as the way airlines charge for food service in FY12, eliminating all operating assistance for Amtrak in FY13, phasing out capital assistance over ten years, and eliminating FEMA's intercity passenger rail program.

[1913] GAO-05-867, "Amtrak: Improved Management and Controls over Food and Beverage Service Needed," Government Accountability Office, August 24, 2005, http://www.gao.gov/products/GAO-05-867, accessed July 15, 2011.
[1914] 49 USC 24305(c)(4).
[1915] "Vote on S.Amdt. 3474 to S.294," United States Senate, October 30, 2007, http://www.senate.gov/legislative/LIS/roll_call_lists/roll_call_vote_cfm.cfm?congress=110&session=1&vote=00397, accessed July 15, 2011.
[1916] "Intercity Passenger Rail – AMTRAK Guidance and Application Kit," Department of Homeland Security, December 2009, http://www.fema.gov/pdf/government/grant/2010/fy10_ipr_guidance.pdf, accessed July 14, 2011.
[1917] Department of Homeland Security Website, "Fiscal Year (FY) 2010 Intercity Passenger Rail – Amtrak (IPR) Frequently Asked Questions (FAQs)," http://www.fema.gov/pdf/government/grant/2010/fy10_ipr_faq.pdf, accessed July 15, 2011.
[1918] Department of Homeland Security Website, "Transit Security Grant Program," http://www.fema.gov/government/grant/tsgp/index.shtm, accessed July 14, 2011.
[1919] Department of Homeland Security Website, Preparedness Grants Programs," http://www.dhs.gov/xlibrary/assets/grants_tsgp_overview_fy2010.pdf, accessed July 14, 2011.

Savings resulting from these reforms would be $184.02 million in FY12 and $11.509 billion over ten years for DOT and $20 million in FY12 and $219.17 million over ten years for FEMA.

The Rail-line Relocation Grants Program
This grant program was authorized in SAFETEA-LU at $350 million per year from FY2006-2009 to provide financial assistance for local rail line relocation and improvement projects. This grant program is primarily earmarked, as in FY10 more than 70 percent of the $34.5 million appropriated was earmarked. President Obama has twice[1920] recommended terminating this program[1921] because it duplicates several programs, including the Railway-Highway Crossings program which focuses on safety improvements of rail lines and accomplishes many of the same goals with its annual appropriations of $220 million distributed to states by formula, enabling states to set their own priorities.[1922] This plan recommends eliminating this program resulting FY12 savings of $34.5 million and $378.6 million over ten years.

Federal Transit Administration
The Federal Transit Administration (FTA) administers numerous transit funding programs to support a "variety of locally planned, constructed, and operated public transportation systems throughout the United States. Transportation systems typically include buses, subways, light rail, commuter rail, streetcars, monorail, passenger ferry boats, inclined railways, or people movers."[1923] Most FTA appropriations come from the Mass Transit Account (MTA), which is financed by a tax of 2.86 cents on each gallon of fuel purchased at the pump.

In FY10, FTA received $10.733 billion in appropriations. About 80 percent ($8.343 billion) of these appropriations came from federal gas taxes Americans pay at the pump and the remaining 22 percent came from General Fund appropriations. Within the General Fund, while some funding went towards administration costs ($99 million or four percent) and research funding ($66 million or three percent), the vast majority went to the New Starts program ($2 billion or 84 percent). The remaining funding went to the Transit Investments for Greenhouse Gas and Energy Reduction grant program ($75 million or 3 percent) and the Washington, D.C. metro service ($150 million or 6 percent).[1924]

Paul S. Sarbanes Transit in Parks Program
The Paul S. Sarbanes Transit in Parks Program provides funding for alternative transportation systems, such as shuttle buses, rail connections and bicycle trails. The program "seeks to conserve natural, historical, and cultural resources; reduce congestion and pollution; improve visitor mobility and accessibility; enhance visitor experience; and ensure access to all, including

[1920] Executive Office of the President of the United States, Budget of the U.S. Government, "Fiscal Year 2010 Terminations, Reductions and Savings," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2010/assets/trs.pdf.
[1921] Executive Office of the President of the United States, Budget of the U.S. Government, "Fiscal Year 2011 Terminations, Reductions and Savings," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2011/assets/trs.pdf.
[1922] Federal Highway Administration Website, "Fact Sheets on Highway Provisions," http://www.fhwa.dot.gov/safetealu/factsheets/railcrossings.htm, accessed July 14, 2011.
[1923] Federal Transit Administration Website, "Welcome to the Federal Transit Administration," http://www.fta.dot.gov/about_FTA.html, accessed July 14, 2011.
[1924] Senate Report 111-230.

persons with disabilities." DOT administers this program with the Department of the Interior and the U.S. Forest Service. Funding is awarded to federal land management agencies and state, tribal, or local governmental authorities with nearby land. Funding for alternative transportation includes "sightseeing service."[1925] This program is not a national transportation priority and is duplicative of a number of programs, including the Federal Highway Lands program and broader transportation, conservation, and economic development federal programs. This plan recommends eliminating this program saving $26.844 million in FY12 and $294.17 million over ten years.[1926]

New Starts

The New Starts program provides federal funds to public transit agencies for construction of new transit systems and expansion of old ones. It received $2 billion in federal funding for FY10. While the majority of the funding goes to rail transit, New Starts also funds the development of bus rapid transit (BRT) and ferries.[1927] The current federal cost share is up to 80 percent of project costs. While there are questions whether rail transit is more environmentally friendly than other types of transit, including automobile use, or more cost effective than BRT,[1928] no one questions that there is a massive transit maintenance backlog of $77.7 billion.[1929] The Congressional Budget Office (CBO) highlighted eliminating of the New Starts program as one of its budget options because of efficacy concerns and because many consider it to be inappropriate and inefficient to have the federal government dictate how communities spend federal aid for transit because local officials know more about local needs and priorities than federal agencies do.[1930] Even without New Starts, state and local governments could use federal aid distributed by formula grants (noncompetitive awards based on a formula) for new rail projects.

Given the incredible maintenance backlog and increasing national debt, this plan recommends reducing the maximum federal cost-share to 50 percent to increase the effectiveness of the program, reducing annual appropriations by $1 billion in FY12 and phasing out the remaining appropriations over five years, and requiring an open, merit-based process for all types of transit projects, including critical maintenance transit projects. Implementing this recommendation results in $1 billion in savings in FY12 and $18.474 billion over the next decade.

Transit Investments for Greenhouse Gas and Energy Reduction (TIGGER)

The Transit Investments for Greenhouse Gas and Energy Reduction (TIGGER) grant program was created in the 2009 federal stimulus law as a $100 million grant program to "to public transit agencies for capital investments that will assist in reducing the energy consumption or

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[1925] Federal Transit Administration Website, "Paul S. Sarbanes Transit in Parks Program," http://www.fta.dot.gov/funding/grants/grants_financing_6106.html, accessed July 14, 2011

[1926] "Paul S. Sarbanes Transit in Parks Program Announcement of FY2010 Project Selections," Federal Transit Administration, January 28, 2011, http://www.gpo.gov/fdsys/pkg/FR-2011-01-28/pdf/2011-1840.pdf

[1927] CRS Report R41442, "Public Transit New Starts Program: Issues and Options for Congress," Congressional Research Service, October 5, 2010, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41442&Source=search

[1928] GAO-01-984, "Mass Transit Bus Rapid Transit Shows Promise," Government Accountability Office, July 14, 2011, http://www.gao.gov/new.items/d01984.pdf

[1929] "National State of Good Repair Assessments," Federal Transit Administration, June 2010 http://www.fta.dot.gov/documents/National_SGR_Study_072010(2).pdf, accessed July 14, 2011.

[1930] "Budget Options Volume 2," Congressional Budget Office, August 2009, http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf, access July 14, 2011.

greenhouse gas emissions of public transportation systems."[1931] In FY10 $75 million was appropriated for this program, which funds at a 100 percent federal cost-share the purchase of more energy-efficient transit vehicles and other initiatives to reduce transit energy consumption.[1932] This program is duplicative of other federal programs that incentivize local and state initiatives for reducing carbon dioxide emissions and energy consumption and should not be prioritized over other transit projects. The Department of Energy has a loan guarantee program for alternative vehicle technologies and FTA has a $50 million Clean Fuels Grant Program that supports emerging clean fuel and advanced propulsion technologies for transit buses and markets for those technologies.[1933] This plan recommends eliminating this program and saving taxpayers $75 million in FY12 and $821.9 million over ten years.

Washington Metropolitan Area Transit Authority (WMATA or "Metro") Earmark

For the past couple of years, Congress has earmarked $150 million in funding for the Washington Metropolitan Area Transit Authority (WMATA or "Metro"). WMATA serves the Washington, D.C., metropolitan area through rail and bus transit services. Following a tragic rail accident in 2009 that claimed the lives of eight passengers and the driver of a railcar, publicized information revealed a culture of mismanagement and wastefulness.

Despite receiving a total of $422.9 million in federal funds in FY10, including $391.4 million for rail,[1934] WMATA is struggling to address many of its deficiencies as identified by FTA and the National Transportation Safety Board (NTSB). In particular, increasing operating (primarily personnel) costs have put WMATA's financial stability further at risk. Personnel costs make up approximately 70 percent of all operating costs, including pay and fringe benefits, or $1.13 billion in FY11. While the economy was in a recession, the average annual pay increased for FY2011 by $4,904 or 7.3 percent. At the same time, only $826 million in revenues comes from fares and other business revenues, meaning that user fee revenues don't even cover personnel costs, let alone any additional capital expenditures.[1935]

While this plan recommends eliminating this direct subsidy to WMATA, it also recommends reforming numerous federal mandates that make it even more difficult for transit agencies such as WMATA to be financially viable without significant federal assistance. Specifically:

- Remove a one percent transportation enhancement requirement for all capital Improvement program grants (enhancements include historic preservation, landscaping, public art, pedestrian access, bicycle access, and enhanced access for persons with

[1931] Federal Transit Administration Website, "Transit Investments for Greenhouse Gas and Energy Reduction – TIGGER," http://www.fta.dot.gov/index_9440_9326.html#TIGGER, accessed July 14, 2011.
[1932] Federal Transit Administration Website, "Transit Investments for Greenhouse Gas and Energy Reduction – TIGGER," http://www.fta.dot.gov/index_9440_9326.html#TIGGER, accessed July 14, 2011.
[1933] Federal Transit Administration Website, "Clean Fuels Grant Program," http://www.fta.dot.gov/funding/grants/grants_financing_3560.html, accessed July 14, 2011.
[1934] "Approved Fiscal 2010 Annual Budget," Washington Metropolitan Area Transit Authority, http://www.wmata.com/about_metro/docs/approved_2010_budget.pdf.
[1935] "Approved Fiscal Year 2011 Annual Budget," Washington Metropolitan Area Transit Authority, http://www.wmata.com/about_metro/docs/ANNUAL_BUDGET_FY2011.pdf.

disabilities).[1936] There is no federal need to mandate these types of projects. Enacting this reform results in $45 million in FY12 savings and $493.1 million over ten years.[1937]

- Reform federal laws to ensure that labor disputes are settled at the local level between transit agencies and union employees;
- Clarify that the Civil Rights Act of 1964 does not prohibit non-discriminatory fare rate increases by transit agencies which, may disproportionately affect one group of Americans;[1938] and
- Giving transit agencies more flexibility in providing services to disabled Americans under the Americans for Disabilities Access (ADA).[1939]

It is wasteful for Congress to institute low-priority mandates that unnecessarily increase federal spending, when transit agencies are not even able to cover their operating costs with user fees. Instead of artificially driving up spending needs, Congress should eliminate or reform unfunded mandates and cut spending associated with those mandates. Giving transit agencies greater responsibility will also enable increased innovation and better management. While WMATA will not receive $150 million in earmarked spending under this plan, it will continue to receive funding under the two broader rail transit funding accounts. Savings for FY12 would be $150 million and $1.644 billion over ten years.

Earmarks

Until this year, taxpayers have seen billions of their gas tax dollars wasted on parochial projects such as the "Bridge to Nowhere." In a 2007 study, the DOT Inspector General (IG) found that 28 percent all FTA funds were earmarked ($2.406 billion).[1940]

In total, 99.54 percent of all DOT earmarks either were not subject to the agencies' review and selection processes or bypassed the states' normal planning and programming processes (7,724 of 7,660 projects reviewed). The Federal Transit Administration (FTA) had the 2nd most number of earmarks: 15.54 percent (1,252 out of 8,056). These costs do not include the cost of administering these earmarks - another burden on the HTF.[1941]

[1936] Federal Highway Administration Website, "FHWA Transportation Enhancements and FTA Transit Enhancements Compared," http://www.fhwa.dot.gov/environment/te/te_compared.htm, accessed July 14, 2011.
[1937] Federal Transit Administration Spreadsheet, "Revised FY 2010 SECTION 5307 AND SECTION 5340 URBANIZED AREA APPORTIONMENTS," http://www.fta.dot.gov/documents/2010fullyear_-_Table_3_-_Sec_5307_UAF_and_5340_Apportionments.xls, July 15, 2011.
[1938] "Title VI of the Civil Rights Act of 1964: Principles, Policies, Guidance to FTA Recipients," Federal Transit Administration, Slide 16, http://www.google.com/url?sa=t&source=web&cd=3&sqi=2&ved=0CCcQFjAC&url=http%3A%2F%2Fwww.fta.dot.gov%2Fdocuments%2FTitle_VI_of_the_Civil_RIghts_Act_of_1964.ppt&rct=j&q=civil%20rights%20act%20%22disparate%20impact%22%20fare&ei=mznITP6HC4H_8Ab-j7Ek&usg=AFQjCNHG1kPlUBsr51inCbqSSyId-9gSNA&cad=rja, July 15, 2011.
[1939] Washington Metropolitan Area Transit Authority Website, "MetroAccess Information Materials and Application Form ," http://www.wmata.com/accessibility/metroaccess_service/eligibility.cfm, accessed July 14, 2011.
[1940] Inspector General Report Number: AV-2007-066, "Review of Congressional Earmarks Within Department of Transportation Programs," Department of Transportation Inspector General, September 7, 2007, http://www.oig.dot.gov/sites/dot/files/pdfdocs/Congressial_Earmarks-_AV-2007-66----508_Compliant.pdf, accessed July 15, 2011.
[1941] Inspector General Report Number: AV-2007-066, "Review of Congressional Earmarks Within Department of Transportation Programs," Department of Transportation Inspector General, September 7, 2007,

The IG also found that earmarks negatively impact the mission and goals of federal transportation programs in five ways:

1) **Earmarks can reduce funding for the states' core transportation programs.**
2) **Earmarks do not always coincide with DOT strategic research goals.** For Fiscal Year 2006, the IG found that all 46 earmarked projects, valued at about $40.8 million, in the Federal Transit Administration's National Research Program, did not address numerous research goals.
3) **Many low priority, earmarked projects are being funded over higher priority, non-earmarked projects.**
4) **Earmarks provide funds for projects that would otherwise be ineligible.**
5) **Earmarks can disrupt the agency's ability to fund programs as designated when authorized funding amounts are exceeded by overearmarking.** In SAFETEA-LU, earmarks actually exceeded the authorized funding levels for three of the five FHWA research programs for FY 2006, resulting in across-the-board program cuts to stay within authorized funding levels for each of the three programs.[1942]

This plan proposal recommends prohibiting earmarks and reducing overall HTF mass transit levels by $1 billion in addition to other transit cuts for FY12 savings of $1 billion and ten year savings of $10.958 billion. Additionally, this plan requires that these funds are appropriated to projects within states in an equitable manner based on the amount of revenues generated by taxpayers within those states.

Mass Transit for Federal Workers

Federal employees enjoy a subsidy for mass transit of up to $230 per month and are directly subsidized to the tune of about $431.6 million according to the most recent numbers through the Transit Benefit Program.[1943] Recently costs have increased significantly because of this limit increase for transit benefits.[1944]

Congress enacted legislation in fiscal year 1993 that authorized selected Federal Government agencies to elect to pay all or a portion of employees' public transportation costs.[1945] The subsidy program was expanded by an Executive Order[1946] in FY00 that required all Federal Government agencies to implement a transportation subsidy program. To be eligible to receive the transportation subsidy, employees must use public transportation to commute to and from their offices. DOT manages this program and takes a cut of almost five percent out of the total amount disbursed in subsidies.

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http://www.oig.dot.gov/sites/dot/files/pdfdocs/Congressial_Earmarks-_AV-2007-66----508_Compliant.pdf, accessed July 15, 2011.

[1942] Inspector General Report Number: AV-2007-066, "Review of Congressional Earmarks Within Department of Transportation Programs," Department of Transportation Inspector General, September 7, 2007, http://www.oig.dot.gov/sites/dot/files/pdfdocs/Congressial_Earmarks-_AV-2007-66----508_Compliant.pdf.

[1943] Number calculated from FY10 totals for D.C. federal employees plus non-D.C. federal employees provided by Congressional Research Service.

[1944] Personal Memo to Senator Tom Coburn, Congressional Research Service, June 14, 2011.

[1945] 5 U.S.C. § 7905.

[1946] Executive Order 13150, dated April 21, 2000.

With generous benefits such as these, recipients are left to conclude, "Where can you go for that price, drive all month and have all your maintenance, safety sticker, registration, insurance and not have to pay for it?"[1947] This plan proposes eliminating this subsidy and saving $431.6 million in FY12 and $4.73 billion over ten years.

Giving States the Flexibility to Manage their Own Highway Gas Taxes for Mass Transit
This plan recommends giving states the ability to keep federal gas taxes levied in their state for mass transit if they agree to spend these funds on mass transit projects. A small portion of these funds would be set aside for federal safety accounts, but states would have the ability to manage the remained of their Highway Tax Revenues dedicated for Federal Highway funding or Mass Transit accounts as if they were state revenues. Nothing would force states to opt-out and states would not only have one chance to opt-out, but could decide to before each fiscal year begins.

By giving states the option to manage HTF dollars themselves, Congress would also be placing an effective accountability check on itself and the Administration, because if they proved to continue to be poor managers of these dollars, states would opt-out. This proposal is identical to a current bill in the House of Representatives (H.R. 1585) and has the support of 23 Members of the House, 13 Senators, 3 governors, and several national and state fiscal and transportation groups. This reform would curb wasteful Congressional spending and encourage innovation within states to address our infrastructure backlog without increasing spending.

Conclusion
The legacy of the Interstate Highway System is a proud one. There is no doubt the existence of the Interstate Highway System has led to the increased welfare of our great country. Unfortunately, the same cannot be said for much of the current spending administered or directed by DOT. Much of DOT serves little purpose but to administer block grants to states for various modes of transportation or set-aside projects often earmarked that do not reflect national or state transportation priorities.

Congressional oversight has identified billions in low-priority spending and a fragmented approach to addressing critical national transportation infrastructure needs. In light of record spending, GAO found that infusing more money into the HTF in itself "would not ensure the long-term sustainability of the HTF nor address the need for improved performance of our nation's surface transportation programs."[1948]

By eliminating duplicative and low-priority spending, repealing and reforming unnecessary or burdensome federal mandates, and increasing state flexibility in managing gas taxes collected in their state, Congress will enable smarter and more innovative transportation spending and help offset the negative impact of necessary budget cuts. Implementing these recommendations will

[1947] Fujimori, Leila, "Vanpool seeks federal funds after rate hike," *Honolulu Star Advertiser*, June 23, 2011, http://www.staradvertiser.com/news/hawaiinews/20110623__Vanpool_seeks_federal_funds_after_rate_hike.html, accessed July 15, 2011.
[1948] GAO-09-845T, "Highway Trust Fund: Options for Improving Sustainability and Mechanisms to Manage Solvency," Government Accountability Office, June 25, 2009, http://www.gao.gov/new.items/d09845t.pdf, accessed July 15, 2011.

focus taxpayer funds on true transportation priorities and eliminate the current deficit within both the Highway and Aviations trust funds and our overall national debt.

DEPARTMENT OF TRANSPORTATION TEN YEAR SAVINGS
Discretionary: $192.22 billion
Total: $192.22 billion

DEPARTMENT OF THE TREASURY

The mission of the Department of the Treasury is to "maintain a strong economy and create economic and job opportunities by promoting the conditions that enable economic growth and stability at home and abroad, strengthen national security by combating threats and protecting the integrity of the financial system, and manage the U.S. Government's finances and resources effectively."[1949] In addition to acting as the president's lead adviser on "economic and financial issues," the Secretary of the Treasury manages a vast array of federal bureaus that oversee federal finances, tax collection, currency and coinage, the public debt, bank supervision and enforcing tax law.[1950]

In Fiscal Year 2011, the Treasury Department's total budget is $13.1 billion, a slight decrease from the year before.[1951] Of this, the Internal Revenue Service (IRS) accounts for $12.1 billion, or nearly 93 percent, of the Department's total budget.[1952] Nearly two-thirds of IRS funding, or approximately $8 billion, falls under the broad category of "enforcement," while the remaining amounts fall largely to "taxpayer services."[1953]

Unfortunately, the Treasury Department and the IRS, in particular, have not adequately managed taxpayer dollars, resulting in significant waste. Few examples were as embarrassing as the results of a recent investigation of the Treasury Inspector General for Tax Administration (TIGTA), which oversees the work of the IRS. A February 2011 report revealed 11 contractors hired by the IRS—our nation's tax collector—were severely delinquent in paying down their own tax debts, owing a combined $4.3 million.[1954] The contractors were ultimately paid $356 million by the IRS, in addition to $3.7 billion more from other federal agencies.[1955]

[1949] Website of the Department of Treasury, "About," http://www.treasury.gov/about/role-of-treasury/Pages/default.aspx, accessed June 29, 2011.
[1950] Website of the Department of Treasury, "About," http://www.treasury.gov/about/role-of-treasury/Pages/default.aspx, accessed June 29, 2011.
[1951] Hatch, Garret, Congressional Research Service, *Financial Services and General Government Appropriations: FY2012 Budget Request Fact Sheet*, (R41655), June 16, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41655&Source=search.
[1952] Hatch, Garret, Congressional Research Service, *Financial Services and General Government Appropriations: FY2012 Budget Request Fact Sheet*, (R41655), June 16, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41655&Source=search.
[1953] Chart provided by the U.S. Department of Treasury, *Taxpayer Services vs. Enforcement Spending Since FY2004, Adjusted to 2010 Dollars*, May 2010, (accessed July 12, 2011), http://www.irs.gov/pub/irs-news/taschart.pdf.
[1954] Department of Treasury, Office of Inspector General, *Existing Practices Allowed IRS Contractors to Receive Payments While Owing Delinquent Taxes*, Reference Number 2011-30-013, February 4, 2011, http://www.treasury.gov/tigta/auditreports/2011reports/201130013fr.html.
[1955] Department of Treasury, Office of Inspector General, *Existing Practices Allowed IRS Contractors to Receive Payments While Owing Delinquent Taxes*, Reference Number 2011-30-013, February 4, 2011, http://www.treasury.gov/tigta/auditreports/2011reports/201130013fr.html.

Treasury also oversees administration of the Earned Income Tax Credit (EITC), a tax benefit available to low-income workers, which suffers from significant mismanagement and loses tens of billions a year to fraud and abuse. Administration officials dubbed EITC a "high-error program" after it was discovered for 2009 its improper payment rate was as high as 29 percent, resulting in $16.9 billion in fraudulent payments.[1956] GAO auditors found much of the problem was preventable, attributing such high losses to, "high turnover of eligible claimants, confusion among eligible claimants, complexity of the law, structure of the program, unscrupulous return preparers, and fraud."[1957]

A second tax program was also recently criticized for wasting considerable sums of money, by the IRS inspector general. The TIGTA investigation found that weaknesses with IRS internal controls "allowed potentially erroneous refunds of more than $513 million to be received by taxpayers who most likely did not qualify for the Homebuyer Credit."[1958] Auditors felt that the problem was not isolated to this program and that there was a strong need "also for strengthening controls over all refundable credits."[1959]

Considerable savings can be achieved from addressing these and other areas of mismanagement and waste within Treasury and eliminating unnecessary programs.

Eliminate Unnecessary, Duplicative, Inefficient, and Wasteful Programs

While many of Treasury's functions are legitimate and vital for our nation's financial security, there are programs at Treasury that are either non-essential or duplicative of other efforts elsewhere in the federal government and should be eliminated.

End Funding for the Community Development Financial Institutions Fund
Funded at $246.7 million in Fiscal Year 2010,[1960] the Community Development Financial Institutions (CDFI) Fund was established to provide economic revitalization efforts in low-income communities. According to the Treasury, the purpose of the CDFI program is "to use federal resources to invest in CDFIs and to build their capacity to serve low-income people and communities that lack access to affordable financial products and services."[1961] A CDFI is an institution that provides financing and assistance to "underserved" communities for a range of purposes.

[1956] Official United States Government Improper Payments Website, PaymentAccuracy.gov, "High-error Programs," accessed July 17, 2011, http://paymentaccuracy.gov/content/programs-not-reported.
[1957] Government Accountability Office, "Improper Payments: Recent Efforts to Address Improper Payments and Remaining Challenges," GAO-11-575T, April 15, 2011, http://www.gao.gov/new.items/d11575t.pdf.
[1958] Department of Treasury, Office of Inspector General, *Administration of the First-Time Homebuyer Credit Indicates a Need for Improved Controls Over Refundable Credits*, Report Number 2011-41-035, March 31, 2011, http://www.treasury.gov/tigta/auditreports/2011reports/201141035_oa_highlights.html.
[1959] Department of Treasury, Office of Inspector General, *Administration of the First-Time Homebuyer Credit Indicates a Need for Improved Controls Over Refundable Credits*, Report Number 2011-41-035, March 31, 2011, http://www.treasury.gov/tigta/auditreports/2011reports/201141035_oa_highlights.html.
[1960] [1960] U.S. Department of the Treasury, 2012 Congressional Budget Justification, http://www.treasury.gov/about/budget-performance/Documents/CJ_FY2012_Complete_508.pdf.
[1961] Department of Treasury, "Community Development Financial Institutions Fund Overview," http://www.cdfifund.gov/what_we_do/programs_id.asp?programid=7, accessed June 29, 2011.

These efforts are intended "to promote economic development, to develop businesses, to create jobs, and to develop commercial real estate; to develop affordable housing and to promote homeownership; and to provide community development financial services, such as basic banking services, financial literacy programs, and alternatives to predatory lending."[1962] However, in reality, this program's success is unclear.

The most prominent CDFI institution, ShoreBank in Chicago, Illinois, has also been one of the program's most controversial spokesmen by highlighting how taxpayer money is often put at needless risk. Formerly known as South Shore Bank, it was the first community development bank, and was in continuous operation for 30 years until it failed in August 2010.[1963] ShoreBank received millions in federal assistance from the CDFI fund, dating back as far as the fund's creation. Upon its failure, however, an investigation by the FDIC Inspector General found that it was the result of poor management decisions.[1964] "ShoreBank management was not responsive to repeated examiner concerns pertaining to these areas, particularly from 2007 until the bank failed."[1965]

Treasury's Inspector General found the CDFI's controls over investing and accounting had significant deficiencies,[1966] which open the door for waste and abuse. Another CDFI-certified Chicago bank, Park National, showed even more clearly the program's investments are not always well-considered. On the same day the Secretary of the Treasury announced CDFI awarded Park National $50 million in federal tax credits, the FDIC closed the bank down permanently and sold it to another financial institution.[1967] Why the Treasury Department was not able to determine the bank's unstable condition is not clear, but FDIC auditors blamed the failure on poor "day-to-day decision making" and a bad business plan.[1968]

One of the most popular programs within the CDFI fund has been the New Markets Tax Credit (NMTC), which is intended to spur development in low-income neighborhoods. Only that is not always the case. The biggest beneficiaries of the program have been some of the nation's biggest financiers, including J.P. Morgan Chase, Goldman Sachs and U.S. Bancorp, which

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[1962] Department of Treasury, "Community Development Financial Institutions Fund Overview," http://www.cdfifund.gov/what_we_do/programs_id.asp?programid=7, accessed June 29, 2011.
[1963] Taub, Richard, "Commentary: After Shorebank," Report of the Institute for Comprehensive Community Development, December 2, 2010, http://www.instituteccd.org/library/1732.
[1964] Federal Deposit Insurance Corporation, Office of Inspector General, *Material Loss Review of ShoreBank, Chicago, Illinois*, Report No. MLR-11-012, February 2011, http://www.fdicoig.gov/reports11%5C11-012.pdf.
[1965] Federal Deposit Insurance Corporation, Office of Inspector General, *Material Loss Review of ShoreBank, Chicago, Illinois*, Report No. MLR-11-012, February 2011, http://www.fdicoig.gov/reports11%5C11-012.pdf.
[1966] Department of Treasury, Office of the Inspector General, "Semiannual Report to Congress,http://www.treasury.gov/about/organizational-structure/ig/Documents/Final%20March%202011%20SAR%20-%20April%2029.pdf, accessed June 29, 2011.
[1967] Yerak, Becky, "FBOP owner faults U.S. Treasury for failure," *Chicago Tribune*, November 3, 2009, http://articles.chicagotribune.com/2009-11-03/news/0911020418_1_fbop-tarp-faults.
[1968] Yerak, Becky, "FBOP owner faults U.S. Treasury for failure," *Chicago Tribune*, November 3, 2009, http://articles.chicagotribune.com/2009-11-03/news/0911020418_1_fbop-tarp-faults.

among others have collected at least $10 billion since 2003.[1969] Some of the questionable projects benefiting from the program have included a Georgia aquarium and a Washington State car museum.[1970] Drawing perhaps the most controversy was a $116 million renovation for the Blackstone Hotel in Chicago, one of the city's most upscale locations.[1971] A 2010 GAO study found it is not entirely clear whether projects being funded with NMTC awards required federal funding.[19721973]

This program also duplicates the $4 billion a year Community Development Block Grant (CDBG) program, housed at the Department of Housing Urban Development (HUD), which also funds community development initiatives that aim towards improving economic development and affordable housing, and several other programs within our government. In fact, in a report this past March, GAO identified more than 80 similar programs targeting "economic development," which received a combined $6.5 billion in federal funding.[1974] Each one of these programs appears to overlap with at least one other program in funding certain economic development activities. These programs are administered in a fragmented and duplicative manner that discourages the maximum efficiency and fails to ensure constituents can easily find and apply for assistance. In a previous 2005 study, at least 180 economic development programs were identified within more than a dozen different agencies costing taxpayers about $17.9 billion annually on community development, regional development, and other economic development programs.[1975]

Federal dollars for the CDFI fund is also questionable given large amounts provided for CDFIs by private institutions. In 2010, Bank of America alone pledged $10 million to CDFIs, with large institutions such as Wells Fargo and others promising to follow suit.[1976]

Estimated Ten-Year Savings: $2.77 Billion

[1969] Dietz, David, "Rich Take From Poor as U.S. Subsidy Law Funds Luxury Hotels," *Bloomberg*, February, 8, 2011, http://www.bloomberg.com/news/2011-02-08/rich-taking-from-poor-as-10-billion-u-s-subsidy-law-funds-luxury-hotels.html.

[1970] Attkisson, Sharyl, "Fancy Hotel Renovated with Your Tax Dollars," *CBS News*, February 9, 2011, http://www.cbsnews.com/stories/2011/02/08/eveningnews/main7330767.shtml.

[1971] Dietz, David, "Rich Take From Poor as U.S. Subsidy Law Funds Luxury Hotels," *Bloomberg*, February, 8, 2011, http://www.bloomberg.com/news/2011-02-08/rich-taking-from-poor-as-10-billion-u-s-subsidy-law-funds-luxury-hotels.html.

[1972] Government Accountability Office, "New Markets Tax Credit: The Credit Helps Fund a Variety of Projects in Low-Income Communities, but Could Be Simplified," GAO-10-334, January 2010, http://www.gao.gov/new.items/d10334.pdf.

[1973] A more detailed discussion of the New Markets Tax Credit can be found in the Reforming the Tax Code & Ending Special Interest Giveaways section of this report.

[1974] Government Accountability Office, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue," GAO-11-318SP, March 2011, http://www.gao.gov/new.items/d11318sp.pdf.

[1975] Drabenstott, Mark, "A Review of the Federal Role in Regional Economic Development," Center for the Study of Rural America & Federal Reserve Bank of Kansas City, May 2005, ftp://urban.csuohio.edu/utility/ledebur/622-722/Nov%206%20%20Federal%20Policy/Supplemental%20Resources/drabenstott%20federalreview.pdf.

[1976] Hughes, Darrell A., "Bank of America Commits $10M in Small-Business Grants," *Wall Street Journal*, July 29, 2010, http://online.wsj.com/article/SB10001424052748703578104575397321802765204.html.

Replace the $1 Bill With $1 Coin
The Treasury Department should phase out use of the $1 bill and replace it with the $1 coin. Paper-based currencies wear out faster than coins, and so cost taxpayers more in the long run. According to GAO, starting in the 1980's, "Over the last 47 years, Australia, Canada, France, Japan, the Netherlands, New Zealand, Norway, Russia, Spain, and the UK, among others, have replaced lower-denomination notes with coins."[1977] GAO also estimates that over a 30-year period, the average annual savings would be approximately $184 million.[1978]
Estimated Ten-Year Savings: $2.04 Billion

Eliminate the Office of Technical Assistance
Funded at $25 million in Fiscal Year 2010,[1979] the Office of Technical Assistance (OTA) Department of Treasury program designed to assist and advise foreign countries in how to manage their finances. Its core mission is "to develop strong financial sectors and sound public financial management in countries where assistance is needed and there is a strong commitment to reform."[1980] Treasury's program consists of five main areas including, Budget Policy and Accountability, Banking and Financial Services, Government Debt Issuance and Management, Financial Crimes, and Revenue Policy and Administration.

This office duplicates ongoing efforts at the United States Agency for International Development (USAID), which has programs that also focus on building financial infrastructure and knowledge for poor and developing countries, often in conjunction with the World Bank.[1981] USAID, whose mission is to educate, build, and support developing countries, is a more appropriate agency to advise foreign nations in this area.

The Office of Technical Assistance has also been involved in training overseas police forces in counterterrorism and counternarcotics strategies, but it is one of many federal agencies doing this. An April 2011 review by GAO (see chart below) found that, "during fiscal year 2009, seven federal agencies and 24 components within them funded or implemented police-assistance activities to support their counternarcotics, counterterrorism, and anticrime missions," and spent more than $3.5 billion.[1982]

[1977] Government Accountability Office, "U.S. Coins: Replacing the $1 Note with a $1 Coin Would Provide a Financial Benefit to the Government," GAO-11-281, March 2011, http://www.gao.gov/new.items/d11281.pdf.
[1978] Government Accountability Office, "U.S. Coins: Replacing the $1 Note with a $1 Coin Would Provide a Financial Benefit to the Government," GAO-11-281, March 2011, http://www.gao.gov/new.items/d11281.pdf.
[1979] U.S. Department of the Treasury, 2012 Congressional Budget Justification, http://www.treasury.gov/about/budget-performance/Documents/CJ_FY2012_Complete_508.pdf.
[1980] Department of Treasury, Office of Technical Assistance, "Mission Statement," http://www.treasuryota.us/, accessed June 29, 2011.
[1981] United States Agency for International Development, "Financial Markets," http://www.usaid.gov/our_work/economic_growth_and_trade/eg/financial_markets.html, accessed June 29, 2011.
[1982] Government Accountability Office, letter to The Honorable John F. Tierney, "Subject: *Multiple U.S. Agencies Provided Billions of Dollars to Train and Equip Foreign Police Forces*," GAO-11-402R, April 27, 2011, http://www.gao.gov/new.items/d11402r.pdf.

Table 1: U.S. Departments, Agencies, and other Organizational Units that Provided Police Assistance in Fiscal Year 2009

Agency	Unit
DOD	Deputy Assistant Secretary for Counternarcotics and Global Threats
	Five Combatant Commands: Africa, Central, European, Pacific, Southern
	Joint Interagency Task Force-West
	Defense Threat Reduction Agency
DOE	National Nuclear Security Administration
DHS	Customs and Border Protection
	Federal Law Enforcement Training Center
	Immigration and Customs Enforcement
DOJ	Criminal Division
	Bureau of Alcohol, Tobacco, Firearms, and Explosives
	DEA
	FBI
	U.S. Marshals Service
State	Bureau of Diplomatic Security
	Bureau of International Security and Nonproliferation
	Bureau of International Narcotics and Law Enforcement Affairs
	Office of the Coordinator for Counterterrorism
Treasury	Internal Revenue Service
	Office of Technical Assistance
USAID	Bureau of Democracy, Conflict, and Humanitarian Assistance
	Multiple regional bureaus

Source: GAO analysis of DOD, DOE, DOJ, State, Treasury, and USAID information.

Estimated Ten-Year Savings: $277 million

Eliminate Debt Restructuring Programs

Debt restructuring programs at the Department of Treasury were established to alleviate the debt burdens of poor and/or underdeveloped countries. The $60 million annual budget for these programs enables funding for three initiatives: the Heavily Indebted Poor Countries Initiative (HIPC) debt reduction, the HIPC Trust Fund, and the Tropical Forest Conservation Act (TFCA).[1983] The HIPC initiatives provide debt relief to impoverished countries in return for domestic economic reforms to bolster growth and to reduce poverty, while the TFCA writes off debt owed to the U.S. in return for conservation of tropical forests.

A recent example of questionable use of TFCA funds abroad involved the country of Brazil, whose economy has exploded in the past couple of years. According to USAID, "the Governments of the U.S. and Brazil signed a Debt-for-Nature Agreement in August 2010 to reduce Brazil's debt payments to the United States by close to $21 million through 2015. In return, the Government of Brazil has committed these funds to support grants to protect the country's tropical forests."[1984]

The primary and appropriate entity responsible for aiding indebted and impoverished nations is the World Bank. In 2010, the World Bank made over $72 billion in loans to developing countries.[1985] The Department of Treasury should remove itself from debt forgiveness for other countries and instead focus on eliminating our debt to other nations.

Estimated Ten-Year Savings: $666.05 million

[1983] Website of the Department of Treasury, Treasury International Programs, Program Summary by Appropriations Account, accessed July 17, 2011, http://www.treasury.gov/about/budget-performance/budget-in-brief/Documents/International%20FY11%20508.pdf.

[1984] United States Agency for International Development, "Tropical Forest Conservation Act Program Descriptions," http://www.usaid.gov/our_work/environment/forestry/tfca_descs.html#Brazil, accessed June 21, 2011.

[1985] The World Bank, "Projects and Lending," http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/0,,contentMDK:20264002~menuPK:572065~pagePK:41367~piPK:279616~theSitePK:40941,00.html, accessed June 29, 2011.

Improve Energy Efficiency at IRS Data Centers
The IRS should update its policies regarding energy use at its data centers, which could achieve significant savings. Data centers are rooms or warehouses containing large amounts of computer equipment, such as servers, that also consume huge quantities of energy, often 40 times as much as a conventional office.[1986] A TIGTA audit revealed that IRS data centers, however, were following outdated practices and needlessly wasting significant amounts of energy. At just two of these 42 sites, auditors found that making simple changes could save as much as $3.2 million over four years, and further savings were possible if extended to all data centers.[1987] Among the suggestions were ideas for simple upkeep, like replacing missing tiles in floors, making sure furniture does not block airways and alternating hot and cold servers.[1988]
Estimated Ten-Year Savings: $10 million

Reduce Administrative Expenses for the Department
For Fiscal Year 2012, the Obama administration recommended reducing the administrative budget of the Treasury Department by $199 million. This would include "eliminating printing and mailing of certain forms, publications and inserts," which would save $4 million per year.[1989]
Estimated Ten-Year Savings: $2.18 billion

Increase the Number of Paperless Transactions
The Treasury Department, as keeper of the nation's money, interacts with millions of employees, citizens, taxpayers, contractors and others every day. By increasing the number of electronic, paperless transactions it has, the administrative cost of these interactions would decrease significantly. The Obama administration has endorsed a plan that would pay benefits electronically, require businesses to pay taxes electronically, issue more electronic savings bonds, sell more Treasury securities online, and automate many paper-based processes, such as Freedom of Information Act requests.[1990] The White House estimates the five-year savings from this would result in savings of $524 million.[1991]
Estimated Ten-Year Savings: $1.05 billion

[1986] Greenberg, Steve, and others. 2006. Best Practices for Data Centers: Lessons Learned from Benchmarking 22 Data Centers. Proceedings of the ACEEE Summer Study on Energy Efficiency in Buildings in Asilomar, CA. ACEEE, August. Vol 3, pp 76-87. http://eetd.lbl.gov/emills/PUBS/PDF/ACEEE-datacenters.pdf
[1987] U.S. Department of the Treasury, Treasury Inspector General for Tax Administration, *Implementing Best Practices and Additional Controls Can Improve Data Center Energy Efficiency and the Environmental and Energy Program*, Reference Number 2010-20-044, May 7, 2010, http://www.treasury.gov/tigta/auditreports/2010reports/201020044fr.pdf.
[1988] Kauffman, Tim, "IG: IRS wasting money at data centers," *Federal Times*, June 7, 2010, http://www.federaltimes.com/article/20100607/AGENCY05/6070302/1001.
[1989] Office of Management and Budget, Executive Office of the President, Budget of the U.S. Government, "Fiscal Year 2012 Terminations, Reductions, and Savings," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf.
[1990] Office of Management and Budget, Executive Office of the President, Budget of the U.S. Government, "Fiscal Year 2012 Terminations, Reductions, and Savings," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf.
[1991] Office of Management and Budget, Executive Office of the President, Budget of the U.S. Government, "Fiscal Year 2012 Terminations, Reductions, and Savings," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf.

Consolidate Various Information Technology Programs
For 2012, the Obama administration recommended consolidating five different information technology systems used by the Bureau of Public Debt and the Financial Management Service. The move would better integrate systems that both bureaus depend on, and possibly eliminate certain contractor costs. OMB estimates the five-year savings would be $96 million.[1992]
Estimated Ten-Year Savings: $192 million

Increase Levy Payments for Federal Contractors with Delinquent Tax Debts
A recent investigation by GAO uncovered that 3,700 federal stimulus contractors with $757 million in tax debt were awarded over $24 billion in federal funds.[1993] The government should do more to end problems like this by increasing the amount the government can collect from federal contractors from 15 percent to 100 percent until the debt is repaid. OMB estimates this would generate nearly $1.5 billion in savings over ten years.[1994]
Estimated Ten-Year Savings: $1.47 billion

Eliminate Ten-Year Statute of Limitations on Debt Collection
Under current law, federal debts not collected within a ten year window of time are not collected at all. AS proposed by the Bush administration, the government should eliminate the restriction and allow, with proper safeguard, full collection of all unpaid debts. [1995]
Estimated Ten-Year Savings: $88.81 million
PROGRAMS ELIMINATED:

- The Community Development Financial Institutions Fund
- The Office of Technical Assistance
- Tropical Forest Conservation Act
- The Heavily Indebted Poor Countries Initiative
- The Heavily Indebted Poor Countries Trust Fund

DEPARTMENT OF THE TREASURY TEN YEAR SAVINGS
Discretionary: $9.67 billion
Total: $9.7 billion

[1992] Office of Management and Budget, Executive Office of the President, Budget of the U.S. Government, "Fiscal Year 2012 Terminations, Reductions, and Savings," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf.
[1993] Government Accountability Office, "Recovery Act: Thousands of Recovery Act Contract and Grant Recipients Owe Hundreds of Millions in Federal Taxes," GAO-11-485, April 2011, http://www.gao.gov/new.items/d11485.pdf.
[1994] Office of Management and Budget, Executive Office of the President, Budget of the U.S. Government, "Fiscal Year 2012 Terminations, Reductions, and Savings," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf
[1995] Office of Management and Budget, Executive Office of the President, "Major Savings and Reforms in the President's 2009 Budget," February 2008, http://www.gpoaccess.gov/usbudget/fy09/pdf/savings.pdf.

PHOTO: KEN CEDENO/BLOOMBERG/LANDOV

GOVERNMENT SPONSORED ENTERPRISES: FANNIE MAE AND FREDDIE MAC

In the last three years, few entities have negatively impacted the economy as much as two particular government sponsored entities (GSE): the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). Together, these GSEs helped inflate the housing market to record levels, setting up the financial crisis of 2008.

Fannie Mae and Freddie Mac were chartered by Congress to encourage homeownership in two primary ways: first, by providing a secondary market for home mortgages and second, by purchasing loans for their own portfolios. The former was accomplished by purchasing mortgage loans, which the GSEs bundled and sold as securities that investors believed were backed the federal government. The existence of a secondary market encouraged lenders to originate more loans, from which they could profit by selling them to the GSEs and others. The latter was accomplished by simply purchasing large numbers of loans and holding them as investments.

Over time, Fannie Mae and Freddie Mac encouraged increasingly risky lending by purchasing larger and larger quantities of high risk loans. According to the Treasury Department: "[A]s their combined market share declined – from nearly 70 percent of new originations in 2003 to 40 percent in 2006 – Fannie Mae and Freddie Mac pursued riskier business to raise their market share and increase profits. Not only did they expand their guarantees to new and riskier products, but they also increased their holdings of some of these riskier mortgages on their own balance sheets."[1996]

In fact, the Treasury Department characterized the two GSEs this way, "Fannie Mae and Freddie Mac were allowed to behave like government-backed hedge funds, managing large investment portfolios for the profit of their shareholders with the risk ultimately falling largely on taxpayers."[1997]

Between 2005 and 2007, Fannie Mae alone purchased billions of dollars in loans with questionable characteristics. Data from Fannie Mae shows that for all Option Adjustable-Rate Mortgage (ARM) loans, one of the riskiest types of mortgages, it had on its books through the

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[1996] Joint report of the U.S. Department of the Treasury and the Department of Housing and Urban Development, *Reforming America's Housing Finance Market: A Report to Congress*, February 2011, http://www.treasury.gov/initiatives/Documents/Reforming%20America's%20Housing%20Finance%20Market.pdf.

[1997] Joint report of the U.S. Department of the Treasury and the Department of Housing and Urban Development, *Reforming America's Housing Finance Market: A Report to Congress*, February 2011, http://www.treasury.gov/initiatives/Documents/Reforming%20America's%20Housing%20Finance%20Market.pdf.

middle of 2008, 62 percent were purchased between 2005 and 2007.[1998] Likewise, 84 percent of its interest-only loans were purchased in that time, as were 57 percent of those with FICO (credit-worthiness) scores less than 620; 62 percent of its loans with loan-to-value ratios greater than 90; and 73 percent of its Alt-A loans.[1999] While these same risky loans would constitute only a small percentage of Fannie Mae's purchases at the time, they came to account for some its most significant losses. By the middle of 2009, Fannie Mae reported an unpaid principal balance of $878.2 billion for its loans with subprime characteristics, out of a total portfolio of $2.7 trillion, representing a full third.[2000]

As mentioned above, Fannie Mae and Freddie Mac were able to bundle these mortgages into securities and sell them to investors because many believed the securities carried the implicit support of the federal government. According to the Congressional Budget Office (CBO), the risk carried by these securities was then spread throughout the financial system:

> "Because of their [Fannie Mae and Freddie Mac] size and interconnectedness with other financial institutions, they posed substantial systemic risk—the risk that their failure could impose very high costs on the financial system and the economy. The GSEs' market power also allowed them to use their profits partly to benefit their other stakeholders rather than exclusively to benefit mortgage borrowers. The implicit guarantee created an incentive for the GSEs to take excessive risks: Stakeholders would benefit when gambles paid off, but taxpayers would absorb the losses when they did not.
>
> . . . One way that Fannie Mae and Freddie Mac increased risk was by expanding the volume of mortgages and [mortgage-backed securities] MBSs held in their portfolios, which exposed them to the risk of losses from changes in interest or prepayment rates. Over the past decade, the two GSEs also increased their exposure to default losses by investing in lower-quality mortgages, such as subprime and Alt-A loans."[2001]

These risks finally materialized in September 2008, when both Fannie Mae and Freddie Mac were taken in to conservatorship by the federal government. By the fall of 2008, Fannie Mae and Freddie Mac were projected to incur up to $3.8 trillion in losses,[2002] deemed insolvent and placed into conservatorship where they have remained, and put on life support in the form of frequent injections of billions in cash from federal taxpayers.

[1998] Fannie Mae, 2008 Q2 10-Q Investor Summary, August 8, 2008, http://www.fanniemae.com/media/pdf/newsreleases/2008_Q2_10Q_Investor_Summary.pdf.
[1999] Fannie Mae, 2008 Q2 10-Q Investor Summary, August 8, 2008, http://www.fanniemae.com/media/pdf/newsreleases/2008_Q2_10Q_Investor_Summary.pdf.
[2000] Fannie Mae, 2009 Second Quarter Credit Supplement,, August 6, 2009, http://www.fanniemae.com/ir/pdf/sec/2009/q2credit_summary.pdf.
[2001] Congressional Budget Office, "Fannie Mae, Freddie Mac, and the Federal Role in the Secondary Mortgage Market," December 2010, http://www.cbo.gov/ftpdocs/120xx/doc12032/12-23-FannieFreddie.pdf.
[2002] Testimony of Deborah Lucas, Congressional Budget Office, before the House Budget Committee, "The Budgetary Cost of Fannie Mae and Freddie Mac and Options for the Future Federal Role in the Secondary Mortgage Market," June 2, 2011, http://www.cbo.gov/ftpdocs/122xx/doc12213/06-02-GSEs_Testimony.pdf.

Since that time, the Treasury Department has spent nearly $150 billion dollars to support the two GSEs, a total which projections show could rise to as high as $363 billion.[2003] According to CBO in August 2009, while the two organizations were previously considered private corporations, their new status was that of a government agency. Consequently, CBO projected that Fannie Mae and Freddie Mac would cost taxpayers $291 billion over the long term for all of its mortgage-related activities through 2009.[2004]

On June 2, 2011, CBO revised this estimate upward and stated that GSEs are estimated to produce "a fair value cost to the government of about $317 billion in obligations incurred through March 2011," $26 billion more than the previous measurement. The increase in that total compared with CBO's 2009 estimate reflects "continued deterioration in the condition of the housing market that is increasing default rates on distressed mortgages and depressing the amounts that can be recovered following defaults."[2005]

Moving forward, CBO still estimates continued bailouts for the next decade absent reform. "In its most recent baseline projections from March 2011, CBO estimated that the subsidy costs of the GSEs' new business would total about $42 billion over the [next decade], an average of about $4 billion a year."[2006]

Recommendations

Unfortunately, Congress has yet to enact GSE reforms despite ample opportunities to do so. While a quick transition to a fully private secondary market for mortgages potentially would create more harm than good, Congress must begin the process of slowly reforming GSEs to help curtail the massive losses to American taxpayers.

Over time, the government should phase out its involvement in both Fannie Mae and Freddie Mac, devolving all activities related to a secondary mortgage market to the private sector. The immediate actions include:

Increase Down-Payments for GSE-Backed Mortgages to at Least 10 Percent
This proposal would improve the mortgage products that the GSEs securitize, diminishing the default risk and consequent need of bailouts by taxpayers. Currently, there is no down payment requirement for GSE products. In its model for GSE reform, the Department of Treasury

[2003] Federal Housing Finance Agency, News Release, "FHFA Releases Projections Showing Range of Potential Draws for Fannie Mae and Freddie Mac," October 21, 2010, http://fhfa.gov/webfiles/19409/Projections_102110.pdf.
[2004] Congressional Budget Office, Background Paper, "CBO's Budgetary Treatment of Fannie Mae and Freddie Mac," January 2010, http://www.cbo.gov/ftpdocs/108xx/doc10878/01-13-FannieFreddie.pdf.
[2005] Testimony of Deborah Lucas, Congressional Budget Office, before the House Budget Committee, "The Budgetary Cost of Fannie Mae and Freddie Mac and Options for the Future Federal Role in the Secondary Mortgage Market," June 2, 2011, http://www.cbo.gov/ftpdocs/122xx/doc12213/06-02-GSEs_Testimony.pdf.
[2006] Testimony of Deborah Lucas, Congressional Budget Office, before the House Budget Committee, "The Budgetary Cost of Fannie Mae and Freddie Mac and Options for the Future Federal Role in the Secondary Mortgage Market," June 2, 2011, http://www.cbo.gov/ftpdocs/122xx/doc12213/06-02-GSEs_Testimony.pdf

outlined a requirement for 10 percent down-payment to qualify to be included in a GSE loan portfolio to prevent "risky, low-quality mortgage products and predatory lending."[2007]

By requiring a down-payment, it decreases the likelihood of borrowers walking away from their homes as it increases the personal losses they face in foreclosure. This lowered default risk in turn strengthens the loan portfolio of the GSEs since they, not the bank of origination, are ultimately responsible for the mortgage.

Gradually Lower the Conforming Loan Limits
This proposal will lower the level of risk GSEs are allowed to incur by reducing the size of the mortgages they can purchase. Under current law, the GSEs are able to guarantee mortgages in amounts up to $729,750 in areas with high costs until the end of the current fiscal year when that limit will fall to $625,500. The limit outside of high-cost areas currently is $417,000 (meaning homes worth $500,000).

This plan, which Treasury endorsed, "would set a maximum loan limit of $417,000 nationally beginning in 2013 and freeze that limit going forward. The option would retain the scheduled reduction—to $625,500 starting October 1, 2011—in the loan limit for high-cost areas for FY12 only; thus, no savings would be realized in 2012."[2008]

CBO estimates that lowering loan limits would reduce federal subsidies for the GSEs by $3.5 billion over the next decade.[2009] Further reductions would achieve additional savings. According to CBO, the primary advantage of this plan is "that it could provide a transition from conservatorship and restore a role for the private sector in the secondary mortgage market while reducing taxpayers' exposure to the risk of defaults." Additionally, CBO argues, "current loan limits, which are high compared with the median price of about $170,000 for an existing single-family residence in 2010, leave little scope for a private secondary market, which had been significant before the financial crisis."[2010]
Estimated Ten-Year Savings: $3.5 billion

Gradually Reduce GSE Investment Portfolio
This proposal would lower the volume of guaranteed loans on Fannie and Freddie's books, further reducing taxpayer exposure to its losses. As mentioned previously, the Department of Treasury found that "Fannie Mae and Freddie Mac were allowed to behave like government-backed hedge funds, managing large investment portfolios for the profit of their shareholders

[2007] Joint report of the U.S. Department of the Treasury and the Department of Housing and Urban Development, *Reforming America's Housing Finance Market: A Report to Congress*, February 2011, http://www.treasury.gov/initiatives/Documents/Reforming%20America's%20Housing%20Finance%20Market.pdf.
[2008] Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options," March 2011, http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf.
[2009] Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options," March 2011, http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf.
[2010] Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options," March 2011, http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf.

with the risk ultimately falling largely on taxpayers."[2011] The Treasury plan requires "a reduction in this risk-taking by winding down their investment portfolios at an annual pace of no less than 10 percent."[2012] By selling off a relatively small portion of its assets over an extended time frame, it both reduces the GSEs and, by extension, the taxpayer's liabilities.

This reform will not unduly impact the housing markets with a large dump of government backed assets all at once, while increasing the supply of available mortgage-backed securities to encourage private sector investment back into the housing market. This government divestment will be coordinated with the appropriate regulators, such as the Federal Reserve and the Department of Treasury.

Gradually Increase the Guarantee Fees GSEs Charge

This proposal would shift the costs of guaranteeing mortgage losses from taxpayers to the issuers of loans purchased by the GSEs, consequently lowering future taxpayer exposure to losses on failed GSE loan securitizations. According to CBO, Fannie Mae and Freddie Mac could move to "raise the average guarantee fee they assess on loans in the MBSs they issue by 5 basis points (100 basis points are equivalent to 1 percentage point) and to raise the effective guarantee fee on loans acquired for their portfolios by the same amount. Those increases, constituting roughly a 20 percent rise in fees, would reduce federal costs for the GSEs by about $27 billion over the next decade."[2013]

The Department of Treasury summed up the policy impact this way: "this will mean that the price of the guarantee offered by Fannie Mae and Freddie Mac explicitly reflects its risk, and will help the private market compete on a level playing field, reducing Fannie Mae and Freddie Mac's market share over time."[2014] According to CBO, "the main advantage of raising guarantee fees would be to reduce the projected costs of conservatorship. Another advantage of this option is that it would help address the current underpricing of risk, which could shift the allocation of capital too far toward housing and away from more productive activities."[2015]

Estimated Ten-Year Savings: $26.5 billion

[2011] Joint report of the U.S. Department of the Treasury and the Department of Housing and Urban Development, *Reforming America's Housing Finance Market: A Report to Congress*, February 2011, http://www.treasury.gov/initiatives/Documents/Reforming%20America's%20Housing%20Finance%20Market.pdf.

[2012] Joint report of the U.S. Department of the Treasury and the Department of Housing and Urban Development, *Reforming America's Housing Finance Market: A Report to Congress*, February 2011, http://www.treasury.gov/initiatives/Documents/Reforming%20America's%20Housing%20Finance%20Market.pdf.

[2013] Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options," March 2011, http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf.

[2014] Joint report of the U.S. Department of the Treasury and the Department of Housing and Urban Development, *Reforming America's Housing Finance Market: A Report to Congress*, February 2011, http://www.treasury.gov/initiatives/Documents/Reforming%20America's%20Housing%20Finance%20Market.pdf.

[2015] Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options," March 2011, http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf.

Reduce Executive Pay to that of Federal Pay Schedules and End Funding of Legal Fees for Former Executives

This proposal would cap excessive executive compensation at the GSEs while also ending taxpayer funded legal services provided to former executives. The top six executives at Fannie Mae and Freddie Mac made a combined $35.4 million in 2009 and 2010.[2016]

Since the GSEs are currently in government conservatorship, which according to CBO renders them government entities, they should be compensated the same as others in federal service. For as long as the GSEs are in government conservatorship or receivership, they will be compensated on the Federal "General Schedule" (GS) pay scale. Additionally, no taxpayer money would be used to pay legal fees defending the former executives of the GSEs. Since the GSEs went into conservatorship, taxpayers have funded $81.2 million in legal fees for former Fannie and Freddie executives, including $7.9 million for Franklin Raines, former Fannie Mae Chief Executive, and $11.8 million for Leanne Spencer, former Fannie Mae Controller.[2017]

Estimated Ten-Year Savings: $50 Million

GOVERNMENT SPONSORED ENTERPRISES TEN YEAR SAVINGS
Mandatory: $30.05 billion
Total: $30.05 billion

[2016] Prior, Jon, "What Fannie, Freddie execs made while in conservatorship," *HousingWire*, April 1, 2011, http://www.housingwire.com/2011/04/01/what-fannie-freddie-execs-made-while-in-conservatorship.

[2017] Morgensen, Gretchen, "Mortgage Giants Leave Legal Bills to the Taxpayers," *New York Times*, January 24, 2011, http://www.nytimes.com/2011/01/24/business/24fees.html?_r=1.

DEPARTMENT OF VETERANS AFFAIRS

The Department of Veterans Affairs (VA) was created to provide a variety of benefits to Americans who have served in the military. These range from health care, disability payments, education benefits, job training, and many others. Some benefits are available to veterans injured as a result of their military service, while others are available to all veterans.

The mission of the VA has become more difficult in recent years, both because of the increase in injured veterans from the conflicts in Iraq and Afghanistan, and the aging of veterans from prior wars. The Veterans Health Administration plans to treat 5.6 million veterans in 2012, a 1.4 percent increase over 2011. Inpatient treatment of veterans (around one million veterans) will increase by over three percent from last year.[2018] At the same time, all of these new additions have put a strain on the Department's budget. Funding for the VA has increased dramatically from $67.3 billion in 2005 to $126.9 billion in 2010, even as the total number of veterans has declined.[2019]

Unfortunately, significant funding increases have not always translated into better service for our veterans in need. One of the lingering issues plaguing the VA in recent years is the backlog of disability claims from veterans. Some veterans have been forced to wait months or even years for the VA to determine their level of disability so payments can begin. During that time, many of these same disabled veterans are separated from the military and may not be receiving a paycheck. Despite adding more money and staff, the number of disability claims requiring more than 125 days to process has more than doubled.[2020] According to some veterans' advocates, the backlog on decisions pending is 800,000 initial disability claims and 200,000 appeals.[2021]

The proposals for savings in the Department of Veterans Affairs are appropriately modest given our military's continued involvement in hostilities around the world and the sacrifices made by

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[2018] CRS Report R41688, "Veterans Affairs: A Preliminary Analysis of the FY2012 Appropriations Request," Congressional Research Service, March 15, 2011. http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41688#_Toc287955347.

[2019] CRS Report RL 33017, "Military Quality of Life/VA (House) and Military Construction/VA (Senate): FY2006 Appropriations, Congressional Research Service, January 10, 2006. http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL33017&Source=author#_Toc227049230; CRS Report R41688, "Veterans Affairs: A Preliminary Analysis of the FY2012 Appropriations Request," Congressional Research Service, March 15, 2011. http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41688#_Toc287955347; National Center for Veterans Analysis and Statistics, "Veteran Population Projections: FY2000 to FY2036," Department of Veterans Affairs, December 2010, http://www.va.gov/vetdata/docs/quickfacts/Population-slideshow.pdf.

[2020] Zoroya, Gregg, "Backlog buries veterans' claims," USA Today, April 7, 2011, http://www.usatoday.com/news/military/2011-04-07-1Abacklog07_ST_N.htm.

[2021] Leys, Tony, "Veteran trapped, like many, in disability paperwork backlog," The Des Moines Register, June 27, 2011, http://www.usatoday.com/news/military/2011-06-19-veteran-disability-backlog_n.htm.

these brave men and women. If Congress adopted these proposals, which do not affect service-connected disabled veterans, they would reduce spending by approximately $13.6 billion, approximately two percent, over the next ten years

Require the Departments of Defense and Veterans Affairs to Jointly Buy Brand Name Prescription Drugs - $7.3 billion

Ten years ago, the Government Accountability Office (GAO) recommended the Department of Defense and Department of Veterans Affairs jointly purchase brand-name and generic prescription drugs in all cases where it saved money to do so.[2022] Together the two agencies spend over $11 billion per year on prescription drugs. DOD and VA agreed with the recommendation and began to do so in a significant way until 2005. In 2005, during the highest year of joint purchasing between the VA and DOD, the VA claims it saved around $660 million.

However, DOD and VA appear to have reverted to previous buying practices, as the dollar amount they have spent on joint contracts has fallen from a high of $560 million per year in 2005, to less than $200 million per year in 2009. This represents five percent of prescription drug spending at the VA and around one percent of the prescription drug spending at DOD.[2023]

This option would direct the VA and DOD to return to or exceed the 2005 levels of joint contracting for prescription drugs in order to achieve long term savings of over $7 billion.

Change Copayment and Annual Fees for Non-Service Connected Disabled Veterans Receiving Health Care at the VA - $6.3 billion

The Veterans Health Administration makes direct medical care available to nearly all veterans, which is subsidized on a sliding scale to increase benefits for those with the biggest need. To determine each veteran's level of assistance, the VA places each individual in one of eight "Priority Groups," based primarily on the severity of their disability or injury as a result of their military service.[2024] Priority Group 1 consists of veterans with a disability rating of 50 percent or greater. Priority Groups 2 through 6 consist of lower levels of service-connected disabilities, certain Vietnam and Gulf War veterans, and veterans that are catastrophically disabled by events outside of service.[2025]

[2022] GAO 11-318SP, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue," March 2011, Government Accountability Office, http://www.gao.gov/new.items/d11318sp.pdf.

[2023] GAO 11-318SP, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue," March 2011, Government Accountability Office, http://www.gao.gov/new.items/d11318sp.pdf.

[2024] CRS RL32548, "Veterans' Medical Care Appropriations and Funding Process," December 27, 2004, Congressional Research Service, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL32548.

[2025] Catastrophically disabled veterans are those that cannot carry out activities of daily living, require constant supervision, and require assistance (either through manual or medical devices) to leave home or bed.

Priority Groups 7 and 8 consist of veterans that are not disabled from an injury from their military service, and whose income is well above the poverty level. [2026, 2027]

This proposal would implement an annual user fee of $250 for all Priority Group 7 and 8 veterans receiving care at the VA. This proposal would also increase pharmacy copayments for Priority Group 7 and 8 veterans from seven dollars for a 30-day supply of prescription drugs to fifteen dollars for the same supply.

The annual fee and higher copayment for prescription drugs would apply only for years in which the veteran received care through the VA – it would not be assessed during years that the veteran did not receive care. If at any point a Priority Group 7 or 8 veterans had their income fall due to unemployment or due to a deterioration of their health care, that veteran would then be upgraded to a higher Priority Group and no subject to the $250 annual fee or the higher prescription drug copayment.

If these options were adopted, the VA previously calculated that it could save over $600 million per year through reduced appropriations and revenue generated from copayments.[2028] Over ten years this could result in more than $6.3 billion in deficit reduction.

DEPARTMENT OF VETERANS AFFAIRS TEN YEAR SAVINGS
Discretionary: $13.5 billion
Total: $13.5 billion

[2026] These categories also include veterans with a "zero-percent disability rating." A zero-percent disability rating means that the veteran sustained some impact on their health from their military service, but not enough to warrant a disability rating which begins at 10%. However, a zero-percent rating allows the veteran to come back at a later date in case their health deteriorates as a result of this impact on their health and have the condition upgraded to 10% disability or higher.
[2027] "VA National Income Thresholds," December 2010, VA Health Care, http://www.va.gov/healtheligibility/Library/pubs/VAIncomeThresholds/VAIncomeThresholds.pdf.
[2028] CRS RL32548, "Veterans' Medical Care Appropriations and Funding Process," December 27, 2004, Congressional Research Service, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL32548.

U.S ARMY CORPS OF ENGINEERS

The Corps of Engineers has a long history of wasteful, low priority, and questionable spending. For example, a 2004 joint report by the National Wildlife Federation and Taxpayers for Common Sense identified 29 wasteful Corps projects that would cost the federal government $12 billion.[2029] The report stated, "The fact that damaging and wasteful proposals continue to receive federal funds and are proceeding is a dramatic testament to the need to overhaul the Corps of Engineers."[2030]

Additionally, Congress has refused to prioritize the completion of ongoing Corps of Engineers projects before beginning new projects. This behavior has resulted in a construction backlog ranging from $61 billion to more than $80 billion.[2031] This backlog has had a negative impact on our economy and the environment.

According the Office of Management and Budget, "The Corps' enormous backlog of ongoing civil works construction represents a significant source of unrealized economic and environmental benefits. The size of the backlog and the amount of funding necessary to complete it have grown in recent years, largely because of the continued addition of new projects to the Corps workload each year… This growth trend in the construction backlog unfairly penalizes both taxpayers and project sponsors."[2032]

Congress should stop authorizing new Corps of Engineers projects until it addresses its $80 billion backlog. Congress also needs an automatic process to trim the Corps' to-do list by systematically de-authorizing outdated or unfunded projects. Current laws for unfunded projects can easily be circumvented by Congress or the agency spending a small amount on an updated study or evaluation to keep the project authorized.[2033]

The National Academy of Public Administration also found the Corps is unable to adequately address national priorities because of parochialism in Congress. "Annual appropriations for specific, individual projects, or project segments, are not conducive to efficient and effective

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[2029] "Crossroads," National Wildlife Federation and Taxpayers for Common Sense, March 2004, http://www.waterprotectionnetwork.org/sitepages/downloads/ToolsAndResources-Reports/CRN-trRpt-Crossroads2004.pdf

[2030] Crossroads," National Wildlife Federation and Taxpayers for Common Sense, March 2004, http://www.waterprotectionnetwork.org/sitepages/downloads/ToolsAndResources-Reports/CRN-trRpt-Crossroads2004.pdf

[2031] This number is a combination of the backlog number issued by the National Academy of Public Administration in February 2007 ($60 billion) and the additional projects authorized in the Water Resources Development Act of 2007 ($23 billion according to the Congressional Budget Office)

[2032] "The Budget for Fiscal Year 2005: Corps of Engineers-Civil Works," Office of Management and Budget

[2033] "Crossroads," National Wildlife Federation and Taxpayers for Common Sense, March 2004, pg. 36 http://www.waterprotectionnetwork.org/sitepages/downloads/ToolsAndResources-Reports/CRN-trRpt-Crossroads2004.pdf

completion of major infrastructure systems; they often do not adequately support system-wide performance improvements… The present project-by-project approach, with lagging project completions, on-again-off-again construction schedules, and disappointed cost-share sponsors that do not know what they can count on, is not the best path to continued national prosperity."[2034]

With the current earmark ban in the 112th Congress, this is a rare opportunity for Congress to restructure the federal government's role in civilian works. Congress must clearly and more narrowly define the central mission of the Corps of Engineers to allow it to focus on meeting the nation's most urgent needs. The agency should also be removed from projects or studies that overlap other federal agencies, or supplant state, local, or private functions.

Terminate Low Priority Corps Construction Projects – Ten Year Savings: $2.38 billion

The Corps of Engineers currently employs a very low threshold for determining what projects it undertakes, only requiring that the expected total benefit of a project (including reduction of costs to government and private entities, and environmental, recreational, and other benefits) is equal to or greater to the cost of the project (this includes the fiscal, environmental, and other costs). President Obama recommended eliminating hundreds of millions in unrequested funds Congress annually appropriates to the Corps of Engineers to construct low-priority projects, which would result in one year savings of $214 million.[2035]

Eliminate Water and Wastewater Treatment Projects – Ten Year Savings: $1.43 billion

The White House and the Corps of Engineers have both concluded that the Corps' wastewater treatment projects are duplicative and outside of the scope of the Corps'mission, yet Congress continues to fund these projects. The President's Fiscal Year 2010 budget stated, "The Corps does not assess the economic and environmental costs and benefits of these water and wastewater treatment projects and, therefore, has no basis to determine the value of these projects to the Nation… Providing funding in the Corps of Engineers' budget for environmental infrastructure projects is not cost effective and duplicates funding for these types of projects in other Federal agencies, including the Environmental Protection Agency and the Department of Agriculture…" The elimination of these projects would result in one year savings of $129 million.[2036] Given the backlog, it makes sense for Congress to prioritize only those projects that demonstrate a compelling need and cost-benefit ratio of more than 3:1."

[2034] National Academy of Public Administration, "Prioritizing America's Water Resources Investments: Budget Reform for Civil Works Construction Projects at the U.S. Army Corps of Engineers," February 2007, http://www.napawash.org/pc_management_studies/Corps_Summary_Report_03-02-07.pdf

[2035] "Terminations, Reductions, and Savings," Budget of the U.S. Government Fiscal Year 2011, pg. 83, http://www.gpoaccess.gov/usbudget/fy11/pdf/trs.pdf

[2036] "Terminations, Reductions, and Savings," Budget of the U.S. Government Fiscal Year 2011, pg. 58, http://www.gpoaccess.gov/usbudget/fy11/pdf/trs.pdf

End Federal Funding for Beach Replenishment Projects – Ten Year Savings: $702 million

Congress has wasted more than $3 billion on temporary, parochial projects that dump sand onto beaches to protect beach properties.[2037] These projects encourage risky coastal construction[2038] and can drive up costs for the taxpayer through higher National Flood Insurance Program and flood disaster assistance costs.[2039]

Beach nourishment is intended to address the problem of beach erosion. However, many experts concede that this process does not actually prevent erosion, but only provides a temporary solution to maintaining the width of a beach. In fact, project sites must generally be maintained every three to seven years. The beach at Cape May, New Jersey, was renourished 10 times between 1962 and 1995, at a total cost of $24.7 million. Another beach at Ocean City, New Jersey, was renourished 22 times between 1952 and 1995 at a total cost of more than $83.1 million.[2040]

On average, Congress has spent more than $100 million every year since 1997 for beach replenishment.[2041] Reports indicate the Corps of Engineers will spend $148 million for these projects in Fiscal Year 2011.[2042] The Congressional Budget Office estimates eliminating federal funding for these projects would reduce federal spending by $702 million over a ten year period.[2043]

(BEACH NOURISHMENT PHOTOGRAPH BY THE COURIER POST)

[2037] Correspondence to the office of Senator Coburn, Corps Office of Congressional Relations, April 11, 2008
[2038] Correspondence to the office of Senator Coburn, NOAA Office of Congressional Relations, March 17, 2008
[2039] Kenneth J. Bagstad, Kevin Stapleton, John R. D'Agostino, "Taxes, subsidies, and insurance as drivers of United States coastal development," December 2006, *Ecological Economics*
[2040] Casey Hedrick, "State, Territory, and Commonwealth Beach Nourishment Programs," March 2000, NOAA, http://coastalmanagement.noaa.gov/resources/docs/finalbeach.pdf
[2041] Marlowe & Company Government Affairs Consultants, "How Much Federal Money is Available, for Beach Restoration?," February 5, 2008
[2042] "U.S. allocates record amount for beach projects," Philadelphia Inquirer, Wood, Anthony, May 24, 2011, http://articles.philly.com/2011-05-24/news/29578164_1_beach-projects-beachfill-howard-marlowe
[2043] "Budget Options Volume 2," Congressional Budget Office, August 2009, pg. 60, http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf

Rescind $1 Billion in Unobligated Balances – Savings: $500 million

The Corps of Engineers ends each fiscal year with billions of dollars in unspent and unobligated funds. In 2010, the total amount of unobligated Corps funds is projected to be nearly $3.4 billion.[2044] Specifically, the Congressional Research Service "estimates that approximately $333 million was originally allocated three or more years ago, $122 million was allocated five or more years ago, and $18 million was allocated 10 or more years ago."[2045]

This staggering amount of unspent money exposes the mismanagement of our national finances by Congress. Simply put, Congress is approving increases in government funding for the Corps of Engineers faster than the agency can spend them! While all of the money is not being spent, taxpayers still must pay for the funding increases as well as the cost to finance the interest on the billions of dollars being borrowed and added to our $14 trillion national debt.

Additionally, Congress recently acknowledged rescinding unobligated balances is a commonsense way to save money. The full-year Continuing Resolution for 2011 included nearly $200 million in rescissions of prior-year Corps balances.[2046]

Under Washington budget scoring rules, a rescission of $1 billion in unobligated discretionary funding will yield a savings of roughly $500 million.

Reducing Excessive Overhead Costs and Unnecessary Bureaucracy – Ten Year Savings: $266.42 million

There are a number of cost controls the Corps of Engineers could implement to save millions of dollars without reducing or compromising services.

President Obama has proposed cutting $24 million in the Corps' administrative budget next year. The Office of Management and Budget (OMB) notes "the Federal Government spends extensive amounts on services or products that may be characterized as administrative or overhead. Over the past five years, spending on certain of these activities has grown substantially." The Obama Administration has directed each agency to cut unnecessary spending and, according to OMB, "agencies are busy putting in place the processes and policies during 2011 that will enable them to realize these savings in 2012."[2047]

Billions Could Be Saved by Eliminating the Funding of Wasteful Corps Projects

Meeting the nation's most urgent water infrastructure needs should be the highest priority for the Corps of Engineers. Congress should not fund any project that fails to meet this standard. Taxpayers for Common Sense, a budget watchdog organization, recommended eliminating several wasteful Corps projects, which would save taxpayers billions. These include:

[2044] "Corps Unobligated Balances," Congressional Research Service, June 8, 2011
[2045] "Corps Unobligated Balances," Congressional Research Service, June 8, 2011
[2046] "Corps Unobligated Balances," Congressional Research Service, June 8, 2011
[2047] "REDUCTION: ADMINISTRATIVE EFFICIENCY INITIATIVE," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 88;

- St. Johns Bayou Basin/New Madrid Floodway Project – Missouri (funding needed to complete the project: $80 million)[2048]

This flood control project in southeast Missouri will close a 1500-foot flood relief gap in levees on the Mississippi River. However, the 1500-foot gap is one of the last natural flood relief gaps in the area, and closing the gap will increase the risk of major flooding upstream in places such as Cairo, IL.[2049]

- Inner Harbor Navigation Canal (Industrial Canal) Lock Replacement Project – Louisiana (funding need to complete the project: $1.1 billion)[2050]

This project would replace the locks in New Orlean's Industrial Canal with longer, deeper locks that can accommodate ocean-going ships. The replacements were planned because the Corps of Engineers had predicted increased barge traffic and traffic delays in the canal. However, the traffic has actually decreased, and the Port of New Orleans -- which had earlier agreed to shoulder a higher share of the costs -- has now pulled out of the project, leaving the federal government to pay for it all.[2051]

- Upper Mississippi River-Illinois Waterway Navigation Expansion Project (funding needed to complete the project: $2.1 billion)[2052]

The Corps of Engineers is seeking to build seven new, larger navigation locks on the Upper Mississippi River-Illinois Waterway, claiming they are needed to accommodate increased barge traffic in the future. However, in 2000, the U.S. Army Inspector General found that Corps economists were ordered to exaggerate the demand for future barge traffic. Presently, there are only been occasional delays at the river locks during periods of high traffic. The National Academy of Sciences has pointed out much more cost-effective measures to address these delays, such as like scheduling, tradable lockage fees, and helper boats.[2053]

- Delaware River Deepening Project – New Jersey and Delaware
  Cut: $200 million[2054]

The Corps of Engineers is currently pursuing a project to deepen the Delaware River's main channel from 40 feet to 45 feet for 105 miles, claiming it will attract larger cargo ships. The

[2048] "TCS Budget Cut List for the 112th Congress: Infrastructure," Taxpayers for Common Sense, February 10, 2011, http://www.taxpayer.net/resources.php?category=&type=Project&proj_id=4357&action=Headlines%20By%20TCS
[2049] "TCS Budget Cut List for the 112th Congress: Infrastructure," Taxpayers for Common Sense, February 10, 2011, http://www.taxpayer.net/resources.php?category=&type=Project&proj_id=4357&action=Headlines%20By%20TCS
[2050] "TCS Budget Cut List for the 112th Congress: Infrastructure," Taxpayers for Common Sense, February 10, 2011, http://www.taxpayer.net/resources.php?category=&type=Project&proj_id=4357&action=Headlines%20By%20TCS
[2051] "TCS Budget Cut List for the 112th Congress: Infrastructure," Taxpayers for Common Sense, February 10, 2011, http://www.taxpayer.net/resources.php?category=&type=Project&proj_id=4357&action=Headlines%20By%20TCS
[2052] "TCS Budget Cut List for the 112th Congress: Infrastructure," Taxpayers for Common Sense, February 10, 2011, http://www.taxpayer.net/resources.php?category=&type=Project&proj_id=4357&action=Headlines%20By%20TCS
[2053] "TCS Budget Cut List for the 112th Congress: Infrastructure," Taxpayers for Common Sense, February 10, 2011, http://www.taxpayer.net/resources.php?category=&type=Project&proj_id=4357&action=Headlines%20By%20TCS
[2054] "TCS Budget Cut List for the 112th Congress: Infrastructure," Taxpayers for Common Sense, February 10, 2011, http://www.taxpayer.net/resources.php?category=&type=Project&proj_id=4357&action=Headlines%20By%20TCS

states of Delaware and New Jersey, however, are opposed to the project. The larger ships are unlikely to come and the reduced cost for some shippers will not offset the project's cost.[2055]

Sell Underutilized Corps of Engineers Property

According to the Government Accountability Office, the Corps of Engineers owns more than seven million acres—fourth largest in the federal government.[2056] Specifically, the Corps owns 30 properties that are underutilized totaling 208,000 square feet of office and warehouse space. These properties are valued at over $41 million and have an annual operating cost of $884,000.[2057]

Holding unneeded property carries a hidden opportunity cost due to both the lost revenues that would be gained from selling the property and the avoidance of future maintenance costs. Over a long period of time, and with a large number of unneeded properties in its portfolio, the costs could likely add up to hundreds of millions, if not billions, of dollars wasted.

$5.28 Billion in Savings Over the Next Decade

By enacting these reforms, it will allow the Corps of Engineers to focus on meeting the nation's most urgent water infrastructure needs. Additionally, these proposals will eliminate low priority and duplicative spending.

SAVINGS AND REFORMS

Terminate Low Priority Corps Construction Projects
Eliminate Water and Wastewater Treatment Projects
End Federal Funding for Beach Replenishment Projects
Rescind $1 Billion in Unobligated Balances
Reducing Excessive Overhead Costs and Unnecessary Bureaucracy

U.S. CORPS OF ENGINEERS TEN YEAR SAVINGS
Discretionary: $5.28 billion
Total: $5.28 billion

[2055] "TCS Budget Cut List for the 112th Congress: Infrastructure," Taxpayers for Common Sense, February 10, 2011, http://www.taxpayer.net/resources.php?category=&type=Project&proj_id=4357&action=Headlines%20By%20TCS
[2056] "Federal Real Property: Corps of Engineers Needs to Improve the Reliability of Its Real Property Disposal Data," U.S. Government Accountability Office, May 9, 2008, http://www.gao.gov/products/GAO-08-349
[2057] Provided by the Office of Management and Budget from the federal real property profile.

ENVIRONMENTAL PROTECTION AGENCY

Established in 1970, the Environmental Protection Agency (EPA) broadly states its mission "to protect human health and the environment."[2058] With more than 18,000 employees,[2059] the EPA distributes federal funding to states for various environmental programs and enforces dozens of environmental laws and regulations, ranging from air and water quality standards to the disposal of hazardous material.[2060]

Despite historic budget deficits, Congress has increased EPA spending by record amounts in recent years. In fiscal year 2009 the agency received $7.2 billion in stimulus funding, nearly double its annual appropriation of $7.6 billion.[2061] In fiscal year 2010, its annual budget rose by an additional 35 percent to $10.3 billion, "the highest funding level since its creation."[2062]

Unfortunately, wasteful, inefficient, and duplicative programs are costing tax payers billions of dollars and keeping EPA from effectively focusing on its core responsibilities.

Reduce Excessive Overhead Costs and Unnecessary Bureaucracy

There are a number of simple cost controls the agency could implement to save tax dollars without reducing or compromising its core mission.

Administrative Overhead

President Obama proposed cutting $40 million from EPA's administrative budget next year. The Office of Management and Budget (OMB) notes "the Federal Government spends extensive amounts on services or products that may be characterized as administrative or overhead. Over the past five years, spending on certain of these activities has grown substantially." The Obama Administration has directed all federal agencies to cut unnecessary spending and, according to

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[2058] Environmental Protection Agency, "Our Mission and What We Do," http://www.epa.gov/aboutepa/whatwedo.html, accessed July 15, 2011.

[2059] Environmental Protection Agency, "Justification of Appropriation Estimates for Committee on Appropriations, Fiscal Year 2012," accessed July 13, 2011, http://nepis.epa.gov/Exe/ZyPURL.cgi?Dockey=P100A4HZ.txt, accessed July 15, 2011.

[2060] CRS RL30798, "Environmental Laws: Summaries of Major Statutes Administered by the Environmental Protection Agency," Congressional Research Service, October 8, 2010, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL30798, accessed July 15, 2011..

[2061] Environmental Protection Agency Press Release, "Stimulus Plan Will Create Sustainable Jobs that will Protect Public Health." February 19, 2009. http://yosemite.epa.gov/opa/admpress.nsf/de9ade70d6ffa90d8525757e005bf8b4/d43f5cd92b72197d85257562006fa2b2!OpenDocument, accessed July 14, 2011.

[2062] Environmental Protection Agency, "FY 2012 EPA Budget in Brief," http://nepis.epa.gov/EPA/html/DLwait.htm?url=/Adobe/PDF/P100A5RE.PDF, accessed July 15, 2011.

OMB, "agencies are busy putting in place the processes and policies during 2011 that will enable them to realize these savings in 2012."[2063]

Excessive Bureaucracy

The agency has a large, top-heavy bureaucracy that no longer matches its core responsibilities. Though the EPA has increasingly relied upon States and contractors to administer key enforcement responsibilities, agency staffing has more than tripled since its founding in 1970, with more than 18,000 today.[2064] [2065] While the actual work of protecting human health and the environment takes place in the field, nearly one of every three EPA employees works in the Washington, D.C. metropolitan area.[2066] By applying the recommendations of the National Commission on Fiscal Responsibility and Reform to reduce overall agency staffing by 10 percent (through attrition), the EPA could reduce its overall staffing levels by an estimated 1,800 employees over time.

Office Space

The EPA maintains 249 buildings with more than 4 million square feet of space across the nation.[2067] The EPA's Office of Inspector General (EPA-OIG) notes that the agency is spending an estimated $300 million annually to operate these sites and that of the 140 primary facilities, 97 have five or fewer employees.[2068] The EPA-OIG suggests that as states are increasingly assuming administrative responsibilities for key environmental statutes and regulations the "EPA might consider evaluating costs and benefits realized by those regions maintaining separate smaller operations offices in States versus maintaining large regional offices."[2069] The EPA should conduct a review of its current organizational structure and reduce operational costs by at least ten percent, saving taxpayers $30 million annually or $333 million over the next ten years.

Unnecessary Conference Travel

The EPA continues to spend millions of dollars to send employees to conferences around the world, including trips to Pairs, Cancun and Puerto Rico.[2070] While the agency is currently compiling updated statistics on conference expenses, for the most recent year available, the agency spent $17 million on conference travel.[2071] Similarly concerning, the EPA-OIG has

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[2063] Office of Management and Budget, "Budget of the U.S. Government: Fiscal Year 2012 Terminations, Reductions, and Savings," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf at 88.
[2064] Environmental Protection Agency, Office of Inspector General, "EPA's Key Management Challenges for FY 2009," April 28, 2009, http://www.epa.gov/oig/reports/2009/FiscalYear2009MgmtChallenges.pdf.
[2065] Office of Personnel Management, "Employment and Trends, September 2010," http://www.opm.gov/feddata/html/2009/September/table2.asp.
[2066] Id.
[2067] General Services Administration, FY 2009 Federal Real Property Statistics, http://www.gsa.gov/graphics/ogp/FY2009_FRPR_Statistics.pdf.
[2068] Environmental Protection Agency, Office of Inspector General, "EPA's Key Management Challenges for FY 2009," April 28, 2009, http://www.epa.gov/oig/reports/2009/FiscalYear2009MgmtChallenges.pdf.
[2069] Id.
[2070] 155 Cong. Rec. S9942 (daily ed. Sept. 29, 2009).
[2071] Id. at S9943.

released an alarming report indicating serious mismanagement of agency travel policy. The IG noted that the travel program, "lacks necessary control procedures to assure all travel authorizations were necessary and in the best interest of the government." The report continues, "Poor internal controls also allow personnel to change the routing chain for travel approval without notification of their supervisor of record."[2072] The White House has proposed a reduction of $25 million in conference spending over the next five years, proposing to make greater use of teleconferencing.

Reclaim Unspent Funds

The EPA, like many federal agencies, maintains billions of dollars in unobligated funds—"the amounts of budget authority that have not yet been committed by contract or other legally binding action by the government."[2073] Despite this, Congress continues to send the agency more money than it can spend. The Obama Administration estimated the EPA has remaining unspent and unobligated funds of $2.2 billion in fiscal year 2011.[2074]

Congressional appropriators routinely tap agency unobligated balances to pay for their own priorities. For example, in the final continuing resolution funding federal agencies through the end of fiscal year 2011, Congress withdrew $140 million from the EPA's State and Tribal Assistance Grant program and reallocated it to other priorities.[2075]

As the budget deficit is now our most urgent priority, at least half of these unspent funds, or $1.1 billion should be reallocated towards deficit reduction.

Eliminate Unnecessary, Inefficient, and Duplicative Programs

The EPA was created "to consolidate in one agency a variety of federal research, monitoring, standard-setting and enforcement activities to ensure environmental protection."[2076] Thanks in large part to Congress' unwillingness to perform rigorous oversight, the agency remains plagued by many of the very problems of duplication and inefficiency it was created to solve.

Environmental Justice

The EPA's Environmental Justice (EJ) program, within the Office of Enforcement and Compliance Assurance (OECA), exists to provide an environment that promotes "the fair treatment and meaningful involvement of all people regardless of race, color, national origin, or income with respect to the development, implementation, and enforcement of environmental

[2072] Environmental Protection Agency, Office of the Inspector General, "EPA Travel Program Lacks Necessary Controls," March 9, 2010, http://www.epa.gov/oig/reports/2010/20100309-10-P-0078.pdf.
[2073] Office of Management and Budget, "Balances of Budget Authority, FY 2012," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/balances.pdf.
[2074] Id. at 4.
[2075] Department of Defense of Full Year Continuing Appropriations Act, 2011, Section 1740, April 15, 2011, http://www.gpo.gov/fdsys/pkg/PLAW-112publ10/pdf/PLAW-112publ10.pdf.
[2076] Environmental Protection Agency, "Our History," http://www.epa.gov/aboutepa/history/index.html, accessed on July 15, 2011.

laws, regulations, and policies."[2077] While the program's name evokes positive feelings, a closer look reveals that EJ is poorly focused and duplicates not only other agency initiatives, but also considerable efforts of the Department of Justice (DOJ). For instance, recent EJ grants have focused on community recycling, weatherization, climate change, green jobs, and clean energy[2078]—all functions heavily promoted and funded by other EPA, Department of Energy, Department of Labor and Department of Housing and Urban Development programs.

Discrimination of any sort must not be tolerated. Where the environment is concerned, the EPA's Civil Enforcement Division is already equipped to tackle any discrimination issues.[2079] Furthermore, the DOJ Civil Rights Division "enforces federal statutes prohibiting discrimination on the basis of race, color, sex, disability, religion, familial status and national origin."[2080] Given the existence of those offices, the EJ program's impact and need are highly questionable. Eliminating this program will save $71 million over ten years.

Great Lakes Restoration Initiative (GLRI)

Begun in 2010, the GLRI bills itself as "the largest investment in the Great Lakes in two decades."[2081] It is not authorized by law and it duplicates existing federal Great Lakes restoration programs. The GLRI received $300 million in fiscal year 2011. This is an addition $670 million allocated for other Great Lakes restoration programs in the same year. Since fiscal year 2004, Congress has appropriated over $6.8 billion to Great Lakes programs.[2082]

In reality, the EPA redistributes over half of GLRI appropriated funds to 16 federal agencies, including the Department of Health and Human Services, the Corps of Engineers, Department of Transportation, the Department of the Interior, the Department of Homeland Security, and the National Park Service. This has allowed agencies, including the EPA, to double dip on Great Lakes funding.

Worse, many of the funded efforts are of little actual consequence to the Great Lakes ecosystem, instead advancing existing priorities of other agencies. For instance in 2010, the EPA awarded eight "tribal capacity" grants to Indian tribes to enhance their ability to participate in GLRI

[2077] Environmental Protection Agency, "Environmental Justice Home," http://www.epa.gov/environmentaljustice, accessed July 15, 2011.
[2078] Environmental Protection Agency, Environmental Justice Small Grants Recipients: FY 2010," http://www.epa.gov/environmentaljustice/grants/ej-smgrants-recipients-2010.html.
[2079] Environmental Protection Agency, "FY 2012 EPA Budget in Brief," Page 70 http://nepis.epa.gov/EPA/html/DLwait.htm?url=/Adobe/PDF/P100A5RE.PDF.
[2080] U.S. Department of Justice, Civil Rights Division. "About the Division." http://www.justice.gov/crt/index.php, accessed July 15, 2011.
[2081] Environmental Protection Agency, "Great Lakes Restoration Initiative," http://www.epa.gov/glnpo/glri/, accessed July 15, 2011.
[2082] Office of Management and Budget, "Great Lakes Restoration Crosscut, Report to Congress," March 2010, http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/2010_great_lakes_report.pdf at 6, accessed July 15, 2011.

meetings and initiatives.[2083] These funds come in addition to regular funding for the Bureau of Indian Affairs (BIA) and an additional $3.4 million the BIA was awarded specifically for GLRI efforts.[2084]

Similarly, the GLRI awarded nearly $100,000 to the Chicago Parks District for a Chicago Beaches Communication program. The additional "signage, expanded electronic communications, staff training, and a new volunteer Beach Ambassadors program" will alert beachgoers to any beach health issues. [2085] The Chicago Parks District is the nation's "largest municipal park manager" and already has an annual budget of nearly $400 million.[2086]

The GLRI funds actually directed to legitimate ecosystem restoration efforts overlap with activities already heavily subsidized by other non-Great Lakes focused federal programs. For instance, GLRI has awarded millions of dollars for invasive species research and control despite the presence of dozens of existing federal invasive species programs funded in excess of $1 billion annually.[2087]

GLRI is duplicative of other, better funded Great Lakes initiatives and other national environmental protection programs. Given its lack of legal authorization and the efforts of dozens of other federal programs, the GLRI should be eliminated, saving $3.33 billion over ten years. Even without GLRI, it is important to note Great Lakes restoration activities will continue to receive more than $600 million each year or $6 billion over the next ten years.

Diesel Emission Reduction Program

Part of the "National Clean Diesel" campaign, this grant program was created in 2005 as a short term effort to assist states and local governments to meet new diesel emissions standards for older diesel engines. Set to expire at the end of 2011, the program received $469 million from 2008-2010,[2088] all while state agencies received another $119 million in stimulus funding for Emission Reduction Grants.[2089] According to President Obama, the overall impact of the program has been "marginal" and "any additional emissions reductions will occur even without

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[2083] Great Lakes Restoration Initiative, "Accountability System, GLRI Projects Funded By Federal Agency," https://restore.glnpo.net/glas_pub/qadetailreport.htm?reportType=Organization&reportYear=All Years&subID=3

[2084] Great Lakes Restoration Initiative, "Accountability System, GLRI Projects Funded By Federal Agency," Search Bureau of Indian Affairs, https://restore.glnpo.net/glas_pub/qareport.htm.

[2085] Great Lakes Restoration Initiative, "Environmental Protection Agency, Project Information," https://restore.glnpo.net/glas_pub/activitydetail.htm?activityID=86&fundingID=1050&mode=modifyFunding&myview=allV&fromview=report&reportType=Organization&reportYear=All Years&subID=3&sortBy=, accessed on July 15, 2011.

[2086] Chicago Park District, "2011 Budget Summary," http://www.cpdit01.com/resources/budget.home/B2011/2011%20CPD%20Budget%20Summary.pdf.

[2087] Congressional Research Service request, documents include cross-cutting tables from the Departments of Agriculture, Interior, and Commerce, January 15, 2010

[2088] Office of Management and Budget, " Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf at 21.

[2089] U.S. Environmental Protection Agency, "Emission Reduction Projects State Grant." http://www.epa.gov/cleandiesel/projects/proj-state.htm, accessed July 15, 2011.

DERA funding."[2090] Further, funding is available for the same purposes through the Department of Transportation's (DOT) Congestion Mitigation and Air Quality Improvement program.[2091] Elimination of the EPA grant will result in one year savings of $60 million and $66 million over ten years.

Airshed Grant Program

Similarly, the EPA administers $20 million each year in "airshed grants" of which $10 million is exclusively set aside for the state of California, and the remaining $10 million is largely for California as well. The funding was added by Congressional appropriators, and the California specific grant is not authorized by law. Like the Diesel Emission Reduction grant, the airshed grant is duplicative of a DOT funded program, and in this instance, also overlaps with funding programs of the State of California.[2092] Elimination of the programs will result in $20 million in annual savings, or $221 million over ten years.

Science to Achieve Results (STAR) Program

Created in 1995, the STAR program is part of EPA's extramural research programs for academic and graduate student researchers, funding "scientific and engineering research that the agency lacks the resources to perform internally" and encouraging students "to obtain advanced degrees and pursue careers in environmentally related fields. It has grown to $58 million a year program."[2093] [2094] Though noble, the program is duplicative and not able to demonstrate sufficiently unique results to merit continuation.

A 2003 Inspector General report on STAR fellowships indicated the agency "did not place emphasis on determining the results and achievements of its STAR Fellowship Program." The IG concluded that the program's "success cannot be measured."[2095] The Congressional Budget Office points to a 2005 analysis by the Office of Management and Budget review that concluded "STAR's research on water quality, land use, and wildlife is similar to work done in other federal agencies. OMB also found the program's coordination with other EPA offices and other agencies was inadequate to ensure that the agencies had access to research findings; that the program had not shown "adequate progress toward achieving long-term goals."[2096]

[2090] Office of Management and Budget, " Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf at 21.

[2091] U.S. Department of Transportation, "Congestion Mitigation and Air Quality Improvement Program." http://www.fhwa.dot.gov/environment/air_quality/cmaq, accessed July 15, 2011.

[2092] Office of Management and Budget , "Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf at 75.

[2093] Congressional Budget Office, "Budget Options, Volume 2," http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf, at 70.

[2094] Environmental Protection Agency, Office of Inspector General, "Science to Achieve Results Fellowship Program Needs to Place Emphasis on Measuring Results," http://www.epa.gov/oig/reports/2003/2003p00019-20030930.pdf.

[2095] Environmental Protection Agency, Office of Inspector General, "Science to Achieve Results Fellowship Program Needs to Place Emphasis on Measuring Results," http://www.epa.gov/oig/reports/2003/2003p00019-20030930.pdf.

[2096] Congressional Budget Office, "Budget Options, Volume 2," http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf at 70.

The duplicative and wasteful nature of the STAR program is made obvious by some of its recent grant awards: $111,000 for University of California-Berkeley study entitled "Energy Efficiency in K-12 Public Schools: Investigating Behavioral and Operational Factors;"[2097] $111,000 for a University of Minnesota study entitled: "From Arkansas to Ontario: Understanding Climate and Climate Change Impacts on Sugar Maple Range Limits;"[2098] $10,000 for a Georgia Institute of Technology study to develop "a bicycle-mounted electronic smart-lock that can communicate with a central server;" and $10,000 to the Department of Fashion and Apparel at the University of Delaware for the "development of apparel and footwear from renewable sources;"[2099] The latter will utilize flaxseed, soybean oils, and chicken feathers to make a more sustainable shoe.[2100] Eliminating the program will save $643.8 million over the next decade.

Homeland Security Activities

In spite of the vast and comprehensive activities of the Department of Homeland Security (DHS), the EPA spends more than $150 million on its own duplicative homeland security activities. The EPA believes it "has a major role in supporting the protection of the nation's critical water infrastructure from terrorist threats."[2101] The agency also allocates homeland security resources for emergency preparedness and response.

These functions duplicate the combined efforts of the Federal Emergency Management Agency (FEMA) and the DHS Office of Infrastructure Protection, whose primary mission is "to reduce risks to the nation's critical infrastructure posed by acts of terrorism, and to strengthen national preparedness, timely response, and rapid recovery in the event of an attack, natural disaster, or other emergency."[2102] In fiscal year 2011, DHS received nearly $900 million in appropriations for infrastructure protection and information security.[2103]

President Obama, in making the case for reducing EPA homeland security activities, noted: "reductions in staffing and technology resources are proposed to reflect the increased capacity of

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[2097] Environmental Protection Agency, "STAR Graduate Fellowships," http://cfpub.epa.gov/ncer_abstracts/index.cfm/fuseaction/recipients.display/rfa_id/525/records_per_page/ALL

[2098] Id.

[2099] *Environmental Protection Agency, "P3 Awards: A National Student Design Competition for Sustainability Focusing on People, Prosperity and the Planet,"* http://cfpub.epa.gov/ncer_abstracts/index.cfm/fuseaction/recipients.display/rfa_id/518/records_per_page/ALL

[2100] University of Delaware, The Review, "Partnership Creates Sustainable Shoes," March 22, 2011, http://www.udreview.com/news/partnership-creates-sustainable-shoes-1.2118519.

[2101] Environmental Protection Agency, "FY 2012 EPA Budget in Brief," http://nepis.epa.gov/EPA/html/DLwait.htm?url=/Adobe/PDF/P100A5RE.PDF at 33.

[2102] http://www.dhs.gov/xabout/structure/gc_1185203138955.shtm

[2103] http://www.dhs.gov/xlibrary/assets/budget-bib-fy2012.pdf

other agencies to address certain environmental forensics work associated with potential homeland security incidents."[2104]

These activities should be terminated altogether, while focusing key homeland security resources in existing DHS infrastructure programs. This will result in $154 million in savings next year and $1.709.5 billion over the next ten years.

Refocus Core Environmental Protection Efforts

International Programs Overlap Other Federal Efforts
Although its core responsibilities are in the U.S., the EPA is spending nearly $40 million annually on activities in other countries, directly overlapping the efforts of the other federal programs and diluting resources that can better protect our communities.

The U.S.- Mexico Border Program is a bi-national program that targets assistance to towns along our shared border for water and wastewater infrastructure, "building greenhouse gas (GHG) information capacity," solid waste management, and emergency preparedness.[2105] In fiscal year 2011, the EPA spent an estimated $25 million on U.S. - Mexico border activities. Despite tens of millions of dollars and seven federal agencies operating related programs, the GAO recently warned that: "fragmented federal efforts to meet water needs in the U.S.-Mexico border region have resulted in an administrative burden, redundant activities, and an overall inefficient use of resources."[2106]

Recent awards from the US-Mexico Border program include: 1) An Imperial County-Mexicali Air Quality project aimed at monitoring and reducing dust from nearby parking lots. Though the recipients predicted a reduction of 119,439 pounds of dust, "no reduction in PM was recorded by the region's Calexico Belcher Street air quality monitors after the project implementation;"[2107]and 2) A scrap "tire reduction program" for the City of Nuevo Laredo, Tamaulipas that will teach residents how to "carry out the correct disposition of tires" including those "tires stored in their houses."[2108]

In addition, the EPA spends another $14.8 million on international programs aimed at: "building strong environmental institutions and legal structures; improving access to clean water; improving urban air quality; limiting global green house gas (GHG) emissions and other climate-forcing pollutants, reducing exposure to toxic chemicals, and reducing hazardous waste and

[2104] Office of Management and Budget, "Budget of the United States, Fiscal Year 2012: Terminations, Reductions, and Savings," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf at 108.
[2105] Environmental Protection Agency, "FY 2012 EPA Budget in Brief," http://nepis.epa.gov/EPA/html/DLwait.htm?url=/Adobe/PDF/P100A5RE.PDF at 47.
[2106] Government Accountability Office, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue." March 1, 2011. GAO-11-318SP at 52.
[2107] http://www.epa.gov/usmexicoborder/success/project-status.html
[2108] Id.

improve waste management."[2109] These are activities handled by other agencies, including the U.S. Agency for International Development.[2110]

The U.S. Mexico Border Program should be eliminated, while other international efforts should be consolidated into other federal agencies. This will result in a minimum savings of $250 million over the next ten years.

SunWise
Despite many challenges threatening our natural environment from pollutants, the EPA has dedicated significant resources to SunWise, a program "to teach children and their caregivers how to protect themselves from over exposure to the sun through the use of classroom-, school-, and community based components."[2111] Focused primarily in schools, the program is not a core function of the agency and should be consolidated with existing efforts of the Centers for Disease Control (prevention) [2112] and the National Weather Service (UV Index reporting).[2113]

Make State Revolving Loan Funds Self Sufficient

Congress created the Clean Water and Safe Drinking Water Revolving Loan Fund programs in the 1970's to assist state and municipal government efforts to finance a broad variety of water infrastructure projects, ranging from wastewater treatment and drinking water source development, to estuary management initiatives.[2114] Funding authorizations for the two loan programs ended in 1994 and 2003 respectively. Yet, Congress has appropriated more than $9 billion to the drinking water fund alone since its authorization lapsed.[2115]

While onerous federal regulations are forcing many communities to upgrade their water infrastructure, the current State Revolving Fund (SRF) system remains highly inefficient, and can become self sufficient. In 2009 alone, the two funds made over $5 billion from loan repayment, interest payments, and related investments.[2116] [2117] Annual federal contributions to the loan program should be phased out over the next three years, a suggestion outlined in a

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[2109] Environmental Protection Agency, "FY 2012 EPA Budget in Brief," at 60. http://nepis.epa.gov/EPA/html/DLwait.htm?url=/Adobe/PDF/P100A5RE.PDF.
[2110] United States Agency for International Development, "Environment," http://www.usaid.gov/our_work/environment/, accessed on July 15, 2011.
[2111] Environmental Protection Agency, SunWise, "About," http://www.epa.gov/sunwise/about.html, accessed on July 15, 2011.
[2112] Centers for Disease Control, "What CDC is Doing About Skin Cancer," http://www.cdc.gov/cancer/skin/what_cdc_is_doing/index.htm, accessed on July 15, 2011.
[2113] National Weather Service, Climate Prediction Center, "Current UV Index Forecast," http://www.cpc.ncep.noaa.gov/products/stratosphere/uv_index/uv_current.shtml.
[2114] Environmental Protection Agency, "Drinking Water State Revolving Fund." http://water.epa.gov/grants_funding/dwsrf/index.cfm, accessed July 15, 2011.
[2115] Congressional Research Service Report, "Drinking Water State Revolving Fund: Program Overview and Issues," May 24, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RS22037&Source=search#_Toc293987054.
[2116] Environmental Protection Agency, "Drinking Water State Revolving Fund: 2009 Annual Report," http://water.epa.gov/grants_funding/dwsrf/upload/dwsrf-annualreport2009nov2010.pdf, at 30-31.
[2117] Environmental Protection Agency, "Clean Water State Revolving Fund Programs: 2009 Annual Report," http://water.epa.gov/grants_funding/cwsrf/upload/2009_CWSRF_AR.pdf, at 25.

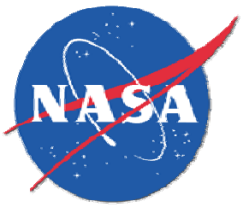
March, 2011 report by the non-partisan Congressional Budget Office (CBO).[2118] According to the report, this will "[reduce] federal outlays by $6 billion through 2016 and by $25 billion over 10 years."

PROGRAMS ELIMINATED
Environmental Justice
Great Lakes Restoration Initiative
Diesel Emission Reduction grant
Duplicative Airshed grants for California
Science to Achieve Results
Homeland Security
International Programs
Phase-Out of State Revolving Loan Appropriations

ADDITIONAL SAVINGS/PROGRAM REDUCTIONS
Adopt President Obama's administrative savings proposal
15 percent reduction in staff through attrition
Reform/reduction of scattered agency offices
Reducing unnecessary conference travel
Rescind 50 percent of unobligated balances
Consolidate SunWise Program

ENVIRONMENTAL PROTECTION AGENCY TEN YEAR SAVINGS
Discretionary: $33.67 billion
Total: $33.67 billion

[2118] Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options," March 2011, http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf, at 103.



NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

For the last half of the 20th century, the National Aeronautics and Space Administration (NASA) captured the country's imagination and represented the new frontiers for our nation. The moon landing, the triumphs and tragedies of the Space Shuttle program, and the stunning photographs of distant planets and galaxies are just some of the highlights of NASA's great contributions to mankind's understanding of the universe as well as our own world.

Consolidating and Eliminating Duplicative and Wasteful Programs that Distract from the Agency's Mission

NASA's "mission is to pioneer the future in space exploration, scientific discovery and aeronautics research."[2119] Yet with the retirement of the space shuttle program, many believe NASA has lost its focus. Without a bold, clear mission of widely-accepted importance, much of the agency's efforts and resources are drained on costly and out-of-date projects, non-essential research, and other diversions.

For the first time in thirty years, the United States will no longer have its own operational manned space program. In fact, NASA last year agreed to a $335 million deal with the Russian Federal Space Agency to provide round trips to the International Space Station for six American astronauts, which is roughly $56 million per seat plus cargo.[2120]

NASA's lack of focus is evident in its budget and many of the projects it funds. NASA's total budget for 2011 is nearly $18.5 billion. Only a third of that ($6.031 billion) will be spent by the Space Operations and Aeronautics accounts. The bulk of NASA's budget ($12.417 billion) will be spent on other accounts, such as education, cross-agency support, construction and environmental compliance and restoration.[2121]

NASA runs more than 80 education programs for teachers and students.[2122] Some of these, such as the Exploration Infusion program and the HUNCH program, are limited to only specific populations in select states. The National Space Club Scholars program, for example, is not a national program at all despite its name. Rather, participants "must live and maintain permanent residence within commuting distance of the NASA Goddard Space Flight Center, Greenbelt,

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[2119] "NASA 101," National Aeronautics and Space Administration website, accessed June 1, 2011; http://www.nasa.gov/audience/formedia/features/NASA_101.html.

[2120] Todd Halvorson, "After shuttle, NASA to pay Russia $56M a seat for rocket rides," Florida Today, April 7, 2010.

[2121] Congressional Research Service, electronic mail communication with the Office of Senator Tom Coburn, May 24, 2011.

[2122] "All NASA Education Projects Listed Alphabetically," NASA website, accessed June 2, 2011; http://www.nasa.gov/offices/education/programs/descriptions/All_Alpha.html .

Md., or the NASA Wallops Flight Facility, Wallops Island, Va."[2123] Other NASA education programs duplicate each other as well as similar programs administered by other Departments and agencies.

Many NASA programs have little to do with space, such as creating on-line video games,[2124] producing hip-hop and rap videos,[2125] hosting art contests,[2126] sending grade school children on field trips to an oyster farm[2127] and the zoo, [2128] and raising guppies and seahorses.[2129] NASA's **Spaceward Bound** program is not actually bound for space. Instead it sends classroom teachers globetrotting on trips to Chile, Australia, and even the Arctic.[2130] All of these are activities are already being supported by other federal agencies. Some clearly are not even necessary for any agency to fund.

The research NASA conducts that is not related to space is also largely duplicative and, in some cases, unnecessary. For example, NASA aerospace engineers tested the fabric of the Speedo LZR Racer swimsuit worn by world champion swimmer Michael Phelps and others at the 2008 Summer Olympics in Beijing.[2131]

[2123] "National Space Club Scholars," NASA website, accessed June 2, 2011; http://www.nasa.gov/offices/education/programs/descriptions/National_Space_Club_Scholars.html .
[2124] Jeremy Hsu, "NASA Creating Online Multiplayer Video Game," Live Science, February 19, 2009; http://www.livescience.com/space/090219-nasa-mmo.html .
[2125] Chris Bianchi, "NASA takes the RAP on climate change," Climate Change Corp (United Kingdom), February 19, 2009; http://www.climatechangecorp.com/content.asp?ContentID=5974 . Videos can be viewed at http://passporttoknowledge.com/polar-palooza/whatyoucando/taacc/ .
[2126] "Future of Flight Art Contest," NASA website, accessed June 1, 2011; http://artcontest.larc.nasa.gov/ .
[2127] "Science And Math Scholars Program sponsored by NASA hits its stride with Lawn School students," School Committee, The Jamestown Press (Rhode Island), March 17, 2011, video link at 49:15; http://www.rinewmedia.com/jtownrecord/School-2011/sc.3.17.11.Flash.fp2.htm .
[2128] Eileen M. Daly, "Grant funds received for SAMS project," April 8, 2010, The Jamestown Press (Rhode Island); http://www.jamestownpress.com/news/2010-04-08/Front_Page/Grant_funds_received_for_SAMS_project.html .
[2129] "Science and Math Scholars program (SAMS)," Jamestown Education Foundation website, accessed June 1, 2011; http://www.jamestowneducationfoundation.org/sams.html .
[2130] "Spaceward Bound," NASA website, accessed June 2, 2011; http://www.nasa.gov/offices/education/programs/descriptions/Spaceward_Bound.html .
[2131] "Rocketing Through Water: Space-age Swimsuit Being Tested At NASA," Science Daily, July 6, 2008; http://www.sciencedaily.com/releases/2008/08/080817231406.htm .

NASA researchers helped to engineer the Speedo LZR Racer swimsuit worn by world champion swimmer Michael Phelps and others at the 2008 Summer Olympics in Beijing.[1]

NASA's focus should mirror its mission and its name. The bulk of the agency's budget should be directed towards space exploration and discovery.

These observations and proposals mirror the comments of some of our nation's space pioneers. Neil Armstrong, the first man to step on the moon, along with Apollo astronauts Jim Lovell and Gene Cernan, recently wrote, "NASA's human spaceflight program is in substantial disarray with no clear-cut mission in the offing," and that "after a half-century of remarkable progress, a coherent plan for maintaining America's leadership in space exploration is no longer apparent."[2132] **The last Apollo program astronaut to set foot on the moon, Harrison Schmitt, says there is a "**loss of focus and leadership within NASA," and **recommends "downsizing" and "recreating" NASA to focus on space exploration, and consolidating many of its other functions that serve duplicative missions with other agencies, such as the National Science Foundation (NSF) and the** National Oceanic and Atmospheric Administration (NOAA).[2133]

Additionally, the Obama Administration has proposed reducing "low-priority programs" within NASA's Office of Education, which has an annual budget of $184 million.[2134]

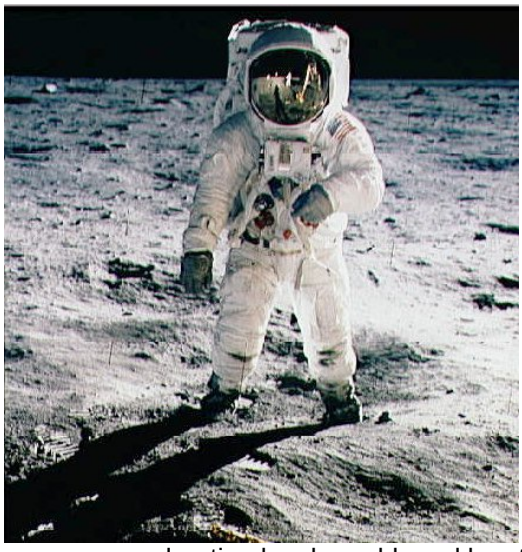
To achieve these goals, nearly all of NASA's programs and activities not directly related or essential to space and aeronautics should be transferred to the federal agencies already addressing those missions or eliminated altogether. NASA's education and research efforts, particularly Earth science, duplicate or overlap similar efforts being conducted by NSF, NOAA, the Department of Defense, the Department of Energy, among others.

[2132] Neil Armstrong, Jim Lovell, and Gene Cernan, "Column: Is Obama grounding JFK's space legacy?," USA Today, May 24, 2011;http://www.usatoday.com/news/opinion/forum/2011-05-24-Obama-grounding-JFK-space-legacy_n.htm .

[2133] Harrison Schmitt, "Former Senator Schmitt Proposes Dismantling of NASA and Creation of a New, National Space Exploration Administration (NSEA)," AmericasUncommonSense.com, May 25, 2011; http://americasuncommonsense.com/blog/2011/05/25/46-space-policy-and-the-constitution-4/ .

[2134] "FISCAL YEAR 2012; TERMINATIONS,REDUCTIONS, AND SAVINGS; BUDGET OF THE U.S. GOVERNMENT," White House Office of Management and Budget, page 139; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

This consolidation will ensure any essential and necessary federal support for science and education is maintained but streamlined to reduce unnecessary and duplicative administrative costs.



NASA's focus on space exploration has been blurred by other missions, many of which duplicate the efforts of other federal agencies.

Terminating Outdated, Unnecessary, Redundant, and Failed Projects

Space exploration, like other forms of scientific discovery, often requires numerous failures before a mission can be accomplished. But NASA should not provide financial awards for flawed efforts or prolong the life of outdated or failed projects. Billions of dollars in additional savings can be found within the space budget by cancelling failed, outdated, wasteful and unnecessary projects and initiatives.

End boondoggles for rocket program that may never get off the ground
The budget for NASA's Constellation rocket program, which intends to send manned spacecraft back to the moon and beyond, was nearly $3.5 billion in 2010.[2135] The program has already cost $9.4 billion, including $500 million for a 355-foot tower at Kennedy Space Center to launch the Ares rocket.

But that tower has never been used and most likely never will be, since the Ares has not been built and President Obama has proposed killing the rocket and the Constellation program. Since the tower was custom made for the Ares rocket, the launch pad is a half-a-billion dollar

[2135] "Terminations, Reductions, and Savings; Budget of the U.S. Government, Fiscal Year 2011," White House Office of Management and Budget, Page 18; http://www.gpoaccess.gov/usbudget/fy11/pdf/trs.pdf .

boondoggle.[2136] Meanwhile, though Obama has sounded the call to end the program, NASA has been spending about $95 million *every month* on Ares 1.[2137]

According to GAO, "NASA estimates that Ares I and Orion represent up to $49 billion of the over $97 billion estimated to be spent on the Constellation program through 2020. While the agency has already obligated more than $10 billion in contracts, at this point NASA does not know how much Ares I and Orion will ultimately cost, and will not know until technical and design challenges have been addressed."[2138] Orion is the spacecraft's crew module.

NASA awarded a $2 billion contract with Alliant Techsystems (ATK) to build a rocket that would use solid-fuel propulsion for the first stage of the Ares I.[2139] Again, it is uncertain if construction of this rocket will ever be completed. But, many in the NASA also "say a liquid-fueled rocket would be cheaper, more powerful — and safer" than the solid-rocket.

The program is well behind schedule and expected to cost far more than projected. A 2009 independent review of the Constellation program concluded "there are insufficient funds to develop the lunar lander and lunar surface systems until well into the 2030s, if ever."[2140]

To prevent future budgetary black holes such as this, NASA should not prematurely build launch towers or obligate funding for costly projects with uncertain futures. Until NASA can determine more precisely how much it is likely to ultimately cost and whether or not that amount can be financed within the agency's budget proposed here, the Constellation program should be canceled or delayed and obligated dollars should be re-evaluated and canceled if possible.

Cancel $2 billion Kennedy Space Center upgrades

The Kennedy Space Center, home to the Ares launch tower, is slated to receive $2 billion in upgrades, despite the fact that the programs it is meant to support may not go forward. "At the Kennedy Space Center, NASA managers say they plan to build a '21st-century spaceport,' but the effort has a cart-before-horse problem," *The Washington Post* recently reported. "NASA is trying to get infrastructure in place for rockets that haven't been approved and destinations that haven't been selected."[2141] Even some NASA employees question President Obama's plan to

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[2136] Joel Achenbach, "NASA's $500 million launcher missing just one thing: the rocket it was made for," The Washington Post, March 28, 2010, page 1; http://www.washingtonpost.com/wp-dyn/content/article/2010/03/27/AR2010032702810.html .

[2137] Mark K. Matthews, "NASA's Ares rocket dead, but Congress lets you pay $500 million more for it," Orlando Sentinel (Florida), December 26, 2010; http://www.orlandosentinel.com/news/space/os-nasa-ares-rocket-constellation-20101227,0,2096166.story .

[2138] "NASA; Constellation Program Cost and Schedule Will Remain Uncertain Until a Sound Business Case Is Established," Government Accountability Office, Report GAO-09-844, August 2009; http://www.gao.gov/new.items/d09844.pdf .

[2139] Edmond Lococco, "Alliant Techsystems Wins $1.8 billion Contract with NASA", Bloomberg, http://www.bloomberg.com/apps/news?pid=newsarchive&sid=a4CDLXMEbpes&refer=home

[2140] "Seeking A Human Spaceflight Program Worthy of a Great Nation," U.S. Human Spaceflight Plans Committee, October 2009; http://legislative.nasa.gov/396093main_HSF_Cmte_FinalReport.pdf .

[2141] Joel Achenbach, "Final NASA shuttle mission clouded by rancor," The Washington Post, page A13, July 3, 2011; http://www.washingtonpost.com/national/health-science/us-space-program-approaches-end-of-an-era-what-next/2011/06/29/AGeBAWtH_story_3.html .

spend $2 billion "upgrading" the Kennedy Space Center (KSC). "They don't want to work on facilities, they want to work on spaceships," noted one NASA employee who "said putting money into KSC without a spaceship is like having a fancy showroom with no cars to sell."[2142] The $2 billion upgrade should be canceled.

Ending bonus payments and award fees for over budget and behind schedule projects
NASA should reward success and, in some cases, continue to support priority projects that may take longer or cost more than projected. The agency should not, however, provide bonuses and other financial rewards for delayed or over budget projects. NASA paid Boeing a bonus of $425.3 million for work on the space station that ran eight years late and cost more than twice what was expected. NASA paid Raytheon a $103.2 million bonus for the Earth Observing System Data and Information System, despite the project costing $430 million more than projected and taking two years longer to complete than planned. Lockheed collected a $17 million bonus from NASA for the Landsat-7 satellite even though the project was delayed nine months and the costs were 20 percent higher than planned. [2143] The bonuses paid to contractors in just these three instances total more than half a billion dollars that would be saved by ending award fees for of over-budget and overdue projects.

Close redundant space center and reassign its vital mission
The Ames Research Center, which is projected to have a budget of $754.6 million next year,[2144] is located in California and is one of NASA's ten field installations.[2145] The research being conducted at Ames is duplicative of research being done elsewhere. In some cases, such as viticulture research, the projects are wholly unrelated to NASA's central mission.

NASA's Ames Research Center is collaborating with California vintners to improve the quality of local wines.

Researchers at Ames are "using images taken from airplanes and satellites to map vineyard leaf area to help vintners measure ripening rate, disease incidence, soil drainage and fruit quality" to improve the quality of local wines.[2146] NASA and the Mondavi winery, for example, teamed up "in an experiment named CRUSH (Canopy Remote sensing for Uniformly

[2142] Joel Achenbach, "NASA's $500 million launcher missing just one thing: the rocket it was made for," The Washington Post, March 28, 2010, page 1; http://www.washingtonpost.com/wp-dyn/content/article/2010/03/27/AR2010032702810.html .
[2143]" NASA PROCUREMENT; Use of Award Fees for Achieving Program Outcomes Should Be Improved," Government Accountability Office, Report GAO-07-58, January 2007; http://www.gao.gov/new.items/d0758.pdf .
[2144] NASA Fiscal Year 2012 budget estimates, NASA website, accessed June 6, 2011; http://www.nasa.gov/pdf/516664main_NASAFY12_Budget_Estimates-Other-508.pdf .
[2145] "Ames Research Center Overview," NASA website, accessed June 3, 2011, page SD-2; http://www.nasa.gov/centers/ames/about/overview.html .
[2146] "NASA Scans Vineyards From Above To Help Growers," ScienceDaily, September 3, 2001; http://www.sciencedaily.com/releases/2001/09/010903092914.htm .

Segmented Harvest) to test whether remote sensing could delineate the plants by their vigor and ultimately by the quality and characteristics of the grapes the vines produce."[2147] Ames Center staff have also worked "a booth at the Mountain View Art & Wine Festival."[2148]

Apollo astronaut **Harrison Schmitt recently wrote that** "the sadly, now largely redundant Ames Research Center should be auctioned to the highest domestic bidder as its land and facilities have significant value to nearby commercial enterprises. These actions would force, once again, consideration of aeronautical research and technology development as a critical but independent national objective of great economic and strategic importance."[2149] The Ames Research Center should be closed and each of its essential missions related to space exploration should be reassigned to each of the nine other space centers as appropriate.

Other vital scientific initiatives should be consolidated with the Federal Aviation Administration (FAA), NSF and other relevant federal agencies.

End NASA participation in small business programs that duplicate other federal efforts and waste millions of dollars a year

Eleven federal agencies, including NASA, participate in the Small Business Innovation Research (SBIR) program. NASA awards approximately $112 million annually through the program, which is intended to help small, innovative high-technology firms win federal work.[2150]

Unfortunately, according to a recent NASA Office of Inspector General (OIG) audit, "NASA has not implemented appropriate internal controls to prevent fraud and abuse in contract awards. Consequently, some SBIR award recipients may have received multiple SBIR awards from different Federal agencies for the same research or NASA may have received highly questionable research products for its contract money."[2151] A stunning 25 percent of NASA SBIR contracts reviewed by the OIG "included unallowable or unsupported costs." NASA also participates in the Small Business Technology Transfer (STTR) program.

NASA spent a combined $147.7 million through these two programs in Fiscal Year 2010.[2152] Due to the agency's failure to safeguard taxpayers' dollars for these efforts, their unrelated mission to NASA, and their duplicative nature, NASA's participation in these programs should be ended.

[2147] "Using Remote Sensing to Determine Vine Vigor," NASA Earth Observatory website, accessed June 21, 2011; http://earthobservatory.nasa.gov/Features/Grapes/grapes_3.php .

[2148] NASA Ames Center website, accessed June 21, 2011; http://www.nasa.gov/centers/ames/events/2006/mtview_artwine.html

[2149] Harrison Schmitt, "Former Senator Schmitt Proposes Dismantling of NASA and Creation of a New, National Space Exploration Administration (NSEA)," AmericasUncommonSense.com, May 25, 2011; http://americasuncommonsense.com/blog/2011/05/25/46-space-policy-and-the-constitution-4/ .

[2150] "REVIEW OF NASA'S MANAGEMENT OF ITS SMALL BUSINESS INNOVATION RESEARCH PROGRAM," Report No. IG-11-010-R, NASA Office of the Inspector General, January 12, 2011; http://oig.nasa.gov/audits/reports/FY11/IG-11-010-R.pdf .

[2151] "REVIEW OF NASA'S MANAGEMENT OF ITS SMALL BUSINESS INNOVATION RESEARCH PROGRAM," Report No. IG-11-010-R, NASA Office of the Inspector General, January 12, 2011; http://oig.nasa.gov/audits/reports/FY11/IG-11-010-R.pdf .

[2152] Congressional Research Service communication with the office of Senator Tom Coburn, June 7, 2011.

Terminate Space Art Program

Photographs taken by NASA satellites of Earth and other worlds as well as those taken by American astronauts on the moon are some of the most recognizable and fascinating images ever taken. Yet, NASA has a separate program, dating from 1962 that commissions artists "to document and capture on canvas the drama of [NASA's] missions." The agency's own website concedes "the concept of NASA commissioning pieces of art may seem far-fetched."[2153] "In FY2009 and FY2010, four NASA organizations (Dryden Flight Research Center, Jet Propulsion Laboratory, Marshall Space Flight Center, and Headquarters) commissioned a total of eight works of art, all original paintings, at a combined cost of $97,000," according to the Congressional Research Service.[2154]

The program boasts works by iconic artists such as Norman Rockwell and Andy Warhol, famed photographer Annie Leibovitz,[2155] and singer Patti LaBelle, who performed a song commissioned by NASA.[2156] These artists captured their impressions of NASA missions from Mercury to Apollo to Gemini, to the space shuttle. But with the conclusion of the shuttle program, the era of NASA's manned spaced programs is on hold, perhaps for a decade or even more. NASA's budget, therefore, should go back to returning Americans to space and leave the artists endeavors to the numerous other federal agencies, such as the Smithsonian, and private benefactors.

Eliminate Space Flight Awareness Program

The Space Flight Awareness (SFA) Program is motivation program which includes conferences, dinners, and awards. NASA spends as much as $4 million annually on its Space Flight Awareness Honoree Launch Conference Events (SFA Conference). A single conference held in December 2007 was estimated to cost $1,010,003.[2157] These extravagant gatherings include "fancy receptions" for hundreds of honorees and their guests at four star hotels and resorts. "And most of the honorees? They're not NASA employees. They're from Boeing and other billion-dollar contractors that aren't picking up the tab."[2158] Congress prohibited NASA from funding SFA Conference events in 2009.[2159] The budget for the program is expected to be $1.6

[2153] Bert Ulrich, "NASA and the Arts," NASA website, accessed June 2, 2011; http://www.nasa.gov/50th/50th_magazine/arts.html .

[2154] Congressional Research Service communication with the office of Senator Tom Coburn, June 20, 2011.

[2155] "Andy Warhol, Annie Leibovitz, Norman Rockwell Featured in NASA|ART," Smithsonian.com, May 31, 2011; http://blogs.smithsonianmag.com/aroundthemall/2011/05/andy-warhol-annie-leibovitz-norman-rockwell-featured-in-nasaart/ .

[2156] Bert Ulrich, "NASA and the Arts," NASA website, accessed June 2, 2011; http://www.nasa.gov/50th/50th_magazine/arts.html .

[2157] "Opportunities to Improve the Management of the Space Flight Awareness Honoree Launch Conference Event (Report No. IG-09-017, Assignment No. S-08-008-00)," NASA Office of Inspector General, July 27, 2009, http://oig.nasa.gov/audits/reports/FY09/IG-09-017.pdf .

[2158] Sharyl Attkisson, "NASA'S Luxury, At Your Expense," CBS Evening News, November 9, 2007; http://www.cbsnews.com/stories/2007/11/09/eveningnews/main3481918.shtml?source=mostpop_story .

[2159] "Opportunities to Improve the Management of the Space Flight Awareness Honoree Launch Conference Event (Report No. IG-09-017, Assignment No. S-08-008-00)," NASA Office of Inspector General, July 27, 2009, http://oig.nasa.gov/audits/reports/FY09/IG-09-017.pdf .

million in 2011.[2160] Outstanding performance should continue to be recognized, but the SFA program is excessive and extravagant and should be terminated.

Reduce NASA Public Relations Budget

NASA is expected to spend about $45 million on public relations this year and this amount is expected to grow to $50 million within five years. Public relations activities include "dissemination of information about NASA programs to the news media and the general public"[2161] such as "NASA TV" which provides coverage of "on-orbit video of Earth captured by astronauts aboard the International Space Station, and rocket launches of advanced scientific spacecraft."[2162] It also includes over $100,000 spent annually for billboard advertising space, $15,000 for "sky balls," more than $11,000 for yo-yos—including light up yo-yos—since 2009, and more than $8,000 spent this year for 5,000 polar bear stress balls.[2163] These may seem like relatively small amounts compared to the NASA projects that are billions of dollars over budget, but they are also non-essential and difficult to justify. NASA's PR budget should be reduced to $25 million to allow the agency to focus on dissemination of scientific and educational information while eliminating unnecessary expenses.

NASA purchased 5,000 polar bear stress balls in April 2011.

Permanently Eliminate Hollywood Liaison

NASA has a "Hollywood liaison" who works with the entertainment industry including screenwriters and directors to better portray the agency, its work, and issues related to the space. Recently, NASA worked with the producers of "Transformers 3."[2164] Currently, only a single "multimedia manager" coordinates film and television entertainment projects for NASA, but this

[2160] Congressional Research Service correspondence with the office of Senator Tom Coburn, June 24, 2011.
[2161] NASA Fiscal Year 2012 budget estimates, NASA website, accessed June 6, 2011, page SD-15; http://www.nasa.gov/pdf/516664main_NASAFY12_Budget_Estimates-Other-508.pdf .
[2162] "NASA TV," NASA website, accessed June 6, 2011; http://www.nasa.gov/multimedia/nasatv/index.html .
[2163] http://www.usaspending.gov, accessed June 6, 2011.
[2164] The Kennedy Space Center was reimbursed $60,000 by the producers of Transformers 3 for use of its facilities, support personnel, and for security services to ensure the safety of the film crew and agency employees, according to information provided by NASA to the Congressional Research Service, June 15, 2011.

role is only one aspect of that employee's duties. The multimedia manager's time is spent coordinating exhibits and "NASA's large art collection." The multimedia manager is a highly paid senior official,[2165] with a salary of more than $100,000 annually.[2166] Bobbie Faye Ferguson, a former Hollywood liaison for NASA who worked on Space Cowboys, Armageddon and Apollo 13, says "people in Hollywood or New York or London are going to make movies and TV programs with us or without us."[2167] That being the case, this position should be permanently eliminated while allowing Hollywood producers access to the same information from NASA as the general public and educators.

NASA recently made Kennedy Space Center available to the producers for filming of the movie "Transformers 3."

Improving Management to Control Costs and Prevent Waste and Fraud

When it comes to managing taxpayers funds, NASA has been a fixture on GAO's "high risk" list since 1990.[2168] "For 20 years, NASA acquisition management has been on GAO's list of federal programs and operations at high risk and vulnerable to fraud, waste, abuse, and mismanagement."[2169] NASA projects have exceeded the agency's own budget estimates by well

[2165] Congressional Research Service communication with the office of Senator Tom Coburn, June 15, 2011.
[2166] "Salary Table 2011-GS," U.S. Office of Personnel Management website, accessed June 21, 2011; http://www.opm.gov/oca/11tables/html/gs.asp .
[2167] Mimi Hall, "Hollywood, Pentagon share rich past," USA Today, March 7, 2005; http://www.usatoday.com/news/washington/2005-03-07-hollywood-pentagon_x.htm .
[2168] "NASA; Lack of Disciplined Cost-Estimating Processes Hinders Effective Program Management," Government Accountability Office, Report GAO-04-642, http://www.gao.gov/new.items/d04642.pdf .
[2169] Statement of Cristina Chaplain, GAO Director Acquisition and Sourcing Management, "NASA; Key Management and Program Challenges," Testimony before the Subcommittee on Space and Aeronautics, Committee

over $1 billion and the NASA Office of Inspectors General has done little to try to identify savings or prevent waste, fraud, and abuse within its programs.

Many of NASA's projects are over budget, behind schedule, or both. Combined, the cost overruns for just nine NASA projects exceed $1.2 billion.[2170]

Cost and Schedule Growth of Selected NASA Projects in the Implementation Phase

Project	Baseline (FY)	Development cost growth ($ in millions)	Percent cost growth	Launch delay (Months)
Aquarius	2008	$15.9	8.3	10
Glory	2009	$37.0	14.3	16
Herschel	2007	$9.7	8.3	21
Kepler	2007	$77.5	24.8	9
LRO	2008	$52.3	12.4	8
MSL	2008	$662.4	68.4	25
NPP	2007	$132.1	22.3	33
SDO	2007	$58.9	9.4	18
SOFIA	2007	$162.3	17.7	12
WISE	2008	$2.8	1.5	1
Average		**$121.1**	**18.7**	**15**
Total cost growth		**$1,210.9**		

Source: GAO analysis of NASA project data.

Note: Shading indicates projects that exceeded their cost and/or schedule baselines.

NASA projects are over budget, behind, schedule, or both, according to a GAO analysis. Just nine projects account for over $1.2 billion in cost overruns.[2171]

Inspectors General (IG) exist within federal departments and agencies, including NASA, to detect waste, fraud, abuse and mismanagement of government funds and property. As outlined above, NASA has no shortage of duplication, mismanagement, and over budget projects. Yet, NASA's IG is doing little to find wasteful spending by NASA or its contractors, according to a 2008 Government Accountability Office (GAO) report. Only one audit report out of 153 investigations conducted over a two year period "included recommendations for improving NASA's economy and efficiency with potential cost savings," GAO found.[2172] GAO concluded the NASA IG saved only 36 cents for every dollar spent compared to an average of $9.49 saved per dollar spent by the IGs of other agencies.

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on Science and Technology, House of Representatives, February 3, 2010; http://www.gao.gov/new.items/d10387t.pdf .

[2170] "NASA; Assessments of Selected Large-Scale Projects," Government Accountability Office, Report GAO-10-227SP, February 2010; http://www.gao.gov/new.items/d10227sp.pdf .

[2171] "NASA; Assessments of Selected Large-Scale Projects," Government Accountability Office, Report GAO-10-227SP, February 2010; http://www.gao.gov/new.items/d10227sp.pdf .

[2172] "Inspectors General; Actions Needed to Improve Audit Coverage of NASA," Government Accountability Office, Report GAO-09-88, December 2008; http://www.gao.gov/new.items/d0988.pdf .

To do more with less, NASA management must begin emphasizing cost savings and demonstrating the ability to properly manage and accurately estimate project costs. This must include increasing IG financial audits to identify cost savings

Additionally, President Obama has proposed cutting $142 million in NASA's administrative budget next year. The Office of Management and Budget (OMB) notes "the Federal Government spends extensive amounts on services or products that may be characterized as administrative or overhead. Over the past five years, spending on certain of these activities has grown substantially." The Obama Administration has directed each agency to cut unnecessary spending and, according to OMB, "agencies are busy putting in place the processes and policies during 2011 that will enable them to realize these savings in 2012."[2173] This presidential recommendation should be enacted.

Adding Admission Fees

NASA's ten space centers, located across the country, attract millions of visitors every year. The Kennedy Space Center in Florida and the Johnson Space Center in Texas charge admission fees for tours but other centers do not. Admission for an adult at Kennedy Space Center is $45.45 while admission for a child is $34.98.[2174]

Even if school groups were exempted, a small fee of $5 or less per visitor **at some of NASA's other popular space centers** could generate millions of dollars every year. **By asking visitors to pay a nominal fee,** some of the costs of maintaining visitors' services at the centers would be offset.

$51.2 Billion in Savings over the Next Decade

By enacting these reforms, which include eliminating at least 15 programs or initiatives, consolidating more than 20 science and education programs, and cutting the agency's public relations budget, $51.2 billion could be saved over the next decade. Additionally, by refocusing NASA on space exploration, NASA can better prepare for the eventual return of a U.S. manned space fleet.

PROGRAMS ELIMINATED

- Upgrade of Kennedy Space Center
- Ames Research Center
- Constellation program
- NASA art program
- Hollywood liaison office
- End bonus payments to contractors for projects that are behind schedule and over budget
- NASA Small Business Innovation Research program
- Small Business Technology Transfer program

[2173] "REDUCTION: ADMINISTRATIVE EFFICIENCY INITIATIVE," Fiscal Year 2012 Terminations, Reductions, and Savings; Budget of the U.S. Government, Office of Management and Budget, page 88; http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf .

[2174] "Admission Tickets," Kennedy Space Center Visitors Center, accessed June 6, 2011; https://websales.omniticket.com/ksc/index.cfm?action=1 .

- Space Flight Awareness Awards program
- NASA education programs, including Aerospace Education Services Project, Airborne Research Experiences for Educators Project, Exploration Infusion program, Global Climate Change Education Project, High Schools United with NASA to Create Hardware (HUNCH), Middle School Aerospace Scholars program, and the Spaceward Bound program

ADDITIONAL SAVINGS
President Obama's recommended reduction in administrative spending

PROGRAMS CONSOLIDATED:

- NASA science grant program
- Achieving Competence in Computing, Engineering and Space Science program
- Applied Physics Laboratory Internship Project
- Caltech Postdoctoral Scholars at the Jet Propulsion Laboratory
- Community College Aerospace Scholars
- Curriculum Improvements Partnership Award for the Integration of Research
- Digital Learning Network
- Dropping In a Microgravity Environment program
- Education Associates program
- Endeavor Science Teaching Certificate Project
- Exploration Systems Mission Directorate Space Grant Faculty Project
- Faculty Student Teams Project
- Minority University Research and Education Programs Small Projects
- NASA Electronic Professional Development Network
- NASA Explorer Schools
- Pre-Service Teacher Institutes
- Reduced Gravity Student Flight Opportunities Project
- Teaching From Space program
- Tribal Colleges and University Project -- Summer Research Experience program
- University Research Centers
- University Student Launch Initiative
- Workforce Coalition: Education Task Force

NASA TEN YEAR SAVINGS
Discretionary: $51.15 billion
Total: $51.15 billion

NATIONAL SCIENCE FOUNDATION

The National Science Foundation (NSF) is an independent federal agency created by the National Science Foundation Act of 1950.[2175] Specifically, NSF's mission is "to promote the progress of science; to advance the national health, prosperity and welfare; and to secure the national defense."[2176] NSF has an important mission and contributes to meaningful scientific discovery, but there are pervasive problems at the agency. There are many areas where the National Science Foundation could be more efficient, trim waste, and better target and manage resources.

NSF wastes millions of dollars on low-priority projects. Taxpayers may question the value of many of the projects NSF funds, such as: How to ride a bike; When did dogs became man's best friend; If political views are genetically pre-determined; How to improve the quality of wine; Do boys like to play with trucks and girls like to play with dolls; How rumors get started; If parents choose trendy baby names; How much housework does a husband create for a wife; When is the best time to buy a ticket to a sold out sporting event; and **how long can a shrimp run on a treadmill.**

Additionally, there is little, if any, obvious scientific benefit to some NSF projects, such as a YouTube rap video, a review of event ticket prices on stubhub.com, a "robot hoedown and rodeo," or a virtual recreation of the 1964/65 New York World's Fair. And only politicians appear to benefit from other NSF studies, such as research on what motivates individuals to make political donations, how politicians can benefit from Internet town halls, the impact of YouTube on the 2008 U.S. elections, and how politicians use the Internet.

NSF also lacks adequate oversight of its grant funding, which has led to significant mismanagement, fraud, and abuse. Internal reports and audits reveal systemic problems with the agency's grant administration, financial controls, and overall stewardship of scientific research dollars. Mismanagement has led to hundreds of millions of dollars lost to ineffective contracting. For example, serious concerns have been raised regarding the agency's contracting practices, categorizing them as "high-risk."[2177] In 2010, the NSF spent $422 million on

[2175] Public Law 81-507

[2176] Public Law 81-507. The law explicitly authorizes NSF to conduct basic scientific research and research fundamental to the engineering process; programs to strengthen scientific and engineering research potential; science and engineering education programs at all levels and in all the various fields of science and engineering; programs that provide a source of information for policy formulation; and other activities to promote these ends.

[2177] Statement Of Allison C. Lerner, Inspector General, National Science Foundation,

contracts, $283 million of which went to contracts known as "cost reimbursement contracts." These contracts are paid "regardless of whether the work is completed." [2178]

Over 70 percent of these funds—$204 million—were for contracts permitting advance payments to three specific recipients.[2179] NSF found that none of these three contractors had an approved disclosure statement—precluding the agency from being able to identify and document actual costs. The IG concluded that, "[g]iven the amount of money it expends on these contracts, the risk of fraud, waste, and abuse by NSF contractors will continue to be high until NSF implements fully adequate cost surveillance procedures."[2180]

NSF also requires what are called "contingency estimates" in the budgets of large Major Research Equipment and Facilities Construction projects to protect against cost overruns. A recent audit of two projects revealed more than $169 million of unallowable contingency costs, comprising 25 percent of the combined award amounts, which totaled $684 million. The IG explained that this occurred because "no barriers existed to prevent the funds from being drawn down in advance."[2181]

Other examples of fraudulent and inappropriate NSF expenditures include the following:

- 47 joint trips to the tune of $144,152 for a pair of romantically involved NSF employees;
- Bowling and amusement park trips using research funds;
- Pervasive porn-surfing by NSF employees;
- Millions spent on alcohol and unrelated costs.

Before The House Commerce, Justice, Science Appropriations Subcommittee, February 2011,http://www.nsf.gov/oig/testimonyfeb2011.pdf (March 11, 2011).

[2178] Statement Of Allison C. Lerner, Inspector General, National Science Foundation, Before The House Commerce, Justice, Science Appropriations Subcommittee, February 2011,http://www.nsf.gov/oig/testimonyfeb2011.pdf (March 11, 2011).

[2179] Statement Of Allison C. Lerner, Inspector General, National Science Foundation, Before The House Commerce, Justice, Science Appropriations Subcommittee, February 2011, http://www.nsf.gov/oig/testimonyfeb2011.pdf (March 11, 2011).

[2180] Statement Of Allison C. Lerner, Inspector General, National Science Foundation, Before The House Commerce, Justice, Science Appropriations Subcommittee, February 2011, http://www.nsf.gov/oig/testimonyfeb2011.pdf (March 11, 2011).

[2181] Statement Of Allison C. Lerner, Inspector General, National Science Foundation, Before The House Commerce, Justice, Science Appropriations Subcommittee, February 2011, http://www.nsf.gov/oig/testimonyfeb2011.pdf (March 11, 2011).

NSF's work faces extensive duplication challenges, within the agency and across the federal government. Duplication of efforts across the federal government can lead to inefficiencies and waste of taxpayer dollars. Congress has all too often given government agencies overlapping authorities and responsibilities, often creating new programs without consolidating or eliminating existing programs with the same purposes.

NSF is one of at least 15 federal departments, 72 sub-agencies, and 12 independent agencies engaged in federal research and development.[2182] A NSF-led analysis of the federal research budget explains that the federal government has, "17 science agencies [that] have 17 different data silos, with different identifiers, different reporting structures, and different sets of metrics."[2183]

The Department of Defense (DOD), Department of Health and Human Services (HHS), National Aeronautics and Space Administration (NASA), Department of Energy (DOE), Department of Agriculture (USDA), Department of Commerce (DOC), and Department of the Interior (DOI) all join the NSF in scientific research and development. NSF is not the only agency supporting the social sciences—the National Endowment for the Humanities $167.5 million annual budget includes research, fellowships, and institutional support for social sciences.[2184]

A Congressional Budget Office (CBO) analysis shows that DOD funds 45 percent of federal R&D outlays, NIH constitutes 28 percent, Department of Energy provides 8 percent, NASA funds 7 percent, and NSF comprises only 4 percent.[2185]

NSF primarily funds what is known as "basic research," a specific type of research and development defined by the CBO as research intending "to expand scientific knowledge without regard to commercial applications."[2186] The federal government expended $27.7 billion on basic research in 2008, of which NSF provided $4 billion.[2187] OMB reports that in 2009 HHS spent $25 billion on basic research, DOE $4.4 billion, and NSF $6 billion.[2188] DARPA reports $328 million in its basic research portfolio.[2189]

[2182] National Science Foundation, "Survey of Federal Funds for Research and Development," Last updated June 2009, http://www.nsf.gov/statistics/srvyfedfunds/ (April 4, 2011).
[2183] Julia Lane and Stefano Bertuzzi, "The STAR METRICS Project: Current and Future Uses for S&E Workforce Data," The National Science Foundation and the National Institutes of Health, June 2010, http://www.nsf.gov/sbe/sosp/workforce/lane.pdf.
[2184] National Endowment for the Humanties, 2012 Budget Request, http://www.neh.gov/whoweare/pdf/NEH_Request_FY2012.pdf (March 10, 2011).
[2185] Congressional Budget Office, "Federal Support for Research and Development," June 2007, http://cbo.gov/ftpdocs/82xx/doc8221/06-18-Research.pdf, (April 19, 2011).
[2186] Congressional Budget Office, "Federal Support for Research and Development," June 2007, http://cbo.gov/ftpdocs/82xx/doc8221/06-18-Research.pdf, (April 19, 2011).
[2187] National Science Foundation, "Federal Funds for Research and Development: Fiscal Years 2006–08," http://www.nsf.gov/statistics/nsf10303/ (January 2011).
[2188] John F. Sargent, Jr., "Federal Research and Development Funding: FY2010," Congressional Research Service, Table 3, R40710, January 12, 2010.
[2189] Defense Advanced Research Projects Agency, "Department of Defense Fiscal Year (FY) 2012 Budget Estimates," Justification Book Volume 1, February 2011, www.darpa.mil/WorkArea/DownloadAsset.aspx?id=2400 (March 10, 2011).

A dollar lost to mismanagement, fraud, inefficiency, duplication, or a questionable project is a dollar that could have advanced scientific discovery. Retaining America's position as the world's scientific and technological leader in the 21st century must remain a primary goal. Financial realities, however, threaten to undermine our scientific and economic competitiveness.

Decades of excessive borrowing and spending has resulted in a nearly insurmountable $14 trillion national debt. The $147 billion the federal government spends a year on science is dwarfed by the $225 billion spent just to finance interest on the debt. You do not have to be a PhD or brain surgeon to realize more responsible stewardship of our nation's finances would mean more resources to invest in science and research rather than making debt payments. Securing our scientific leadership role, therefore, is dependent upon setting better priorities so we can do more with less.

Eliminate NSF's Social, Behavioral, and Economics (SBE) Directorate – $2.83 billion

Social studies include business administration, economics, geography, political science, sociology, international relations, and communication. To varying degrees, each of these fields represents interesting and—many times—important areas of research and discovery.

But do any of these social studies represent obvious national priorities that deserve a cut of the same pie as astronomy, biology, chemistry, earth science, physics, and oceanography? The recent tragedy in Japan highlights the importance of nearly all of these natural sciences and how a better understanding of each can improve our abilities to protect life and property from natural occurrences such as earthquakes and tsunamis.

From the inception of the National Science Foundation, spending scarce scientific research dollars on the social sciences has been controversial. However, the severity of our current economic situation does not allow time for us to pander to controversial politics and requires shared sacrifice.

Eliminating NSF's SBE directorate will not end federal spending in these fields. For example, the Department of Education provides funding for behavioral, economic, and social endeavors. The Department of Health and Human Services provides support for social, behavioral, and economic research with health applications. The National Endowment for the Humanities also provides support for social sciences.

The President has been proposing significant increases for this directorate rather than prioritizing the scientific fields with a more obvious benefit to our nation and the world. The President's 2012 budget recommends an 18 percent increase in funding for the directorate, including a 14.9 percent increase for the social and economic sciences.

Rather than ramping up the amount spent on political science and other social and behavioral research, NSF's mission should be focused truly on transformative sciences with practical uses outside of academic circles and clear benefits to mankind and the world.

Rescind Unspent, Expired Funds NSF Currently Holds –$1.7 billon

According to the National Science Foundation's 2010 financial statements, the agency currently has $1.733 billion in "undisbursed balances in expired grant accounts."[2190] Agency policy is to close out grant awards on the award expiration date. One quarter later, any un-liquidated funds are to be de-obligated.[2191] NSF then identifies funding to be returned to the Treasury from any cancelled appropriations. In 2010, NSF returned $33.68 million to the United States Treasury, while the agency sits on $1.7 billion in undisbursed, expired funding. The account has steadily grown from $1.53 billion in 2008 and 1.66 billion in 2009.[2192]

The agency's record of failing to place an emphasis on closing out expired grants and returning unused funds to the United States Treasury raises questions about the overall fiscal management of the agency.

The Government Accountability Office (GAO), which conducted a government-wide review of unexpended grants, concluded that closeout procedures ensure grantees have met all financial requirements, provided final reports, and that unused funds are de-obligated. The audits generally attributed the problems to inadequacies in awarding agencies' grant management processes, including closeouts as a low management priority, inconsistent closeout procedures, poorly timed communications with grantees, or insufficient compliance or enforcement."[2193]

"The existence of unspent funds can hinder the achievement of national objectives in various ways, such as leaving projects incomplete, preventing the reallocation of scarce resources to address other needs, or making federal funds more susceptible to improper spending or accounting as monitoring diminishes over time," GAO found.[2194]

The $1.7 billion of NSF funds that remain in limbo means, in practical terms, less money for research and contributes to our already excessive debt problem.

[2190] National Science Foundation 2011 Financial Statements, "Chapter 3: Appendices, http://www.nsf.gov/pubs/2011/nsf11003/pdf/chapter_3_appendices.pdf (March 16,2011).
[2191] National Science Foundation 2011 Financial Statements, "Chapter 3: Appendices, http://www.nsf.gov/pubs/2011/nsf11003/pdf/chapter_3_appendices.pdf (March 16,2011).
[2192] National Science Foundation 2011 Financial Statements, "Chapter 3: Appendices, page III-24, http://www.nsf.gov/pubs/2011/nsf11003/pdf/chapter_3_appendices.pdf (March 16,2011).
[2193] Government Accountability Office, "GRANTS MANAGEMENT; Attention Needed to Address Undisbursed Balances in Expired Grant Accounts," August 2008, Page 2; http://www.gao.gov/new.items/d08432.pdf
[2194] Government Accountability Office, "GRANTS MANAGEMENT; Attention Needed to Address Undisbursed Balances in Expired Grant Accounts," August 2008, Page 5; http://www.gao.gov/new.items/d08432.pdf

Consolidate the Directorate for Education & Human Resources –$9.67 billion

NSF's Directorate for Education & Human Resources is focused on four areas: Preparing STEM professionals; Integrating STEM research and education; Increasing scientific literacy in America; and Closing achievement gaps of underrepresented groups in science.

These are all noble goals and ones already being supported by a plethora of other government agencies. There are nearly 100 federal STEM programs administered by 11 federal agencies, including NSF. An additional $150 billion in financial aid and student loan programs also provide assistance to those seeking higher education.

There are specific teacher training programs and other elementary and secondary education programs that could be consolidated with other federal programs, which could save taxpayers at least $366 million over the next five years, according to the Congressional Budget Office (CBO). With total NSF spending on K-12 STEM education expected to total $272 million in 2011, there are many more opportunities to save money through consolidation. In total, halting appropriations for human resources and training would save taxpayers $872 million annually.[2195]

NSF could continue to collaborate with other federal agencies where appropriate, but consolidating this duplicative mission could yield greater results for taxpayers and science. The current activities of national importance conducted by this directorate could be carried out by the multitude of government agencies whose missions are primarily dedicated to education, most notably the Department of Education. In so doing, the mission of this directorate could be advanced more efficiently and strategically. This would also assist to redirect NSF's mission towards supporting research, enhancing discovery, and advancing innovation within the scientific fields where it can make the greatest impact.

Establish Clear Guidelines For What Constitutes "Transformative" and "Potentially Transformative" Science

NSF could advance science simply by better prioritizing the types of research eligible for federal funding. To do so, NSF needs to establish clear guidelines outlining what constitutes "transformative" or "potentially transformative" science.

Science is often described as art with imagination being an essential component to discovery. Hypotheses and theories must be developed to be proven or disproved. Questions must be asked to be answered.

Yet, not all questions and not all theories are of equal value. Many of the studies supported by NSF have been of great scientific value while others were found to be questionable, if not silly. It is the responsibility of NSF to carefully weigh grant applications to determine those with the potential to be transformative and those that are more whimsical.

[2195] "National Science Foundation Summary Table FY 2012 Request to Congress," http://www.nsf.gov/about/budget/fy2012/pdf/03_fy2012.pdf

It is important to recognize not all research can guarantee transformative results. That does not mean lessons cannot be learned from these studies or they should not be supported if they appear to hold the potential to be transformative.

Ultimately, the decision as to what constitutes "transformative" or "potentially transformative" should be left to the scientific community rather than Congress. Yet, it is the role of Congress to ask questions and conduct oversight of how these decisions are made and how wisely taxpayer dollars are being spent and managed.

And while evaluating the overall quality of grant application should remain in the hands of scientists with clear NSF guidance, scientists, agency officials, policymakers, and taxpayers should all be able to agree any research receiving federal funds should be able to affirmatively answer each of the following questions:

- Does this research represent science that could significantly change our understanding of important scientific concepts?

- Does the subject of this study represent an important scientific idea rather than the whimsy of individual researchers?

- Is this study an appropriate expenditure of federal funds at a time when the U.S. national debt is nearly $14 trillion?

Set Clear Metrics To Measure Success And Standards To Ensure Accountability

In December 2009, Congress directed NSF to identify the ingredients of successful science, technology, engineering, and mathematics (STEM) education programs in U.S. elementary and secondary schools by June 2010. The report is now nearly one year overdue. The failure of NSF to answer such a question regarding one of its central missions exposes its lack of metrics.

Along with the National Institutes of Health (NIH), NSF and the Office of Science and Technology Policy (OSTP) are creating a repository of tools to assess the impact of federal R&D known as STAR METRICS. This effort is long overdue and should be a priority to ensure taxpayers, policymakers, and agency officials can accurately measure and better invest in success.

The relatively small amount of resources NSF and NIH have directed towards the STAR METRICS system is a certainly a step in the right direction, but not the comprehensive solution necessary. Whether it is the STAR METRICS system or something analogous, the agency must find a way to place real performance measures on the research it funds.

It is impossible, of course, to place any metrics on research if the agency refuses to hold grantees responsible for promised deliverables. NSF must improve its grant administration and collect annual and final reports as required. These reports must be analyzed and essentially graded for the value of the research.

A strong emphasis must be placed on whether NSF supported research contributed to new discoveries or advancements. It is realistic to expect that most projects may not yield transformative or ground-breaking research, but it is important to determine whether or not the effort presented a meaningful attempt to advance scientific knowledge or if could still could play a still small role in a larger discovery.

Assigning value to basic research proposals may not be easy, but it is important nevertheless.

$14.2 Billion in Savings Over the Next Decade

By enacting these reforms, which includes eliminating duplicative and low priority spending, over $14 billion could be saved over the next decade. Additionally, by prioritizing NSF's funding on transformative scientific research it will ensure we can retain America's scientific edge without adding to the debt threatening the economic engines that power our nation's leadership role in the world.

SAVINGS

Eliminate NSF's Social, Behavioral, and Economics Directorate
Rescind Unspent, Expired Funds NSF Currently Holds
Consolidate the Directorate for Education & Human Resources

DEPARTMENT OF NATIONAL SCIENCE FOUNDATION TEN YEAR SAVINGS
Discretionary: $14.2 billion
Total: $14.2 billion

SMALL BUSINESS ADMINISTRATION

The Small Business Administration (SBA) was created in 1953 to promote the needs of small businesses through a variety of federal programs. Today, its mission is primarily to: 1) encourage "capital access" for small businesses through loan guarantees and bonding programs; 2) oversee small business contracting preference programs; 3) provide small businesses with training and technical assistance; and 4) administer a disaster loan program.[2196]

The SBA was the successor agency of the Depression-era Reconstruction Finance Corporation (RFC), which provided loans to large manufacturers in World War II. The move to replace the RFC—called "scandal-pocked" by *Time* magazine in 1952—with the SBA followed a series of revelations that the agency was corrupted with favoritism and bribes for a select few firms.[2197] In shifting away from large businesses to small business, Congress sought to bolster a sector that it believed was not well served in the private market. As such, the agency has long provided a variety of programs to help struggling small businesses attain what they otherwise could not from private sources, most especially government contracts and low-interest rate loans.

Whether it is accomplishing this mission is not always clear. Under current standards, the SBA typically defines a "small business" as those with less than $7 million in revenues and fewer than 500 employees. The definition is so broad, however, that it encompass 99.7 percent of all U.S. businesses.[2198] As a result, regular claims are made, by no less than GAO[2199] and the agency's own inspector general,[2200] that large businesses are abusing the programs to the exclusion of small ones.

In addition, many of the SBA's programs have come under criticism over the years for poor administration, ineffectiveness and, too frequently, their susceptibility to fraud and abuse. This has been a particular problem in the area of improper payments, which in some programs has reached nearly half of all payments. For instance, the inspector general reports that improper payments for the 7(a) business loan program were 27 percent in 2008 (or $234 million), while

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[2196] Gonzales, Oscar R., Congressional Research Service, "Small Business Administration: A Primer on Program," June 22, 2011, RL33243, http://www.crs.gov/Products/RL/PDF/RL33243.pdf.
[2197] Clark Nardinelli, *The Reconstruction Finance Corporation's Murky History*, December 21, 1983, http://www.policyarchive.org/handle/10207/bitstreams/9111.pdf.
[2198] Gonzales, Oscar R., Congressional Research Service, "Small Business Administration: A Primer on Program," June 22, 2011, RL33243, http://www.crs.gov/Products/RL/PDF/RL33243.pdf.
[2199] Government Accountability Office, *8(a) Program: Fourteen Ineligible Firms Received $325 Million in Sole-Source and Set-Aside Contracts*, GAO-10-425, March 2010, http://www.gao.gov/new.items/d10425.pdf.
[2200] Testimony of Peg Gustafson, Inspector General, Small Business Administration, before the Senate Small Business Committee, March 3, 2011, http://www.sba.gov/content/peggy-e-gustafson-inspector-general-us-small-business-administration-before-small-business-and-entrepreneuship-committee.

they were 46 percent for disaster loans the previous year or $1.5 billion.[2201] Combined, this represented more than $1.734 billion in government loans.[2202]

Capital Access Programs

SBA "capital access" programs include several loan guarantee programs, support for venture capital firms, several programs to provide low-cost bonding and technology transfer programs.

SBA's flagship program is the 7(a) Loan Program, which guarantees private business loans up to $5 million for five to 25 years based on loan purpose.[2203] To qualify for a 7(a) loan, a borrower must meet the "credit elsewhere" test, demonstrating that he or she cannot obtain credit from any private source. Loans are issued by private lenders, but the SBA covers up to 90 percent of all losses in the event of a default, in essence providing taxpayer funds as collateral.

Management problems have plagued the 7(a) program in recent years, which has seen taxpayer losses soar since 2008. Unfortunately, many of these problems were known years before these enormous losses materialized.

A 2007 GAO report uncovered that the SBA had almost no way to measure the impact of the program, and whether it was meeting its intended goal of providing additional credit to businesses. GAO noted that the "SBA does not collect any outcome-based information," and that "none of the measures link directly to the SBA's long-term objectives."[2204] Further, the report noted that while minority-owned firms benefited slightly, the 7(a) program did not serve an essentially different market than was already served by private lenders. Whether measured by minority-status, gender, or credit score, both the 7(a) program and private lenders issued loans in roughly equal measure.[2205] The primary effect of the program was to encourage higher-dollar loans on better terms to less than one percent of the nation's businesses.[2206]

In the same year, scandal rocked the agency when it was uncovered that a top SBA lender, Business Loan Express (BLX), issued tens of millions of dollars in fraudulent taxpayer-backed loans.[2207] Called, "the largest single fraud in the history of the Small Business Administration,"

[2201] U.S. Small Business Administration, Office of Inspector General, "Fiscal Year 2010 Report on the Most Serious Management and Performance Challenges Facing the Small Business Administration," October 16, 2009, Report No. 10-02, http://www.sba.gov/sites/default/files/oig_reports_tmc_fy10.pdf.
[2202] U.S. Small Business Administration, Office of Inspector General, "Fiscal Year 2010 Report on the Most Serious Management and Performance Challenges Facing the Small Business Administration," October 16, 2009, Report No. 10-02, http://www.sba.gov/sites/default/files/oig_reports_tmc_fy10.pdf.
[2203] Gonzales, Oscar R., Congressional Research Service, "Small Business Administration: A Primer on Program," June 22, 2011, RL33243, http://www.crs.gov/Products/RL/PDF/RL33243.pdf.
[2204] Government Accountability Office, *Small Business Administration: 7(a) Loan Program Needs Additional Performance Measures*, GAO-08-226T, November 1, 2007, http://www.gao.gov/new.items/d08226t.pdf.
[2205] Government Accountability Office, *Small Business Administration: 7(a) Loan Program Needs Additional Performance Measures*, GAO-08-226T, November 1, 2007, http://www.gao.gov/new.items/d08226t.pdf.
[2206] Government Accountability Office, *Small Business Administration: 7(a) Loan Program Needs Additional Performance Measures*, GAO-08-226T, November 1, 2007, http://www.gao.gov/new.items/d08226t.pdf.
[2207] Fisk, Margaret Cronin and Christine Richard, "Former Business Loan Express Executive Gets 10 Years (Update2), *Bloomberg*, November 13, 2008, http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aKIvrYcg9tiU.

BLX CEO Patrick Harrington concocted "a six-year conspiracy to fraudulently issue or acquire $76.9 million in loans backed by the SBA."[2208] While he was ultimately sentenced to ten years in prison, the investigation into the SBA's handling of the matter proved equally troubling. The SBA inspector general found that the agency knew about "recurring and material" problems dating back to 2001 but "took no actions to restrict BLX's ability to originate loans."[2209]

Problems with the 7(a) program persisted, and in 2009 GAO again uncovered that the SBA had no way to prove whether or not small businesses were meeting the credit elsewhere test, a central requirement for eligibility in the program.[2210] By law, the SBA is not allowed to approve *any loan* in which a borrower can get credit elsewhere, but GAO found that lenders routinely failed to document why a borrower met this test.[2211]

Lenders are given enormous leeway by the SBA, known as *delegated authority*, allowing them to originate taxpayer-supported loans without agency involvement. Unfortunately, SBA's system for rating the risk of these same lenders was found by GAO in 2009 to have only limited usefulness in sorting out high-risk lenders from low-risk ones.[2212] GAO warned that unless the risk rating system was fixed, it "may deteriorate as economic conditions . . . change over time."[2213] That warning proved all too accurate, when in 2010 the 7(a) program suffered record-setting losses of more than $1.35 billion, and all SBA guarantee programs lost more than a combined $2.3 billion.[2214]

The need for small business loan guarantee programs has diminished greatly in recent years. First, the 7(a) program is intended for creditworthy borrowers, but billions of dollars in losses since 2008 demonstrate that the agency has a poor track record in administering taxpayer dollars for this purpose. Second, there was more than $609 billion in outstanding small business loans during the first quarter of 2011.[2215] While this is lower than the 2008 lending peak, due in part to

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[2208] Fisk, Margaret Cronin and Christine Richard, "Former Business Loan Express Executive Gets 10 Years (Update2), *Bloomberg*, November 13, 2008, http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aKIvrYcg9tiU.

[2209] Small Business Administration, Office of the Inspector General, *SBA's Oversight of Business Loan Center, LLC*, Report No 7-28, July 11, 2007, http://www.sba.gov/sites/default/files/oig_bllo_7-28.pdf

[2210] Government Accountability Office, *Small Business Administration: Additional Guidance on Documenting Credit Elsewhere Decisions Could Improve 7(a) Program Oversight*, GAO-09-228, February 2009, http://www.gao.gov/new.items/d09228.pdf.

[2211] Government Accountability Office, *Small Business Administration: Additional Guidance on Documenting Credit Elsewhere Decisions Could Improve 7(a) Program Oversight*, GAO-09-228, February 2009, http://www.gao.gov/new.items/d09228.pdf.

[2212] Government Accountability Office, *Small Business Administration: Actions Needed to Improve the Usefulness of the Agency's Lender Risk Rating System*, GAO-10-53, November 2009, http://www.gao.gov/new.items/d1053.pdf.

[2213] Government Accountability Office, *Small Business Administration: Actions Needed to Improve the Usefulness of the Agency's Lender Risk Rating System*, GAO-10-53, November 2009, http://www.gao.gov/new.items/d1053.pdf.

[2214] Website of the Small Business Administration, Charge-Off Amounts, http://www.sba.gov/sites/default/files/files/WDS_ChargeOffAmount_Report.pdf.

[2215] Clifford, Catherine, "Small business lending plummets," *CNNMoney*, June 16, 2011, http://money.cnn.com/2011/06/16/smallbusiness/small_business_lending/?section=money_latest.

a 57 percent decline in demand,[2216] lending activity is higher than 2005 levels when the economy grew by 4.3 percent.[2217] Third, there are several other duplicative federal loan guarantee programs that assist small businesses with obtaining credit. The USDA provides both direct and guaranteed farm loans,[2218] administers the Business and Industry Guaranteed Loans (B&I) Program for all types of firms,[2219] and eighteen other various business-related loan programs.[2220] The Export-Import Bank runs both direct and guaranteed loan programs,[2221] the Department of Energy offers three different business loan programs,[2222] and one is offered by the Bureau of Indian Affairs.[2223] Fourth, the program's losses plus the cost to administer the program add up to a cost, more than $1.5 billion, that outweighs the benefits gained by the economy.

Contract Preference Programs

SBA also administers a number of preference programs intended to carve out a percentage of federal contracts for small and disadvantaged businesses. Overall, Congress has established a government-wide goal of providing 23 percent of contracts and subcontracts to small businesses, as well as five percent to disadvantaged small businesses, five percent to women-owned small businesses and three percent to HUBZone small businesses and three percent to veteran-owned small businesses.[2224] Unfortunately, SBA's poor oversight of contracting programs leaves them open to fraud and abuse.

The SBA has struggled for years to see that federal contracts are awarded to small businesses, and often come up short of its 23 percent goal.[2225] As a remedy, the agency frequently resorts to rigging the statistics to make them appear better than they are. For example, SBA policy *excludes certain contracts* from the final tally even as it *includes certain types of large businesses* as "small."[2226] One outside organization found that in 2010, 61 of the top 100 "small"

[2216] Headd, Brian, U.S. Small Business Office of Advocacy, *Small Business Quarterly Bulletin*, Fourth Quarter 2010, http://www.sba.gov/sites/default/files/SBQB_2010q4.pdf.

[2217] Isidore, Chris, "'A perfect GDP report,'" *CNNMoney*, November 30, 2005, http://money.cnn.com/2005/11/30/news/economy/gdp/index.htm.

[2218] Website of the US Department of Agriculture, Farm Service Agency, Guaranteed Farm Loans, http://www.fsa.usda.gov/FSA/webapp?area=home&subject=fmlp&topic=gfl; http://www.fsa.usda.gov/FSA/webapp?area=home&subject=fmlp&topic=dfl.

[2219] Website of the United States Department of Agriculture, Rural Development, Business and Cooperative Programs, "Business and Industry Guaranteed Loans (B&I), (accessed July 6, 2011), http://www.rurdev.usda.gov/rbs/busp/b&i_gar.htm.

[2220] Website of the United States Department of Agriculture, Rural Development, "Rural Development Loan Assistance," (accessed July 6, 2011), http://www.rurdev.usda.gov/RD_Loans.html.

[2221] Website of the Export-Import Bank of the United States, "Loan Guarantee & Direct Loan," (accessed July 6, 2011), http://www.exim.gov/products/loan_guar.cfm.

[2222] Website of the U.S. Department of Energy, Loan Programs Office, "Programs," (accessed July 6, 2011), https://lpo.energy.gov/?page_id=37.

[2223] Website of GovLoans, (accessed July 13, 2011), http://www.govloans.gov/loans/loan-details/800.

[2224] Gonzales, Oscar R., Congressional Research Service, "Small Business Administration: A Primer on Program," June 22, 2011, RL33243, http://www.crs.gov/Products/RL/PDF/RL33243.pdf.

[2225] 2009 is the latest year for which data is available, http://archive.sba.gov/idc/groups/public/documents/sba_program_office/govt_wide_2009.pdf

[2226] Mandelbaum, Robb, "Small Gains for Small Business in Federal Contracting," *You're the Boss (NY Times blog)*, September 3, 2010, http://boss.blogs.nytimes.com/2010/09/03/small-gains-for-small-business-in-federal-contracting/.

business contractors were in fact large businesses, and that the real percentage of small business awards was closer to five percent.[2227] This same study found that $8 billion of the government's $14 billion in small business contracts went to large businesses.[2228]

The SBA inspector general also took notice that ineligible large companies were using the contracting program to gain special set-asides.[2229] SBA's response was telling: it simply increased the size of a small business, allowing close to 10,000 more firms to qualify in 2011.[2230] In the case of engineering firms, "small" was increased from $4.5 million to $19 million.

The HUBzone contracting program has proven especially vulnerable to fraud, according to several GAO investigations. In one particularly revealing 2008 report, GAO investigators found that 17 HUBZone contractors in Washington, D.C. received $24 million in fraudulent contracts, and potentially $80 million more as a result of their HUBZone designations.[2231] To understand the extent of the problem in Washington, undercover investigators applied for HUBZone designations for four fake companies that clearly did not meet program requirements—all four were accepted to the program, including one that listed its office address at a Starbucks.[2232]

A follow up investigation in early 2009 revealed far more extensive problems with HUBZone contractors, this time focusing on Texas. GAO once again created four fake companies, listing fake addresses at locations such as the Alamo and a local city hall building—once again three were accepted, while the SBA lost the fourth's paperwork.[2233] According to GAO investigators, "[a] simple Internet search by SBA could have revealed these as phony," which the agency did not determine despite taking seven months to process each application.[2234]

Extensive abuses have also been found in the 8(a) Program, which helps disadvantaged minority-owned businesses win sole-source contracts, as well as with the program for disabled veterans. Regarding the former, GAO uncovered 14 cases in which business owners misrepresented themselves and won $325 million in federal awards.[2235] In each of the cases, SBA either "did not detect the false statements" or "became aware of the firms' ineligibility but failed to take

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[2227] Chacko, Sarah, "61 large businesses among top 100 winning contracts meant for small firms, analysis finds," *Federal Times*, June 30, 2011, http://www.federaltimes.com/article/20110630/ACQUISITION03/106300301/1001.
[2228] Chacko, Sarah, "61 large businesses among top 100 winning contracts meant for small firms, analysis finds," *Federal Times*, June 30, 2011, http://www.federaltimes.com/article/20110630/ACQUISITION03/106300301/1001.
[2229] Chacko, Sarah, "SBA to let larger companies win small-biz contracts," *Federal Times*, March 25, 2011, http://www.federaltimes.com/article/20110325/ACQUISITION03/103250301/1032/IT.
[2230] Chacko, Sarah, "SBA to let larger companies win small-biz contracts," *Federal Times*, March 25, 2011, http://www.federaltimes.com/article/20110325/ACQUISITION03/103250301/1032/IT.
[2231] Stewart, Brandi, "GAO finds HUBZone program rife with fraud," *CNNMoney*, July 23, 2008, http://money.cnn.com/2008/07/23/smallbusiness/hubzone_fraud.fsb/index.htm.
[2232] Stewart, Brandi, "GAO finds HUBZone program rife with fraud," *CNNMoney*, July 23, 2008, http://money.cnn.com/2008/07/23/smallbusiness/hubzone_fraud.fsb/index.htm.
[2233] Government Accountability Office, *Small Business Administration: Undercover Tests Show HUBZone Program Remains Vulnerable to Fraud and Abuse*, GAO-10-759, June 2010, http://www.gao.gov/new.items/d10759.pdf.
[2234] Government Accountability Office, *Small Business Administration: Undercover Tests Show HUBZone Program Remains Vulnerable to Fraud and Abuse*, GAO-10-759, June 2010, http://www.gao.gov/new.items/d10759.pdf.
[2235] Government Accountability Office, *8(a) Program: Fourteen Ineligible Firms Received $325 Million in Sole-Source and Set-Aside Contracts*, GAO-10-425, March 2010, http://www.gao.gov/new.items/d10425.pdf.

action."[2236] Regarding the latter, GAO uncovered 10 examples in 2009 of firm owners that posed as service-disabled veterans in "rent-a-vet" schemes to win $100 million in contracts.[2237] Despite the fraud, none of the contractors was disbarred from doing business with the government.[2238]

Disaster Loan Programs

While disaster response is the mission of the Federal Emergency Management Agency (FEMA) within the Department of Homeland Security, the SBA administers most of the government's disaster loan programs. Unlike its business loan programs, however, SBA disaster loans are available not only to small businesses in a disaster area, but also to individuals and non-profits.[2239] Loans are available in varying amounts and can be used for everything from rebuilding homes to operating a business while a community rebuilds.

In several of the nation's most recent disasters, most notably following Hurricane Katrina, the SBA has come under sharp criticism from Congress and citizens alike for its slow processing of disaster assistance applications. A 2006 review of SBA's response to the hurricane found myriad problems, all of which resulted in a backlog of 204,000 applications four months after the disaster.[2240] Applications were supposed to be processed in no more than 21 days, but ended up taking an average of 74 days—nearly four times longer.[2241]

The results of SBA's bungled response to Hurricane Katrina left many frustrated, disillusioned and, not infrequently, without the help they needed. An investigation by the *Associated Press* five years after the hurricane uncovered new details about how poor the agency's response really was. For instance, loans were approved more often for wealthy whites while poor blacks in New Orleans' Lower 9th Ward were mostly rejected.[2242] One SBA whistleblower admitted that loans for the wealthy were "cherry-picked" because they could be dealt with faster, noting, "[t]he truth is that only the wealthy moved through the system easily."[2243] Another whistleblower and former loan officer said the SBA's response was owed largely to the fact that "there were lots of

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[2236] Government Accountability Office, *8(a) Program: Fourteen Ineligible Firms Received $325 Million in Sole-Source and Set-Aside Contracts*, GAO-10-425, March 2010, http://www.gao.gov/new.items/d10425.pdf.
[2237] Jordan, Bryant, "GAO Claims Abuse in Disabled Vet SBA Program," *Military.com*, December 30, 2009, http://www.military.com/news/article/gao-claims-abuse-in-disabled-vet-sba-program.html.
[2238] Jordan, Bryant, "GAO Claims Abuse in Disabled Vet SBA Program," *Military.com*, December 30, 2009, http://www.military.com/news/article/gao-claims-abuse-in-disabled-vet-sba-program.html.
[2239] Gonzales, Oscar R., Congressional Research Service, "Small Business Administration: A Primer on Program," June 22, 2011, RL33243, http://www.crs.gov/Products/RL/PDF/RL33243.pdf.
[2240] Government Accountability Office, *Small Business Administration: Actions Needed to Provide More Timely Disaster Assistance*, GAO-06-860, July 2006, http://www.gao.gov/new.items/d06860.pdf.
[2241] Government Accountability Office, *Small Business Administration: Actions Needed to Provide More Timely Disaster Assistance*, GAO-06-860, July 2006, http://www.gao.gov/new.items/d06860.pdf.
[2242] Weiss, Mitch, "'No compassion' for Katrina loan applicants," *Associated Press*, August 24, 2010, http://www.msnbc.msn.com/id/38823943/ns/us_news-katrina_five_years_later/t/no-compassion-katrina-loan-applicants/.
[2243] Weiss, Mitch, "'No compassion' for Katrina loan applicants," *Associated Press*, August 24, 2010, http://www.msnbc.msn.com/id/38823943/ns/us_news-katrina_five_years_later/t/no-compassion-katrina-loan-applicants/.

people sitting around not doing anything with thousands of applications pouring in everyday."[2244]

Worse, some of SBA's loan officers talked of the immense pressure managers applied to simply clear applications, regardless of whether they were handled properly or whether disaster victims in need were passed over. Contests were held offering $100 prizes for rejecting applications, with one supervisor even instructing people to use an egg timer, and "[w]hen it goes off, hang up."[2245] "I couldn't sleep at night," admitted one SBA worker, "[w]e had no compassion for these people . . . it was all about production and we hurt a lot of people along the way."[2246]

Years earlier, the SBA was also criticized by its inspector general for badly mishandling the STAR Loan Program, intended to help businesses directly impacted by the terrorist attacks of September 11, 2001. Only the IG found the vast majority of STAR loans his office reviewed were ineligible for the program. He concluded that "small businesses near Ground Zero in New York couldn't get the assistance they desperately sought."[2247] The *Associated Press* found that loans were instead going to companies spread throughout the country, including "a South Dakota radio station, a Virgin Islands perfume shop, a Utah dog boutique, and more than 100 Dunkin' Donuts and Subway sandwich shops."[2248] When the IG interviewed the borrowers themselves, only 2 of 42 knew their loan was a STAR loan, and 25 said they were not directly impacted by the terror attacks.[2249]

Recommendations

Transfer Disaster Loan Program to FEMA. The government should transfer responsibility for the disaster loan program to FEMA, which is primarily responsible for most federal disaster programs, including those that deal with lending.[2250] Not only does FEMA already administer the Community Disaster Loan Program for local governments,[2251] but anyone seeking an SBA disaster loan is already required to first register with FEMA.[2252] In late 2010, the SBA inspector

[2244] Weiss, Mitch, "'No compassion' for Katrina loan applicants," *Associated Press*, August 24, 2010, http://www.msnbc.msn.com/id/38823943/ns/us_news-katrina_five_years_later/t/no-compassion-katrina-loan-applicants/.
[2245] Weiss, Mitch, "'No compassion' for Katrina loan applicants," *Associated Press*, August 24, 2010, http://www.msnbc.msn.com/id/38823943/ns/us_news-katrina_five_years_later/t/no-compassion-katrina-loan-applicants/.
[2246] Weiss, Mitch, "'No compassion' for Katrina loan applicants," *Associated Press*, August 24, 2010, http://www.msnbc.msn.com/id/38823943/ns/us_news-katrina_five_years_later/t/no-compassion-katrina-loan-applicants/.
[2247] Margasak, Larry, "SBA: Many That Got 9/11 Loans Weren't Hurt," *Associated Press*, December 28, 2005, http://www.breitbart.com/article.php?id=D8EPILK00&show_article=1.
[2248] Margasak, Larry, "SBA: Many That Got 9/11 Loans Weren't Hurt," *Associated Press*, December 28, 2005, http://www.breitbart.com/article.php?id=D8EPILK00&show_article=1.
[2249] Small Business Administration, Office of Inspector General, "Audit of SBA's Administration of the Supplemental Terrorist Activity Relief (STAR) Loan Program, Report Number 6-09, December 23, 2005, http://archive.sba.gov/idc/groups/public/documents/sba/oig_bllo_6-09.pdf.
[2250] Website of the Department of Homeland Security, Federal Emergency Management Agency, http://www.fema.gov/government/grant/fs_cdl.shtm.
[2251] Website of the Department of Homeland Security, Federal Emergency Management Agency, http://www.fema.gov/government/grant/fs_cdl.shtm.
[2252] Website of the Small Business Administration, http://training.sba.gov:8000/response.

general looked at the duplication resulting from competing disaster programs at SBA, FEMA and the Department of Housing and Urban Development (HUD). The IG found that the confusion has led more than $925 million in HUD Community Development Block Grants being used to pay down SBA loans, even from those who had the means to pay them back on their own.[2253] Administration costs for this program in 2011 were $76.5 million,[2254] and moving it to FEMA would produce a 50 percent savings in this area.
Estimated Ten-Year Savings: $425 Million.

Transfer Small Business Contracting Program to OMB Office of Federal Procurement Policy. All small business contract set-aside programs should be transferred away from the SBA to the OMB Office of Federal Procurement Policy. SBA's current oversight of procurement programs is wrought with confusion, according to the agency's inspector general, "The procurement agencies think SBA has the oversight responsibility and SBA thinks the agencies do."[2255] Moving the program would provide the advantage of more fully organizing federal contracting programs under a single office. Further, since individual agencies implement their own contracting programs already, OFPP would act in an oversight role to ensure their continuation. Oversight of the contracting programs cost $32 million in 2011,[2256] and consolidating with existing programs at OFPP would achieve an estimated 50 percent savings.
Estimated Ten-Year Savings: $178 Million.

End Business Loan Guarantee and Capital Access Programs. The government should end all of its business loan guarantee and capital access programs, allowing these functions to operate fully by private lenders. The market already provides business credit and bonding, and administering these programs cost taxpayers $236 million in 2011. Losses from the programs approached a total of $1.5 billion in 2010, and can no longer be afforded.
Estimated Ten-Year Savings: $2.62 Billion.

SMALL BUSINESS ADMINISTRATION TEN YEAR SAVINGS
Discretionary: $3.22 billion
Total: $3.22 billion

[2253] Small Business Administration, Office of Inspector General, "SBA's Role in Addressing Duplication of Benefits Between SBA Disaster Loans and Community Development Block Grants," September 2, 2010, Report Number 10-13, http://www.sba.gov/sites/default/files/oig_report_10-13_cgdb.pdf.
[2254] Small Business Administration, "FY 2012 Congressional Budget Justification and FY 2010 Annual Performance Report," http://www.sba.gov/sites/default/files/FINAL%20FY%202012%20CBJ%20FY%202010%20APR_0.pdf.
[2255] Clark, Charles, "SBA called slow to kill duplicative programs and curb improper payments," *Government Executive*, June 16, 2011, http://www.govexec.com/dailyfed/0611/061611cc1.htm.
[2256] http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/sba.html

INDEPENDENT AGENCIES

Over the years, a large number of independent federal agencies, foundations and commissions have been created to address a wide variety of issues. Many have outlived their usefulness and could be eliminated or consolidated with other existing programs.

Legal Services Corporation (LSC). LSC is a Nixon-era program established to provide federal funding to States for legal services for the poor. Every year it provides roughly $400 million to 136 legal services organizations ("grantees"), which then use the money to pay for legal aid to those within 125% of the poverty line.[2257] Unfortunately, poor management and absentee oversight officials have failed to police the program, resulting in funds being wasted or used for corrupt purposes. As recently as 2006, top LSC officials were chastised for spending lavishly on a ritzy Georgetown headquarters, as well as on trips to expensive hotels, including in Puerto Rico.[2258] In June 2010, the Government Accountability Office found significant "deficiencies" in the grant application process that led to LSC using "incomplete and inaccurate" information to make awards.[2259] GAO also blasted the agency for failing to use even basic controls to "ensure integrity over information," and for failing to implement repeated calls for improvement.[2260]

At the same time, LSC grantees have faced a series of fraud and corruption problems that raise questions about whether the money is always used to benefit the poor. In 2010, the Department of Justice brought three major fraud cases against LSC grantees, with a fourth the year prior.[2261] In one of the most significant, Bennie King with the Maryland Legal Aid Bureau was indicted for systematically stealing $1.1 million in LSC funds through a massive kickback scheme with vendors.[2262]

[2257] Website of the Legal Services Corporation, "Legal Services Corporation: Budget Request, Fiscal Year 2012," http://www.lsc.gov/pdfs/budget_request_fy_2012.pdf.
[2258] "Legal aid program for poor has expensive tastes," *Associated Press*, August 14, 2006, http://www.msnbc.msn.com/id/14348749/ns/us_news-life/t/legal-aid-program-poor-has-expensive-tastes/.
[2259] Government Accountability Office, "Legal Services Corporation: Improvements Needed in Controls over Grant Awards and Grantee Program Effectiveness," June 2010, GAO-10-540, http://www.gao.gov/new.items/d10540.pdf.
[2260] Government Accountability Office, "Legal Services Corporation: Improvements Needed in Controls over Grant Awards and Grantee Program Effectiveness," June 2010, GAO-10-540, http://www.gao.gov/new.items/d10540.pdf.
[2261] Solomon, John, "Federal legal aid vulnerable to fraud, questions of conflicts and intimidation," *iWatch News (Center for Public Integrity)*, July 14, 2010, http://www.iwatchnews.org/2010/07/14/2617/federal-legal-aid-vulnerable-fraud-questions-conflicts-and-intimidation.
[2262] Federal Bureau of Investigation, Press Release, "Former Finance Chief of Maryland Legal Aid Bureau Sentenced to Two and One-Have Years in Prison for Stealing More Than $1 Million," December 14, 2010, http://www.fbi.gov/baltimore/press-releases/2010/ba121410.htm.

Another grantee, the Capital Area Legal Services Corporation in Louisiana, was caught by the Inspector General in 2010 misusing $318,000 in funds. Instead of spending the funds on legal services for the poor, the organization spent: $11,000 on meals for the Executive Director; $78,500 for a vehicle for the Executive Director; $3,500 for travel; $144,000 on fundraising consultants; and $80,000 for building rent.[2263] The Executive Director made a habit of frequenting a private business club for meals, to which he would bring guests, but also dine alone on weekends.

Reduce Basic Field Grants by 50 Percent. This program, which is the primary source of funding provided by LSC, distributed $394 million in 2010, and a 50 percent reduction would achieve $197 million in savings starting in the first year.[2264] As program management has been called into question by oversight officials, reducing the amount of money distributed by LSC will free up the agency to conduct more rigorous review of its grantees.
Estimated Ten-Year Savings: $2.19 billion

Corporation for National and Community Service (CNCS). CNCS is a federal agency created in 1993 to create for Americans "opportunities to give back to their communities and their nation."[2265] Through a variety of programs, such as AmeriCorps, the National Senior Service Corps and the National Service Trust, CNCS aims to fund volunteer programs throughout America. They do so through competitive and formula grants to state and local organizations, which have included successful programs like Teach for America.[2266] Recent surveys, however, would indicate that Americans need very little help in finding ways to give of their time. The Bureau of Labor Statistics reports that in 2010, nearly 63 million Americans aged 16 and over spent approximately 52 hours apiece volunteering.[2267] This even included more than 3.5 million Americans who were unemployed and looking for a job.[2268]

Management issues, however, have consistently plagued the agency, raising serious questions about its effectiveness. A July 2010 report of the Government Accountability Office noted that CNCS performance measures "do not demonstrate results."[2269] One glaring weakness consisted in the agency relying "heavily on self-reported performance data from its grantees," which it

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[2263] Office of Inspector General, Legal Services Corporation, Report on Selected Internal Controls, "Capital Area Legal Services Corporation," RNO 619010, Report No. AU-10-04, September 2010, http://www.oig.lsc.gov/reports/1004/619010CALS.pdf.
[2264] Website of the Legal Services Corporation, "Legal Services Corporation: Budget Request, Fiscal Year 2012," http://www.lsc.gov/pdfs/budget_request_fy_2012.pdf.
[2265] Website of the Corporation for National and Community Service, "Our History and Legislation," (accessed July 14, 2011), http://www.nationalservice.gov/about/role_impact/history.asp.
[2266] Website of the Corporation for National Community Service, News Release, "AmeriCorps Grants Will Place 50,000 Members Across U.S. to Drive Impact of Critical Challenges," June 8, 2011, http://www.americorps.gov/about/newsroom/releases_detail.asp?tbl_pr_id=2004.
[2267] Website of the Bureau of Labor Statistics, "Volunteering in the United States, 2010," January 26, 2011, http://www.bls.gov/news.release/volun.nr0.htm.
[2268] Website of the Bureau of Labor Statistics, "Volunteering in the United States, 2010," January 26, 2011, http://www.bls.gov/news.release/volun.nr0.htm.
[2269] Government Accountability Office, "Performance Measurement: Better Alignment to Strategic Goals and Data Verification Needed at the Corporation for National and Community Service," July 2010, GAO-10-886, http://www.gao.gov/new.items/d10886.pdf.

does not rigorously review.[2270] Not surprisingly, funds have been wasted, as in Sacramento, California, where the mayor "had used [more than $800,000 in] AmeriCorps grants to pay volunteers to engage in school-board political activities, run personal errands for Johnson and even wash his car."[2271] Perhaps the most illustrative example of the agency's problems came in a scathing indictment from its own inspector general, which took issue with nearly $75 million in grants to its largest AmeriCorps grantee, the New York Teaching Fellows Program run by the Research Foundation of the City University of New York (RFCUNY).[2272] An IG audit revealed that the program "adds no value to the community which is not already provided," and "taxpayers are not getting their money's worth."[2273] In addition to countless violations of agency guidelines, the IG also claimed the RFCUNY program duplicated existing efforts in New York. Despite a mountain of evidence to support his claims, the IG said his "most troubling" finding was that the agency vigorously defended the awards, arguing that "the grant was properly made because there is no evidence that it was not properly made."[2274]

Reductions to the scope and cost of CNCS programs should be part of a broader effort to untangle the government's overlapping and duplicative involvement in volunteerism. At present, there are numerous other federal volunteer programs, including Citizen Corps,[2275] the U.S. Army Corps of Engineers Volunteer Program,[2276] Smithsonian Volunteers,[2277] Peace Corps,[2278] National Parks Volunteers,[2279] and dozens of others.[2280] In fact, the government sponsors so many volunteer opportunities that it hosts a website, Volunteer.gov, simply to coordinate them all. Several agencies provide funding for volunteer programs. The Department of Education alone provides funding for 21st-Century Community Learning Centers, Adult Education-Basic Grants to States, Reading is Fundamental, Special Olympics Education Programs, Full-Service Community Schools, Federal Work-Study Program, Grants for Access and Persistence Program, Leveraging Educational Assistance Partnership Program and several more.[2281]

[2270] Government Accountability Office, "Performance Measurement: Better Alignment to Strategic Goals and Data Verification Needed at the Corporation for National and Community Service," July 2010, GAO-10-886, http://www.gao.gov/new.items/d10886.pdf.

[2271] "Obama Axes AmeriCorps' Inspector General," *Associated Press*, June 18, 2009, http://www.cbsnews.com/stories/2009/06/12/politics/main5082820.shtml#ixzz1PM9asjcl.

[2272] Office of the Inspector General, Corporation for National and Community Service, "Evaluation of Corporation for National and Community Service Grants Nos. 04EDHNY003 and 07EDHNY002," June 4, 2009, OIG Report 09-11A, http://www.cncsig.gov/PDF/AuditReports/fy09/09-11A.pdf.

[2273] Office of the Inspector General, Corporation for National and Community Service, "Evaluation of Corporation for National and Community Service Grants Nos. 04EDHNY003 and 07EDHNY002," June 4, 2009, OIG Report 09-11A, http://www.cncsig.gov/PDF/AuditReports/fy09/09-11A.pdf.

[2274] Office of the Inspector General, Corporation for National and Community Service, "Evaluation of Corporation for National and Community Service Grants Nos. 04EDHNY003 and 07EDHNY002," June 4, 2009, OIG Report 09-11A, http://www.cncsig.gov/PDF/AuditReports/fy09/09-11A.pdf.

[2275] Website of Citizen Corps, (accessed June 29, 2011), http://www.citizencorps.gov/about/.

[2276] Website of the U.S. Army Corps of Engineers, Volunteer Clearinghouse, (accessed June 29, 2011), http://www.orn.usace.army.mil/volunteer/.

[2277] Website of the Smithsonian Institution, "Opportunities for Volunteer Service," (accessed June 29, 2011), http://www.si.edu/volunteer/.

[2278] Website of the Peace Corps, "Learn About Volunteering," (accessed June 29, 2011), http://www.peacecorps.gov/index.cfm?shell=learn.

[2279] Website of the National Park Service, "Volunteer," (accessed June 29, 2011), http://www.nps.gov/volunteer/.

[2280] http://www.usa.gov/Citizen/Topics/PublicService.shtml

[2281] U.S. Department of Education, Office of Communications and Outreach, "Guide to U.S. Department of Education Programs, Fiscal Year 2010," http://www2.ed.gov/programs/gtep/gtep.pdf.

Reduce Funding for AmeriCorps State and National Grants by 75 percent. Extreme fiscal circumstances make it difficult to fund paid volunteer programs at previous levels. Reducing funds for this program by 75 percent, which in 2010 was $372.5 million,[2282] would allow for projects of higher national importance to remain active. The reductions would generate approximately $279 million in annual savings. **Estimated Ten-Year Savings: $3.1 Billion.**

Terminate the National Service Trust. Funds from this account, which were appropriated $197 million in 2010,[2283] are used to pay for expenses related to student loans for AmeriCorps participants. This program would no longer be necessary with a reduction in the amount of available AmeriCorps grants.
Estimated Ten-Year Savings: $2.19 billion

Barry M. Goldwater Scholarship and Excellence in Education Foundation. The late Senator Barry Goldwater famously said in his 1960 book, *Conscience of a Conservative*, that his aim was "not to inaugurate new programs, but to cancel old ones." In a fit of irony, however, Congress created the Goldwater Scholarship Program in 1986 to honor the senator at the end of his career.[2284] Closing the program down now after 25 years may be a more fitting legacy. Students eligible for the $7,500 scholarship must pursue a degree in math or science, and in the 2010-2011 school year, 300 students received the award.[2285] Over the years, scholarships have tended to go most to students attending prestigious universities, with the top schools being Princeton, Harvard and Duke.[2286] Not surprisingly, these same three institutions managed endowments worth a combined $46.6 billion.[2287]

In essence, the program grants benefits to a very limited pool of students, who typically attend schools who do not require additional federal assistance to fund worthy scholars.

Further, students looking for merit-based education scholarships will find countless other federal programs available to them. A survey of options on Students.gov, a government-run website that promotes federal scholarship opportunities, one can find dozens of options, including programs run by the Health Resources and Services Administration, the Departments of Education, Energy, Agriculture, Defense, Veterans Affairs, the National Science Foundation, the National Institutes of Health, NASA and the Federal Aviation Administration.

[2282] CRS http://www.crs.gov/Products/RL/PDF/RL33931.pdf
[2283] Rudman, Abigail, and Ann Lordeman, Congressional Research Service, "The Corporation for National and Community Service: Overview of Programs and FY2010 Funding," RL3931, February 9, 2011, http://www.crs.gov/Products/RL/PDF/RL33931.pdf.
[2284] 20 U.S.C. 4701, http://www.law.cornell.edu/uscode/uscode20/usc_sec_20_00004701----000-.html.
[2285] Website of the Barry M. Goldwater Scholarship Program, "Bulleting of Information for the 2010-2011 Competition," (accessed June 29, 2011), http://www.act.org/goldwater/yybull.html.
[2286] Website of Kansas State University, Department of Mathematics, News Release, "Four K-State Students Win 2006 Goldwater Scholarships," March 22, 2006, http://www.math.ksu.edu/events/ksucomp/goldwater/goldwtr06.htm.
[2287] Duke: http://giving.duke.edu/endowment/; Harvard: http://news.harvard.edu/gazette/story/2010/09/harvard-endowment-posts-strong-positive-return-2/; Princeton: http://www.princeton.edu/main/news/archive/S28/71/07M45/.

Return to the Treasury the Original $40 Million Investment for the Barry M. Goldwater Scholarship and Excellence in Education Program. The Goldwater Scholarship is operated through a federal trust fund, which received a one-time $40 million appropriation in 1986. Assets for the fund grew to $68 million in 2010,[2288] primarily through interest gained from investments in Treasury securities. The foundation should return its original $40 million investment to the Treasury and be spun off as a private foundation.
Estimated Ten-Year Savings: $40 million

Institute of Museum and Library Services (IMLS)—The IMLS primarily provides funding to libraries and museums around the country through a variety of grant programs. Among its questionable awards in recent years have been $60,500 for a parachute museum, awards for a Merry-Go-Round Museum,[2289] $5,000 for a Tennessee library to host *Rock Band* and *Dance Dance Revolution* video game parties, [2290] $4,520 for the Mississippi Sports Hall of Fame and Museum,[2291] and $147,500 for a Whaling Museum to preserve old bank records.[2292]

While these programs are appreciated by those who benefit from them, they can no longer be considered essential. According to the Congressional Research Service, public libraries receive only 0.4% of their annual funding from federal sources, with the remainder coming from State, local and private sources.[2293] Likewise, museums rely on government support—including local, State and Federal combined—for only between 7%-24% of their annual revenues.[2294] Additionally, IMLS grants largely duplicate other federal grant programs that provide museum funding, including those at the National Endowment for the Arts, the National Endowment for the Humanities, the National Science Foundation and, in recent years, through congressional earmarks.[2295]

Reduce Grants to State Library Administrative Agencies by 30 Percent. This program provides an allotment to every State based on population,[2296] which since 2002 has totaled more than

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[2288] Office of Management and Budget, 2012 Budget Proposal, Appendix, Other Independent Agencies, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/oia.html.
[2289] Vanden Bout, Veronica, "Merry-Go-Round Museum Hosts Operating Carousel," *The Carousel News & Trader*, November 1, 2009, http://www.carouselnews.com/July-2009/July-2009/Merry-Go-Round-Museum-Hosts-Operating-Carousel.html.
[2290] Report of Sen. Tom Coburn, Wastebook 2010, December 2010, http://coburn.senate.gov/public//index.cfm?a=Files.Serve&File_id=4a184ddb-cd85-4052-b38b-5a1116acca8c.
[2291] Website of the Mississippi Sports Hall of Fame & Museum, Announcements, "Museum Receives CAP Grant," May 13, 2003, http://www.msfame.com/artman/publish/article_124.shtml.
[2292] Website of the New Bedford Whaling Museum, Press Release, "New Bedford Whaling Museum Awarded Prestigious Grant From the Institute of Museum and Library Services," November 1, 2009; http://www.whalingmuseum.org/museumnews/releases/11-11-09.html.
[2293] McCallion, Gail, and Erin D. Caffrey, Congressional Research Service, "The Museum and Library Services Act of 2003: Overview and Reauthorization Issues," January 25, 2010 (R40893).
[2294] Report of the Institute of Museum and Library Services, "Exhibiting Public Value: Government Funding for Museums in the United States," December 2008; http://www.imls.gov/pdf/MuseumPublicFinance.pdf.
[2295] Report of the Institute of Museum and Library Services, "Exhibiting Public Value: Government Funding for Museums in the United States," December 2008; http://www.imls.gov/pdf/MuseumPublicFinance.pdf.
[2296] Website of the Museum and Library Services, "Grants to State Library Administrative Agencies," (accessed June 28, 2011); http://www.imls.gov/programs/programs.shtm.

$1.62 billion.[2297] Substantial funding will remain available from local and private sources. In 2010, this program received $172.6 million,[2298] and a 30 percent reduction would yield $51.8 million in savings the first year. **Estimated Ten-Year Savings: $574.7 million**

Eliminate Museums for America Grants. In 2010, this program provided $19.5 million to 178 institutions,[2299] or barely one percent of the nation's museums.[2300] Unlike the previous program, funds are not distributed each year to museums in every State. In 2010, museums in 11 states received no funding.[2301] Three states alone (New York, California and Massachusetts) received more than a third of the program's entire funds.[2302] Of the projects funded, few could be considered pressing national priorities. The Zoological Society of Florida received an $85,000 award to create "Fun Zoo Miami," a website for kids,[2303] though it is not yet complete nearly a year later. In addition, the Tennessee Aquarium received $146,000 to create an 88,000 gallon fish tank for "Megafishes," and $131,000 went to the Neville Public Museum to catalogue old negatives from the *Green Bay Press-Gazette*.[2304] **Estimated Ten-Year Savings: $217 million**

Eliminate National Leadership Grants. IMLS should end funding for its two National Leadership Grant programs, one for museums and other for libraries. These two programs, which provide $20 million annually for libraries and museums, are intended for projects with broad significance to the library, museum, archiving communities.[2305] However, it has recently made some questionable awards that do not seem to fit this description, including $615,175 to the University of California, Santa Cruz to "digitize materials from its Grateful Dead Archive."[2306] It is intended primarily for academics in "the growing field known as Grateful Dead Studies," but will not feature the band's most popular assets: music from its live shows.[2307] A separate grant for $816,512 was awarded to the Honolulu Zoo to participate in a study on elephant welfare,[2308] which grantees intend to share with zoos around the world as a model for

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[2297] Website of the Institute of Museum and Library Services, "Fiscal Year 2012 Appropriations Request to the United States Congress"; http://imls.gov/pdf/FY12_CJ.pdf.
[2298] Website of the Institute of Museum and Library Services, "Fiscal Year 2012 Appropriations Request to the United States Congress"; http://imls.gov/pdf/FY12_CJ.pdf.
[2299] Press Release of the Institute of Museum and Library Services, "IMLS Awards $19.5 Million in Museums for America Grants to 178 Institutions," July 13, 2010; http://www.imls.gov/news/2010/071310.shtm.
[2300] American Association of Museums Website, "Frequently Asked Questions About Museums," http://www.aam-us.org/aboutmuseums/abc.cfm#how_many.
[2301] Press Release of the Institute of Museum and Library Services, "IMLS Awards $19.5 Million in Museums for America Grants to 178 Institutions," July 13, 2010; http://www.imls.gov/news/2010/071310.shtm.
[2302] Press Release of the Institute of Museum and Library Services, "Museums for America Grant Announcement," July 2010; http://www.imls.gov/news/2010/071310_list.shtm.
[2303] Press Release of the Institute of Museum and Library Services, "Museums for America Grant Announcement," July 2010; http://www.imls.gov/news/2010/071310_list.shtm.
[2304] Press Release of the Institute of Museum and Library Services, "Museums for America Grant Announcement," July 2010; http://www.imls.gov/news/2010/071310_list.shtm.
[2305] Website of the Institute of Museum and Library Services, Grant Applicants, Available Grants, National Leadership Grants, (accessed June 28, 2011); http://www.imls.gov/applicants/grants/nationalLeadership.shtm.
[2306] Rappaport, Scott, University of California Santa Cruz, News Release, "UC Santa Cruz receives $615,000 grant to digitize Grateful Dead Archive," September 29, 2009; http://news.ucsc.edu/2009/09/3237.html
[2307] Rohter, Larry, "In Archive and Exhibit, the Dead Live On," *New York Times*, March 10, 2010, http://www.nytimes.com/2010/03/11/arts/music/11grateful.html?_r=2&src=me&pagewanted=all.
[2308] Website of the Institute of Museum and Library Services, Press Release, National Leadership Grants, September 2010 Project Grant Announcement, (accessed July 14, 2011), http://www.imls.gov/news/2010/092710_list.shtm.

elephant care.[2309] Only, one animal rights organization issued a report "that put the Honolulu Zoo on a list of top ten worst zoos for elephants" in all of North America.[2310] Suzanne Roy, with In Defense of Animals, called the conditions at the zoo not only "completely inadequate and inhumane," but "downright cruel."[2311] The group noted that the only way to improve conditions at this zoo would be end the elephant program outright.[2312] **Estimated Ten-Year Savings: $222 million**

Reduce Administration Costs by 30 Percent. In 2010, IMLS spent $17.1 million on administration costs.[2313] A reduction of 30 percent would achieve $5.13 million in savings for the first year. **Estimated Ten-Year Savings: $57 million**

Eliminate Laura Bush 21st Century Librarian Grants. The Laura Bush program was provided with $24.5 million in 2010, and serves the purpose of helping libraries recruit librarians.[2314] Given a current level of unemployment hovering around nine percent, the agency does not need to subsidize recruitment at this time. In addition, the Bureau of Labor Statistics reports that "job prospects are expected to be favorable" for librarians, which is a labor market expected to grow by eight percent by 2018.[2315] **Estimated Ten-Year Savings: $272 million**

Harry S. Truman Scholarship Foundation. Truman scholarships, like Goldwater scholarships, are given to 75 college juniors each year it considers up and coming "change agents."[2316] Scholarships can be as large as $30,000 and go towards paying for graduate programs.[2317] Among its notable awardees have been Homeland Security Secretary Janet Napolitano and ABC News journalist

[2309] Website of the Smithsonian Institute, News Release, "National Zoo is Part of Elephant Study Awarded Prestigious Grant from the Institute of Museum and Library Services," October 22, 2010, http://newsdesk.si.edu/releases/national-zoo-part-elephant-study-awarded-prestigious-grant-institute-museum-and-library-ser.
[2310] Website of In Defense of Animals, "2010 Top Ten Worst Zoos for Elephants," January 18, 2011, http://www.helpelephants.com/top_ten_worst_zoos_2010.html.
[2311] LaFrance, Adrienne, "The Elephant in the Room," *Honolulu Weekly*, January 28, 2009, http://honoluluweekly.com/feature/2009/01/the-elephant-in-the-room/.
[2312] Website of In Defense of Animals, "2010 Top Ten Worst Zoos for Elephants," January 18, 2011, http://www.helpelephants.com/top_ten_worst_zoos_2010.html.
[2313] Website of the Institute of Museum and Library Services, "Fiscal Year 2012 Appropriations Request to the United States Congress"; http://imls.gov/pdf/FY12_CJ.pdf.
[2314] Website of the Institute of Museum and Library Services, "Fiscal Year 2012 Appropriations Request to the United States Congress"; http://imls.gov/pdf/FY12_CJ.pdf.
[2315] Website of the Bureau of Labor Statistics, Job Outlook for Librarians, (accessed July 14, 2011), http://www.bls.gov/oco/ocos068.htm#outlook.
[2316] Website of the Harry S. Truman Scholarship Foundation, "About Us," (accessed June 29, 2011), http://www.truman.gov/about-us/our-history/our-history.
[2317] Office of Management and Budget, 2012 Budget Proposal, Appendix, Other Independent Agencies, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/oia.html.

George Stephanopoulos.[2318]

Truman scholarships support roughly one student in each state each year,[2319] making it possible for private individuals, organizations or States to provide funding for such scholarships without significant additional financial burden. As of 2011, the Truman Scholar alumni network has nearly 3,000 members, providing an ample base of support for future funding.[2320] In 2012, the Obama administration called for an end to future funding for the program, which received nearly $1 million in 2010.[2321]

Return to the Treasury $30 Million Original Endowment for the Harry S. Truman Scholarship Foundation and Spin Off as Private Entity. The Truman Foundation was founded with a $30 million endowment by Congress, and today manages approximately $55 million in assets through a federal trust fund.[2322] This proposal would end future funding for this program and reclaim the original $30 million endowment. The remaining $25 million in assets would be used to establish the Truman Foundation as a private entity.
Estimated Ten-Year Savings: $30 million

Morris K. Udall and Stewart L. Udall Foundation. The Udall foundation opened its doors in 1992 as an independent federal agency dedicated to promoting environmentalism and the betterment of Native Americans.[2323] The foundation offers undergraduate scholarships for students studying environmentalism as well as in fields related to Native American and Native Alaskan interests.[2324] In addition, it offers a congressional internship stipend, a youth photography program, and is home to the U.S. Institute for Conflict Resolution.[2325] The Institute sponsors an annual conference on environmental conflict resolution, which was held in 2010 at the Loews Ventana Canyon Resort in Tucson, Arizona.[2326] The resort boasts two golf courses designed by Tom Fazio, one of which ranks #34 in the nation by Golf Digest.[2327]

End Federal Funding for the Udall Foundation. Over the last several years, the Udall Foundation has received a $7 million appropriation and ended 2010 with an endowment of $42

[2318] Anushka, Asthana, "Present Scholars, Future Leaders," *Washington Post*, August 28, 2006, http://www.washingtonpost.com/wp-dyn/content/article/2006/08/27/AR2006082700747.html.
[2319] Website of the Harry S. Truman Scholarship Foundation, News Release, "2011 Truman Scholars Announced," http://www.truman.gov/news/2011-truman-scholars-announced.
[2320] Website of the Harry S. Truman Scholarship Foundation, News Release, "2011 Truman Scholars Announced," http://www.truman.gov/news/2011-truman-scholars-announced.
[2321] Executive Office of the President of the United States, Budget of the U.S. Government, "Fiscal Year 2012 Terminations, Reductions and Savings," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf.
[2322] Office of Management and Budget, 2012 Budget Proposal, Appendix, Other Independent Agencies, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/oia.html.
[2323] Website of the Udall Foundation, 2010 Annual Report, http://www.udall.gov/pdf/AR2010.pdf.
[2324] Website of the Udall Foundation, 2010 Annual Report, http://www.udall.gov/pdf/AR2010.pdf.
[2325] Website of the Udall Foundation, 2010 Annual Report, http://www.udall.gov/pdf/AR2010.pdf.
[2326] ECR2010: Environmental Collaboration and Conflict Resolution - Evolving to Meet New Opportunities, http://www.cvent.com/events/ecr2010-environmental-collaboration-and-conflict-resolution-evolving-to-meet-new-opportunities/agenda-5bb0560b539045faaa96c0235efbc327.aspx.
[2327] Website of Loews Hotels, "Lowes Ventana Canyon I'd Rather be Golfing!" (accessed July 14, 2011), http://www.loewshotels.com/en/specials/hotelspecials/golfing2.

million.[2328] Without further federal funding, the Udall Foundation will be able to maintain current levels of services using its existing resources.
Estimated Ten-Year Savings: $33 million

Christopher Columbus Fellowship Foundation. The Christopher Columbus Fellowship Foundation was created in 1992 to celebrate the 500th anniversary of the discovery of America.[2329] Funding for the foundation came from the sale of specially minted coins, which were sold and the proceeds placed into the foundation's endowment.[2330] While in recent years the administration has not requested funding, Congress has consistently provided it with $1 million.[2331] Its funding has been used recently not to provide funding for ongoing research, but rather to present monetary awards honoring those with achievements in a wide variety of fields. In 2011, the foundation presented four awards of $25,000 each to "recognize innovations in the homeland security arena."[2332] It also sponsors the Christopher Columbus Academy, a program that awards trips to Disney World for sixth through eighth graders, giving them "a behind-the-scenes look at Disney attractions, and learn from Disney's own Imagineers about the challenges and triumphs of Ride and Design at Walt Disney World."[2333]

End Funding for the Christopher Columbus Fellowship Foundation. No additional funds should be allotted for this program, which should be allowed to continue until its remaining funds are expended. This proposal was supported by the administration, which said: "The Christopher Columbus Fellowship Foundation has nearly exhausted its endowed Trust Fund, which was established in 1992 for fellowships 'to encourage and support research, study, and labor designed to produce new discoveries in all fields of endeavor for the benefit of mankind.' The Foundation has not consistently demonstrated clear outcomes from its awards and has high overhead costs. No Administration has proposed funding for the Christopher Columbus Fellowship Foundation since the creation of the Foundation almost two decades ago."[2334]
Estimated Ten-Year Savings: $11 million

[2328] Office of Management and Budget, 2012 Budget Proposal, Appendix, Other Independent Agencies, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/oia.html.
[2329] Website of the Christopher Columbus Fellowship Foundation, (accessed July 13, 2011), http://www.columbusfdn.org/.
[2330] Website of the Christopher Columbus Fellowship Foundation, (accessed July 13, 2011), http://www.columbusfdn.org/.
[2331] Hatch, Garrett, "Financial Services and General Government Appropriations: FY2012 Budget Request Fact Sheet," June 16, 2011, (R41655), http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41655&Source=cli.
[2332] Website of the Christopher Columbus Fellowship Foundation, News Release, "$100,000 in Homeland Security Awards Presented for Innovative Research," October 5, 2010, http://www.columbusfdn.org/press/pdf/2010.10.05-HSApressRelease.pdf.
[2333] Website of the Christopher Columbus Fellowship Foundation, (accessed July 14, 2011), http://www.columbusfdn.org/christophercolumbus/index.php.
[2334] Executive Office of the President of the United States, Budget of the U.S. Government, "Fiscal Year 2012 Terminations, Reductions and Savings," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf.

Election Assistance Commission (EAC). The EAC was created a decade ago for the primary purpose of helping states update outmoded voting methods, which it has done by providing states with funding to purchase new equipment. That mission is now nearly complete, making it possible to phase out this agency and free up funds for higher priority items.[2335]

Questions have long lingered about the proper constitutional role of the EAC and whether there is a federal responsibility to assist with State elections. As such, the agency is limited to providing States with non-binding guidance and money for equipment. For its 2012 budget, the Obama administration called for the termination of Election Reform Grants, noting "over $3 billion in Federal funds have been provided to the States since 2002, of which approximately $1 billion remains unspent as of September 2009."[2336]

Various oversight bodies have raised concerns about agency mismanagement, including from its own inspector general. An October 2009 investigative report uncovered that the agency spent $7,000 in 2008 to buy 458 polo shirts and a zip-up sweatshirt for its 50 employees.[2337] While the agency claimed that the purchases were an "award" for employees, the IG said it appeared to be an "improper use of federal funds."[2338] Other expenses, however, are more troubling for such a small agency, including $872,000 spent in 2010 on travel,[2339] and $182,000 on 90 new computers.[2340] In hiring staff, the IG also criticized the agency for creating an unnecessary bureaucracy that is top-heavy, with more executive supervisors than program staff.[2341] Consequently, program oversight has been weak and grant money was spent for items such as $26,459 coloring books and advertisements related to "Take a Kid to Vote Day,"[2342] and $75,000 for an online "Second Life" training game for college students.[2343]

Perhaps the harshest criticism of the agency has come from one of its earliest supporters, the National Association of Secretaries of State (NASS). NASS, which represents the State-level officials responsible for election administration, voted in 2005 to propose dissolving the EAC

[2335] Election Assistance Commission Website, "About EAC," http://www.eac.gov/about_the_eac/.
[2336] Executive Office of the President of the United States, Budget of the U.S. Government, "Fiscal Year 2012 Terminations, Reductions and Savings," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf.
[2337] Office of the Inspector General, U.S. Election Assistance Commission, Final Report, "Purchase of Shirts and Sweatshirts Using Appropriated Funds," October 2009, Evaluation Report No. 1-EV-EAC-01-09, http://www.eac.gov/assets/1/Documents/Sweatshirts%20Purchase%20IG%20Report.pdf.
[2338] Office of the Inspector General, U.S. Election Assistance Commission, Final Report, "Purchase of Shirts and Sweatshirts Using Appropriated Funds," October 2009, Evaluation Report No. 1-EV-EAC-01-09, http://www.eac.gov/assets/1/Documents/Sweatshirts%20Purchase%20IG%20Report.pdf.
[2339] Election Assistance Commission, "Fiscal Year 2012 Interim Congressional Budget Justification," http://www.eac.gov/assets/1/Documents/FY%202012%20Congressional%20Budget%20Justification%20Feb%2011%202011.pdf.
[2340] Documentation provided to staff of Sen. Coburn.
[2341] Testimony of EAC Inspector General Curtis Crider, before the U.S. House Committee on Administration, Subcommittee on Elections, April 1, 2009. http://www.eac.gov/assets/1/workflow_staging/page/100.doc
[2342] Election Assistance Commission. "Alabama Audit Resolution." March 28, 2011. http://www.eac.gov/assets/1/Documents/Final%20EAC%20Management%20Decision%20Alabama%20E-HP-AL-06-10.pdf
[2343] Election Assistance Commission Blog, "Training Poll Workers in a Virtual World." January 28, 2011. http://www.eac.gov/blogs/training_poll_workers_in_a_virtual_world/.

following the 2006 elections. Calling the EAC's mission "a limited one," NASS voted to approve the following statement: "Any duties assigned to the EAC can be completed by the National Institute of Standards and Technology or by the state and local election officials who make up the HAVA Standards Board and its Executive Committee. The National Association of Secretaries of State encourages Congress not to reauthorize or fund the EAC after the conclusion of the 2006 federal general election, and not to give rulemaking authority to the EAC."[2344] New Hampshire Secretary of State Bill Gardner, a Democrat, put it even more bluntly at a recent Congressional hearing discussing the NASS position statement: "The EAC has continuously reached beyond the power granted in HAVA, despite ongoing resistance resulting in a statement and several resolutions approved by [NASS] from 2004 to 2010. Given current trends, the nation is at risk of losing the states as laboratories of Democracy."[2345]

Terminate the Election Assistance Commission and Transfer Essential Functions to the Federal Election Commission (FEC). The EAC would no longer operate as an independent federal agency, but instead its essential functions would be transferred to the FEC. These would include the Federal Voting Assistance Program for overseas military members and the election information clearinghouse website. Systems testing currently performed by the National Institute for Standards and Technology (NIST) would remain in place. In 2011, the EAC budget was $18 million, of which $3.5 million was transferred to NIST; such funds would go to NIST through FEC.[2346] **Estimated Ten-Year Savings: $161 million**

United States Institute of Peace (USIP). Created in 1984, the USIP serves a niche role in the U.S. diplomatic community, acting more like a think tank than as a government agency. USIP provides grants, training and academic expertise in the area of peacemaking, and most recently hosted the Iraq Study Group (ISG). The ISG created benchmarks to measure success in the war, with the recommendation of withdrawal of U.S. troops by 2008 if not met.[2347] But while it is not part of either the Departments of Defense or State, it should not be confused as an independent voice. Notes the *National Journal*: "It doesn't do anything in another country without permission from Foggy Bottom [State Department headquarters]."[2348] While it has participated in overseas peace negotiations, it has become most well-known for its annual high school essay contest[2349] and its new $183 million headquarters.[2350] While housing just 345 employees, the

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[2344] National Association of Secretaries of State, Open letter to members of Congress, "NASS Position on Funding and Authorization of the U.S. Election Assistance Commission," February 6, 2005, http://electiondefensealliance.org/NASS_resolution_EAC.

[2345] Testimony of Mr. Bill Gardner, New Hampshire Secretary of State before the Subcommittee on Elections of the Committee on House Administration, U.S. House of Representatives. April 14, 2011. http://cha.house.gov/images/stories/documents/04142011_testimony_gardner.pdf

[2346] Election Assistance Commission, "Fiscal Year 2012 Interim Congressional Budget Justification, http://www.eac.gov/assets/1/Documents/FY%202012%20Congressional%20Budget%20Justification%20Feb%2011%202011.pdf.

[2347] Website of the U.S. Institute of Peace, "Iraq Study Group, USIP's Role," http://www.usip.org/iraq-study-group/usips-role.

[2348] Hegland, Corine, "Peace Work," *National Journal*, April 26, 2008, http://www.usip.org/files/national_journal.pdf.

[2349] Website of the U.S. Institute of Peace, "National Peace Essay Contest for High School Students," (accessed July 14, 2011), http://www.usip.org/ed/npec/index.html.

[2350] Markoe, Lauren, "For U.S. Institute of Peace, new home is 'like a temple,'" *Washington Post*, January 29, 2011, http://www.washingtonpost.com/wp-dyn/content/article/2011/01/29/AR2011012900187.html.

new building—referred to variously as "like a temple" and "a trophy"—occupies one of the most prominent positions on the National Mall, compete with spectacular city views.[2351] In answering the question of why the institute needs such glamorous accommodations, a reviewer in the *Washington Post* noted that it had nothing to do with requiring expanded office space. Rather, he concluded, the new building's real purpose is "real estate, cocktail parties, fabulous views and the full-time employment of specialists to manage your congressional affairs, your intergovernmental problems, your outreach and educational activities and, of course, your press and publicity."[2352]

The need for a federal peace institute at all was questioned this year when the House of Representatives voted on an overwhelmingly bipartisan basis to defund USIP.[2353] While funding was partially restored by the Senate, the institute's budget was ultimately reduced by 20 percent in 2011.[2354] In a surprise move, one of the first supporters of the effort to defund was renowned peace activist Coleman McCarthy, who simply asked, "What took it so long?"[2355] Calling the institute's leadership inexperienced and its record "all gums and no teeth," he urged Congress to shut the agency down and allow it to move forward as a private organization.[2356] Its ability to raise significant private funding is already a matter of record. In the last few years, USIP has received hefty contributions from a number of large corporate sponsors, including $10 million from Chevron,[2357] $1.5 million from BP,[2358] $1 million from Lockheed Martin,[2359] and $500,000 from Verizon.[2360] As an independent 501(c)(3) non-profit organization, USIP has a private endowment that in 2009 was $31.2 million, roughly the size of its annual budget.[2361] According to its most recent public records, in 2008 the institute's top two officers were paid

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[2351] Kennicott, Philip, "Not at peace with building's style," *Washington Post*, May 20, 2011, http://www.washingtonpost.com/lifestyle/style/not-at-peace-with-buildings-style/2011/05/17/AFsPuy7G_print.html.
[2352] Kennicott, Philip, "Not at peace with building's style," *Washington Post*, May 20, 2011, http://www.washingtonpost.com/lifestyle/style/not-at-peace-with-buildings-style/2011/05/17/AFsPuy7G_print.html.
[2353] Kamen, Al, "U.S. Institute of Peace loses all federal funds under House spending plan," *Washington Post*, February 24, 2011, http://voices.washingtonpost.com/44/2011/02/us-institute-of-peace-loses-al.html.
[2354] Website of the Institute of Peace, News Feature, "Statement on USIP Budget," April 28, 2011, http://www.usip.org/publications/statement-usip-budget.
[2355] McCarthy, Colman, "A peacemaker's case against the U.S. Institute of Peace," *Washington Post*, March 18, 2011, http://www.washingtonpost.com/opinions/a-peacemakers-case-against-the-us-institute-of-peace/2011/03/15/ABPznLs_singlePage.html.
[2356] McCarthy, Colman, "A peacemaker's case against the U.S. Institute of Peace," *Washington Post*, March 18, 2011, http://www.washingtonpost.com/opinions/a-peacemakers-case-against-the-us-institute-of-peace/2011/03/15/ABPznLs_singlePage.html.
[2357] Website of the Institute of Peace, News Release, "Chevron Contributes $10 Million to U.S. Institute of Peace," January 29, 2007, http://www.usip.org/newsroom/news/chevron-contributes-10-million-us-institute-peace.
[2358]Website of the Institute of Peace, News Release, "BP America Foundation Contributes $1.5M to United States Institute of Peace Headquarters Project," September 8, 2008, http://www.usip.org/newsroom/news/lockheed-martin-contributes-1-million-endowment-united-states-institute-peace.
[2359] Website of the Institute of Peace, News Release, "Lockheed Martin Contributes $1 Million to Endowment of the United States Institute of Peace," April 22, 2009, http://www.usip.org/newsroom/news/lockheed-martin-contributes-1-million-endowment-united-states-institute-peace.
[2360] Website of the Institute of Peace, News Release, "Verizon Foundation Contributes $500,000 to United States Institute of Peace," September 22, 2010, http://www.usip.org/newsroom/news/verizon-foundation-contributes-500000-united-states-institute-peace.
[2361] Website of Foundation Center, IRS Tax Form 990, Endowment of the U.S. Institute of Peace, 2008, http://dynamodata.fdncenter.org/990_pdf_archive/521/521503251/521503251_200909_990.pdf.

$199,000 and $223,000 in total compensation respectively[2362]—more than a cabinet secretary.[2363]

Finally, the need for a publicly-financed think tank focused solely on peace studies is diminished by the vast number of private organizations at home and abroad that already do the same work. These include the Hoover Institution, the Stockholm International Peace Research Institute, the Carnegie Endowment for International Peace, the Kroc Institute for International Peace Studies and the International Peace Academy.

Eliminate Annual Direct Appropriation for Institute of Peace. The annual funding for USIP comes primarily from three sources: a direct appropriation from Congress and the Departments of Defense and State. In 2010, the former provided $34 million while the latter $17 million for a total of $51 million.[2364] It received $39.5 million in fiscal year 2011.[2365] These budget levels, however, are far above what has historically been provided to the institute. Between 1992 and 2003, annual funding levels hovered around $17 million in inflation-adjusted dollars.[2366] The commencement of the Iraq War brought a sharp increase in funding, which last year reached a record level. This proposal would return funding to historic levels by eliminating all direct appropriations for USIP, leaving funds in place that now come from the Departments of Defense and State. Using fiscal year 2010 as a baseline, this would save at least $34 million a year. **Ten-Year Estimated Savings: $377 million**

Advisory Council on Historic Preservation (ACHP). Congress created the ACHP in 1966 to provide the government with expert consultative advice on historic preservation matters that arise on federal properties.[2367] This small independent federal agency consists of a 23-person board, of which about half are experts in their field while the other half are cabinet secretaries and assorted local government officials.[2368] Its primary role is to provide "Section 106" reviews for projects that take place on properties found on the National Register of Historic Places, with the goal of encouraging historic preservation.[2369] As its name suggests, however, the council cannot use Section 106 reviews to require an agency to take an action, but instead they provide

[2362] Website of Foundation Center, IRS Tax Form 990, Endowment of the U.S. Institute of Peace, 2008, http://dynamodata.fdncenter.org/990_pdf_archive/521/521503251/521503251_200909_990.pdf.
[2363] Mundy, Alicia, "U.S. Health Officials Outearn Cabinet Secretaries," *Wall Street Journal*, September 17, 2009, http://online.wsj.com/article/SB125320570827920075.html.
[2364] Chaffetz, Jason and Anthony Weiner, "Small Budget Cuts Add Up," *Wall Street Journal*, February 16, 2011, http://online.wsj.com/article/SB10001424052748703703804576144723935786138.html.
[2365] Website of the Institute of Peace, News Feature, "Statement on USIP Budget," April 28, 2011, http://www.usip.org/publications/statement-usip-budget.
[2366] Hegland, Corine, "Peace Work," *National Journal*, April 26, 2008, http://www.usip.org/files/national_journal.pdf.
[2367] Website of the Advisory Council on Historic Preservation, "About the ACHP: General Information," (accessed June 28, 2011), http://www.achp.gov/aboutachp.html.
[2368] Website of the Advisory Council on Historic Preservation, "ACHP Membership," (accessed June 29, 2011) http://www.achp.gov/members.html.
[2369] Advisory Council on Historic Preservation, Brochure, "Protecting Historic Properties: A Citizen's Guide to Section 106 Review," http://www.achp.gov/docs/CitizenGuide.pdf.

non-binding guidance. As if to emphasize the non-binding nature of its reviews, the law only requires that agencies "seriously consider" its advice.[2370]

The need for such a council at all is questionable given that federal agencies already review historic preservation issues as a matter of course, without ACHP involvement. Throughout government there are 59 "federal preservation officers" who act as lead officials on preservation matters at each relevant agency.[2371] According to the ACHP's own brochure, "most harmful effects [on federal historic properties] are addressed successfully by the federal agency and the consulting parties without participation by the ACHP."[2372] Additionally, ACHP is not even responsible for managing the federal government's most prominent tool for historic preservation, the National Register of Historic Places, which is run by the National Park Service.[2373] The register is the government's official list of historic properties, and to make it on the list a property must be nominated at the state-level by a State Historic Preservation Officer. All final decisions for the register are made by the Secretary of the Interior.[2374] Finally, while the ACHP has training activities as a portion of its mission, the National Center for Preservation Technology and Training is also housed at the National Park Service.[2375]

Funding for those who wish to encourage public support of federal historic preservation matters is widely available through private means. In 1949, Congress founded the National Trust for Historic Preservation, a private non-profit organization that advocates for preservation. Today it boasts 135,000 members, staff in all 50 states, a palatial headquarters that can be found across the street from the White House, and as of 2009, assets topping $246 million.[2376] Until recently, the trust received funds directly from the government, though today relies exclusively on other sources of funding.

Transfer Duties to the National Trust for Historic Preservation. The government should develop an agreement with the National Trust for Historic Preservation to transfer to it responsibility for Section 106 reviews. Matters related to the Preserve America initiative would remain with the various other agencies currently involved. This would leave in place the remaining historic preservation officers and related role provided by the Department of the Interior.

[2370] CRS Report: RL33617, "Historic Preservation: Background and Funding," Congressional Research Service, January 22, 2007, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL33617&Source=search#_Toc231213358.
[2371] Website of the Advisory Council on Historic Preservation, "Contact Information for Federal Agency Historic Preservation Programs and Officers," (accessed June 29, 2011), http://www.achp.gov/fpolist.html#ABMC.
[2372] Advisory Council on Historic Preservation, Brochure, "Protecting Historic Properties: A Citizen's Guide to Section 106 Review," http://www.achp.gov/docs/CitizenGuide.pdf.
[2373] Website of the National Park Service, National Register of Historic Places, (accessed June 29, 2011), http://www.nps.gov/nr/national_register_fundamentals.htm.
[2374] Website of the National Park Service, National Register of Historic Places, (accessed June 29, 2011), http://www.nps.gov/nr/national_register_fundamentals.htm.
[2375] Website of the National Park Service, National Center for Preservation Technology and Training, (accessed July 14, 2011), http://ncptt.nps.gov/about-us/.
[2376] Tax form 990 for the National Trust for Historic Preservation in the U.S. for 2009, http://dynamodata.fdncenter.org/990_pdf_archive/530/530210807/530210807_200912_990.pdf.

Reduce Funding for the Advisory Council on Historic Preservation by 30 Percent. The annual budget for the ACHP in 2010 was $5.9 million.[2377] A reduction of 30 percent would achieve an annual savings of $1.77 million. **Estimated Ten-Year Savings: $19.65 million**

CULTURAL AGENCIES

National Endowment of Humanities (NEH). The NEH was created in 1965 as an independent grant-making agency that exists, in its own words, "Because democracy demands wisdom."[2378] As such it provides funding to cultural institutions such as, "museums, archives, libraries, colleges, universities, public television, and radio stations, and to individual scholars."[2379] While it has occasionally funded popular projects like Ken Burns' *Civil War* documentary series it was not spared by the Obama administration, which recommended cutting the agency's budget by more than 13 percent in 2012.[2380] The single largest program at the Endowment is the Federal/State Partnership block grant program, which provided $40 million in funding during 2010 to 56 non-profit humanities councils in the various states and territories.[2381] NEH offers dozens more grant programs,[2382] many of which supplement programs also supported by local and private sources.

The NEH has come under fire through the years for issuing questionable grants, some of which seem slanted to push partisan politics. In March 2011, the Thomas Foley Institute at Washington State University hosted a forum on "Civility & Democracy in America," citing as a need for the forum the "angry outbursts" of tea party townhall attendees, the shooting of Rep. Gabrielle Giffords, and "frequent allusions to guns and violence in political debate."[2383] NEH funded the forum with $212,735.[2384] A second controversy erupted the previous year, in 2010, at an NEH-sponsored workshop about WWII titled, "Legacies of the Pacific War." One attendee, Dr. Penelope Blake, called the session, "a sustained attack on our military, our veterans and our nation's history by academics who have an agenda to recast history in their own politically-motivated image."[2385] In a detailed letter to Congress, Dr. Blake explained that presenters

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[2377] Advisory Council on Historic Preservation, "Advisory Council on Historic Preservation Budget Justification FY 2012," February 2011, http://www.achp.gov/docs/2012_Budget_Justification.pdf.
[2378] Website of the National Endowment for the Humanities, "NEH Overview: Who We Are," (accessed June 29, 2011), http://www.neh.gov/whoweare/overview.html.
[2379] Website of the National Endowment for the Humanities, "NEH Overview: Who We Are," (accessed June 29, 2011), http://www.neh.gov/whoweare/overview.html.
[2380] Executive Office of the President of the United States, Budget of the U.S. Government, "Fiscal Year 2012 Terminations, Reductions and Savings," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf.
[2381] Website of the National Endowment for the Humanities, "Appropriations Request for Fiscal Year 2012," February 2011, http://www.neh.gov/whoweare/pdf/NEH_Request_FY2012.pdf.
[2382] Website of the National Endowment for the Humanities, "Grant Programs and Deadlines," (accessed June 29, 2011), http://www.neh.gov/grants/grants.html.
[2383] Website of Washington State University, Thomas S. Foley Institute for Public Policy & Public Service, Civility & Democracy in America Conference, (accessed June 29, 2011), http://foley.wsu.edu/civility/.
[2384] Website of the National Endowment for the Humanities, News Release, "NEH Selects Top Scholars to Launch National 'Bridging Cultures' Program," August 16, 2010, http://www.neh.gov/news/archive/20100816.html.
[2385] Letter from Penelope A. Blake, Ph.D., to Representative Don Manzullo, September 12, 2010, http://www.pacifichistoricparks.org/teachers_workshop/2010/pdf/NEH%20controversy/Penelope%20Blake%20letter%20201010005145226270.pdf.

accused the U.S. military of making a "practice" of desecrating the bodies of dead Japanese, and that through the present day "has repeatedly committed rapes and other violent crimes."[2386]

Other grants simply do not seem to make measurable contributions to the body of national wisdom, such as $50,000 for a video game to teach students about early 17th century British social conditions. Or, $50,000 to develop an iPhone application "focusing on Hawaiians who lived and worked at Fort Vancouver National Historic Site in the mid 1800s."[2387]

It even has enough funding to send some overseas, including a $50,400 fellowship in 2009 to Russian History student at the University of East London in the United Kingdom, and two awards of $100,000 each to create a "dictionary of old English" at the University of Toronto in Canada. Awards have likewise gone to grantees in France, Israel and the Netherlands.[2388]

National Endowment for the Arts (NEA). The NEA, like its sister agency, was also created in 1965, and today considers itself "the largest annual funder of the arts in the United States."[2389] While at first brush this seems impressive, the NEA accounts for only a small percentage of arts funding overall in this country. According to its website, projects funded by the NEA are typically funded with nine non-federal dollars for every one provided by the Endowment.[2390] This is not entirely surprising considering that a study by Americans for the Arts, one of the nation's leading arts boosters, found that non-profit arts and culture industry in this country alone reached more than $63 billion by 2005.[2391]

In 2010, after deducting administrative costs, the NEA provided $139 million in direct arts funding.[2392] As a percentage of all arts funding then, the NEA provided only 0.22 percent – less than one quarter of one percent. This was the case even with the agency's rapid budget growth over the last decade, which saw a nearly 60 percent increase.[2393]

The NEA has long drawn criticism both from those who question its federal role and from those who question the projects it chooses to fund. Much of this dates back to its first year in existence, 1965, when the agency paid a poet $750 for a single-word poem, "Lighght."[2394] More

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[2386] Johnson, Scott, "Investigate This," *Powerline (blog)*, November 1, 2010, http://www.powerlineblog.com/archives/2010/11/027580.php.
[2387] Data provided to Office of Sen. Tom Coburn by NEH.
[2388] Data provided to Office of Sen. Tom Coburn by NEH.
[2389] Website of the National Endowment for the Arts, "NEA At A Glance," (accessed June 28, 2011), http://www.nea.gov/about/Facts/AtAGlance.html.
[2390] Website of the National Endowment for the Arts, "NEA At A Glance," (accessed June 28, 2011), http://www.nea.gov/about/Facts/AtAGlance.html.
[2391] Americans for the Arts, National Report, "Arts & Economic Prosperity III: The Economic Impact of Nonprofit Arts and Culture Organizations and Their Audiences," http://www.artsusa.org/pdf/information_services/research/services/economic_impact/aepiii/national_report.pdf
[2392] Vincent, Carol Hardy, Congressional Research Service, "Interior, Environment, and Related Agencies: FY2011 Appropriations," May 12, 2011, (R41258), http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41258&Source=search#_Toc292980524.
[2393] Website of the National Endowment for the Arts, "National Endowment for the Arts Appropriations History," (accessed June 29, 2011), http://www.nea.gov/about/Budget/AppropriationsHistory.html.
[2394] Saroyan, Aram, "The Most Expensive Word in the World," *Mother Jones*, August 1981, http://books.google.com/books?id=teYDAAAAMBAJ&lpg=PA36&ots=uE9tn4fTaZ&dq=mother%20jones%20The

recently, the NEA drew attention for providing federal stimulus money, designed for job creation, to several anti-capitalist puppet shows ($100,000), Shakespeare festivals ($225,000) and jazz festivals ($400,000).[2395]

Some critics have claimed that, while the NEA has a mission to bring the arts to people of all incomes, it is a *de facto* subsidy for the entertainment of the wealthy. A 2004 survey of the Smithsonian Institution affirmed that, "Museums tend to draw educated visitors," finding that 73 percent of its own visitors had attained at least an undergraduate degree,[2396] compared with 27 percent of the general population.[2397] A 2002 academic study of the University of Nebraska-Lincoln found that the income of arts patrons in Kentucky was more than three times the average population.[2398] Writing in 1997, William Craig Rice, now a Director at the NEH, argued that there was a distinct preference to fund large wealthy institutions, because "it is usually the larger, wealthier institutions that have the staff and resources to put together winning grant proposals."[2399]

Combine Agencies Under a New National Endowment for the Arts and Humanities. Both the National Endowment for the Arts and the National Endowment for the Humanities should be combined in a single independent federal agency. The advantages of combining them include eliminating needless administrative costs, which stand at $27 million apiece.[2400] In addition, it would eliminate the existence of multiple centers for the government's various cultural initiatives, and instead house them in a single agency.

Reduce Funding for the New Agency by 75 Percent. The federal role for the NEA and NEH is tenuous from both a philosophical and a practical viewpoint. Regarding the former, funding cultural institutions is not an essential government service, and therefore in lean fiscal times should not be eligible for scarce resources. From the second, practical viewpoint, the Endowments adds very little value to the institutions it serves, but rather simply returns money to the states in the form of grants. Reducing NEA and NEH funding will not prevent local and private cultural institutions from performing any activities for which they on their own are able to secure funding. In 2010, the NEH received $167.5 million,[2401] NEA received $167.5 million.

%20Most%20Expensive%20Word%20in%20History&pg=PA36#v=onepage&q=mother%20jones%20The%20Most%20Expensive%20Word%20in%20History&f=false.

[2395] Report of Sen. Tom Coburn, *Stimulus Checkup*, December 2009, http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=a28a4590-10ac-4dc1-bd97-df57b39ed872.

[2396] Smithsonian Institution, Office of Policy and Analysis, "Results of the 2004 Smithsonian-wide Survey of Museum Visitors," October 2004, http://www.si.edu/opanda/Reports/Reports/SI2004_Survey_Booklet.pdf.

[2397] Website of the Census Bureau, Table 1. Educational Attainment of the Population 18 Years and Over, by Age, Sex, Race and Hispanic Origin: 2009, http://www.census.gov/hhes/socdemo/education/data/cps/2009/Table1-01.xls.

[2398] Thompson, Eric et al, "Valuing the Arts: A Contingent Valuation Approach," College of Business Administration, University of Nebraska-Lincoln, 2002, http://digitalcommons.unl.edu/cgi/viewcontent.cgi?article=1048&context=cbafacpub&sei-redir=1#search=%22income%20levels%20arts%20patrons%22.

[2399] William Craig Rice, "I Hear America Singing: The Arts Will Flower Without the NEA," *Policy Review*, March/April 1997, pp. 37-45.

[2400] CRS Report: R41258, "Interior, Environment, and Related Agencies: FY2011 Appropriations," Congressional Research Service, May 12, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41258&Source=search#_Toc292980524.

[2401] Website of the National Endowment for the Humanities, "Appropriations Request for Fiscal Year 2012," February 2011, http://www.neh.gov/whoweare/pdf/NEH_Request_FY2012.pdf.

Reducing the combined budgets by 75 percent would yield $251 million in annual savings.
Estimated Ten-Year Savings: $2.8 billion

John F. Kennedy Center for the Performing Arts. Opening its doors in 1971 and named for President John F. Kennedy, the Kennedy Center sits on a location overlooking the Potomac River. The Kennedy Center for the Performing Arts has become one of Washington, D.C.'s most well-known, and well-regarded landmarks. Direct federal funding for the Kennedy Center will be $36.4 million in 2011,[2402] along with an additional $15 million it will receive through the "Arts in Education" program along with its affiliate, VSA arts,[2403] for a total of $51.4 million. The Arts in Education program, however, primarily makes non-competitive awards to the Kennedy Center and VSA, providing dedicated funding.[2404]

Unfortunately, the Kennedy Center has not always been a good steward of its resources, noted by a series of high profile cost overruns. In 2005, the Government Accountability Office (GAO) issued a blistering report citing massive cost overruns for its Concert Hall renovation (41 percent), Opera House renovation (21 percent), fire alarm system (50 percent) and its garage (13 percent).[2405] The result was an additional $70 million in costs above what was originally planned.[2406]

Reduce Federal Funding for the John F. Kennedy Center for the Performing Arts by 30 Percent. Federal funding for the Kennedy Center is no longer necessary at recent levels, and should be reduced by 30 percent. In 2008, the Bush Administration recommended terminating direct funding for the Kennedy Center, noting that the institution has "a long history of obtaining financial support from the private sector, individual donors, and other non-Federal sources. This financial support can be expected to continue even without this program."[2407] In 2008, the latest year for which information is available, the Kennedy Center had $376.6 million in total assets.[2408] A 30 percent reduction would yield a savings of $15.4 million in the first year.
Estimated Ten-Year Savings: $171 million

National Capitol Arts and Cultural Affairs Grant Program (NCACA). Created in 1985, this program is administered by the Commission of Fine Arts to promote the arts solely within the

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[2402] Congressional Research Service, "Interior, Environment, and Related Agencies: FY2011 Appropriations," (R41258) May 12, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41258&Source=search#_Toc292980524.
[2403] This is provided through the "Arts in Education" program at the Department of Education, http://www2.ed.gov/about/overview/budget/budget12/justifications/d-eip.pdf
[2404] Website of the Department of Education, "Arts in Education (noncompetitive awards), http://www2.ed.gov/programs/artsed/index.html.
[2405] Government Accountability Office, "Kennedy Center: Stronger Oversight of Fire Safety Issues, Construction Projects, and Financial Management," April 2005, GAO-05-334, http://www.gao.gov/new.items/d05334.pdf.
[2406]Edwards, Chris, Downsizing the Federal Government, "Government Cost Overruns," http://www.downsizinggovernment.org/government-cost-overruns#end_36, accessed June 29, 2011.
[2407] Executive Office of the President of the United States, "Major Savings and Reforms in the President's 2009 Budget," February 2008, http://www.gpoaccess.gov/usbudget/fy09/pdf/savings.pdf.
[2408] Tax form 990 for the John F. Kennedy Center for the Performing Arts for 2008, http://dynamodata.fdncenter.org//990_pdf_archive/530/530245017/530245017_200909_990.pdf.

District of Columbia.[2409] Grants under this program are non-competitive and provided through a pre-set formula. Management of the program has led to questionable decisions and the program was targeted for elimination or drastic reduction by both the Bush and Obama administrations. Among the reasons cited for eliminating or reducing the program were that grants are not awarded "on performance-based merit, and there is no post-award follow-up to ensure that the grants are utilized for the purposes intended."[2410] Further, the program's formula is skewed to provide "the largest amount of funds to those recipients with the highest annual income."[2411] As a result, the largest grantees in 2010 included were the Kennedy Center for Performing Arts (which already receives additional dedicated federal funding), the Washington National Opera and the National Symphony Orchestra.[2412] Together, they have combined operating budgets of $155.6 million, but rely on NCACA grants for only an average of 1.6 percent of their annual budgets.[2413] The average grantee receives only eight percent of their annual operating budget through this program.[2414] Finally, this program duplicates the efforts of other federal programs, which allow the same institutions to apply for competitive grants. As an example, the Obama administration recently cited that "in 2009, the Meridian International Center received approximately $21 million in Federal funding from the Department of State and the Trade and Development Agency, and approximately $342,000 (approximately 5.5 percent of its operating income) from the NCACA grant."[2415]

Terminate the National Capitol Arts and Cultural Affairs Grant Program. This proposal would terminate the NCACA program, but leave the remaining functions of the Commission for Fine Arts in place. In so doing, funds will be freed up for higher priority items. The program received $10 million in 2010.

Estimated Ten-Year Savings: $111 million

Smithsonian Institution. Perhaps the best known and most popular museum in the nation, the Smithsonian Institution boasts being "the world's largest museum and research complex, consisting of 19 museums and galleries, the National Zoological Park and nine research facilities."[2416] Nearly 30 million people visited the Smithsonian in 2009, an increase of 20 percent over

Smithsonian

[2409] Website of the Commission on Fine Arts, National Capital Arts and Cultural Affairs, (accessed June 29, 2011), http://www.cfa.gov/ncaca/index.html.
[2410] Executive Office of the President of the United States, "Major Savings and Reforms in the President's 2009 Budget," February 2008, http://www.gpoaccess.gov/usbudget/fy09/pdf/savings.pdf.
[2411] Executive Office of the President of the United States, Budget of the U.S. Government, "Fiscal Year 2012 Terminations, Reductions and Savings," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf.
[2412] Website of the Commission on Fine Arts, National Capital Art and Cultural Affairs Program, "Computation of the FY 2010 Grants," (accessed June 28, 2011); http://cfa.gov/ncaca/2010ncaca.pdf.
[2413] Website of the Commission on Fine Arts, National Capital Art and Cultural Affairs Program, "Computation of the FY 2010 Grants," (accessed June 28, 2011); http://cfa.gov/ncaca/2010ncaca.pdf.
[2414] Website of the Commission on Fine Arts, National Capital Art and Cultural Affairs Program, "Computation of the FY 2010 Grants," (accessed June 28, 2011); http://cfa.gov/ncaca/2010ncaca.pdf.
[2415] Executive Office of the President of the United States, Budget of the U.S. Government, "Fiscal Year 2012 Terminations, Reductions and Savings," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf.
[2416] Website of the Smithsonian Institution, http://www.si.edu/About.

its 2008 visitors.[2417] Museum officials credit much of the increase to the weak economy, which boosted the attraction of free museum visits, as well as the movie premiere of *Night at the Museum 2: Battle of the Smithsonian*.[2418]

When it was created in 1846, owing to a gift from British chemist James Smithson, the Smithsonian Institution began with $500,000.[2419] Today its budget is nearly $1 billion a year.[2420] It received more than $760 million in federal funding for 2010, and receives about 30 percent of its more than $1 billion budget from non-federal appropriations.[2421] Over the most recent ten-year period, it enjoyed an increase of annual appropriations by over 50 percent.[2422]

Unfortunately, managing all of our nation's treasures has been an area for criticism as of late, according to a recent report of the Smithsonian's inspector general. "In a sample of 2,216 items from the National Museum of American History's inventory, the watchdog found roughly 10 percent of the items missing. Those missing objects included 33 'Tier 4' objects, which are defined as "national treasures or valued at greater than $1 million."[2423] One of the objects: George Washington's bed. Smithsonian officials claim to have the situation under control, and that the bed was in fact missing for decades, but it is indicative of other recent problems the museum has had managing its inventory.

In 2005, GAO said the museum's maintenance backlog would "pose a serious long-term threat to the collections."[2424] A follow up investigation from 2007 found that some improvements were made, but that the backlogged maintenance had grown by hundreds of millions of dollars, further threatening its collections.[2425] Auditors found that lack of climate control at the Air and Space

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[2417] Zongker, Brett, "Smithsonian reports 20% jump in museum visitors," *Associated Press*, January 5, 2010, http://www.usatoday.com/travel/destinations/2010-01-05-smithsonian-visitors_N.htm.
[2418] Zongker, Brett, "Smithsonian reports 20% jump in museum visitors," *Associated Press*, January 5, 2010, http://www.usatoday.com/travel/destinations/2010-01-05-smithsonian-visitors_N.htm.
[2419] Website of the National Portrait Gallery, "1846: Portrait of a Nation," (accessed July 14, 2011), http://www.npg.si.edu/exh/1846/index.htm.
[2420] Website of the Smithsonian Institution, Annual Report, "What is Next," 2009, http://www.si.edu/Content/Pdf/About/2009-Smithsonian-Annual-Report.pdf; News Release, "Smithsonian Fiscal Year 2012 Federal Budget Request totals $861.5 Million," February 14, 2011, http://newsdesk.si.edu/releases/smithsonian-fiscal-year-2012-federal-budget-request-totals-8615-million.
[2421] Website of the Smithsonian Institution, Annual Report, "What is Next," 2009, http://www.si.edu/Content/Pdf/About/2009-Smithsonian-Annual-Report.pdf.
[2422] Smithsonian Institution, 10-Year Appropriation History, http://www.si.edu/Content/Pdf/About/10-Year-Appropriation-History-2001-to-2010.pdf.
[2423] Wieder, Ben, "Smithsonian inventory in disarray, but museum says it didn't lose Washington's bed," *iWatch News (Center for Public Integrity)*, July 8, 2011, http://www.iwatchnews.org/2011/07/08/5172/smithsonian-inventory-disarray-museum-says-it-didn-t-lose-washington-s-bed?utm_source=iwatchnews&utm_medium=site-features&utm_campaign=topics-drawer.
[2424] Government Accountability Office, "Smithsonian Institution: Facilities Management Is Progressing, but Funding Challenges Remain," GAO-05-369, April 2005, http://www.gao.gov/new.items/d05369.pdf.
[2425] Government Accountability Office, "Smithsonian Institution: Funding Challenges Affect Facilities' Conditions and Security, Endangering Collections," GAO-07-1127, September 2007, http://www.gao.gov/new.items/d071127.pdf.

Museum was causing corrosion on historic airplanes, while at the National Zoo the sea lion and seal pools were leaking 110,000 gallons of water per year.[2426]

But while the Smithsonian was experiencing this backlog, the top executive at the Smithsonian Institution, who has since resigned, lived lavishly on the museum's budget, enjoying "private chartered planes, a $1.2 million housing allowance, designer upholstery and $2,000 chairs."[2427] The previous Secretary of the Smithsonian, Lawrence Small, racked up expenses such as a $4,000 heater for his lap pool in addition to his salary of almost $1 million.[2428] The current Secretary still has an annual pay of more than $500,000, and his executive team of nine averages $250,193 in annual salaries.[2429] Compounding this embarrassment, an investigation found that 251 Smithsonian employees owe federal back taxes of more than $2.2 million.[2430]

Some of the Smithsonian's research functions do not relate specifically to its museum-related mission, and in fact duplicate the efforts of other federal agencies. For example, the Smithsonian paid the salaries for climate change researcher's[2431] even though such research was being conducted by many other agencies.

Rent Smithsonian Buildings for Events and Admission Fees to Smithsonian Buildings. This proposal will assist the Smithsonian in becoming more financially independent in its future. This recommendation is described in full detail in the revenue chapter of the report.

Reduce Administration Budget by 30 Percent. In 2011, the Smithsonian received $33.3 million for administration,[2432] and a 30 percent reduction would yield a savings of $10 million.
Estimated Ten-Year Savings: $111 million

Collect Back Taxes from Smithsonian Employees. The IRS should collect the outstanding balance of taxes owed by employees of the Smithsonian.
Estimated Ten-Year Savings: $2.2 million

[2426] Government Accountability Office, "Smithsonian Institution: Funding Challenges Affect Facilities' Conditions and Security, Endangering Collections," GAO-07-1127, September 2007, http://www.gao.gov/new.items/d071127.pdf.
[2427] Anderson, Kate, "Smithsonian's New Chief Shares Pay Cuts, Lost Perks With Staff," Bloomberg, November 4, 2008, http://www.bloomberg.com/apps/news?pid=newsarchive&sid=a_2K40GPEbik&refer=muse
[2428] Anderson, Kate, "Smithsonian's New Chief Shares Pay Cuts, Lost Perks With Staff," Bloomberg, November 4, 2008, http://www.bloomberg.com/apps/news?pid=newsarchive&sid=a_2K40GPEbik&refer=muse
[2429] E-mail from the Smithsonian Office of Government Relations, October 26, 2010
[2430]Website of the Washington Post, "Federal workers who owed money to the Internal Revenue Service in 2009," http://www.washingtonpost.com/wp-srv/politics/irs-federal-workers/index.html, accessed July 11, 2011.
[2431] Website of the Smithsonian Institution, "Smithsonian Institution, Fiscal Year 2012 Budget Justification for Congress, February 2011, http://www.si.edu/Content/Pdf/About/FY2012-BudgetRequest.pdf, accessed July 11, 2011.
[2432] Vincent, Carol Hardy, "Interior, Environment, and Related Agencies: FY2012 Appropriations," Congressional Research Service, June 30, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41896&Source=search#_Toc297288143, accessed July 11, 2011.

End Climate Research Programs. The Smithsonian should end its climate research programs, which duplicate the work of other federal agencies. Its annual budget for research in this area is approximately $7 million.
Estimated Ten-Year Savings: $77.7 million

Institute of American Indian Arts. Established in 1962, the Institute of American Indian Arts (IAIA) identifies itself the only national center of research, training and scholarship for Native Americans devoted solely to American Indian and Alaska Native arts and culture.[2433] In 1986, it became one of three congressionally-chartered colleges in the United States.[2434] It has educated over 4,000 students. It includes the Museum of Contemporary Native Arts, which it calls the nation's leading exhibition facility for contemporary art by Indigenous artists.[2435] Since 2005, federal appropriations to the institute have grown from $5.9 million to $8.75 million this year.[2436] Meanwhile, other funding for IAIA has grown from $6.8 million in 2005 to $13.1 million in 2010.[2437] IAIA's mission, "To empower creativity and leadership in Native Arts and cultures through higher education, life-long learning and outreach," is laudable,[2438] but so are the missions of many other worthy organizations.

Reduce Funding for Institute of American Indian Arts Funding by 30 Percent. In a time of necessary fiscal austerity, Congress should consider IAIA's funding alongside the many other needs facing Americans. Additionally, there should be some comfort that IAIA has in recent years eased its reliance on federal support to accomplish its mission. A reduction of 30 percent would return funding levels to near 2005 levels.
Estimated Ten-Year Savings: $29 million

REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS

The government should no longer provide funding for regional commissions that promote economic development. First, the various commissions are funded at vastly different levels, frequently through earmarks, often giving preference to certain regions of the country over others. This is especially important given that many states are not served by any of the commissions. Second, the responsibility for local and regional economic development can and should be provided for at the local and regional level. Third, each of the above commissions duplicates dozens of other federal economic development programs. In March of this year, the GAO identified at least 80 such federal programs that spent $6.5 billion in 2010 on economic development.[2439]

[2433] IAIA website, "IAIA Fact Sheet," http://www.iaia.edu/download/IAIA_Fact_Sheet_SPRING_2011_FINAL.pdf, accessed July 14, 2011.
[2434] IAIA website, "History," http://www.iaia.edu/about/history/, accessed July 14, 2011.
[2435] IAIA website, "IAIA Fact Sheet," http://www.iaia.edu/download/IAIA_Fact_Sheet_SPRING_2011_FINAL.pdf, accessed July 14, 2011.
[2436] IAIA website, "FY 2012 Federal Budget Justification," http://www.iaia.edu/download/IAIA_FY_201212_Federal_Budget_Justification.pdf, accessed July 14, 2011.
[2437] IAIA website, "FY 2012 Federal Budget Justification," http://www.iaia.edu/download/IAIA_FY_201212_Federal_Budget_Justification.pdf, accessed July 14, 2011.
[2438] IAIA website, "Mission," http://www.iaia.edu/about/mission/, accessed July 14, 2011.
[2439] Government Accountability Office, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue," GAO-11-318SP, March 2011, http://www.gao.gov/new.items/d11318sp.pdf.

The Economic Development Administration within the Department of Commerce serves as the central hub of economic development programs. Also, though, HUD has an Office of Economic Development as does the Federal Housing Finance Agency.

Denali Commission. The Denali Commission was created in 1998 as an independent federal agency designed to provide economic development funding to Alaska, particularly to rural villages.[2440] It is unique in being the only federally-chartered economic commission "targeted at a single state,"[2441] and over its life has received nearly $1 billion in federal funding.[2442] Both the Bush and Obama administrations called for budget reductions citing the commission's inability to demonstrate results[2443] and that dozens of other federal programs duplicate its efforts.[2444] In 2010, the Denali Commission received approximately $61 million from a variety of federal sources.[2445]

Appalachian Regional Commission (ARC). The Appalachian Regional Commission was created by Congress in 1965 to promote economic development in 13 states, including Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, and West Virginia.[2446] Notably, four of these states are also served by the Delta Regional Authority (see below). President Obama's *National Commission on Fiscal Responsibility and Reform* recommended eliminating funding for this program.[2447] As an example of ARC's sometimes questionable funding decisions, it awarded $30,000 in 2011 to Hancock High School in Maryland for "dropout prevention."[2448] The funds, however, were used to purchase 200 laptop computers, nearly a quarter of which were given to the school's teachers.[2449] It also provided $108,211 to the "Adventure to Space" program at the

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[2440] Website of the Denali Commission, "About the Commission," (accessed June 29, 2011), http://www.denali.gov/index.php?option=com_content&view=section&id=4&Itemid=8.
[2441] Boyd, Eugene, Congressional Research Service, "Federal Regional Authorities and Commissions: Their Function and Design," (RL33076), September 21, 2006, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL33076&Source=search#_Toc225124533.
[2442] Website of the Denali Commission, http://www.denali-oig.org/Images/IG-PAR-2010.pdf; http://www.denali.gov/index.php?option=com_docman&task=doc_download&gid=343&Itemid=253
[2443] Executive Office of the President of the United States, "Major Savings and Reforms in the President's 2009 Budget," February 2008, http://www.gpoaccess.gov/usbudget/fy09/pdf/savings.pdf.
[2444] Executive Office of the President of the United States, Budget of the U.S. Government, "Fiscal Year 2012 Terminations, Reductions and Savings," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf.
[2445] Hopkins, Kyle, "Alaska village programs facing big cuts in federal funding," *Anchorage Daily News*, February 8, 2010, http://www.adn.com/news/alaska/rural/story/1129050.html.
[2446] Website of the Appalachian Regional Commission http://www.arc.gov/about/index.asp
[2447]Fiscal Commission, CoChairs' Proposal, *$200 Billion in Illustrative Savings* (November 12, 2010 Update) http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.
[2448] Website of the Appalachian Regional Commission, "ARC Projects Approved in Fiscal Year 2011, as of June 16, 2011, (accessed June 29, 2011), http://www.arc.gov/funding/ARCProjectsApprovedinFiscalYear2011.asp.
[2449] "Hancock High laptop initiative gets grant funding," *Herald-Mail*, February 14, 2011, http://articles.herald-mail.com/2011-02-14/news/28536016_1_laptop-initiative-grant-funding-federal-state-partnership.

U.S. Space and Rocket Center for teacher field trips.[2450] In 2011, ARC will receive $76 million in direct federal appropriations.[2451]

Delta Regional Authority (DRA). The Delta Regional Authority is a "federal-state partnership" that focuses on economic development in 252 "distressed counties" located in Alabama, Arkansas, Illinois, Kentucky, Louisiana, Mississippi, Missouri, and Tennessee.[2452] President Obama's *National Commission on Fiscal Responsibility and Reform* recommended also eliminating funding for the program,[2453] and earlier this year the House of Representatives voted to strip it of $7.3 million.[2454] For 2011, the agency, however, will receive $13 million.[2455]

Northern Border Regional Commission (NBRC). The Northern Border Regional Commission opened its doors in April 2010 to provide for economic development for 36 "distressed" counties in New York, Vermont, New Hampshire and Maine.[2456] In Maine, this includes 12 of the state's 17 counties,[2457] while in Vermont it includes two of the state's richest counties (Franklin and Grand Isle), each having a median income of $73,800.[2458] Its focus is to advance "transportation, water, sewer, energy, and telecommunications infrastructure" in these areas.[2459] One of the commission's first awards provided $141,150 to the Northern Forest Canoe Trail, which runs 740 miles and through all four states.[2460] But while it is a popular destination for vacationers and hiking enthusiasts, its need for federal funding is questionable. It reports private donations exceeding $10,000 from some of the nation's leading outdoors suppliers, L.L. Bean and REI,[2461] as well as 2009 revenues of $341,735.[2462] Maine Huts and Trails also received

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[2450] Website of the Appalachian Regional Commission, "ARC Projects Approved in Fiscal Year 2010," (accessed June 29, 2011), http://www.arc.gov/funding/ARCProjectsApprovedinFiscalYear2010.asp.
[2451] Appalachian Regional Commission, "FY 2012 Performance Budget Justification," February 2011, http://www.arc.gov/images/newsroom/publications/fy2012budget/FY2012PerformanceBudgetFeb2011.pdf.
[2452] Website of the Delta Regional Authority, "About DRA," (accessed June 29, 2011), http://www.dra.gov/about-us/default.aspx.
[2453] Fiscal Commission, CoChairs' Proposal, *$200 Billion in Illustrative Savings* (November 12, 2010 Update) http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.
[2454] Urban, Peter, "Obama Plan Leaves Delta Budget Intact," *Times Record*, February 22, 2011, http://www.swtimes.com/news/article_ccb456c6-3aae-11e0-8f9c-001cc4c002e0.html.
[2455] Urban, Peter, "Obama Plan Leaves Delta Budget Intact," *Times Record*, February 22, 2011, http://www.swtimes.com/news/article_ccb456c6-3aae-11e0-8f9c-001cc4c002e0.html.
[2456] "Northern Border Regional Commission announces $1.3 million grant process," *Vermontbiz.com*, August 2, 2010, http://www.vermontbiz.com/news/august/northern-border-regional-commission-announces-13-million-grant-process.
[2457] Cowan, Tadlock, Congressional Research Service, "An Overview of USDA Rural Development Programs," (RL31837), April 29, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL31837&Source=search#_Toc292280201.
[2458] Website of eFannieMae.com, 2010-2011 Area Median Income for Vermont, https://www.efanniemae.com/sf/refmaterials/hudmedinc/hudincomeresults.jsp?STATE=VT&choice=county&CITY=&FormsButton1=Search.
[2459] "Northern Border Regional Commission announces $1.3 million grant process," *Vermontbiz.com*, August 2, 2010, http://www.vermontbiz.com/news/august/northern-border-regional-commission-announces-13-million-grant-process.
[2460] Press Release of Governor James Douglas, Senator Patrick Leahy, Senator Bernard Sanders, Representative Peter Welch, "Two Vermont groups win Northern Border regional commission awards," September 29, 2010, http://vtdigger.org/2010/09/30/two-vermont-groups-win-northern-border-regional-commission-awards/.
[2461] Website of the Northern Forest Canoe Trail, "Partners, Business Members," (accessed July 12, 2011), http://www.northernforestcanoetrail.org/Partners-2/Business-Members-52.

$75,000 for a "nature-based tourism project,"[2463] including construction of an upscale lodge—called a "hut"—to be rented out for as much as $2,800 a day to traveling tourists.[2464] Its financial position is much stronger, reporting $6 million for 2009.[2465] For both 2010 and 2011, the NBRC was provided with $1.5 million in direct federal funding.[2466]

Southeast Crescent Regional Commission (SCRC). The SCRC was created in 2008 to promote economic development in Virginia, North Carolina, South Carolina, Georgia, Alabama, Mississippi, and Florida, several of which are also served by the Delta Regional Authority or the Appalachian Regional Commission.[2467] In 2011, the House of Representatives voted to defund the agency.[2468] SCRC received $250,000 in 2011.[2469]

Southwest Border Regional Commission. Created in 2008 to serve Arizona, California, New Mexico and Texas, [2470] the commission was modeled after the Appalachian Regional Commission.[2471] The commission has not yet received federal funding.

Northern Great Plains Regional Authority. The NGPRA was created in 2002 to serve Minnesota, South Dakota, North Dakota, Nebraska, Iowa[2472] and Missouri.[2473] In 2010, Sen.

[2462] Tax Form 990-EZ for the Northern Forest Canoe Trail, Inc. for the year 2009, http://www.guidestar.org/FinDocuments/2009/030/363/2009-030363813-06176cba-Z.pdf.
[2463] Maine Department of Economic and Community Development, Press Release, "Maine Projects Receive Funding from Northern Border Regional Commission Federal Grant Program," October 7, 2010, http://www.maineahead.com/maine-projects-receive-funding-from-northern-border-regional-commission-federal-grant-program/
[2464] Website for Maine Huts & Trails, "Rates," (accessed July 12, 2011), http://www.mainehuts.org/lodging/rates/.
[2465] Tax Form 990 for Western Mountains Charitable Foundation, doing business as Maine Huts and Trails, for 2009, http://www.guidestar.org/FinDocuments//2009/010/537/2009-010537084-061b75c4-9.pdf.
[2466] Website of the Northern Forest Center, "Northern Border Regional Commission," (accessed July 12, 2011), http://www.northernforest.org/northern_border_regional_commission_nbrc_.html.
[2467] Cowan, Tadlock, Congressional Research Service, "An Overview of USDA Rural Development Programs," (RL31837), April 29, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL31837&Source=search#_Toc292280201.
[2468] Website of Rep. Eric Cantor, FY 2011 Continuing Resolution Reductions, http://majorityleader.gov/uploadedfiles/FY2011_CUTS.pdf.
[2469] Report accompanying the Energy and Water Development Appropriations Bill, 2012, House Report 112-118, 112th Congress, http://thomas.loc.gov/cgi-bin/cpquery/?&dbname=cp112&sid=cp112REXEX&refer=&r_n=hr118.112&item=&&&sel=TOC_394395&.
[2470] Public Law 110-246, http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_public_laws&docid=f:publ246.110.
[2471] Website of Representative Silvestre Reyes, Columns, "Reyes's Border Economic Development Initiative Included in U.S. House and Senate-Passed Farm Bill," May 20, 2008, http://reyes.house.gov/News/DocumentSingle.aspx?DocumentID=106913.
[2472] Boyd, Eugene, Congressional Research Service, "Federal Regional Authorities and Commissions: Their Function and Design," (RL33076), September 21, 2006, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL33076&Source=search#_Toc225124533.

Tom Harkin requested a $5 million earmark for NGPRA,[2474] but to date it has not received federal funding.

End Funding for All Regional Economic Development Commissions. In total, these commissions received $151.8 million in the last year.
Estimated Ten-Year Savings: $1.68 billion

Corporation for Public Broadcasting (CPB). The Corporation for Public Broadcasting ("CPB"), along with NPR and the Public Broadcasting Network ("PBS"), has recently become the subject of a great deal of public scrutiny. The majority of this scrutiny is the result of the news outlets, themselves, making news. Last October, NPR made the decision to fire reporter Juan Williams for an opinion that he expressed on a competing news outlet.[2475] This decision by NPR exposed the station as openly having a political agenda and no longer being objective or balanced in its views, as originally intended. Moreover, with Americans able to access numerous perspectives on news events all day, and in a number of ways, taxpayer funding for public media has become an antiquated concept. With funding at its highest levels, the Co-Chairs of the bipartisan National Commission on Fiscal Responsibility and Reform proposed cutting funding for CPB, simply because America could no longer afford it, nor does it need it.[2476] In short, it is time for public media to exist independently of federal funding.

CPB was created by Congress in 1967 as a private nonprofit corporation through the Public Broadcasting Act, even though it is entirely funded through the federal appropriations process.[2477] Currently, CPB is the largest single source of funding for public media. For FY2011, Congress appropriated $430 million to CPB, and for FY2012, CPB is scheduled to receive $445 million in federal funding.[2478] Also of interest, CPB's President and CEO, Patricia Harrison, was paid $298,884 in 2009.[2479]

CPB created PBS in 1969 and, one year later, NPR. The nearly 1,300 local NPR and PBS member public radio and television broadcasting stations, respectively, in America are supported through a variety of sources, but receive 15.1 percent of overall funding through federal funds distributed by CPB.[2480] Local stations determine their own program schedules, and produce their own local programming and are mostly run by universities, non-profit community associations, state government agencies, and local school boards.[2481]

[2473] Public Law 110-246, http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_public_laws&docid=f:publ246.110.
[2474] http://www.washingtonwatch.com/bills/show/ED_20919.html
[2475] Paul Farhi, *Juan Williams at odds with NPR over dismissal*, The Washington Post (October 22, 2010), http://www.washingtonpost.com/wp-dyn/content/article/2010/10/21/AR2010102101474.html.
[2476] Fiscal Commission, CoChairs' Proposal, *$200 Billion in Illustrative Savings* (November 12, 2010 Update) http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf.
[2477] E-mail from CPB Congressional Liaison, November 4, 2010.
[2478] Information provided by Congressional Research Service.
[2479] E-mail from Congressional Research Service, November 4, 2010.
[2480] Corporation for Public Broadcasting, *Appropriations*, http://www.cpb.org/appropriation/.
[2481] Information provided by Congressional Research Services.

NPR. NPR states that only two percent of its funding comes from the federal government, but this is misleading.[2482] In fact, CPB funds more than $90 million in grants to NPR and its member stations.[2483] While most of these CPB grants are awarded to local member stations, NPR receives 41 percent of its funding from its member stations through fees and dues. In other words, NPR is receiving federal funds indirectly through its member stations. Additionally, its member stations receive 13.6 percent of their funding from universities, most of which benefit from generous federal subsidies as well.[2484]

NPR also received $8 million in direct subsidies over the last two years from the National Endowment of Arts ("NEA"),[2485] which received $167.5 million in appropriated federal funds last year.[2486] NPR has also received funding from the Department of Commerce and the Department of Education. Over the past two years, $4.3 million in direct federal appropriations were made to NPR for "special projects."[2487] In total, NPR member stations received $65 million in direct appropriations last year.[2488]

The former CEO of NPR who fired Juan Williams, Vivian Schiller, was paid an annual salary of $450,000.[2489] Her predecessor, Kenneth Stern, was paid $1.319 million in 2008,[2490] including a buyout sum of around $900,000.[2491]

Public Broadcasting Service ("PBS"). PBS was established as a "private, non-profit media enterprise owned and operated by member stations."[2492] PBS is similar to NPR in that it is primarily funded through member station fees ($200 million or 40 percent) and corporate and individual donations ($228.6 million or 45 percent). PBS also receives considerable direct and indirect federal appropriations from CPB ($53 million or 10.5 percent) and through member stations that also receive direct CPB grants.[2493] The President and CEO of PBS, Paula Kerger, was paid a salary of $430,810 in 2009.[2494]

[2482] NPR, *Public Radio Finances*, http://www.npr.org/about/aboutnpr/publicradiofinances.html.
[2483] Melissa Bell, *Defund NPR? Who's funding it anyway*?, The Washington Post (October 22, 2010) http://voices.washingtonpost.com/blog-post/2010/10/defund_npr_radio_whos_funding.html
[2484] Jack Shafer, *Kill NPR To Save It*, Slate.com (October 25, 2010), http://www.slate.com/id/2272284/
[2485] National Endowment for the Arts, *FY2010 Grant Awards: Arts on Radio and Television*, http://www.nea.gov/Grants/recent/10grants/artv10.php
[2486] U.S. House of Representatives, Report 111-316, Department of the Interior, Environment, and Related Agencies Appropriations Act, 2010, Conference Report dated October 28, 2009, http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_reports&docid=f:hr316.111.pdf.
[2487] Information provided by Congressional Research Services.
[2488] Information provided by Congressional Research Services.
[2489] E-mail from Congressional Research Service November 3, 2010
[2490] Tax form 990 for National Public Radio, Inc. for 2007, http://www.npr.org/about/aboutnpr/statements/fy2008/fy08_NPR_Inc_990.pdf.
[2491] 2007 Tax Return of NPR, http://www.npr.org/templates/story/story.php?storyId=111873596.
[2492] Corporation for Public Broadcasting, *What is the difference between CPB, PBS, & NPR?*, http://www.cpb.org/aboutpb/faq/cpbpbsnpr.html.
[2493] Public Broadcasting Service, *PBS Consolidated Financial Highlights*, Fiscal Year Ended June 30, 2006-2009, http://www.pbs.org/about/media/about/cms_page_media/29/FinancialHighlights2009forWebv8.pdf
[2494] E-mail from Congressional Research Service November 4, 2010

PBS also receives funding from other federal agencies. For example, PBS and CPB recently received $72 million in funding from a "Ready-to-Learn" grant from the Department of Education's Office of Innovation and Improvement.[2495]

Public Radio International ("PRI"). PRI is a not-for-profit corporation founded in 1983 "to diversify and expand the content available on public platforms, enabling U.S. listeners to 'hear a different voice' and to connect with one another and the larger world."[2496] Similar to NPR, PRI is a public radio producer-distributor that broadcasts programs, including *BBC World Service*, *PRI's The World*, *Bob Edwards Weekend*, and *This American Life*.[2497] In FY2009, PRI was directly awarded a total of $1.6 million by CPB from CPB's discretionary funds.[2498] PRI's FY2010 Annual Report to Donors also indicates that it also received funds from: National Endowment for the Arts ("NEA"); National Endowment for the Humanities ("NEH"); National Science Foundation ("NSF"); and the United States Institute of Peace.[2499]

In total, around 15 percent of all public media funding comes from CPB appropriations. Over the last ten years, more than $4 billion in federal funds have been appropriated on public radio and television.[2500] As stated, CPB, PBS, and NPR stations, however, also receive funding indirectly through other government agencies.[2501] Of the total U.S. public broadcasting system income of $2.85 billion, however, 83.6 percent of funding for all public media comes from non-federal sources (including entities such as universities that receive direct federal funding).[2502]

Since CPB's creation in 1967, America's media market has drastically changed. The congressional intent behind federally funding public broadcasting in the Public Broadcasting Act was to make "public telecommunications services available to all citizens of the United States."[2503] Now, with the 24-hour news cycle, consumers are able to instantly choose from numerous different media sources and even different media portals to get their news. In fact, in 2007, the Government Accountability Office ("GAO") found "there are 349 public television stations, owned and operated by 173 licensees, which reach 98 percent of the households that have televisions."[2504] The Congressional Research Service ("CRS") found in 2009 that 85 percent of U.S. television households subscribe to cable, satellite, or similar multichannel video programming distributor (MVPD) services.[2505]

[2495] Corporation for Public Broadcasting, *The Corporation for Public Broadcasting and PBS Receive Ready To Learn Grant Funding from the U.S. Department of Education*, press release (October 15, 2010) http://www.cpb.org/pressroom/release.php?prn=840.
[2496] Public Radio International, PRI Fact Sheet, http://www.pri.org/pri-facts.html.
[2497] See Public Radio International, PRI Fact Sheet, http://www.pri.org/pri-facts.html.
[2498] E-mail from CPB Congressional Liaison, November 5, 2010
[2499] See Public Radio International Annual Report to Donors 2009-2010, http://www.pri.org/files/PRI_Annual_Report_FY10.pdf. Further, a search on www.USASpending.gov., over the last ten years, PRI received $3.9 million in grants from NSF, NEA, and NEH.
[2500] Information provided by Congressional Research Services.
[2501] Information provided by Congressional Research Services.
[2502] Information provided by Congressional Research Services.
[2503] 47 U.S.C. §396
[2504] Government Accountability Office, Telecommunications: Issues Related to the Structure and Funding of Public Television, Report 07-150 (January 2007) http://www.gao.gov/new.items/d07150.pdf.
[2505] Analysis provided by Congressional Research Services.

At no point in our nation's history could Americans access news as easily and from as many different perspectives as they can today. There are at least six major television news stations and numerous smaller ones (not including PBS stations). Every single major newspaper has online content that can be readily accessed, documenting varying perspectives on events of the day. The creation of satellite radio has also enabled access to several news radio stations for thousands of Americans all over the country. While NPR and PBS (and other public broadcasting services) continue to exist among these media sources, they are the only major entities that enjoy dedicated annual funding from the federal government. Making news available to all Americans is no longer a valid justification for federally funding public media.

Public Media Outlets are Able to Operate Independent of Federal Funding. While PBS and NRP have benefitted from billions in federal funding, they are perfectly capable of existing independently due to private donations, which will enable them to continue to function without federal funding. In fact, PBS's current president, Paula Kerger, is known for running one of the most successful endowment campaign ever undertaken by a public television station in her previous position.[2506] Therefore, she is ideally qualified to oversee the transition from reliance on federal funds to an independent entity.

PBS boasts total net assets of $279 million and only receives about ten percent of its funding from direct federal appropriations and grants.[2507] Many member stations also have endowment funds, conduct fundraising campaigns, and solicit corporate and foundation underwriting for programming.[2508] PBS has even conducted several case studies on how corporate sponsorships of PBS events benefit sponsors, which include Volkswagen, Chick-fil-A, and CVS.[2509]

NPR's dependency on federal funding is also declining as it continues trending towards becoming a self-sufficient entity. NPR currently boasts on its website that "[w]hile NPR does not receive any direct federal funding, it does receive a small number of competitive grants from CPB and federal agencies like the Department of Education and the Department of Commerce."[2510] While 34 percent of its funding comes from its member stations, 22 percent comes from sponsorships and individual donations[2511] (such as a recent $1.8 million donation George Soros[2512]), as well as from major corporations such as General Motors, State Farm, and Prudential.[2513]

[2506] Public Broadcasting Service, *Meet Paula Kerger*, http://www.pbs.org/about/leadership/pbs-president/bio/.
[2507] Public Broadcasting Service, *PBS Consolidated Financial Highlights*, http://www.pbs.org/about/media/about/cms_page_media/29/FinancialHighlights2009forWebv8.pdf
[2508] Public Broadcasting Service, *Support PBS: Members are our largest source of support*, http://www.pbs.org/about/support-our-mission/
[2509] Sponsorship Group for Public Television, *About our Sponsors*, http://www.sgptv.org/sponsors
[2510] NPR, *Public Radio Finances*, http://www.npr.org/about/aboutnpr/publicradiofinances.html
[2511] NPR, *Public Radio Finances*, http://www.npr.org/about/aboutnpr/publicradiofinances.html.
[2512] Stephen Dinan, *GOP puts NPR on Chopping Block*, Washington Times (October 22, 2010) http://www.washingtontimes.com/news/2010/oct/22/gop-puts-npr-chopping-block/?page=1
[2513] NPR 2008 Annual Report on Sponsors, http://www.npr.org/about/aboutnpr/annualreports/NPRSponsorsDonors08.pdf

For NPR member stations, private individual donations make up more than 34 percent of total revenue. Donations from businesses, universities, and foundations make up an additional 42.6 percent, while direct government subsidies only represent 5.8 percent.[2514]

NPR has almost $426 million in total net assets, with almost $200 million in unrestricted net assets (i.e., these funds can be spent as NPR wishes).[2515] NPR also has an endowment of more than $200 million.[2516]

CPB is instructed by law to at least appropriate 95 percent of its federal appropriation to support local television and radio stations, programming, and improvements to the public broadcasting system.[2517] In other words, CPB exists to support public media, including PBS and NPR. CPB boasts almost $93 million in total unrestricted net assets.[2518] Clearly, public media is ready to truly be independent and exist without federal funds.

Ending Federal Funding would allow for Truly Independent Public Media. While there is no doubt that NPR and PBS and their respective member stations are popular with many Americans, it is also clear that the views expressed by these entities do not represent all taxpayers. Just like competing media outlets, NPR and PBS present views and opinions that are perceived differently by the American public. The only difference is that NPR and PBS receive federal funding.

These entities, however, appear to be poised to exist without dependence on federal funds. NPR has stated that it is not reliant on federal subsidies any more, and the media marketplace has also demonstrated that federal taxpayer dollars are not needed to ensure adequate media coverage of news events. These two developments ensure that Congress can end funding for CPB. In fact, such a move will result in a stronger NPR and PBS that is not micromanaged by politicians and subject to political agendas. NPR and PBS could finally compete with other media outlets on equal footing.

PBS asserts on its website that it provides "more local stories, independent journalism, arts and culture to Americans than any other media enterprise. In addition, PBS is closing the achievement gap in schools and changing the face of classroom learning."[2519] Removing federal appropriations will not lessen, but increase the "independence" of PBS and, hopefully, increase its effectiveness and popularity.

As our national debt continues to increase, Congress must prioritize taxpayer funds for only national priorities. It is time for Congress to end appropriations for public media outlets and let them compete as independent entities.

[2514] NPR, *Public Radio Finances*, http://www.npr.org/about/aboutnpr/publicradiofinances.html
[2515] National Public Radio, *Consolidated Financial Statements: Year Ended September 30, 2009*, http://www.npr.org/about/aboutnpr/statements/fy2009/2009_LA_NPR_Cons.pdf
[2516] Jack Shafer, *Kill NPR To Save It: The best way to end Republican meddling*, Slate.com (October 25, 2010) http://www.slate.com/id/2272284/pagenum/all/#p2 .
[2517] Corporation for Public Broadcasting, *Who Pays for Public Media?*, http://www.cpb.org/aboutpb/faq/pays.html
[2518] Corporation for Public Broadcasting, Report of Independent Auditors, *Combined Statement of Financial Position September 30, 2009 and 2008*, http://www.cpb.org/annualreports/2009/images/stories/docs/CPB2009financialsFINAL.pdf
[2519] Pioneer Public TV website, "What is Pioneer," http://www.pioneer.org/pioneerandPBS.php.

CPB currently receives well over $400 million annually in funding from Congress. Elimination of this funding would result in savings **of $5.6 billion over the next ten years** and allow NPR and PBS to continue to exist as true independent media sources.
Estimated Ten-Year Savings: $5.6 billion[2520]

National Archives and Records Administration (NARA). The National Archives and Records Administration was created in 1934 to centralize the federal government's record-keeping underneath a single federal official, the Archivist of the United States.[2521] Its duties are numerous, but can be broadly categorized as administering "regional archives, Federal records centers, Presidential libraries, the Federal Register, and the National Historical and Publications Commission."[2522] This includes managing presidential records following each administration. According to NARA, while it collects an enormous volume of documents each year, it preserves in perpetuity only approximately one to three percent of the most important ones.

The budget for NARA in 2010 was $457 million,[2523] representing a 40 percent increase in just four years. While most of this goes towards salaries, facilities and information technology, some of the larger line items included $85.5 million for the Electronic Record Archive and $13 million for the National Historical Publications and Records Commission grant program.[2524] Unfortunately, both of these items have in recent years come under criticism for poorly using taxpayer dollars.

The Electronic Records Archive (ERA) is a massive project NARA undertook in 2001 to create a public portal for millions of electronic government records. Its primary challenge is to also do so in a way that will preserve the records even in the face of unknown technological advances. While ERA is an important and groundbreaking project, a January 2011 GAO report found mismanagement and that the project had "weaknesses in most areas."[2525] The result has been massive cost overruns; original estimates for development started at $317 million but since climbed as high as $1 billion.[2526] Part of the problem arose when NARA awarded a cost-plus contract to Lockheed Martin Corporation, but then continually changed its mind about what it

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[2520] Republican Study Commission, *Operation Offset: RSC Budget Options 2005* (September 2005), http://pol.moveon.org/images/operation_offset/operation_offset.htm.
[2521] Website of the National Archives and Records Administration, "National Archives History," (accessed July 13, 2011), http://www.archives.gov/about/history/.
[2522] Website of the National Archives and Records Administration, "National Archives History," (accessed July 13, 2011), http://www.archives.gov/about/history/.
[2523] National Archives and Records Administration, 2012 Budget request, http://www.archives.gov/about/plans-reports/performance-budget/2011/2012-performance-budget.pdf.
[2524] National Archives and Records Administration, 2012 Budget request, http://www.archives.gov/about/plans-reports/performance-budget/2011/2012-performance-budget.pdf.
[2525] Government Accountability Office, "Electronic Records Archive: National Archives Needs to Strengthen Its Capacity to Use Earned Value Techniques to Manage and Oversee Development," GAO-11-86, January 2011, http://www.gao.gov/new.items/d1186.pdf.
[2526] Government Accountability Office, "Electronic Records Archive: National Archives Needs to Strengthen Its Capacity to Use Earned Value Techniques to Manage and Oversee Development," GAO-11-86, January 2011, http://www.gao.gov/new.items/d1186.pdf.

wanted. As the requirements shifted, the result was delay in the project by more than three and a half years.[2527]

NARA has struggled also to manage the records it already has. An October 2010 GAO report found that, "NARA has a large and persistent backlog of records on paper and other media needing preservation actions."[2528] Though the backlog has been a problem for years, NARA has accomplished little in reducing it.

The agency's most popular grant program, administered by the National Historical Publications and Records Commission (NHPRC), has also come into question. NHPRC grants have been used to help archiving projects of note, but its funding has in some instances been misused. A recent inspector general audit of a $762,320 grant to help the Supreme Court Historical Society (SCHS) produce *The Documentary History of the Supreme Court of the United State, 1789-1800* found problems even with this important and well-regarded project: "Thus, while SCHS successfully published the final two volumes of *The Documentary History of the Supreme Court of the United States, 1789-1800* project, receiving favorable editorial reviews, we questioned the entire federal grant award of $762,320 because timesheets were not maintained to support/document labor costs incurred by SCHS."[2529]

Cap Funding for ERA at $567 Million for Development. NARA's management difficulties require that total funding for this project be capped to ensure that ERA funding is used effectively. This proposal would cap the amount for development at $567 million, which tracks with NARA's current estimate for this phase. GAO projects it could cost up to $1 billion. Capping the cost at this level will require better management get the project back on track.
Estimated Ten-Year Savings: $433 million

Reduce NHPRC Funding by 50 Percent. NHPRC has been funded at $13 million over the past two years, and reducing this program by 50 percent would effectively return the program to 2007 levels.
Estimated Ten-Year Savings: $72.1 million

Federal Communications Commission. The Federal Communications Commission ("FCC" or "Commission") regulates interstate and international communications by radio, television, wire, satellite, and cable in all 50 states, the District of Columbia and U.S. territories. The FCC was established by the Communications Act of 1934.[2530] The Commission is an independent federal agency, but its five members are appointed by the President and confirmed by the Senate. Its mission is to ensure that the American people have available, at reasonable cost and without

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[2527] Government Accountability Office, "Electronic Records Archive: National Archives Needs to Strengthen Its Capacity to Use Earned Value Techniques to Manage and Oversee Development," GAO-11-86, January 2011, http://www.gao.gov/new.items/d1186.pdf.
[2528] Government Accountability Office, "National Archives and Records Administration: Oversight and Management Improvements Initiated, but More Action Needed," October 2010, GAO-11-15, http://www.gao.gov/new.items/d1115.pdf.
[2529] National Archives and Records Administration, Office of Inspector General, OIG Report No. 10-01, National Historical Publications and Records Commission Grant No. 2004-026 Supreme Court Historical Society, October 26, 2009, http://www.archives.gov/oig/pdf/2010/audit-report-10-01.pdf.
[2530] Federal Communications Commission, *What We Do*, http://www.fcc.gov/what-we-do.

discrimination, rapid, efficient, nation- and world-wide communication services.[2531] The Commission's 2010 budget was $335.7 million, and for FY2012, the FCC requested a budget of $354 million.[2532]

The FCC faces a number of complex challenges, but has struggled to manage in an effective way its high-cost programs. At the same time, other FCC programs are antiquated and unnecessary. For these, spending should be dramatically reduced.

Terminate Funding for the Telecommunications Development Fund ("TDF"). In 1996, Congress created the TDF to promote access to capital for small businesses, enhance competition in the telecommunications industry, and improve the delivery of telecommunications services to rural areas. TDF is funded by interest earnings from deposits on spectrum auctions. Since 1996, TDF has collected over $100 million in interest that could have been used to pay down the national deficit. The Administration recently proposed that for FY2012, TDF receive no additional funding because the "program has not had a significant impact on its statutory goals and has generally experienced losses on the funds that it has invested in telecommunications firms. Ending funding for TDF would save $7 million in 2012 and $70 million over the next ten years.[2533]

Estimated Ten-Year Savings: $70 million

Extend the FCC's Authority to Auction Licenses for the Use of Remaining Radio Spectrum. Since 1993, the FCC has raised approximately $55 billion through its authority to assign radio spectrum licenses by competitive bidding. We recommend the FCC's authority to conduct incentive auctions for spectrum space through 2021. The FCC authority will be predicated on a spectrum analysis of remaining spectrum, and the sale of all remaining space except for Block D. Auctions must be conducted within the next ten years and allow for multiple winning bids, with revenue maximization and competition as the guiding forces in setting up these auctions. Further, the FCC should transition towards a spectrum property rights model over this duration that enables companies to sell spectrum it has acquired. These actions will have a two-fold beneficial effect on the deficit reduction. Not only will the Treasury collect upwards of $20 billion in receipts from the auctions that will be used to reduce the deficit, but expansion and increased efficiency use of the spectrum will result in higher economic activity and tax

[2531] Federal Communications Commission, Fiscal Year 2012 Budget Estimates Submitted to Congress February 2011, Summary of Request, http://transition.fcc.gov/Daily_Releases/Daily_Business/2011/db0214/DOC-304636A1.pdf.

[2532] Federal Communications Commission, 2012 Budget Request, http://transition.fcc.gov/Daily_Releases/Daily_Business/2011/db0214/DOC-304636A1.pdf.

[2533] Office of Management and Budget, Fiscal Year 2012 Terminations, Reductions, and Savings, Budget of the U.S. Government, Termination: Telecommunications Development Fund, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf.

revenues.[2534] The auctioning off unused radio spectrum is estimated to increase revenue by $20 billion, according to White House estimates.[2535]
Estimated Ten-Year Revenues: $20 billion

Federal Election Commission (FEC). The Federal Election Commission is a bi-partisan independent regulatory agency created by Congress in 1975 to administer and enforce the Federal Election Campaign Act ("FECA")[2536] – the statute that governs the financing of federal elections. The duties of the FEC are to disclose campaign finance contributions, enforce provisions of FECA (such as limits and prohibitions on contributions), and to oversee the public funding of Presidential Elections.[2537] The Commission's FY2010 Budget was $66 million, and it currently has 353 Full-Time Employees.[2538]

The FEC's informational, educational, and disclosure efforts are accomplished primarily through the FEC website, which has received over 100 million hits every year since 2004, and is expected to receive over 200 million in 2012.[2539] In addition to listing all relevant campaign finance laws, the website provides guidance on all aspects of campaign financing, as well as making available all information from required disclosure documents. The robust nature of the website, along with the FEC's ability to convey guidance through its new YouTube channel, "FECtube,"[2540] calls into question the need for the Commission to continue hosting multiple conferences a year around the country, as well as the printing and publishing costs of guidance documents that are available to campaigns online free of cost.

Where enforcement is concerned the Commission, previously criticized as "toothless" and "designed to deadlock" by the *Washington Post*,[2541] appears more troubled now than ever. The longest serving current FEC Commissioner, Ellen Weintraub, even questioned the strength of the Commission at a recent public meeting, saying "The notion that we are a fierce investigative agency that people are quaking in their boots about is probably not the case. If it ever was the case, it certainly is not today."[2542] While the Commission claims credit for reviewing over 50,000 campaign finance reports, amendments, and statements en route to a 100 percent review of submitted documents for 2010, the average fine levied against campaigns, parties, and

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[2534] Gross, Grant, ComputerWorld, *Spectrum incentive auctions would raise big bucks, say trade groups* (February 15, 2011), http://www.computerworld.com/s/article/9209498/Spectrum_incentive_auctions_would_raise_big_bucks_say_trade_groups_?taxonomyId=15&pageNumber=1.
[2535] The White House, *President Obama Details Plan to Win the Future through Expanded Wireless Access* (February 10, 2011) http://www.whitehouse.gov/the-press-office/2011/02/10/president-obama-details-plan-win-future-through-expanded-wireless-access.
[2536] 2 U.S.C. § 431
[2537] "About the FEC." Federal Election Commission website. http://www.fec.gov/about.shtml.
[2538] Federal Election Commission. FY2010 Performance and Accountability Report, http://www.fec.gov/pages/budget/fy2010/par_2010.pdf.
[2539] Federal Election Commission. FY2012 Congressional Budget Justification. http://www.fec.gov/pages/budget/fy2012/FY_2012_Cong_Budget_Justification_final.pdf.
[2540] FECtube video channel. Available at http://www.youtube.com/user/FECTube.
[2541] "Toothless Watchdog." *The Washington Post.* December 28, 2008. Available at http://www.washingtonpost.com/wp-dyn/content/article/2008/12/27/AR2008122700978.html.
[2542] Knott, Alex. "FEC Falls Short on Enforcement, Commissioner Says." *Roll Call.* May 27, 2011., http://www.rollcall.com/news/FEC_falls_short_enforcement_commissioner_Weintraub-206027-1.html.

political action committees for violations has dropped from $180,000 to $42,000 since 2006.[2543] The commission has not conducted more than 20 campaign or PAC audits in a year since 2007, a time-span that has also seen the number of conciliation agreements has dropped from 91 to 29.[2544] In order for the Campaign Finance laws to be taken more seriously by all parties involved, enforcement has to be more rigid and will be better conducted by trial attorneys with the full force of the Department of Justice behind them.

Discontinue FEC sponsored conferences outside the Washington, DC Metro Area. The use of videoconferencing and FECtube have rendered in-person FEC-hosted conferences around the country unnecessary. Campaign officials have no shortage of ways to communicate with the Commission. This should reduce overall agency travel costs by 75 percent.[2545]

Estimated Ten-Year Savings: $3.3 million

Discontinue printing and distribution of election law guidance and compliance documents. The Commission no longer needs to print and distribute its guidance for campaigns when they can just as easily download the information from the Commission's website. This should reduce agency printing and postage costs by 75 percent.[2546]
Estimated Ten-Year Savings: $1.4 million

Reduce remaining budget by 30 percent. In accordance with cuts recommended at other independent agencies, we recommend a 30 percent across the board budget reduction.
Estimated Ten-Year Savings: $210 million.

General Services Administration (GSA). GSA provides office space to more than one million federal employees in more than 9,600 owned or leased buildings, and offers more than 12 million products and services to other federal agencies.[2547] It was established to harness the purchasing power of the federal government and to handle a number of administrative matters common to every agency.

As government grows, it becomes all the more important for agencies' procurement efforts to be tracked, coordinated in order to build efficiencies and purchase in bulk whenever possible. To produce cost savings, GSA should ensure that the federal government is getting the best price for products. GSA's success in this area, though, has been mixed, and the government frequently overpays even for basic items. Product prices that agencies can access in the GSA catalogue are "ceilings" rather than the best price, and can lead to spending more than necessary. The problem is that GSA negotiates a "ceiling price" from which agencies may further negotiate, limiting the

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[2543] Lach, Eric. "FEC Commissioner Laments: We're Not Even Considered Toothless." *Talking Points Memo,* http://tpmmuckraker.talkingpointsmemo.com/2011/05/fec_commissioner_laments_were_not_even_considered.php.
[2544] Lach, Eric. "FEC Commissioner Laments: We're Not Even Considered Toothless." *Talking Points Memo,* http://tpmmuckraker.talkingpointsmemo.com/2011/05/fec_commissioner_laments_were_not_even_considered.php.
[2545] Federal Election Commission. FY2012 Congressional Budget Justification. http://www.fec.gov/pages/budget/fy2012/FY_2012_Cong_Budget_Justification_final.pdf.
[2546] Federal Election Commission. FY2012 Congressional Budget Justification. http://www.fec.gov/pages/budget/fy2012/FY_2012_Cong_Budget_Justification_final.pdf.
[2547] General Services Administration, FY 2010 Summary of Performance and Financial Information, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/gsa.pdf.

effectiveness of federal purchasing power. GSA should eliminate the practice of price ceilings and negotiate the lowest price possible.

Freeze funding for construction and acquisition of new buildings for five years. The federal government has an unacceptable amount of excess and underutilized federal real property due to mismanagement by agencies and political pressures from Congress. This glut of unneeded property is costing the American taxpayer dearly; to the tune of $1.7 billion annually to operate and maintain.[2548] The government should freeze construction of new office space until the current real property backlog is cleared out. This proposal calls for a five year freeze in funding for construction and acquisition of federal buildings, which was funded at $813 million in FY 2010.[2549] The President has proposed a civilian Base Realignment and Closure (BRAC) process that if enacted may be able to reduce the majority of the unneeded and mismanaged property. If at the end of five years significant problem still exist, Congress should continue to withhold funding for new buildings. **Estimated Ten-Year Savings: $4.7 billion**

Presidio Trust. The Presidio Trust was established to manage the hundreds of houses, office building and other facilities that make up the former Presidio military base in San Francisco, Calif.[2550] One of the oldest military posts in the United States, the 1,491-acre Presidio was in continuous use from 1776 to 1994, first by the Spanish, then by Mexican forces, and finally by the United States.[2551] The Presidio was transferred to the U.S. Park Service in 1994, and the Trust was established by federal law two years later.[2552] The Trust has received millions in taxpayer dollars every year since then, although the law creating it established a sunset of 2013 for federal funding.[2553] In 2012, President Obama requested $12 million for the Presidio Trust.[2554]

End Funding for the Presidio Trust. While the Presidio has undoubted historic importance, it has developed healthy revenue from private sources. In light of the nation's more pressing economic priorities, this recommendation would zero out funding to the Presidio for 2012, a year before its enacting legislation required it to stand on its own.
Estimated Ten-Year Savings: $12 million.

Woodrow Wilson International Center for Scholars. The Wilson Center is a congressionally-charted non-profit organization founded in 1968, and today is "engaged in the study of national and world affairs." Funding is provided every year by a combination of federal and private

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[2548] Government Accountability Office, "Federal Real Property: Progress Made on Planning and Data, but Unneeded Owned and Leased Facilities Remain", April 6,2011, http://www.gao.gov/products/GAO-11-520T.
[2549] Garrett Hatch, Congressional Research Service, Financial Services and General Government (FSGG): FY2011 Appropriations, July 11, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41340&Source=search#_Toc298253720.
[2550] Office of Management and Budget, "The Appendix, Budget of the United States Government, Fiscal Year 2012," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/oia.pdf.
[2551] "Presidio History," Presidio Trust website, http://www.presidio.gov/history/history/, accessed July 14, 2011.
[2552] "Post to Park (1994-Present)", Presidio Trust website, http://www.presidio.gov/history/history/park.htm, accessed July 14, 2011.
[2553] Government Printing Office, "Public Law 104-333," http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=104_cong_public_laws&docid=f:publ333.104, accessed July 14, 2011.
[2554] Office of Management and Budget, "The Appendix, Budget of the United States Government, Fiscal Year 2012," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/oia.pdf.

sources, with the federal portion reaching $12.25 million in both 2010 and 2011.[2555] The work of the center is to bring together policy makers, journalists, business leaders and others for discussion, and it also provides up to 23 fellowships a year worth up to $85,000 for public policy research.[2556] While this is a valuable endeavor, countless private think tanks, academic institutions, new organizations and businesses already provide avenues for this form of research and discussion.

Reduce Federal Funding for the Woodrow Wilson International Center for Scholars by 30 Percent. The government should end future payments to the Woodrow Wilson International Center, which would save $12.25 million in the first year. The Wilson Center has demonstrated a strong ability to raise private finances, as demonstrated by its dozens of private and corporate donors, and does not require federal funding. In 2009 alone, the center received four non-federal contributions well over $1 million, as well as donations over $100,000 from AT&T, BAE Systems, the Ford Foundation, United Airlines, Exxon Mobil, Chevron and Morgan Stanley.[2557] The foundation's net assets at the end of 2009 were over $114 million.[2558] Former President Lee Hamilton was paid a significant salary in 2009, earning over 412,000 and exceeding the salary of the President of the United States.[2559] Hamilton has since been succeeded in his position by former congresswoman Jane Harman.[2560] A 30 percent reduction would yield $3.8 million in savings for the first year.

Estimated Ten-Year Savings: $40.8 million

Marine Mammal Commission (MMC). The Marine Mammal Commission (MMC) is an independent federal agency that provides oversight of the marine mammal conservation policies and programs being carried out by National Marine Fisheries Service and U.S. Fish and Wildlife Service but does not have management responsibilities.[2561] The MMC also carries out a small research program focused on conservation efforts. While priority is given to research projects less likely to be funded by traditional research agencies, this small program funds research projects that could be covered under other larger programs within NOAA's National Marine Fisheries Service or should not be funded. [2562]

[2555] Website of the Woodrow Wilson International Center for Scholars, 2012 budget request, http://www.wilsoncenter.org/FederalBudgetRequest2012.pdf.
[2556] Website of the Woodrow Wilson International Center for Scholars, "Fellowships @ The Wilson Center 2012-2013," (accessed July 14, 2011), http://www.wilsoncenter.org/index.cfm?fuseaction=fellowships.welcome.
[2557] Woodrow Wilson International Center for Scholars, Annual Report, "The Year in Review: October 1, 2009-September 30, 2010," http://www.wilsoncenter.org/about/WWC_AR09-10.pdf.
[2558] Woodrow Wilson International Center for Scholars, Annual Report, "The Year in Review: October 1, 2009-September 30, 2010," http://www.wilsoncenter.org/about/WWC_AR09-10.pdf.
[2559] Tax form 990 for the Woodrow Wilson International Center for Scholars for 2009, http://www.wilsoncenter.org/990.pdf.
[2560] Website of the Woodrow Wilson International Center, Press Release, "Representative Jane Harman (D-Calif.) to Lead the Woodrow Wilson International Center for Scholars," February 8, 2011, http://www.wilsoncenter.org/index.cfm?fuseaction=news.item&news_id=652324.
[2561] Website of the Marine Mammal Commission, (accessed July 14, 2011), http://www.mmc.gov/about/welcome.shtml.
[2562] Marine Mammal Commission Website, "The Commission's Research Program," http://www.mmc.gov/research/welcome.shtml.

The Commission consists of three members who are nominated by the President and confirmed by the Senate and is assisted in its work by a nine-member Committee of Scientific Advisors on Marine Mammals, one special advisor and 13 staff members. The total agency budget was $3.2 million in FY2011 to pay for the salaries of this staff and for research projects like "Compilation and analyses of photographs of Irrawaddy dolphins in the Mekong River."[2563] [2564]

Reduce Funding for the Marine Mammal Commission. President Obama recommends decreasing funding for this commission to $3 million this year.[2565] This budget recommends eliminating its duplicative research component and decreasing annually appropriations to $2 million, saving taxpayers $1 million in FY12 and $10 million over ten years.
Estimated Ten-Year Savings: $10 million

Federal Trade Commission. The Federal Trade Commission ("FTC") maintains that its jurisdiction extends to both protecting consumers and maintaining economic competition. The FTC "enforces the laws that prohibit business practices that are anticompetitive, deceptive, or unfair to consumers, and seeks to do so without impeding legitimate business activity."[2566] While the FTC has occupied an historic building on Pennsylvania Avenue in Washington, D.C. for more than 70 years, Rep. John Mica (R-Fla.) recently introduced legislation to move the FTC to another building and give the former FTC space to the National Gallery of Art to use as an Annex. The FTC Commissioners argued the proposal "'could impose additional costs on the American taxpayer from the need to replicate important functions of the FTC in a new building,' including construction of courtrooms and replacement of infrastructure." [2567] The Commissioners, in fact, are correct; it will cost the American taxpayer, over $20.2 million to be exact.[2568]

Leave FTC Office in Current Location. In the FTC 2012 budget, FTC requests $20.2 million in additional funding for costs associated with the move.[2569] The FTC should stay where it is.
Estimated cost savings: $20.2 million

FINANCIAL REGULATORY AGENCIES

Securities and Exchange Commission (SEC). The SEC is an independent federal agency established pursuant to the Securities Exchange Act of 1934.[2570] It is headed by a bipartisan

[2563] Congressional Research Service, "Commerce, Justice, Science, and Related Agencies: FY2012 Appropriations," May 12, 2011, (R41721), http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41721&Source=search.
[2564] Marine Mammal Commission Website, "The Commission's Research Program," http://www.mmc.gov/research/welcome.shtml.
[2565] Congressional Research Service, "Commerce, Justice, Science, and Related Agencies: FY2012 Appropriations," May 12, 2011, (R41721), http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41721&Source=search.
[2566] Federal Trade Commission, *Fiscal Year 2012 Congressional Budget Justification Summary*, http://www.ftc.gov/ftc/oed/fmo/budgetsummary12.pdf.
[2567] Jacqueline Trescott, Plans for National Gallery of Art Annex Gains Traction, Washington Post (February 17, 2011), http://www.washingtonpost.com/wp-dyn/content/article/2011/02/17/AR2011021706601.html.
[2568] Federal Trade Commission, *Fiscal Year 2012 Congressional Budget Justification Summary*, http://www.ftc.gov/ftc/oed/fmo/budgetsummary12.pdf.
[2569] Federal Trade Commission, *Fiscal Year 2012 Congressional Budget Justification Summary*, http://www.ftc.gov/ftc/oed/fmo/budgetsummary12.pdf.
[2570] 15 U.S.C. § 78(a) et. seq.

five-member Commission, comprised of the Chairman and four Commissioners, who are appointed by the President and confirmed by the Senate. The Chairman serves as the CEO. The SEC is organized into five main divisions: 1) Enforcement; 2) Corporation Finance; 3) Investment Management; 4) Trading and Markets; and 5) Risk, Strategy, and Financial Innovation. The SEC's headquarters are in Washington, D.C., and it has 11 regional offices located throughout the country.

In FY 2010, the SEC budget was $1.57 billion, consisting of current-year offsetting collections in the amount of $1.1 billion, $452 million for a one-time payment for a new SEC Investor Protection Fund (designed to compensate Wall Street whistleblowers), and $24 million in funds carried over from prior fiscal years.[2571] In FY 2010, the agency employed 3,748 Full-time Equivalents (FTE), including 3,664 permanent and 84 temporary FTE's.[2572]

Eliminate the Investor Protection Fund. The Investor Protection Fund, created by the 2010 Dodd-Frank bill, provides funding for a whistleblower award program, in which the SEC will make award payments from the Fund to eligible people who voluntarily provide "original information" to the SEC "leading to" successful enforcement of a judicial or administrative action in which monetary sanctions exceeding $1 million are imposed.[2573] The SEC has discretion to reward between 10 percent and 30 percent of the monetary sanctions to the whistleblower, and the fund would be financed in the future by transferring a portion of monetary sanctions collected by the SEC in judicial and administrative actions. The SEC already receives thousands of tips every year without a financial incentive – continuing this fund is unnecessary and could unintentionally encourage profit-seeking employees to undermine companies' internal compliance efforts for their own gain.
One-time savings of $452 million

Commodity Futures Trading Commission (CFTC). The CFTC is an independent federal agency established pursuant to the Commodity Futures Trading Commission Act of 1974.[2574] It is headed by a bipartisan five-member Commission, comprised of the Chairman and four Commissioners, who are appointed by the President and confirmed by the Senate. The Chairman serves as that CEO. The CFTC is organized into three main divisions: Market Oversight; Clearing and Intermediary Oversight; and Enforcement. The CFTC's headquarters are in Washington, D.C. and it has 3 regional offices located in Chicago, Kansas City, and New York. In FY 2010, the CFTC had a budget of $168 million and employed 605 FTE's.[2575]

Merge the SEC With the CFTC to Eliminate Overlap and Duplication in Regulation. Financial markets are complicated entities, as are the instruments they produce. Modern financial markets and products are regulated by a messy cross-stitching of federal, state, local, and industry rules

[2571] Securities and Exchange Commission, FY 2010 Performance and Accountability Report, http://www.sec.gov/about/secpar/secpar2010.pdf#2010review .
[2572] Securities and Exchange Commission, FY 2010 Performance and Accountability Report, http://www.sec.gov/about/secpar/secpar2010.pdf#2010review.
[2573] Securities and Exchange Commission, FY 2010 Performance and Accountability Report, http://www.sec.gov/about/secpar/secpar2010.pdf#2010review.
[2574] 7 U.S.C. §1 et. seq.
[2575] Commodities Futures Trading Commission, FY 2010 Performance and Accountability Report, http://cftc.gov/ucm/groups/public/@aboutcftc/documents/file/2010par.pdf

that lead to significant confusion and decrease transparency, efficiency, and fairness for investors. This patchwork has developed reactively over time and fails to account for the realities of modern financial instruments, which share many characteristics and are frequently traded across markets by the same financial institutions. We must devise a more sensible, consistent, and predictable federal system for regulating our financial markets if we want them to remain the envy of the world.

A merger between the SEC and CFTC would eliminate much of the confusion that currently exists in the market as it relates to regulatory oversight of financial products. This problem is not new, and until now has been dealt with by a series of inter-agency agreements and federal court rulings. Recent developments in financial markets and new instruments, however, have intensified the amount of confusion, overlap, and turf battles between the two regulators.

Past fights over jurisdiction have come with heavy costs; lawyers from the agencies have spent enormous agency resources fighting each other for turf rather than regulating the markets, resulting in large inefficiencies and costs arising from delayed action. A GAO report from April, 2010, captures the ongoing problem of overlap:

> As early as the 1970s, however, the emergence of derivative products with characteristics of both futures and securities led to periodic disputes concerning which agency should have regulatory jurisdiction over certain new products. These jurisdictional disputes have at times consumed significant agency resources and resulted in lengthy delays in introducing product innovations to the markets. Moreover, the futures and securities markets have increasingly overlapped in terms of market participants, raising concerns about duplicative or inconsistent regulation of entities that engage in similar activities. Despite efforts by CFTC and SEC in recent decades to resolve these issues, concerns about remaining overlaps, gaps, and inconsistencies in their oversight have led to calls for a merger of the two agencies, or absent a merger, greater harmonization of their regulatory approaches.[2576]

In January of 2009 Treasury officials unveiled a plan to reform oversight of the financial markets, much of which was enacted into law in the form of the Dodd-Frank legislation. Contained within the plan was a proposed merger between the SEC and the CFTC. SEC Commissioner Luis Aguilar publicly supported the plan during a speech in early 2009.

> This merger makes sense . . . For many years, market participants and regulators have not been entirely certain about whether certain products were subject to SEC or CFTC jurisdiction. An SEC-CFTC merger would answer the question of "who" regulates financial services, market participants, and products.[2577]

[2576] Government Accountability Office, "Financial Regulation: Clearer Goals and Reporting Requirements Could Enhance Efforts by CFTC and SEC to Harmonize Their Regulatory Approaches," GAO-10-410, April 2010, http://www.gao.gov/new.items/d10410.pdf.

[2577] Speech by SEC Commissioner Luis A. Aguilar, "Empowering the Markets Watchdog to Effect Real Results," January 10, 2009, http://www.sec.gov/news/speech/2009/spch011009laa.htm.

Since then, SEC Chairman Mary Schapiro and SEC Commissioner Elisse Walter have also opined publicly that the two agencies should be merged, Schapiro in testimony before the Banking Committee and Walter at a conference late in 2009 when she said the agencies' jurisdictions have grown "increasingly indistinguishable."[2578] Even would be subjects of regulation applauded the proposed merger. Robert Greifeld, the CEO of Nasdaq, said it was long overdue, noting "Two different agencies with two very different approaches essentially monitor the same securities."[2579]

Despite the enthusiasm for a merger from many interested parties, the language in question was removed from the final version of the Dodd-Frank bill that passed.

On October 16, 2009, the two agencies instead issued a joint report on "Harmonization of Regulation."[2580] This was a plan for how to move forward in such a way that the regulations issued by both agencies did not trip over one another. Again, the two agencies on May 11, 2010 formed a joint "Advisory Committee on Emerging Regulatory Issues", made up of largely of former SEC and CFTC leadership.[2581] Both efforts have come as officials from the two agencies recognize the need to eliminate confusion over their respective roles.

A merger of the two agencies will not only provide stability to securities and futures markets by lowering compliance costs and decreasing confusion, it will save taxpayers significant amounts of money in administration and personnel costs.
Estimated Ten-Year Savings: 2.82 billion

INDEPENDENT AGENCIES TEN YEAR SAVINGS
Discretionary: $48.89 billion
Total: $48.89 billion

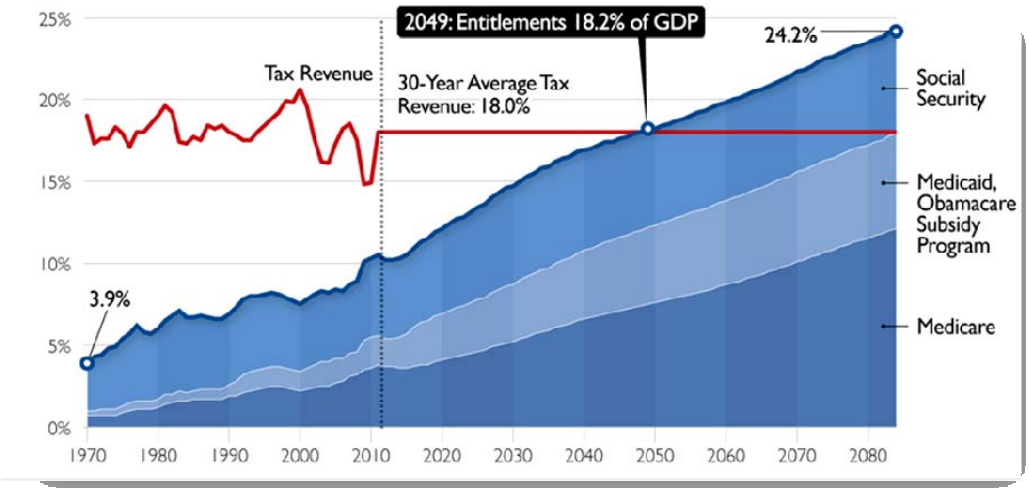
[2578] Westbrook, Jesse, "SEC Should Police Swaps, Merge With CFTC, Walter Says," *Bloomberg*, March 2, 2009, http://www.bloomberg.com/apps/news?pid=newsarchive&sid=ajEyt7d_5xoY&refer=home. *See also* "Plans and Prospects for Financial Regulatory Reform" at http://www.sec.gov/news/speech/2010/spch042310ebw.htm, calling the dividing line between the agencies "arbitrary and illogical."
[2579] Younglai, Rachelle, "SEC needs to merge with CFTC: Nasdaq CEO," *Reuters*, January 8, 2009, http://www.reuters.com/article/idUSTRE5077FW20090108.
[2580] A Joint Report of the SEC and the CFTC on Harmonization of Regulation, http://www.sec.gov/news/press/2009/cftcjointreport101609.pdf.
[2581] SEC Website, "Joint CFTC-SEC Advisory Committee on Emerging Regulatory Issues", http://www.sec.gov/spotlight/sec-cftcjointcommittee.shtml.

MEDICARE AND MEDICAID

Medicare and Medicaid provide health insurance coverage to approximately 90 million Americans. Of this, Medicare provides health insurance coverage for 45 million Americans, most of whom are senior citizens,[2582] while Medicaid covers more than 55 million low-income Americans.[2583] Nine million Americans are enrolled in both programs.[2584] Together, they provide health care coverage for approximately one in five Americans and, along with Social Security, make up the backbone of the federal safety net.

The costs of health-entitlement programs are increasing so dramatically, however, the non-partisan Congressional Budget Office (CBO) concludes "the single greatest threat to budget stability is the growth of federal spending on health care."[2585]

Medicare and Medicaid will cost taxpayers roughly $1 trillion this year alone. Unless reforms are enacted, entitlements are on track to consume *all tax revenues* before today's 25 year-olds are eligible for Medicare. The status quo is empirically unsustainable.



Based on data from the Congressional Budget Office, this chart from the Heritage Foundation demonstrates how entitlements are set to consume the entire U.S. budget. As The Heritage Foundation notes, "If the average historical level of tax revenue is extended, spending on Medicare, Medicaid and the [Patient Protection and Affordable Care Act] subsidy program, and Social

[2582] "Medicare," The Kaiser Family Foundation website, accessed July 17, 2011; http://www.kff.org/medicare/index.cfm .
[2583] "Medicaid/CHIP," The Kaiser Family Foundation website, accessed July 17, 2011; http://www.kff.org/medicaid/index.cfm .
[2584] "HHS offers new tools to help states lower Medicaid costs, provide better care," Department of Health and Human Services website, May 11, 2011; http://www.hhs.gov/news/press/2011pres/05/20110511a.html .
[2585] Congressional Budget Office, "The Budget and Economic Outlook, Fiscal Years 2010-2020," January 2010, http://www.cbo.gov/ftpdocs/108xx/doc10871/01-26-Outlook.pdf

Security will consume all revenues by 2049. Because entitlement spending is funded on autopilot, no revenue will be left to pay for other government spending, including constitutional functions such as defense."[2586]

The Government Accountability Office (GAO) estimates the federal 75-year funding gap – the difference between anticipated tax receipts and government spending – is a staggering $76.4 trillion. This is more than five times our current national debt. Entitlement spending alone accounts for more than 80 percent of that debt.[2587]

Given this grim projection, broad health-entitlement reform is a necessity, not a choice.

The reason for this straightforward: the programs' costs are higher than the money available for them. CBO estimates Medicare's Hospital Insurance Trust Fund will be financially insolvent in 2020, less than nine years from today. According to the 2011 Medicare Trustees' Report's worst-case scenario, the trust fund could be insolvent as early as 2016. The Trustees' report also notes the trust fund is expected to pay out more in benefits than it receives into its accounts from revenue in *all* future years.

Medicare and Medicaid consume one in five federal tax dollars. Unfortunately, not every dollar is spent on health care. Taxpayers lose an estimated $100 billion *a year* to waste, fraud and abuse in the two programs, which is the combined annual budget of three entire federal departments—Transportation, Homeland Security, and Housing and Urban Development.

GAO designated Medicare as a "high-risk" program in 1990, a designation reserved for a select group of programs particularly vulnerable to fraud, waste, abuse, and mismanagement. Medicaid was added in 2003. Medicare's improper payment rate for fiscal year 2010 was $48 billion, while Medicaid's was nearly $36 billion. The inefficiency of the management of these programs is costing taxpayers tens of billions every year and, as a result, siphoning dollars away from the care of needy patients.

Medicaid is a particular burden on states, consuming on average 22 percent of state budgets, according to a Fiscal Survey of the States. The National Governors' Association estimates that states are already facing a collective $175 billion budget shortfall in 2010 – the worst state budget crisis since the Great Depression. According to the CBO, states will be forced to spend another $60 billion on Medicaid through 2021, while another tally estimates the costs to state could reach at least $118 billion through 2023.

[2586] Heritage Foundation 2011 Budget Chart Book, "Entitlements Will Consume All Tax Revenues by 2049," http://www.heritage.org/budgetchartbook/entitlements-historical-tax-levels, accessed July 14, 2011.
[2587] Government Accountability Office, "Fiscal Pressures Could Have Implications for Future Delivery of Intergovernmental Programs," July 2010. http://www.gao.gov/new.items/d10899.pdf

Medicare And Medicaid Should Be Improved

The problems facing Medicare and Medicaid are not just about numbers and budgets, but also the quality of care delivered to the patients who depend upon the program. The right reforms will address both for the better.

Unfortunately, these troubled programs often deliver substandard care for patients. Nearly half of physicians do not accept Medicaid patients because the program's reimbursement rates are so low. Not surprisingly, patients on Medicaid have poorer health outcomes, higher rates of infant mortality and more complications after major surgery than individuals with no health insurance at all. Under current law, states do not have the necessary flexibility to make basic improvements to their programs. As a result, they are often forced to make drastic cuts to provider reimbursements, further limiting patients' access to care.

Millions of seniors have care delayed or denied because they cannot access a physician. The government-run Medicare payment process creates perverse incentives through a dizzying array of billing codes that often overpay for certain types of tests, but underpay for primary care. By default, the complexity of this government-run process puts politicians and bureaucrats in charge of deciding how much doctors get paid for their services and what services are covered.

Transfer Program Management of the Medicaid Program to the States

This proposal repeals the Medicaid expansion in Congress' wrong-headed health law and strengthens Medicaid's safety net for the poorest patients by transferring program management authority to the states. After decades of ineffective management of the program out of Washington, D.C., the proposal continues the federal partnership in the Medicaid program, but modernizes Medicaid's federal-state shared financing, saving federal taxpayers an estimated $770 billion over 10 years. States are freed from red tape and cumbersome, bureaucratic restrictions, thereby empowering them to provide care in a more efficient and cost-effective manner. States would be required to provide care for certain populations, but are given flexibility to negotiate with provider networks, design benefit packages, and coordinate care for the individuals and families in their state.

Reform Medicaid Payment for Transportation

The Department of Health and Human Services Office of the Inspector General (HHS OIG) "identified significant vulnerabilities to fraud and abuse in State nonemergency medical transportation programs."[2588]

The *Associated Press* reported a "federal audit estimates taxpayers paid between $700,000 and $1.6 million in 2005 alone for improper transportation of Medicaid patients in Milwaukee County. The payments went to Milwaukee-based American United Taxicab, which transports

[2588]Office of Inspector General, U.S. Department of Health and Human Services OIG: OEI-06-07-00320, "Memorandum Report: 'Fraud and Abuse Safeguards for State Medicaid Nonemergency Medical Transportation Services May 28th 2009," http://oig.hhs.gov/oei/reports/oei-06-07-00320.pdf, Page 4, accessed July 14, 2011.

Medicaid recipients to doctor's appointments as required under the program."[2589] Wisconsin was forced to repay $347,000 to the federal government for improper payments in the Medicaid program. [2590]

Another report revealed a New York a "woman took a daily $300 taxi ride to visit her son in Albany for three years -- and taxpayers picked up the tab."[2591]

This proposal would eliminate such blatant waste of scare federal resources by strengthening program integrity provisions and making changes to the payment of transportation.

Medicaid is improperly spending millions of dollars every year for cab rides. A New York woman, for example, took a $300 taxi ride to visit her son every day for three years

Reforms Payment Processes for Medicaid Personal Care Services

Personal care services are generally furnished to individuals residing in their homes rather than institutional care settings, such as hospitals or nursing facilities. Medicaid beneficiaries are authorized for personal care services by a physician in accordance with a plan of treatment or with a service plan approved by the individual State.

The HHS OIG found "eighteen percent of paid claims for Medicaid personal care services (PCS) in our universe totaling approximately $724 million were inappropriate because attendants'

[2589]Associated Press, "AP Newsbreak: Medicaid Patients Received Free Rides for Errands, November 21, 2008," http://www.wkowtv.com/Global/story.asp?S=9393850&nav=menu1362, Page 2.
[2590]Associated Press, "AP Newsbreak: Medicaid Patients Received Free Rides for Errands, November 21, 2008," http://www.wkowtv.com/Global/story.asp?S=9393850&nav=menu1362, Page 2.
[2591]Crowley, Cathleen, "Taxpayers Finance $196,000 ride Audit shows taxi cab bill among abuses of health care system for indigent", *Albany Times Union* , December 23rd , 2009, http://www.timesunion.com/AspStories/story.asp?storyID=880946&category=region.

qualifications were undocumented."[2592] Based on the sample results, the HHS OIG estimated a single state improperly claimed $41.7 million for unallowable Medicaid personal care services during a two-year period. These deficiencies occurred because the state did not have sufficient resources to adequately monitor the personal care services program for compliance with certain Federal and State requirements.

The HHS OIG recommended the state implement additional procedures and controls for monitoring the providers of personal care services for compliance with Federal requirements.[2593] This proposal strengthens program integrity provisions and makes changes to the payment of personal care services.

Enroll Low-Income Seniors in Medicaid Managed Care Organizations

Under current law, approximately nine million low-income seniors and disabled individuals are eligible for and enrolled in both Medicaid (based on income or disability status) and Medicare (based on age). This group is often referred to as "dual eligibles" – men and women who are who are dually eligible for both program.

Patients enrolled in both programs must navigate two systems to access services, and usually rely on Medicaid to pay premiums and cost-sharing under Medicare.

The President's bipartisan fiscal commission found "divided coverage for dual eligibles results in poor coordination of care for this vulnerable population and higher costs to both federal and state governments." The commission recommended "giving Medicaid full responsibility for providing health coverage to dual eligibles and requiring that they be enrolled in Medicaid managed care programs."

Many studies suggest better-managed care is less expensive. The Lewin Group published a report synthesizing 24 studies on the cost savings experience of states that have implemented managed care for their Medicaid populations. The report demonstrates managed care improves access and quality while at the same time yielding savings.

[2592] Office of Inspector General U.S. Department of Health and Human Services OIG Report: OIE-07-08-00430, "Inappropriate Claims for Medicaid Personal Care Services December 13th, 2010," http://oig.hhs.gov/oei/reports/oei-07-08-00430.asp, accessed July 14, 2011.

[2593] Office of Inspector General U.S. Department of Health and Human Services OIG Report: A-04-10-04003, "Review of Medicaid Personal Care Services Claims Submitted by Providers in North Carolina June 1, 2011," http://go.usa.gov/DEv, accessed July 14, 2011.

Some states have utilized managed care to cover some Medicaid patients, but significant opportunities for states still exist.

All managed care exclusions in federal law should be repealed, thereby enabling states to further expand managed care availability in Medicaid programs. Under this plan, as the Commission envisioned, Medicare would continue to cover its share of expenses, effectively reimbursing the Medicaid program, and federal taxpayers would win, saving an estimated $15 billion over 10 years.

Track High Prescribers and Utilizers of Prescription Drugs in Medicaid

States currently have the capability to implement monitoring systems for prescription drugs, but are not taking full advantage of these systems' potential benefits. President Obama's FY2012 budget proposed requiring the Department of Health and Human Services to track drug claims for indications of fraud, waste, or abuse by providers or beneficiaries and to take steps to reduce wasteful or abusive prescribing practices.[2594] Even though program authority should be transferred to states, under the continued federal-state Medicaid partnership, adopting this proposal could save taxpayers $3.45 billion over a decade.

Medicare Reforms

This proposal adopts a range of bipartisan and common-sense policy reforms to strengthen and save Medicare for current seniors and future enrollees.

Modernize Benefits, Protect Seniors From Financial Ruin

President Obama's bipartisan *National Commission on Fiscal Responsibility and Reform* noted, under current law, "Medicare beneficiaries must navigate a hodge-podge of premiums, deductibles, and copays that offer neither spending predictability nor protection from catastrophic financial risk." Medicare is so complicated that the "Medicare and You" handbook for beneficiaries is more than 130 pages long.[2595]

Because cost-sharing for most medical services is low, the benefit structure encourages over-utilization of health care. In place of the current structure, this proposal establishes a single combined annual deductible of $550 for Part A (hospital) and Part B (medical care), along with 20 percent uniform coinsurance on health spending above the deductible. This also provides catastrophic protection for

[2594]President's Budget for Fiscal Year 2012, "Terminations Reductions and Savings," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf, Page 191, accessed July 14, 2011.
[2595]U.S. Department of Health and Human Services Medicare 2011 Handbook, "Medicare and You," http://www.medicare.gov/publications/pubs/pdf/10050.pdf, accessed July 14, 2011.

seniors by reducing the coinsurance rate to 5 percent after costs exceed $5,500 and capping total cost sharing at $7,500.

The ability of Medicare cost-sharing to control costs – either under current law or as proposed above – is limited by the purchase of supplemental private insurance plans (often called "medigap plans") that piggyback on Medicare. The President's bipartisan Commission noted that "medigap plans cover much of the cost-sharing that could otherwise constrain over-utilization of care and reduce overall spending." This proposal also prohibits medigap plans from covering the first $500 of an enrollee's cost-sharing liabilities and limits coverage to 50 percent of the next $5,000 in Medicare cost-sharing. These changes improve Medicare and save $130 billion over 10 years.

Adjust Medicare's Eligibility Age for Increases in Longevity

The eligibility age for Medicare benefits is 65, although certain people qualify for coverage earlier because of disability. Since the creation of the Medicare program in 1965, life expectancy and the average length of time that people are covered by Medicare has risen dramatically. According to the Centers for Disease Control, when Medicare was passed in 1965, the average lifespan for Americans was 70.2. In 2006, the average lifespan for Americans was 77.7 – an increase of 10.6 percent. While this is a wonderful development, such an increase in the length of time an enrollee may be covered by Medicare has significantly raised the costs of the overall program.

This plan would increase Medicare's eligibility age by two months every year beginning with people who were born in 1949 (who will turn 65 in 2014) until the eligibility age reached 67 for people born in 1960 (who will turn 67 in 2027). Thereafter, the eligibility age would remain at 67. These increases are similar to those already under way for Social Security's full retirement age.[2596] This change saves $124 billion over 10 years. After the eligibility age increases to 67 for those attaining age 62 in 2027 or later, it is then indexed to life expectancy—so the eligibility age increases 1 month every two years, reaching 69 in 2080.

Apply Funds in the Medicare Improvement Fund toward Deficit Reduction

The Medicare Improvement Fund was created "to make improvements under the original Medicare fee-for-service program under Parts A and B for Medicare beneficiaries."[2597] This proposal uses these funds for deficit reduction, saving taxpayers $275 million.

[2596] Congressional Budget Office, "Budget Options Volume 1: Health Care, December 2008," http://www.cbo.gov/ftpdocs/99xx/doc9925/12-18-HealthOptions.pdf, Page 37, accessed July 14, 2011.
[2597] Hinda Chaikind, Jim Hahn, Paulette C. Morgan, and Jennifer O'Sullivan, "Summary of Major Provisions in House-Passed H.R. 6331, the Medicare Improvements for Patients and Providers Act of 2008," Congressional Research Service, June 25, 2008; http://aging.senate.gov/crs/medicare2.pdf .

Reduce Subsidies to Teaching Hospitals for Graduate Medical Education[2598]

Medicare currently provides supplemental funding to hospitals with teaching programs for costs related to residents receiving graduate medical education (GME) and indirect costs (IME). Based on analysis by the Medicare Payment Advisory Commission, taxpayers are currently overpaying teaching hospitals compared to the actual costs of GME and IME. This proposal brings payments in line with the costs of medical education. The President's bipartisan Fiscal Commission also recommended similar changes.[2599] These policy reforms save taxpayers more than $70 billion over 10 years.

Target Assistance to Those Who Need It Most

Many Americans think that payroll taxes they pay during their careers fund Medicare. However, a closer look at Medicare's financing shows general tax revenues are primarily used to foot the bill.

Only Medicare Part A (hospitals) is funded by the payroll taxes that are deducted from Americans' paychecks. Medicare Part B is supported by premiums (25 percent) and general tax revenue (75 percent). This means that seniors have their Medicare Part B coverage subsidized through general revenue tax dollars.

The Medicare drug program (Part D) was created in 2003 and began in 2006. But in 2010, 83 percent of total program costs were paid by general revenues, with just 11 percent of the program costs covered by beneficiary premiums.

Under Parts B and D, even wealthy Americans receive subsidized Medicare coverage through general revenue tax dollars. Wealthy individuals making more than $150,000 annually ($300,000 for couples) should pay the full cost of their Medicare Part B and D coverage. This reform saves an estimated $21 billion over 10 years, and ensures those with the most need will have access to the assistance they need.

The proposal also increases the newly created annual maximum out-of-pocket cap to higher levels for those with significant monetary means. This policy is consistent with the principle that wealthier Americans are going to need to pay more if Medicare is to become solvent. This change saves an estimated $5 billion.

[2598]Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options, March 2011," http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf, accessed July 14, 2011.
[2599]The National Commission on Fiscal Responsibility and Reform, "The Moment of Truth, December 2010," http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf, accessed July 14, 2011.

Ask All Seniors to Pay a Little More To Keep Medicare Solvent

Medicare Part B allows retirees to purchase insurance coverage for physicians' services for a set monthly premium. In 2011, the majority of Medicare enrollees paid a premium of $96.40 per month. But when the program began in 1966, the premium was intended to finance 50 percent of Part B costs per aged enrollee with the remainder funded by the federal government. Today however, general revenues still fund the remaining 75 percent of Medicare Part B, which puts enormous pressure on the federal budget year over year.

This proposal increases the basic Part B premium for all enrollees by 2 percent of program costs every year for five years until the premium level enrollees paid reached a minimum level of 35 percent of the program's cost in 2019. The dollar amount of the monthly premium increase per year would be, on average, approximately $15-20 a month. Additionally, this policy continues the "hold-harmless" policy that prevents a reduction of a beneficiary's Social Security check due to a Part B premium increase. If the Medicare Part B premium increase exceeds the Social Security recipient's cost-of-living adjustment, the total Medicare Part B increase would not be more than their total cost of living adjustment. This simple change could save Medicare more than $241 billion over a decade.

Increase Savings in Home Health Industry

CBO projects that the use of home health services, and the resulting costs to the Medicare program, will grow rapidly over the next 10 years, rising from approximately $23 billion in 2012 to $52 billion in 2021. This proposal accelerates some changes created by the Patient Protection and Affordable Care Act to incorporate productivity adjustments beginning in 2013 and directing the Department of Health and Human Services to phase in rebasing the home health prospective payment system by 2015 instead of 2017. Based on the recommendation of the President's bipartisan Fiscal Commission, this change saves an estimated $9 billion over 10 years.

End Medicare Payments of Uncollected Debts to Hospitals

Currently, Medicare reimburses hospitals and other providers for unpaid deductibles and copays owed by beneficiaries. In order for hospitals to be paid for unpaid deductibles and copays, the hospital must be able to establish that reasonable collection efforts were made, and there was no likelihood of recovery at any time in the future. This practice is not mirrored by the private sector, and is fiscally unsound while the Medicare program faces enormous shortfalls.

This proposal's establishment of an annual maximum-out-of-pocket coverage within Medicare should drastically reduce the need to reimburse hospitals for bad debt. Accordingly, and based on the recommendation of the President's bipartisan Fiscal Commission, this proposal phases out this subsidy for uncollected hospital debts by taxpayers, saving an estimated $23 billion over

10 years.

Allow Seniors to Opt-Out of Medicare Part A

Currently, seniors only receive their Social Security benefits if they are enrolled in Medicare Part A. Seniors should be allowed to opt out of Medicare Part A and still receive their Social Security benefits. By eliminating the link between the two programs, this proposal will restore seniors' personal liberty to maintain a health plan of their choice and allow seniors to save taxpayer dollars in the process. If just one percent of Medicare enrollees were to opt out taxpayers would save roughly $1.5 billion per year.

Adjust Medicare's Eye Surgery Fees to Reflect Services Actually Provided by Physicians

The Medicare program determines reimbursement for physicians' services based on an annual fee schedule. Various factors – such as a physicians' time, or the intensity of the work – go into a complicated payment formula in the fee schedule. The Office of the Inspector General (OIG) at the U.S. Department of Health and Human Services has found that the Medicare program is effectively overpaying for eye surgeries for seniors. The OIG concluded that Medicare paid more than $97 million more than it should have for surgeries. Based on the results of the OIG's nationwide audit of eye surgeries, this proposal makes the adjustments recommended by the OIG, saving taxpayers $97.6 million.[2600]

Prevent Improper Payments for Chiropractic Services Medicare Does Not Cover

Under current law, Medicare pays only for medically necessary chiropractic services, which are limited to active/corrective manual manipulations of the spine to correct subluxations. If a patient's improvement cannot be reasonably expected from ongoing care, chiropractic services are then not payable under Medicare.

The HHS OIG found "Medicare inappropriately paid $178 million for chiropractic claims in 2006, representing 47 percent of claims meeting [their] review criteria; (2) efforts to stop payments for maintenance therapy have been largely ineffective; (3) claims data lack initial visit dates for treatment episodes, hindering the identification of maintenance therapy; and (4) chiropractors often do not comply with documentation requirements."[2601]

[2600]Office of Inspector General U.S. Department of Health and Human Services, "Compendium of Unimplemented Recommendations, March 2011," http://oig.hhs.gov/publications/docs/compendium/2011/CMP-March2011-Final.pdf, accessed July 14, 2011.
[2601]Office of Inspector General U.S. Department of Health and Human Services, "Compendium of Unimplemented Recommendations, March 2011," http://oig.hhs.gov/publications/docs/compendium/2011/CMP-March2011-Final.pdf, accessed July 14, 2011.

The OIG has recommended that Medicare administrators "implement and enforce policies, such as a cap on allowed chiropractic claims, to prevent payments for maintenance therapy."

Medicare policies should be consistent and not pay for treatments not covered. This proposal implements OIG's recommendations, saving taxpayers an estimated $1.97 billion over 10 years.

Reduce the Rental Period for Home Oxygen Equipment

The Medicare program currently pays for a wide range of durable medical equipment, including home oxygen equipment. The program will pay for stationary oxygen concentrators and portable oxygen delivery systems, but portable oxygen delivery systems are covered on a rental-only basis for 36 months. After 36 months, Medicare discontinues payments to home oxygen suppliers.

However, over the period of eligibility for reimbursement, Medicare is paying much more to *rent* the oxygen equipment than it initially costs to *buy.*

The HHS OIG examined the median amount on the 2006 fee schedule and found that Medicare paid $7,215 for 36 months for oxygen equipment that cost, on average, $587 to purchase.[2602] Beneficiaries paid $1,443 themselves in coinsurance for the same equipment, but neither Medicare nor beneficiaries need to pay as much if Medicare payments were changed to reflect actual costs. Based on the OIG's analysis, reforming payment policy could be straightforward, as "minimal servicing and maintenance for concentrators and portable equipment are necessary."[2603]

The OIG's recommendations should be implemented limiting rental payments for oxygen concentrators to 13 months under a "rent-to-own" design, saving taxpayers an estimated $6.2 billion over 10 years.

[2602]Office of Inspector General U.S. Department of Health and Human Services, "Compendium of Unimplemented Recommendations, March 2011," http://oig.hhs.gov/publications/docs/compendium/2011/CMP-March2011-Final.pdf, Page 47, accessed July 14, 2011.
[2603]Office of Inspector General U.S. Department of Health and Human Services, "Compendium of Unimplemented Recommendations, March 2011," http://oig.hhs.gov/publications/docs/compendium/2011/CMP-March2011-Final.pdf, Page 47, accessed July 14, 2011.

Ensuring Proper Payments For Medical Equipment During Nursing Home Stays

Medicare has several parts that are financed differently and cover different types of services. For example, Medicare Part A covers patient services for home health and care seniors receive in hospitals and skilled facilities, while Medicare Part B covers doctor office visits.

Medicare Part A covers nursing home care for up to 100 days in a skilled nursing facility. If nursing home care is needed after the 100 days or the beneficiary did not qualify for a Part A skilled nursing facility stay, Medicare Part B may cover certain medical and other health services. However, in that case, Part B does not pay for durable medical equipment *unless* the nursing home qualifies as the beneficiary's home.

Yet, the number of cases in which Part B would pay for a senior's medical equipment is relatively small, because only a small number of nursing homes or distinct parts of nursing homes may qualify as a beneficiary's home. Under current law, a nursing home cannot qualify as a beneficiary's home (for purposes of durable medical equipment payments) if the nursing home is basically only providing skilled nursing care.

In examining 2006 data, the HHS OIG has found Medicare incorrectly paid $30 million for medical equipment seniors received while not in a skilled nursing facility.[2604] Part of the problem is that Medicare's billing and data systems do not maintain level-of-care designations for nursing homes, and therefore cannot discern in real time under which Part services may be billed. However, according the OIG, such common-sense designations "could facilitate accurate claim submission by suppliers and proper claim adjudication by payment contractors."[2605]

This proposal would improve data processes to identify patients entering nursing homes with rented medical equipment and determine which facilities primarily provide skilled care (which would *not* qualify as a senior's home for payment purposes). If the Medicare program saved a comparable amount each year from this policy change, Medicare could save $300 million over a decade.

[2604]Office of Inspector General U.S. Department of Health and Human Services, "Compendium of Unimplemented Recommendations, March 2011," http://oig.hhs.gov/publications/docs/compendium/2011/CMP-March2011-Final.pdf, Page 53, accessed July 14, 2011.
[2605]Office of Inspector General U.S. Department of Health and Human Services, "Compendium of Unimplemented Recommendations, March 2011," http://oig.hhs.gov/publications/docs/compendium/2011/CMP-March2011-Final.pdf, Page 53, accessed July 14, 2011.

Increase Efforts to Reduce Medicare and Medicaid Waste, Fraud, and Abuse

It is widely known that the Medicare program is rapidly approaching insolvency, and governors have been vocal about the increasing strain that Medicaid programs are placing on their budgets. But too often there is an untold story that waste, fraud, and abuse in these programs are undermining their effectiveness, draining away precious taxpayer dollars to enrich those who would scam the system.

No one knows with exact certainty the amount of Medicare and Medicaid dollars lost each year to waste, fraud, and abuse. The Congressional Research Services (CRS) notes, "Although a good estimate of the dollar amount lost to Medicare fraud and abuse is open to discussion, analysts agree that billions of dollars are lost" each year.[2606]

AARP President Barry Rand and others have estimated there may be up to $100 billion taxpayer dollars lost to waste, fraud, and abuse annually in these two programs.[2607]

CRS notes "fraud analysts and law enforcement officials estimate between 3 percent and 10 percent of health care expenditures (for all payers, including Medicare) are lost annually to fraud." Ten percent of our $2.3 trillion health care system is $230 billion annually that could be fraudulently diverted from the system.

A simple sampling of news stories in recent years highlights more than 100 charges, arrests, convictions, or sentences issued related to Medicare and Medicaid fraud that appear to total more than $1 trillion.[2608]

The amount of money lost from Medicare and Medicaid is so significant, in part, because the size of the programs themselves is colossal. Medicare and Medicaid cost federal taxpayers approximately $1 trillion this year alone and provided coverage for approximately one in five Americans. CRS reported that "since 1990, the Government Accountability Office (GAO) has identified the Medicare program as at risk for improper payments and fraud, and, since 2004, has issued 12 products documenting various program vulnerabilities." GAO points to the program's size, complexity, and administration as factors that increase its susceptibility to being defrauded

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[2606]Senator Coburn Website, "Medicare Program Integrity: Activities to Protect Medicare from Payment Errors, Fraud, and Abuse," http://coburn.senate.gov/public//index.cfm?a=Files.Serve&File_id=48425bf8-4c57-4b95-b2e7-83ff1f4fb694, accessed July 14, 2011.

[2607] Orlando Sentinel Website, "Stop Paying Crooks: Get Tough on Health Care Fraud," http://articles.orlandosentinel.com/2010-09-29/news/os-ed-medicare-fraud-gingrich-093010-20100929_1_health-care-fraud-home-health-medicare-and-medicaid, accessed July 14, 2011.

[2608]Congressional Research Service, "Medicare Program Integrity: Activities to Protect Medicare from Payment Errors, Fraud, and Abuse: June 23, 2011," http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=48425bf8-4c57-4b95-b2e7-83ff1f4fb694, accessed July 14, 2011.

and abused. Medicare's improper payment errors for the fee-for-service program last year alone resulted in $34.3 billion in overpayments.[2609]

Fraud and abuse in these programs is not only a financial problem, it often results in the degrading or denial of care to patients who depend on these programs. CRS echoed this, saying "not only do fraud and abuse contribute to rising health care costs, they also can harm patients, particularly when medically necessary services are withheld, or when medically unnecessary services are provided."

At a recent hearing before the House Committee on Oversight and Government Reform, the Deputy Inspector General of the Department of Health and Human Services said that fraud in public health care programs is attractive to organized crime because the penalties –if they are apprehended – are lower than penalties for many other criminal offenses, historically there have been relatively low barriers to participation in the programs, fraud schemes are easily replicated, and weak, untimely data analysis limits detection efforts.

Certainly, at a time when organized crime rings are defrauding Medicare and thieves can pilfer stolen provider billing numbers on the black market, Americans expect strong policy reforms to fight fraud and abuse, and save taxpayer dollars. Fortunately, for taxpayers, there is good news. Opportunities exist both for preventing fraud before it occurs, and for prosecuting it after it happens.

While the digital age has increased the number of billing vulnerabilities for both Medicare and Medicaid, the advance of a range of technological tools and intelligent data analysis holds great promise to stem the tide of dollars flowing out of the programs through fraudulent activities.

To help prevent waste, fraud, and abuse in Medicare and Medicaid, more resources need to be focused in an aggressive timeline to:

- replace outdated technology systems with cutting-edge technologies;
- foster a cooperative culture of data-sharing and timely analysis in public-private partnerships;

[2609]Congressional Research Service, "Medicare Program Integrity: Activities to Protect Medicare from Payment Errors, Fraud, and Abuse: June 23, 2011," http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=48425bf8-4c57-4b95-b2e7-83ff1f4fb694, accessed July 14, 2011.

- encourage the widespread adoption of industry standards;
- incentivize the identification and prosecution of waste, fraud, and abuse;
- better monitor and enforce drug policies to curb overutilization and abuse;
- better protect beneficiary and provider identification numbers from being defrauded by implementing safeguards;
- increase penalties for the theft and resale of beneficiary and provider identification numbers;
- leverage a range of technologies to examine payments and billing patterns before reimbursement claims are paid,
- reform CMS management of its program integrity contractors by increasing accountability and oversight, and;
- adopt transformative coverage and payment models with proven records of lower costs, better care, and reduced levels of abuse and fraud.

Even after fraud or abuse occurs, there is still an opportunity for taxpayers to see their hard-earned dollars recouped through targeted efforts to punish those who defrauded the system. While the ultimate focus for increasing program integrity must be preventative in nature – to eliminate the "pay and chase" culture that too often typifies these efforts – it still is a worthwhile investment to enhance funding for law enforcement and other entities like the Inspector General's office. In fact, according to government figures, the average return-on-investment for the Health Care Fraud and Abuse Control program run by the HHS OIG is significant, recouping $6.8 for every $1 of program funding.[2610]

By making the reduction of waste, fraud, and abuse in Medicare and Medicaid a top national priority and smartly investing more in proven technologies and methods, it may be possible to stem the hemorrhaging of taxpayer dollars due to fraud, reclaiming billions of dollars a year. Adopting such a comprehensive, aggressive plan could save taxpayers $10 billion on average each year, or $100 billion over a decade.

Make Reforms to Medicare's Quality Improvement Organizations (QIO)

Quality Improvement Organizations (QIOs) are private, mostly not-for-profit organizations that contract with Medicare to improve the effectiveness, efficiency, economy, and quality of services delivered to Medicare beneficiaries.

President Obama's FY2012 Budget recommended a series of specific changes to QIOs. Like previous efforts in Medicare to modernize contracting by consolidating 40 fiscal intermediaries to 15 Medicare Administrative Contractors, these reforms increase competition, align procedures with the Federal Acquisitions Regulations, and strengthen the Trust Funds.

These changes should be implemented to save taxpayers more than $3 billion over a decade:

[2610] The Department of Health and Human Services and The Department of Justice, "Health Care Fraud and Abuse Control Program Annual Report for Fiscal Year 2010," http://oig.hhs.gov/publications/docs/hcfac/hcfacreport2010.pdf, Page 8, accessed July 14, 2011.

- By requiring the Secretary to determine the geographic scope of contracts, including overlapping contracts in local, regional, or national areas when appropriate, this proposal will increase competition and eliminate overhead.
- The proposal also eliminates conflicts of interest between beneficiary protection and quality improvement activities which may arise when a single contractor is responsible for building relationships with providers to improve quality while also functioning as the entity charged by Medicare to hold providers accountable for failures in the delivery of care to beneficiaries.
- The proposal expands the pool of contractors eligible for QIO work, which will increase competition, and ensure that beneficiaries and providers are served effectively by contractors with specific skills.
- Finally, extending the QIO contract length from three years to up to five years, and aligning QIO contract terminations with Federal Acquisition Regulations will improve efficiency and increase the Secretary's flexibility in administering these contracts.[2611]

Replace the Broken Medicare Physician Reimbursement Formula

The Medicare program reimburses 96,000 physicians who provide care for roughly 40 million seniors by using a payment mechanism known as the "Sustainable Growth Rate" (SGR). Congress established the SGR in 1997 as a funding formula designed to adhere to overall spending targets. The SGR works by effectively decreasing reimbursement levels one year if Medicare reimbursements to physicians another year were higher than a set target.

Designed to rein in Medicare's exploding costs, the SGR was a well-intentioned effort. Though cost-containment is the right goal, the SGR mechanism failed to achieve its goal. In fact, since 2004, Congress has intervened on an almost annual basis to prevent reimbursement reductions that could harm seniors' access to care.

Now, unless Congress intervenes again at the end of the year, beginning January 1, 2012, physicians (who are paid under Part B) who accept Medicare will face an incredible 30 percent reduction in their reimbursements. This is unacceptable for physicians and patients, as allowing reimbursement cuts of over 30 percent will cause many physicians to drop their participation in the program and thus jeopardize access to medical care for seniors on Medicare. As the Chief Actuary of the Centers for Medicare and Medicaid Services warned in a memo to Congress, if reimbursement cuts are allowed to occur, many physicians "for whom Medicare constitutes a substantive portion of their business could find it difficult to remain profitable and, absent legislative intervention, might end their participation in the program possibly jeopardizing access to care for beneficiaries."[2612]

It is unacceptable for Congress to allow this drastic cut that could threaten seniors' access to care to linger. In fact, the systemic flaws with the SGR mechanism have led lawmakers and leaders in the health care community to call for its redesign.

[2611] President's Budget for Fiscal Year 2012, "Terminations Reductions and Savings," http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf, Page 118, accessed July 14, 2011.
[2612] Foster, Richard, Chief Actuary for Centers for Medicare and Medicaid Services, "Estimated Financial Effects of the 'Patient Protection and Affordable Care Act,' As Amended," pages 9-10, April 22, 2010, http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=f011f765-c229-4b33-8b95-6c30c8bfefd0.

Unfortunately, too often budgets proposed by some in Washington pretend untenable reimbursement cuts scheduled under current law will occur – simply so they can ignore the real costs that must be paid to ensure seniors have access to care. This proposal takes a different approach to confronting the real costs that must be addressed so millions of seniors have access to care.

This offers a fully-offset SGR replacement that is fully offset by savings within the overall proposal.[2613] The proposal provides for a ten-year freeze on current reimbursement levels. While locking in payments at current rates is not optimal, the proposal also makes other significant Medicare reforms that may improve the delivery of health care and decrease utilization. Furthermore, during a time of dangerously high debt and spending, many Americans will have to participate in "shared sacrifice" as we put our country back on a positive path forward. This serious reform is offset and ensures stability and predictability for physicians, enabling seniors to continue to access the care they need.

MEDICARE AND MEDICAID TEN YEAR SAVINGS
Mandatory: $2.64 Trillion
Total: $2.64 Trillion

[2613] Congressional Budget Office, June 14, 2011. "Medicare's Payments to Physicians: The Budgetary Impact of Alternative Policies." http://www.cbo.gov/ftpdocs/122xx/doc12240/SGR_Menu_2011.pdf

PRESERVING SOCIAL SECURITY FOR FUTURE GENERATIONS

Since its inception in 1935, the Social Security program has provided critical economic security to the nation's retired and disabled populations and their families. The program's place in the federal budget is also significant, compromising one-fifth of all federal spending.

Because Social Security provides economic security for so many, lawmakers in Congress owe it to all Americans to ensure Social Security is solvent over the long-term. Those in Congress who truly care about the retired and disabled Americans who benefit from Social Security should enact sensible reforms now to preserve the program for the millions who depend on it.

Putting the program on a solvent path first requires a clear understanding of what challenges the program faces. And an examination of the program reveals serious reforms are needed.

For the first time since 1983, Social Security posted a deficit in 2010 – $37 billion – and is now *permanently* running cash flow deficits. Over fiscal years 2010 to 2021, the program's cash flow deficits are projected to total $630 billion.

Combined OASDI Trust Funds
January 2011 Baseline

By Fiscal Year, in Billions of Dollars

	2010 prelim	2011 proj	2012 proj	2013 proj	2014 proj	2015 proj	2016 proj	2017 proj	2018 proj	2019 proj	2020 proj	2021 proj
PRIMARY SURPLUS b/	-37	-45	-30	-28	-30	-31	-33	-44	-59	-77	-98	-118
OASI surplus	-6	-10	2	6	4	3	0	-11	-26	-44	-64	-83
DI surplus	-31	-36	-32	-35	-34	-34	-33	-33	-33	-33	-33	-36

The program also has a *6.5 trillion in unfunded obligations* (present value)[2614] over the next 75-years —or $6.5 trillion of planned benefits that Congress has no idea of how to pay for in the decades ahead. As a result, Social Security Trustees recently warned if the program is not reformed, the Social Security trust funds will be exhausted in 2036, at which point there will only be sufficient revenue to pay 77 percent of benefits.[2615] This means *all* active beneficiaries could see their benefits reduced by 23 percent if the program is not reformed.

Experts also agree delaying reform is a bad deal for Americans who rely on Social Security. According to the Social Security Trustees, "The long-run financial challenges facing Social Security and Medicare should be *addressed soon*. . . . *Earlier action will also afford elected officials with a greater opportunity to minimize adverse impacts on vulnerable populations,* including lower-income workers and those who are already substantially dependent on program

[2614] The 2011 Annual Report to the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds. http://www.ssa.gov/oact/tr/2011/tr2011.pdf
[2615] The 2011 Annual Report to the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds. http://www.ssa.gov/oact/tr/2011/tr2011.pdf

benefits" (emphasis added).[2616]

Some downplay the coming crisis by alleging "well funded" trust funds are a reason to delay reform. However, because Congress has effectively stolen and spent all excess revenue due to Social Security over the years, the trust funds are empty except for $2.6 trillion in promises from a bankrupt government.

The $2.6 trillion is really an "I.O.U" the federal government owes itself, so the government can only raise this "I.O.U." money by issuing more public debt, raising taxes or cutting spending elsewhere. The current Director of the Office of Management and Budget (OMB), Jacob Lew, basically acknowledged the phony nature of the trust funds when he was leading the OMB for President William Clinton. Under Lew's leadership, when commenting on the FY 2000 budget, OMB explained that the trust funds' balances are nothing more than a "bookkeeping" device and "do not consist of real economic assets that can be drawn down in the future to fund benefits."[2617]

It is because the trust funds are merely an accounting mechanism and do not contain real economic assets that President Barack Obama recently warned that he "cannot guarantee" Social Security checks would be mailed to beneficiaries if the government failed to raise the debt ceiling by August 2nd – the date the U.S. is estimated to breach its statutorily-established borrowing limit.[2618] The reality is the government can only raise Social Security "I.O.U." money by issuing more public debt, raising taxes or cutting spending elsewhere.

But it is not just Social Security's trust funds that are in financial trouble. Unfortunately, Social Security's *disability programs* are in worst shape and face insolvency in the immediate future.

The Social Security Administration ("SSA") currently administers two programs that provide benefits to disabled individuals: Social Security Disability Insurance ("SSDI") and Supplement Security Income ("SSI"). Both programs provide benefits to individuals that are so disabled they are unable to perform any job in the national economy. But without immediate reforms, both programs face a financial collapse that would jeopardize their ability to provide benefits to disabled Americans in need.
As the recent Social Security Trustees' Report made clear, the SSDI Trust Fund will be *exhausted by 2018* (or 2016 under the high cost assumptions).[2619] As a result, the Trustees clearly warn Congress that "*legislative action is needed as soon as possible*."[2620]

[2616] Social Security and Medicare Board of Trustees, "A Summary of the 2011 Annual Reports," http://www.ssa.gov/oact/trsum/index.html, accessed July 15, 2011.
[2617] President Clinton's FY 2000 Budget, *Analytical Perspectives*, http://www.gpoaccess.gov/usbudget/fy00/pdf/spec.pdf
[2618] President Obama, Interview with CBS Evening News, July 12, 2011. http://www.cbsnews.com/video/watch/?id=7373061n
[2619] The 2011 Annual Report to the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds. http://www.ssa.gov/oact/tr/2011/tr2011.pdf
[2620] The 2011 Annual Report to the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, pg. 3. http://www.ssa.gov/oact/tr/2011/tr2011.pdf

One reason the disability program is running out of money is that the disability rolls have been increasing at an exponential rate. Another reason is that as fewer disabled Americans are getting back on their feet, more are staying on the program longer. As the report explains, "the proportion of disabled beneficiaries whose benefits cease because of their recovery from disability is very low in comparison to levels experienced throughout the 1970s and early 1980s."[2621]

Given the warnings from nonpartisan experts and financial realities of Social Security's programs, it is clear the enemy of beneficiaries is *not reform but inaction.* In the face of such evidence, those who deny Social Security is on an unsustainable path—or who claim reform can be delayed without consequences—do a tremendous disservice to seniors and future beneficiaries.

If the Social Security program is to continue providing income security for 157 million Americans, and the 54 million Americans currently receiving benefits, the system must be modernized and strengthened immediately. Delaying sensible reforms gambles with the future of millions of retired and disabled Americans and could jeopardize the stability of those Americans who rely on the program.

Putting Social Security On A Solvent Path

According to the Social Security Administration's Office of the Chief Actuary,[2622] this proposal's Social Security plan ensures the program is solvent for the next 75-years, eliminating the program's current deficit.[2623] The plan helps fulfill the mission of the Social Security program by modernizing the program, strengthening work incentives, enriching benefits for lower income earners dependent on the system, and slowing benefit growth of workers at the higher end of the income scale. The plan makes these strong reforms without increasing taxes.

For too long, important steps to ensure the integrity of Social Security's disability programs have taken a back seat to other priorities. While current SSA Commissioner Michael Astrue's focus on reducing the disability application and hearing backlog is important and has been encouraged by Congress, such a narrow emphasis is shortsighted. To restore balance, the proposal modernizes Social Security's disability programs that help so many Americans in need, while strengthening safeguards to deter waste, fraud and abuse. The reforms are designed to ensure individuals that are truly disabled are provided the benefits they need, while able Americans are encouraged to work and be self-sufficient. These reforms also seek to shift the agency's current culture – from one of solely paying benefits, to a culture that ensures qualified beneficiaries receive the benefits to which they are entitled, while also taking steps to implement program integrity to strengthen and improve the program.

[2621] The 2011 Annual Report to the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds. pg. 40. http://www.ssa.gov/oact/tr/2011/tr2011.pdf

[2622] For more information about the statement from the Social Security Administration's Office of the Chief Actuary, see www.coburn.senate.gov

[2623] Current actuarial deficit is 2.22 percent of taxable payroll.

Reform 1 – Restrain Benefits for Higher Income Earners

In order to control program costs, the plan alters the progressive benefit formula of current law, slowing benefit growth, especially for higher earners. Importantly, the plan avoids increases in Social Security taxes so workers retain more of their earnings.

Under the plan, the benefit formula under current law is altered so that workers below the 40th percentile of new retired work entitlements *will not have their benefit reduced by the Social Security benefit formula.* In fact, the formula is enriched so that workers below the 40th percentile experience a *slight benefit increase under the formula.*

To understand how the plan changes benefit calculations, it is helpful to examine how benefits are currently calculated. Under current law, individual Social Security benefits are determined through a multiple-step process.

First, a worker's average indexed monthly earnings (AIME) are calculated. To calculate AIME, a worker's *entire work earnings history* is wage-indexed to historical wage growth in order to place wage amounts on the same terms as current wage levels. The recipient's highest 35 years of earnings are identified, averaged and divided by 12 to produce his/her AIME.[2624]

Second, after the AIME is calculated, a primary insurance amount (PIA) is calculated. The PIA is the monthly benefit at the full retirement age. The PIA is calculated based on a progressive formula by which workers have less of their benefit replaced as they move up the earnings scale. For example, in 2011 terms:

- 90 percent of first $749 is replaced;
- 32 percent of the amount between $749 and $4,517 is replaced; and
- 15 percent of the amount over $4,517 and up to the cap on earnings is replaced.[2625]

The plan alters the current benefit formula by creating a new "bend point"[2626] at the 40th percentile of new retired worker entitlements, and altering the replacement factors so that the bottom 40 percent of earners do not see their benefits reduced under the formula. This means that the bottom 40 percent of beneficiaries – retirees with the least means – are effectively "held harmless" from any changes under the formula.

[2624] More details on this function of the formula: to calculate AIME, nominal wages for each individual in each calendar year are multiplied by Social Security's Average Wage Index (AWI). This wage data is tabulated by SSA based on wages reported on W-2s.

[2625] Social Security Administration, "Primary Insurance Amounts," http://www.ssa.gov/oact/cola/piaformula.html, accessed July 16, 2011.

[2626] A "bend point" is the dollar amount within the benefit formula at which the replacement rates change. Under current law, the two bend points are $749 and $4,517. "Bend point factors," also called replacement factors, are the percentages at which the dollar amounts are replaced. Under current law, there are three replacement factors: 90 percent, 32 percent and 15 percent.

In fact, the benefit formula is actually enriched so that workers below the 40th percentile experience a slight benefit increase under the formula. Above the 40th percentile, benefit growth is restrained by lowering the amount the current system replaces.

Under the plan, the formula would be altered according to the following parameters:

- 95 percent of first $749 is replaced. Under the plan, the initial replacement factor is *increased* from 90 to 95 percent, meaning *all* earners receive a larger portion of the first $749 replaced than is replaced under current law.

- A new bend point is created at 40th percentile of earners. Between the first bend point ($749) under current law and new bend point created under the plan (approximately $2,433 in 2011 terms), the current law replacement rate of 32 percent *remains the same*. This means that 32 percent of the amount between $749 and $2,433 is replaced.

- Above the 40th percentile of earners, benefit growth is restrained. Above the new bend point of $2,433 and below the second bend point under current law ($4,517), 10 percent is replaced (instead of current law replacement of 32 percent). Any amounts earned above $4,517 and below the cap have a 5 percent replacement factor (instead of current law 15 percent).

Reform 2 – Change Retirement Age to Reflect Gains in Life Expectancy

When Franklin Delano Roosevelt signed Social Security into law in 1935, average life expectancy was 64 and the earliest retirement age in Social Security was 65.[2627] Today, Americans on average live 14 years longer, retire three years earlier, and spend 20 years in retirement.[2628]

To better reflect life expectancy, this proposal would make three changes related to longevity gains.

First, the proposal would index the Normal Retirement Age (NRA) to life expectancy after the NRA increases to 67 as scheduled under current law.[2629] Under this plan, the NRA would *gradually increase* by just one month every two years. This means individuals who turn age 62 in 2046 will have a NRA of 68, and those who turn age 62 in 2070 will have an NRA of 69.

[2627] National Commission on Fiscal Responsibility and Reform, "The Moment of Truth: Report of the National Commission on Fiscal Responsibility and Reform," December 1, 2010, pg. 49, http://www.fiscalcommission.gov/news/moment-truth-report-national-commission-fiscal-responsibility-and-reform, accessed July 11, 2011.
[2628] National Commission on Fiscal Responsibility and Reform, "The Moment of Truth: Report of the National Commission on Fiscal Responsibility and Reform," December 1, 2010, pg. 49, http://www.fiscalcommission.gov/news/moment-truth-report-national-commission-fiscal-responsibility-and-reform, accessed July 11, 2011.
[2629] Under current law, the NRA increases to 67 for those attaining age 62 in 2017 or later.

Second, under this proposal, the Earliest Eligibility Age (EEA) would increase in tandem with the NRA, reaching ages 63 and 64. This change is consistent with the principle of adjusting for increases in longevity.

Third, the proposal also strengthens work incentives by applying the actuarial reduction to children of early retirees so that all beneficiaries are treated the same for purposes of early retirement. Here are some illustrative examples of couples and how they would be impacted by these changes:

> *Scenario #1 – Jane and Jack Doe Turn 62 Prior to 2017*
> This proposal maintains current law for those turning 62 prior to 2017, meaning there is absolutely no change to the retirement age (normal and early) for those turning 62 prior to 2017.
>
> *Scenario #2 – Jane and Jack Doe Turn 62 between 2017 and 2022*
> This proposal maintains current law for those turning 62 between 2017 and 2022. Under current law, the Normal Retirement Age will increase 2 months per year beginning with individuals attaining age 62 in 2017, and until it reaches age 67 for those turning age 62 in 2022, and the Early Retirement Age remains at age 62.
>
> *Scenario #3: Jane Doe Born in 2010*
> Jane Doe born in 2010 has a life expectancy of 80.5 years.[2630] For Jane Doe born in 2010, the Normal Retirement Age would be age 69 and the Early Retirement Age 64.

Reform 3 – Improve Calculation of Cost-Of-Living-Adjustments

Under this proposal, starting in 2012, Social Security cost-of-living-adjustments (COLAs) would be determined based on a more accurate measure of inflation. This proposal uses "chain-weighted" Consumer Price Index for Urban Wage and Clerical Workers ("chained CPI").

Chained CPI differs from the CPI-W (Consumer Price Index for Urban Wage Earners and Clerical Workers), the current measure for Social Security COLAs. Unlike CPI-W, the chained CPI accounts for substitution goods (i.e., if cereal prices increase, consumers may instead purchase off-brand cereal).

Chained CPI is widely regarded by economists and analysts as a more accurate accounting of inflation than the traditional Consumer Price Index. According to the Bureau of Labor Statistics chained CPI "is designed to be a closer approximation to a 'cost-of- living' index than the existing BLS measures."[2631]

Determining Social Security COLAs more accurately is a reform proposal that has garnered widespread support. This reform was recommended by the National Commission on Fiscal

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[2630] 2010 Social Security Trustees Report, http://www.ssa.gov/oact/tr/2011/tr2011.pdf.
[2631] Robert Cage, John Greenlees, and Patrick Jackman, U.S. Bureau of Labor Statistics, "Introducing the Chained Consumer Price Index," May 2003, http://www.bls.gov/cpi/super_paris.pdf, accessed July 11, 2011.

Responsibility and Reform ("Fiscal Commission")[2632] and the Bipartisan Policy Center's Debt Reduction Task Force ("Domenici-Rivlin").[2633] The recommendation has also been incorporated into a large number of other plans, including plans from the Heritage Foundation[2634] on the right and the Center for American Progress on the left.[2635]

Reform 4 – Adjust the Spousal Benefit Calculation

Under this proposal, spousal benefits would be recalculated to better reflect the costs of a two-person household. This proposal would also strengthen the connection between taxes paid and benefits received.[2636]

The current spousal benefit is based on 50 percent of the primary insurance amount (PIA) of the other spouse. However, this level of benefit may be overly generous compared with real costs. According to the Congressional Budget Office (CBO), "the Census Bureau's poverty measures imply the cost of living for a two-person elderly household is only 26 percent higher than that for a one-person elderly household."[2637] As the CBO points out, if the Census Bureau measures are correct, "a 33 percent spousal benefit would more accurately account for the cost of supporting a two-person household."[2638] This proposal adjusts current law by reducing the spousal benefit by 1 percentage point annually (beginning with newly eligible spouses in 2012), until the percent reaches 33 percent.

[2632] National Commission on Fiscal Responsibility and Reform, "The Moment of Truth: Report of the National Commission on Fiscal Responsibility and Reform," December 1, 2010, http://www.fiscalcommission.gov/news/moment-truth-report-national-commission-fiscal-responsibility-and-reform, accessed July 11, 2011.
[2633] Bipartisan Policy Center, "Restoring America's Future," November 2010, http://www.bipartisanpolicy.org/projects/debt-initiative/about, accessed July 11, 2011.
[2634] Heritage Foundation, "Saving the American Dream," 2011, http://savingthedream.org/about-the-plan/plan-details/, accessed July 11, 2011.
[2635] Center for American Progress, "The First Step: A Progressive Plan for Meaningful Deficit Reduction by 2015," December 2010, http://www.americanprogress.org/issues/2010/12/pdf/deficit_reduction.pdf, accessed July 11, 2011.
[2636] Congressional Budget Office "Budget Options, Volume II," August 2009, Option 650.9 – Mandatory, http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf, accessed July 13, 2011.
[2637] Congressional Budget Office "Budget Options, Volume II," August 2009, Option 650.9 – Mandatory, http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf, accessed July 13, 2011.
[2638] Congressional Budget Office "Budget Options, Volume II," August 2009, Option 650.9 – Mandatory, http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf, accessed July 13, 2011.

Reforming the Social Security Disability Programs

The Social Security Administration ("SSA") currently administers two programs that provide benefits to disabled individuals: Social Security Disability Insurance ("SSDI") and Supplement Security Income ("SSI"). Both programs provide benefits to individuals that are so disabled they are unable to perform any job in the national economy.

Congress originally intended the disability programs to be a safety net of last resort for disabled Americans who could not work. However, an accumulating wealth of data suggests the program has grown far beyond the mere "safety net" role Congress intended. Since the Trustees' reports show program rolls and costs increasing exponentially (and the in case for SSDI, exceeding trust fund income), it is time for Congress to carefully reform these programs to ensure resources are targeted toward those truly in need.

Reforming and strengthening the disability programs is long overdue. The programs were not designed to function in the current labor market, nor do they account for modern medical or technological advances that improve disabled American's ability to participate in the workforce with dignity and independence.

Not only are the disability systems in need of modernization, but they are in need of updated guidelines and oversight to ensure scarce dollars are appropriately targeted. Indeed, when Congress created the SSDI program in 1956, members of the Senate Finance Committee noted the difficulty of making determinations that an individual may be disabled and unable to work and highlighted the uncertainty of future costs of a cash disability insurance benefit program.[2639]

Such concerns remain well-placed today. One recent report even concluded that "the chance a disability claim is granted or denied is often determined more by the particular judge assigned to handle it than by the facts and circumstances presented in the case."[2640] The same report even found disparities within the same SSA hearing offices on which claims should be paid and which should be denied.

Reasons to reform the disability programs are not limited to modernization or implementation alone. Reform is also a fiscal necessity, as the SSDI Trust Fund cannot sustain current program growth.

As the recent Social Security Trustees' Report made clear, the SSDI Trust Fund will be exhausted by 2018 (or 2016 under the high cost assumptions).[2641] The report also highlighted the

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[2639] *See* S. Rept. 2133, 84th Cong., 2d sess. (1956), pp. 3 and 4.
[2640] Transactional Records Access Clearinghouse (TRAC), Syracuse University, Social Security Awards Depend More on Judge Than Facts: Disparities Within SSA Disability Hearing Offices Grow (July 4, 2011), http://trac.syr.edu/tracreports/ssa/254/.
[2641] *See* The 2011 Annual Report to the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, http://www.ssa.gov/oact/tr/2011/tr2011.pdf.

fact the disability rolls were not only increasing at an exponential rate, but "the proportion of disabled beneficiaries whose benefits cease because of their recovery from disability is very low in comparison to levels experienced throughout the 1970s and early 1980s." Unfortunately, the report suggested that SSA is actually making the problem worse and contributing to the increase in the rolls by failing to remove individuals that could work, since SSA is no longer adequately evaluating current beneficiaries to make sure they meet program requirements.[2642]

The disability program is in such dire financial shape that for the SSDI Trust Fund to last until even 2018, the Trustees assumed an increase in funding to review current beneficiaries to determine if they still qualify for the program. To underscore the drastic need for reform, the Trustees bluntly noted that "legislative action [was] needed as soon as possible."[2643]

This proposal would implement a number of carefully targeted solutions that update SSA's disability programs and adhere to its core principles. The purpose of these reforms is to ensure individuals that are truly disabled are provided the benefits they need, while able Americans are encouraged to work and be self-sufficient. By adopting some practical steps, this proposal would modernize the application process and the administration of program benefits. When taken in total, these measures restore a balance between the agency's equally important responsibilities of paying entitlement benefits and ensuring the program's integrity.

SSA Disability Programs Designed for Individuals Who Cannot Perform Any Job

Below is an explanation of how Social Security's two disability programs work under current law. While this primer on SSA policies may be technical for some, it is necessary to understand the requirements, income thresholds, and eligibility standards under current law to be able to evaluate the impact of proposed reforms.

Social Security Disability Insurance ("SSDI")

Enacted in 1956, the SSDI program provides benefits to insured disabled workers (who are under the full retirement age) by paying monthly cash benefits.[2644] To be insured, a worker must have worked a minimum amount of time in employment covered by Social Security.

SSDI payments are made from the SSDI Trust Fund, which is financed by payroll taxes.[2645] SSDI payments are based on the worker's past average monthly earnings, indexed to reflect changes in national wage levels.

[2642] The Trustees' report notes that Social Security has succumbed to congressional pressure to reduce the application backlog, at the expense of ignoring other priorities.

[2643] *See* The 2011 Annual Report to the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, http://www.ssa.gov/oact/tr/2011/tr2011.pdf.

[2644] The program was created under Title II of the Social Security Act.

[2645] The payroll tax is a 15.3% tax on earnings that is split equally between employers and employees. The Social Security portion of the payroll tax is 12.4% (6.2% each per employee and employer) on earnings up to the taxable maximum ($106,800 in 2010). Of the 12.4%, 10.6% is paid to the OASI trust fund and 1.8% is paid to the DI trust fund. The DI trust fund also receives some revenue from the taxation of Social Security benefits.

At the end of December 2010, *10.2 million* people were receiving SSDI payments with the average monthly payment being $1,068.[2646] SSA estimates that in FY2011 the program will pay $129.7 billion to SSDI beneficiaries. However, in sharp contrast, the SSDI trust fund will only take in $110.9 billion.[2647]

Annual Number of SSDI Beneficiaries in Current Payment Status

Year	Total Number of Beneficiaries	Total Benefits Paid
2010	10.185 million	$124.191 billion
2009	9.696 million	$118.329 billion
2008	9.274 million	$106.301 billion
2007	8.918 million	$99.086 billion
2006	8.615 million	$92.384 billion
2005	8.309 million	$85.394 billion
2004	7.950 million	$78.202 billion
2003	7.591 million	$70.906 billion
2002	7.217 million	$65.645 billion
2001	6.907 million	$59.577 billion
2000	6.667 million	$54.938 billion

Source: Information provided by the Congressional Research Service.
Note: Numbers include all workers, spouses, and children receiving SSDI payments.

Once an individual's application for SSDI is approved, there is a five-month waiting period from the time SSA believes the disability began. Many experts believe this waiting period encourages claimants not to work during this period. SSDI beneficiaries also qualify for Medicare coverage 24 months after SSDI eligibility begins.

Benefit payments continue as long as the beneficiary remains disabled, or until she reaches the full retirement age. Very few individuals leave the disability rolls due to returning to work or medical improvement, with the majority of individuals converting to retirement benefits.

Reasons for SSDI Worker Benefit Terminations, 2009

Reason for Termination	Number of Beneficiaries	Percentage of Terminations
Total Terminations/suspensions	630,074	100.0%
Reached Full Retirement Age	339,530	53.9%
Death	222,008	35.2%
Medical Improvement	20,369	3.2%
Return to Work	32,445	5.1%
Other	15,678	2.5%

Source: Social Security Administration, *Benefits Terminated for All Disabled Beneficiaries*, Table 50, Number, by reason for termination, 2009, http://www.ssa.gov/policy/docs/statcomps/di_asr/.

[2646] Information provided by Social Security Administration.
[2647] Social Security Administration, Office of Budget, *FY2011 President's Budget, Key Tables*, Table 4 – Old Age, Survivors, and Disability Insurance Outlays and Income and Table 5 – OASDI Beneficiaries and Average Benefit Payments (February 2010), http://www.ssa.gov/budget/2012KeyTables.pdf.

Supplemental Security Income ("SSI")

SSI (established in 1972) is a means-tested benefit paid to the disabled poor, elderly, and blind. SSI payments are funded through the government's general revenues which are financed by tax payments from the American public. In most states, SSI recipients also receive Medicaid and food assistance. In FY2010, SSI paid 6.8 million blind or disabled beneficiaries an average of $517 a month.[2648]

SSI benefits and related administrative expenses are considered mandatory spending – meaning that payments are authorized by law and are made without annual Congressional appropriations. In FY2011, the SSI program will disperse an estimated $52.6 billion in federal benefits and another $3.8 billion in beneficiary services, administration, and research.[2649] Adding to the cost, in most states, SSI recipients also receive Medicaid and food assistance – two programs which are also funded by taxpayers.

Annual Number of SSI Beneficiaries in Current Payment Status

Year	Number of Recipients	Total Benefits Paid
2009	6,322,253	$38.130 billion
2008	6,118,824	$34.475 billion
2007	5,959,794	$32.771 billion
2006	5,829,765	$30.783 billion
2005	5,706,165	$29.221 billion
2004	5,583,820	$28.113 billion
2003	5,481,518	$26.932 billion
2002	5,353,575	$26.147 billion
2001	5,245,313	$25.020 billion
2000	5,133,598	$23.693 billion

Source: Information provided by Congressional Research Services
Note: Numbers include all blind and disabled receiving SSI payments.

To be eligible for SSI, an individual's resources must be limited to $2,000 or $3,000 for a couple. However, some resources do not count toward an individual's resource limit when qualifying for SSI:

- the house the individual lives in and the land it is on;
- household goods and personal effects (e.g., wedding and engagement rings);
- burial spaces and funds for the individual and the individual's spouse (not to exceed $1,500 in a bank account or other financial instrument);
- life insurance policies with a combined face value of $1,500 or less;
- one vehicle, regardless of value, if it is used for transportation for an individual or a member of his/her household;
- retroactive SSI or Social Security benefits for up to nine months after an individual receives them;
- grants, scholarships, fellowships or gifts set aside pay educational expenses for nine months after receipt;

[2648] Information provided by Social Security Administration.
[2649] Social Security Administration, FY2011 President's Budget: Key Tables, Table 6, http://www.ssa.gov/budget/FY11%20Key%20Tables.pdf.

- property essential to self-support (e.g., property the individual owns and uses in a trade or business, such as a gas station, farm, beauty parlor or personal property the claimant uses for work, such as tools, uniforms, or safety equipment); and
- money saved in an Individual Development Account or "IDA" (defined as a special bank account that helps an individual save for education, the purchase of a first home, or to start a business).[2650]

SSI payments change with a beneficiary's monthly earnings, resources, and living conditions. Individual financial circumstances often change, requiring SSA to frequently reassess recipients' eligibility for benefits. In fact, a frequent complaint of SSA is the burden of administering the program. The complicated benefit formula also excludes the following:

- the first $20 of any income received in a month (either benefits or earned wages);
- the first $65 of earnings and one-half of earnings over $65 received in a month;
- the value of food stamps;
- income tax refunds;
- home energy assistance;
- need-based assistance funded by a state;
- small amounts of income received irregularly;
- loans that must be repaid; and
- money someone else spends to pay the claimant's expenses.[2651]

The remaining income is considered "countable income" and SSA figures the SSI payment using the formula. The formula utilized is: "$674 (current SSI Federal benefit rate) - $x (Claimant's countable income) = SSI Benefit Payment."

One of the most serious concerns related to the current operation of the SSI program is program's vulnerability to improper payments. Improper payments in federal government programs are payments the government makes that are incorrect—perhaps too much money is paid to an individual or entity, or money is paid the wrong individual or entity. Unfortunately, at a recent hearing before the House Ways and Means Committee, the SSA Inspector General testified that in 2009 alone, SSA made *$4 billion in overpayments to SSI recipients*, who did not properly report assets.[2652] This means SSI recipients who did not accurate report their financial income and related means cost taxpayers an unnecessary $4 billion in just a single year.

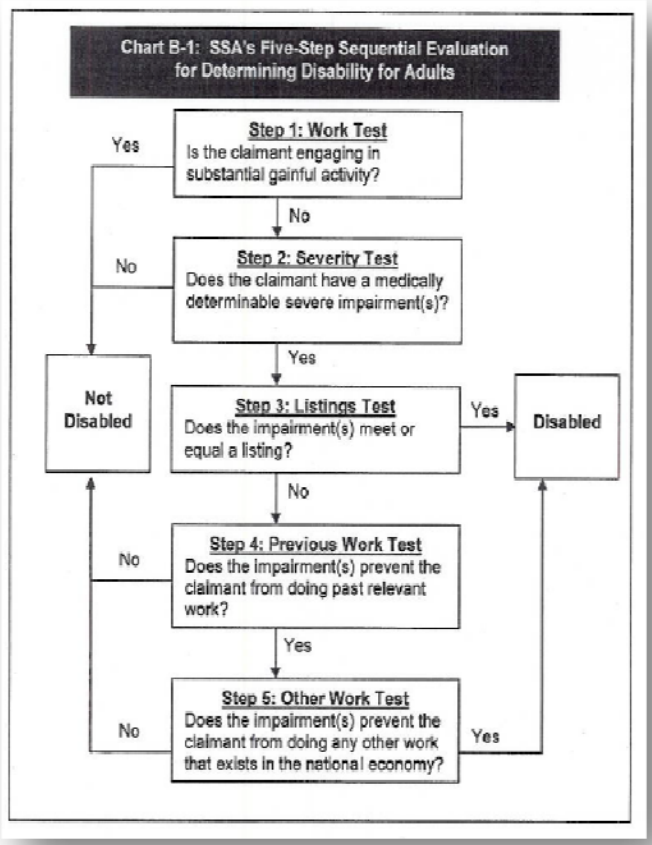
[2650] All examples provided by SSA. For a comprehensive list of excludable resources, see http://www.ssa.gov/ssi/text-resources-ussi.htm.

[2651] Social Security Administration Website, http://www.ssa.gov/ssi/text-income-ussi.htm.

[2652] SSA Inspector General O'Carroll also reported that SSA made $800 million in underpayments to SSI recipients, putting the program as a whole at a 10 percent improper payment rate. This is based on the fact that in 2009, SSA paid $48.3 billion to SSI beneficiaries. *See* Testimony of SSA Inspector General Patrick O'Carroll before the United States House of Representatives, Subcommittee on Social Security, Committee on Ways and Means (June 14, 2011), http://waysandmeans.house.gov/UploadedFiles/ocarrol222.pdf.

Definition of "Disability" According to SSA

To qualify for either SSDI or SSI, an individual claiming these benefits (a "claimant") must meet SSA's definition of disability. SSA defines disability as *the inability to engage in substantial gainful activity ("SGA") due to a medically determinable physical or mental impairment expected to result in death or last at least 12 months*. If a claimant is earning over $1,000 month, it is understood that individual usually meets the SGA threshold. Generally, the worker must be unable to perform any kind of work that exists in the national economy, taking into account age, education, and work experience.



The Application and Appellate Process

Once a claimant files an application for disability benefits with SSA, it is forwarded to the state disability determination service ("DDS") for a medical determination, based on the medical evidence in the claimant's file. If the claimant does not provide medical evidence, SSA will contact the claimant's doctor to request the medical evidence on behalf of the claimant. The DDS then conducts a five-step sequential evaluation to determine if an applicant is disabled. An applicant can be denied at any step, even if they meet a later criterion.

If an individual is denied benefits at the DDS evaluation or Initial Application, a claimant has four opportunities to appeal the denial:

(1) Reconsideration, which is a *de novo* ("new") re-evaluation by another DDS employee
(2) A *de novo* hearing by an Administrative Law Judge ("ALJ") in SSA's Office of Disability Adjudication and Review ("ODAR")
(3) Request for review by the Social Security Appeals Council ("SSAC")
(4) Appeal to federal district court.

After an individual is determined to be disabled, SSA is required to conduct medical and work reviews to ensure that beneficiaries continue to qualify for the program.[2653] By regulation, these reviews are set to occur between six months and seven years from the point of entry into the program, based on the beneficiary's likelihood of medical improvement.[2654]

[2653] 20 C.F.R. §§ 404.1589 and 416.989.
[2654] 20 C.F.R. §§404.1590 and 416.990.

1. SSA Should Implement Continuing Disability Reviews and Redeterminations

Due to pressure from Congress to reduce the wait time for disability application determinations, SSA has chosen to allocate significant resources to processing applications for disability benefits. Unfortunately however, this focus has come at the expense of many of SSA's program integrity responsibilities. As a result of this disproportionate focus, enrollment in the disability programs continues to grow, despite the fact that numerous individuals currently benefitting from the program could actually perform work and be self-sustaining. Unfortunately, when individuals who are not truly in need are enrolled in the program, this takes scare dollars away from the benefits of those truly need – and further strains the Trust Fund which is scheduled for exhaustion in just a few short years.

Below the proposal outlines some carefully targeted steps to implement reforms and save taxpayer dollars. Adopting these policies will ensure the program is strengthened for disabled Americans in the most need.

Eliminate the Backlog of Continuing Disability Reviews

Under current law, after SSA determines a person is disabled and that individual begins to receive benefits, SSA is required to conduct periodic continuing disability reviews ("CDRs") to determine if the beneficiary continues to qualify for benefits.[2655] In reviewing the beneficiary's medical condition, SSA determines whether or not the disabled individual's condition has improved since entering the program.[2656]

In the *Contract with America Advancement Act of 1996*, Congress provided additional funding specifically for CDRs from 1996 to 2002. However, since that funding expired, SSA performance of medical CDRs has decreased by over 50 percent – from over 669,000 in 2003 to approximately 322,000 in FY 2010.

Furthermore, in 2011, 2.8 million beneficiaries are scheduled to receive a CDR, but SSA will only complete about half this amount, leaving a projected backlog of *1.4 million* and overpaying beneficiaries millions of dollars.[2657] By only performing medical CDRs when funding is specifically allocated by Congress, SSA is sending the clear message that it will only properly perform program integrity when Congress forces it to do so.

In the same way SSA reviews disability beneficiaries medically, they also are required to review them to see if they are working and no longer qualify for benefits. Currently though, SSA is not properly performing CDRs to determine if beneficiaries have employment and are working. In fact, the SSA Office of Inspector General found that if SSA were to properly performed work CDRs, SSA would have saved taxpayers (and the SSDI Trust Fund) *$1.3 billion* in overpayments

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[2655] 20 C.F.R. §404.1589; 20 C.F.R. §404.1590.

[2656] This has come to to be known the "medical improvement standard."

[2657] Social Security Administration, Office of the Inspector General, Statement for the Record, U.S. House of Representatives, Committee on Ways and Means, Subcommittee on Social Security, Hearing on Social Security's Payment Accuracy (June 14, 2011), http://waysandmeans.house.gov/UploadedFiles/ocarrol222.pdf.

that went completely undetected by SSA.[2658] Additionally, last year the Government Accountability Office reported on 1,500 disability beneficiaries who had been receiving disability payments for 12 months or more and were also collecting a federal paycheck and working above SGA.[2659]

Clearly, SSA should strengthen its review and examination of enrolled beneficiaries, and remove ineligible beneficiaries from the program. Elimination of the current backlog of 1.5 million medical CDRs would result in saving *$15.8 billion* in improperly paid lifetime federal benefits.[2660] Such a review process would be labor-intensive, but the return on investment is high for this work, with a savings-to-cost ratio of $12 to $1. Unfortunately, despite this high return on investment, SSA's resource limitations and choice to prioritize the application backlog have resulted in a decline in medical CDRs.

Increase Program Integrity for the SSI Program

Despite a range of known program vulnerabilities, SSA has failed to properly oversee and administer the SSI program. SSI recipients are required to report changes in income, resources, and living arrangements, all of which determine the amount a beneficiary is paid each month.[2661] To ensure that proper benefit amounts are being paid, SSA performs "Redeterminations" of SSI recipients' non-medical factors.[2662] However, SSA has failed to properly allocate funding and resources to Redeterminations. A recent report by the SSA Inspector General's office found that Redeterminations dropped 60 percent from 2003 to 2008. If SSA allocated proper resources to performing Redeterminations at the same level that it did in 2003, SSA would have saved taxpayers *$3.3 billion* during FYs 2008 and 2009.[2663]

Another way that SSA fails to protect the integrity of the program is by paying SSI beneficiaries that are not even in the United States. Under current law, SSI beneficiaries are required to report to SSA if they plan to travel outside the United States for more than 30 days, because doing so would make them ineligible to receive benefits .[2664] Yet, SSA fails to enforce this requirement. As a result of this administrative failure, according a 2008 report by the SSA Office of the Inspector General (OIG), the agency made *$225 million* in overpayments to 40,560 SSI beneficiaries that withdrew funds from an ATM outside the United States.[2665] SSA OIG

[2658] Social Security Administration, Office of the Inspector General, *Follow-Up on Disabled Title II Beneficiaries with Earnings Reported on the Master Earnings File*, Report A-01-08-28075 (April 2009), http://www.ssa.gov/oig/ADOBEPDF/A-01-08-28075.pdf.

[2659] Government Accountability Office, *Social Security Administration: Cases of Federal Employees and Transportation Drivers and Owners Who Fraudulently and/or Improperly Received SSA Disability Payments*, Report No. 10-444 (June 2010), http://www.gao.gov/new.items/d10444.pdf.

[2660] Social Security Administration, Office of the Inspector General, *Full Medical Continuing Disability Reviews*, Report A-07-09-29147 (March 2010), http://www.ssa.gov/oig/ADOBEPDF/A-07-09-29147.pdf.

[2661] 42 U.S.C. §1383(e)(1); 20 C.F.R. §416.701; 20 C.F.R. §416.708.

[2662] 20 C.F.R. §416.204.

[2663] Social Security Administration, Office of Inspector General, *Supplemental Security Income Redeterminations*, Report A-07-09-29146 (July 2009), http://www.ssa.gov/oig/ADOBEPDF/A-07-09-29146.pdf.

[2664] *The Social Security Act* § 1611(f)(1); 42 U.S.C. § 1382(f)(1); 20 C.F.R. § 416.215.

[2665] Social Security Administration, Office of the Inspector General, *SSI Recipients with ATM Withdrawals Indicating They Are Outside the United States*, Report A-01-07-17036 (April 2008), http://www.ssa.gov/oig/ADOBEPDF/A-01-07-17036.pdf.

estimates that if SSA policed this requirement, it would save $100.5 million annually or *$1.005 billion* over ten years.[2666]

SSA is also failing to correctly administer and enforce existing requirements that SSI recipients accurately report real property and vehicle ownership. Under current law, SSI beneficiaries are allowed to exempt from resource limits the house they live in and the land that it is on, as well as one vehicle. However, using a simple LexisNexis search of SSI claimants, SSA OIG found $551 million in unreported vehicles and $2.2 billion in unreported real property.[2667] SSA OIG reported the agency could have saved taxpayers *$2.751 billion* in overpayments to SSI recipients during the years reviewed, and said that just utilizing LexisNexis to locate unreported real property alone would save SSA *$350 million* in SSI payments annually, or *$3.5 billion* over ten years.[2668] Taxpayers should not be paying for welfare recipients to own multiple homes and vehicles. SSA should utilize LexisNexis cross-checks for all applicants who apply for SSI.

Despite the wealth of data showing the need for increased oversight and tighter controls by SSA, it is unclear why SSA is not prioritizing basic program integrity responsibilities. Sadly though, the cost to taxpayers is clear, *as taxpayers lost $4 billion in overpayments for the SSI program in just 2009 alone*.[2669]

Since SSA apparently eschews its responsibility to implement basic program integrity measures, Congress must fulfill its job of conducting rigorous oversight and require the agency to perform necessary functions. Reprioritizing program integrity will save the SSDI Trust Fund and precious tax dollars. Stronger program integrity management will also eliminate the incentive for able Americans to bilk the system, thus encouraging capable men and women to regain their self-sufficiency through gainful employment.

The way to implement stronger program integrity is straightforward. SSA should use a portion of the funds currently directed toward reducing the application backlog to perform needed program integrity. In addition, funds previously used to pay the lump sum death benefit should be reallocated to supplement program integrity efforts. Under this proposal, the SSA OIG will be responsible for certifying the SSA performed all scheduled CDRs on time as part of the annual financial statement audit.

In light of the abundance of program weaknesses and financially unsustainable status quo, leadership is needed to accomplish a culture shift at SSA. Presently, SSA primarily views its role as an entitlement agency that is charged to hand out benefits. But the agency also

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[2666] Estimate provided by the Social Security Administration Office of the Inspector General.
[2667] Social Security Administration, Office of the Inspector General, *Supplement Security Income Recipients with Unreported Real Property*, Report A-02-09-29025 (June 2011), http://www.ssa.gov/oig/ADOBEPDF/A-02-09-29025.pdf and Social Security Administration, Office of the Inspector General, Supplement Security Income Recipients with Unreported Vehicles, Report A-02-08-28038 (July 2009), http://www.ssa.gov/oig/ADOBEPDF/A-02-08-28038.pdf.
[2668] Estimate provided by the Social Security Administration Office of the Inspector General.
[2669] Inspector General O'Carroll also testified that SSA made $800 million in underpayments to SSI recipients. Social Security Administration, Office of the Inspector General, Statement for the Record, U.S. House of Representatives, Committee on Ways and Means, Subcommittee on Social Security, Hearing on Social Security's Payment Accuracy (June 14, 2011), http://waysandmeans.house.gov/UploadedFiles/ocarrol222.pdf.

fundamentally has a role to ensure the accurate, timely, and careful administration of taxpayer dollars. To prioritize scarce dollars for disabled Americans truly in need, the agency needs to adopt a culture that prizes program integrity measures. This change will ensure those benefitting are only those who are truly disabled. Individuals who do not receive SSA disability benefits may still be eligible for a wide range of taxpayer-funded federal programs, grants, and benefits. Americans are right to be concerned when benefits for the truly disabled risk being jeopardized by lazy or ineffective program administration.

2. Implement Additional Program Integrity Reforms

Eliminate the Mailer CDR

When SSA does medically reevaluate disability beneficiaries, the majority of the time the process is handled through a form mailed to the beneficiary asking if he or she is "better, worse, or the same."[2670] The process is simple: when the beneficiary receives the form, he or she checks the applicable box and sends the form back to SSA. In FY2009, SSA performed 1.1 million medical CDRs, of which 785,023 were mailer CDRs.[2671] This approach is vulnerable to fraud or abuse and is not the program integrity Congress envisioned. SSA must eliminate the use of this form and return to full medical Continuing Disability Reviews.

Eliminate the Medical Improvement Standard

Under current law, to remove a beneficiary from the rolls during a medical CDR, SSA must find evidence of medical improvement related to the ability to perform work. This may be a well-intended standard, but there are two significant problems with this threshold.

First, SSA does not consistently provide proper guidance on the interpretation and application of the standard. SSA fails to clearly define the improvement necessary to meet the standard, resulting in inconsistent decision-making.[2672]

Second, the standard does not take into account whether or not some individuals are improperly accepted to the disability rolls, making medical improvement insignificant. In other words, the standard merely assumes all current beneficiaries were rightly admitted to the program.

This standard is unacceptable and should be replaced with a determination of whether the beneficiary is truly disabled under program terms. To not carefully enforce eligibility rules of a program is a disservice to those truly in need who do quality for the program.

Benefits Should Cease When a Medical CDR Finds a Beneficiary Able to Work

When SSA performs a medical CDR on a beneficiary and determines the beneficiary no longer meets the medical criteria, the individual is no longer eligible for disability benefits. The

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[2670] Social Security Administration, Disability Update Report, Form Approved OMB No. 0960-0511, Form SSA-455, https://secure.ssa.gov/apps10/poms/images/SSA4/G-SSA-455-1.pdf

[2671] The remaining 316,960 medical CDRs were full medical reviews. Numbers provided to Sen. Coburn's staff by SSA.

[2672] Government Accountability Office, *Clearer Guidance Could Help SSA Apply the Medical Improvement Standard More Consistently*, Report 07-8 (October 2006), http://www.gao.gov/new.items/d078.pdf.

recipient can then appeal the decision through the SSA appellate process. Should the beneficiary decide to appeal, he or she will continue to receive benefits through the appellate process.[2673]

Unfortunately, the continuation of benefits through the appeal process means taxpayers may be paying for individuals who are ineligible for the program. In fact, an SSA OIG report found that from October 2002 to September 2004, SSA overpaid *$146.1 million* to SSI beneficiaries who were appealing a medical CDR that was later affirmed by an administrative law judge.[2674] At the same time, the SSDI program overpaid *$43.9 million* to beneficiaries whose medical CDR appeal was later affirmed by an administrative law judge.[2675] When a beneficiary no longer qualifies as disabled, benefits should cease immediately. If the beneficiary chooses to appeal the decision, awarding back-pay is a smarter approach than for SSA to overpay a beneficiary and have to chase dollars already paid.

Require the Collection of Civil Monetary Penalties

Under current law, an individual that makes a false or misleading statement to SSA with the intent to improperly receive benefits may be subject to a Civil Monetary Penalty ("CMP") of $5,000 per statement. For example, a disability recipient states to SSA that she is not working, but an investigation later finds that she is working and earning wages.

The SSA Office of the Inspector General ("OIG") runs the CMP program by investigating beneficiary fraud, imposing monetary penalties, and negotiating collection payment plans.[2676] The OIG then turns the responsibility for collecting those fraudulently obtained funds over to SSA.

Unfortunately, even after the OIG has proven that the beneficiary defrauded SSA and negotiated a payment plan with that beneficiary, SSA is currently not collecting CMPs as scheduled and sometimes fails to collect them altogether. As a result, there is virtually no enforced penalty for defrauding the disability programs. This is an outrage to taxpayers and a poor use of scarce taxpayer dollars. SSA must enforce CMPs for beneficiaries to take their reporting responsibilities seriously. Therefore, collection of CMPs should remain with SSA OIG and not be transferred to SSA for collection.

SSA Must Utilize Administration Sanctions

As an agency, SSA itself also has the ability to impose administrative sanctions when a beneficiary defrauds or misleads SSA regarding that beneficiary's eligibility for benefits. For example, this might include a beneficiary's failure to report an event that affects benefit

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[2673] 42 U.S.C. §423(g).

[2674] Social Security Administration, Office of the Inspector General, *Impact of Statutory Benefit Continuation on Supplemental Security Income Payments Made During the Appeals Process*, Report A-07-05-15095 (May 2006), http://www.ssa.gov/oig/ADOBEPDF/A-07-05-15095.pdf.

[2675] Social Security Administration, Office of the Inspector General, Impact of Statutory Benefit Continuation on Disability Insurance Benefit Payments Made During the Appeals Process, Report A-07-05-15094 (December 2006), http://www.ssa.gov/oig/ADOBEPDF/A-07-05-15094.pdf.

[2676] The Social Security Act §1129; 42 U.S.C. §1320a–8.

eligibility or amount.[2677] If SSA decides to impose a sanction, the individual will not receive benefits for the duration of the sanction period.[2678]

Tragically, again SSA has failed to fully use the program integrity tools at its disposal. A report by SSA OIG found that SSA rarely imposed administrative sanctions, and completely failed to properly train field office workers on how to impose them.[2679] Troublingly, field office workers were reported as believing that implementing sanctions was too "harsh" a punishment for defrauding SSA.

As a result of SSA's administrative neglect, from October 2000 through March 2008, SSA only imposed 275 administrative sanctions in the SSDI program. Despite this, SSA referred thousands of cases of fraud to the OIG and overpaid beneficiaries billions of dollars during the same time period, resulting in *$123.2 million* lost in potential administrative sanctions.

It is increasingly concerning that SSA appears to runs its programs in a way that allows beneficiaries to defraud programs (and taxpayers) with virtually no repercussions, creating a culture that does not believe in penalties for refusing to play by the rules.[2680] SSA must utilize its administrative sanction power more fully and effectively.

Remove the Maximum Collection Amount from SSI Overpayments

As previously stated, the SSI program made $4 billion in overpayments in 2009.[2681] SSA, however, is limited in the amount of overpayments it can collect from beneficiaries. Under current law, the maximum amount that SSA can deduct from a beneficiary's monthly payment is the lesser of two amounts: the individual's entire monthly SSI benefit or 10 percent of the individual's total monthly include (minus certain exclusions). As a result, for SSI recipients that have no other source of income, SSA can only recover 10 percent of their monthly SSI benefit.[2682] The current threshold is needlessly restrictive. According to the nonpartisan Congressional Budget Office ("CBO"), removing this 10 percent maximum cap would result in recovery of SSI overpayments totally *$1.4 billion* from 2010 to 2019.[2683] To maximize program

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[2677] The Social Security Act §201, 42 U.S.C. §401, 20 C.F.R. §404.1.

[2678] The sanction periods are as followed: six months for the first offense; 12 months for the second offense; and 24 months for the third offense.

[2679] Social Security Administration, Office of the Inspector General, The Social Security Administration's Use of Administrative Sanctions in the Old-Age, Survivors, and Disability Insurance Program, Report A-07-07-17052 (September 2008), http://www.ssa.gov/oig/ADOBEPDF/A-07-07-17052.pdf.

[2680] SSA OIG analyzed two populations of beneficiaries for potential sanctions. The first population included cases referred to the OIG for fraud, but not selected for prosecution under the CMP program. SSA OIG believed this population should have resulted in $17.6 million in administrative sanctions. The second population included SSDI overpayments. For this population, overpaid beneficiaries in the Non-Annual Retirement population should have resulted in $105.6 million in administrative sanctions.

[2681] Statement by Social Security Inspector General Patrick O'Carroll, U.S. House of Representatives, Committee on Ways and Means, Subcommittee on Social Security, Hearing on Social Security's Payment Accuracy (June 14, 2011), http://waysandmeans.house.gov/UploadedFiles/ocarrol222.pdf.

[2682] 20 C.F.R.§404.535.

[2683] Congressional Budget Office, Budget Options, Volume 2, Option 600.9, pg. 139, *Remove the Ceiling on the Collection of Overpayments from the Supplement Security Income Program* (August 2009), http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf.

integrity and protect taxpayer dollars, the 10 percent cap maximum should be lifted and the collection of SSI overpayments certified by the SSA OIG through the annual financial audit.

Simplify the Formula Used to Calculate SSI Payments
SSI payments are calculated each month based on a complicated formula that considers earned income and unearned income (including Social Security benefits). In figuring a beneficiary's SSI payment each month, the benefit formula specifies that $20 be excluded from the amount used to calculate an individual's benefits. At the same time, $65 is excluded from earned income, which is meant to encourage individuals to work. After that amount, benefits are reduced dollar for dollar. For administrative simplicity and efficiency, the $20 exclusion from unearned income should be eliminated, which, according to CBO, would reduce SSI program outlays by almost *$8 billion* between 2010 and 2019.[2684] In additional, the rules regarding excluded resources should be re-evaluated and limited in scope.

Reduce SSI Payments for Children by the Number of Qualifying Children Per Family
In 2008, SSA paid about $8 billion in SSI benefits for children covered by the program. However, unlike other means-tested benefit programs, SSI payments for each additional child do not decline as the number of SSI eligible members of a family increases.

SSA should create a sliding scale for SSI benefits so that a family would get incrementally fewer benefits per child as the number of children in each family that qualified for SSI increased. According to CBO, doing so would reduce SSI program outlays by almost *$1.7 billion* from 2010 through 2019.[2685] In the same vein, extending the school attendance requirement to students aged 16 to 17 who have not graduated from high school in order to receive Social Security benefits would save *$1.57 billion* in program costs from 2010-19 and reduce dropouts by one-quarter.[2686] This proposal would adopt both of these policies.

3. Using Common Sense To Update the Disability Application Process

One Applicant, One Application
Currently, a disability claimant can file more than one application for disability. Some individuals may do this in hopes of being evaluated by a more sympathetic DDS examiner or ALJ; others use a subsequent application to game the system after an ALJ has denied their claim and they are waiting for the Social Security Advisory Committee to hear their appeal. As a result, duplicative and unnecessary applications are added to the growing backlog of disability applications. The ability to submit more than one application by a single claimant must be

[2684] Congressional Budget Office, Budget Options, Volume 2, Option 600.7, pg. 137, *Eliminate the Exclusion for Unearned Income Under the Supplemental Security Income Program* (August 2009), http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf.
[2685] Congressional Budget Office, Budget Options, Volume 2, Option 600.8, pg. 138, *Create a Sliding Scale for Children's Supplemental Security Income Benefits Based on the Number of Recipients in a Family* (August 2009), http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf.
[2686] Congressional Budget Office, Budget Options, Volume 2, Option 650.7, pg. 151, *Require Children Under Age 18 to Attend School Full Time as a Condition of Eligibility for Social Security Benefits* (August 2009), http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf.

eliminated; a claimant should be limited to one application pending in the appellate process at a time.

Elimination of the Reconsideration Level of Appeal

As explained elsewhere in this proposal, a disability claimant is given a number of chances to appeal after a denial at the Initial Determination stage: Reconsideration by the DDS; hearing by an Administrative Law Judge ("ALJ") in SSA's Office of Disability Adjudication and Review ("ODAR"); request for review by the Social Security Appeals Council ("SSAC"); and appeal to federal district court.

After an individual is denied benefits at the Initial Determination stage with the state DDS, within 60 days, denied claimants are able to appeal the determination and request "Reconsideration." This reconsideration step is unnecessary for several reasons.

First, reconsideration of the denial is performed by another claims examiner in the same state DDS office. New evidence is rarely provided at the Reconsideration level and the review is essentially the same as the review done in the Initial Determination, just by a different person.

Second, the number of denials that are overturned at Reconsideration is low. SSA-published statistics show that only 9.7 percent of denials were overturned at this stage in 2008.[2687] In fact, in a pilot program,

Third, SSA has shown the step may be duplicative and unnecessary. SSA has already eliminated Reconsideration in ten states: Alaska, Alabama, California (Los Angeles West and North Branches), Colorado, Louisiana, Michigan, Missouri, New Hampshire, New York, and Pennsylvania.

The Reconsideration level of appeal should be eliminated. Doing so would not only eliminate redundancy, but also free-up DDS claims examiners to better document initial decisions and execute CDR responsibilities.[2688]

Record Should Close One Week Prior to the ALJ Hearing

Under current law, claimants are able to supplement their application with additional medical records and diagnoses throughout the appellate process. A claimant may submit new medical evidence at any time. There is no finality with regard to the record or schedule for the submission of evidence. For example, a claimant could submit evidence on the day of the hearing before an ALJ, or even after the ALJ has made a decision.

[2687] Social Security Administration, Annual Statistical Report on the Social Security Disability Insurance Program, 2009, Outcomes of Applications for Disability Beneficiaries, Table 61, Medical Decisions at the Reconsideration Level, by year of application and program, 1992-2008, http://www.ssa.gov/policy/docs/statcomps/di_asr/.

[2688] Prior SSA Commissioners have recognized Reconsideration should be eliminated and acknowledging that it would allow for better documentation of decisions. *See* SSA Press Release, "Commissioner Barnhart Presents Her Approach to Improving the Disability Determination Process," September 25, 2003, http://www.ssa.gov/pressoffice/pr/DDPImprovement-pr.htm.

The current leniency in the ability to continue to add supplementary medical records is highly inefficient and unnecessary. In fact, the ability to continue to submit additional documents may perversely incentivize longer adjudication times.

Since attorneys and claims representatives are paid a percentage of back-pay awarded to a claimant, an open record provides an incentive to prolong cases to increase attorney fees. At minimum, the open record allows attorneys and representatives to pursue additional supportive medical evidence (and incur additional cost) only as a result of an unfavorable hearing decision.

Closing the record would heighten the importance of developing a claimant's record as fully as possible before the ALJ makes a decision. Furthermore, since the majority of claimants are represented at the ALJ hearing level of appeal, these professionals should be responsible for submitting evidence in a timely manner.

Establishing uniform procedures for claimant representatives to follow and requiring attorneys (absent good cause) to submit all evidence a specified number of days prior to the hearing would provide for a more orderly and expeditious process.[2689] SSA should also require claimant representatives to certify that the case is fully developed and ready for a hearing, prior to the hearing. This proposal would require all evidence supporting a claimant's application for benefits be submitted one week before the scheduled ALJ hearing date.[2690]

The Government Should be Represented at the ALJ Hearing

Under current law, a disability ALJ is responsible for wearing three "hats" during hearings:

(1) Ensure that all of the claimant's relevant and material evidence is made part of the record and the claimant's interests are protected (even when the claimant is represented);
(2) Protect the interests of the government; and
(3) Make a fair decision based on the evidence in the record.[2691]

The conflict among these interests is apparent, as the ALJ represents differing parties with mutually exclusive goals. An attorney for the government (and ultimately, the taxpayer) should represent and defend the interests of the government during these hearings. While this is a departure from current law, this would provide balance to the current equation, since the majority of claimants are represented by counsel or a claim representative at this ALJ stage. In fact, it is

[2689] Social Security Advisory Board, *Charting the Future of Social Security's Disability Programs: The Need for Fundamental Change* (January 2001), http://www.ssab.gov/publications/disability/disabilitywhitepap.pdf.
[2690] SSA proposed a similar rule requiring all evidence be submitted five days before an ALJ hearing, stating that "program experience has convinced us that the late submission of evidence to the ALJ significantly impedes our ability to issue hearing decisions in a timely manner." *See* Amendments to the Administrative Law Judge, Appeals Council, and Decision Review Board Appeals Levels, 72 Fed. Reg. 61218 (October 29, 2007). While this was not adopted nationally, ALJs in the Boston region can still require all evidence submitted five days in advance of the hearing. *See* Eliminating the Decision Review Board, 76 Fed. Reg. 24802 (May 3, 2011).
[2691] Statement of the Hon. Ronald G. Bernoski, President, Association of Administrative Law Judges, Subcommittee on Social Security, United States House of Representatives Committee on Ways and Means, Hearing on the Social Security Disability Programs' Challenges and Opportunities (June 20, 2002).

rare today for a claimant not to be represented at the hearing stage.[2692] As a result, the Social Security Advisory Board ("SSAB") has long noted that:

> Having an individual present at the hearing to defend the agency's position would help to clarify the issues and introduce greater consistency and accountability into the adjudicative system. It would also help to carry out an effective cross-examination of the claimant.[2693]

Under this proposal, the attorney for the government would also be responsible for developing and submitting evidence that the claimant is not suitable for disability benefits, which under current law, the claimant is not required to submit. The government would be represented at the ALJ disability hearing.

Update SSA Vocational Grids

In making a disability determination, if an individual's alleged disability does not qualify as a disability under SSA's medical listing, SSA assesses whether the claimant is disabled based on his or her *residual functional capacity* ("RFC"). A claimant's RFC is defined as the most work a claimant can still do (despite the claimant's limitations) based on the relevant evidence in the case record of all medically determinable impairments. The RFC assessment also includes an analysis of the claimant's ability to meet the physical, mental, sensory, and other requirements of work.[2694]

To analyze whether a claimant's RFC qualifies them as disabled, in 1978 SSA developed "vocational grids" based on a number of factors, including age, education, and past work experience, to determine if an individual is employable or disabled.[2695] These grids function as a kind of checklist, or worksheet, use to determine an individual's RFC.

However well-intended, these grids are clearly outdated and even pejorative. Under these grids, SSA considers individuals aged 50-54 as "approaching advanced age" and individuals over the age of 55 as "advanced age." Due to age, these individuals are considered to be less likely to learn new skills to transfer to a new job when their alleged impairment prevents them from performed past work. SSA believes these claimants to be "significantly limited in vocational adaptability if they are restricted to sedentary work," and therefore, disabled.[2696]

With 5.9 million beneficiaries (or 66 percent) currently on SSDI aged 50 and older, it is clear that SSA has made it much easier for these individuals to enter the disability programs.[2697] These grids are clearly outdated and inconsistent with life expectancy and medical

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[2692] Frank Bloch, Jeffrey Lubbers, and Paul Verkuil, *Introducing Nonadversarial Government Representatives to Improve the Record for Decision in Social Security Disability Adjudications, A Report to the Social Security Advisory Board* (2003), http://www.ssab.gov/documents/Bloch-Lubbers-Verkuil.pdf.
[2693] Social Security Advisory Board, *Charting the Future of Social Security's Disability Program: The Need for Fundamental Change* (January 2001), http://www.ssab.gov/publications/disability/disabilitywhitepap.pdf.
[2694] 20 C.F.R. §416.945.
[2695] Appendix 2 to Subpart P of Part 404 – Medical-Vocational Guidelines.
[2696] Appendix 2 to Subpart P of Part 404, §201.00(f).
[2697] Social Security Administration, All Disabled Beneficiaries, Table 4, Number and average monthly benefit, by sex and age, December 2009, http://www.ssa.gov/policy/docs/statcomps/di_asr/.

improvements. It is not longer the case that aged 55 and older are "advanced" in their age. Therefore, these ages should be raised to *at least* 58-60 for "approaching advanced age" and 61 and older to "advanced age."[2698] The vocational grids also take into account the inability to speak English, which should be removed as a consideration.

4. SSA Disability Program Reforms

Convert Disabled Beneficiaries to Retirement Benefits at the Early Entitlement Age ("EEA"). At present, SSA converts disabled beneficiaries to retirement benefits at age 65. Individuals, however, can begin to collect Social Security retirement benefits as early as age 62, or EEA. For conversation at EEA, a benefit reduction would apply as if the beneficiary was applying as a retiree at EEA. The reduction will be the reduction at EEA (currently 30 percent). This conversion will encourage individuals that seek disability benefits as an early retirement program to remain in the work force.

Promote Work Earlier

Under current law, for an individual to be accepted to disability, he or she must establish that they cannot work. This requirement encourages disability claimants to remain out of the labor force while they are applying for benefits. Additionally, individuals claiming disability are not allowed to sign up for rehabilitation services until *after* they are awarded disability benefits.

These are the wrong incentives. Indeed, most experts agree that the most effective intervention is to help disabled individuals return to work as quickly as possible.[2699] In fact, one study found that participation in back-to-work programs was higher for disability beneficiaries who were allowed to participate during the initial determination of their eligibility, suggesting those individuals with recent participation in the labor force are more likely to return to work.[2700]

Currently, SSA provides work incentives to disabled beneficiaries, but they are only eligible to use those incentives *after* they are accepted onto the program. While participation in SSA's back to work program "Ticket to Work" by disabled beneficiaries has increased, participation in the program overall remains low.[2701] Although opportunities to improve the program may exist,

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[2698] In 2005, under Commissioner Jo Anne Barnhart, SSA attempted to raise the ages in the vocational grids stating the increases were based on "adjudicative experience, advances in medical treatment and healthcare, changes in the workforce since [SSA] originally published [the] rules for considering age in 1978, and current and future increases in the full retirement age under Social Security law." *See* Age as a Factor in Evaluating Disability, 70 Fed. Reg. 67101 (Nov. 4, 2005). Almost four years later, under Commissioner Astrue, without explanation, Commissioner Astrue withdrew the proposed increase in ages. *See* Age as a Factor in Evaluating Disability, 74 Fed. Reg. 21563 (May 8, 2009).

[2699] Social Security Advisory Board, *Charting the Future of Social Security's Disability Programs: The Need for Fundamental Change* (January 2001), http://www.ssab.gov/publications/disability/disabilitywhitepap.pdf.

[2700] Social Security Advisory Board, *A Disability System for the 21st Century* (September 2006), http://www.ssab.gov/documents/disability-system-21st.pdf.

[2701] Ticket to Work is a voluntary program for SSDI and SSI recipients aged 18 to 64. These beneficiaries receive a "ticket" they take to an employer network ("EN") contracted with SSA that provides employment services. The EN and beneficiary work together to develop an individual work plan describing the services the employer network will provide the beneficiary. *See* Government Accountability Office, *Social Security Disability: Ticket to Work*

SSA does not currently have basic data to analyze how to improve the program because SSA does not evaluate beneficiaries that participate in the "Ticket to Work" program and has not consistently monitored or enforced individuals' progress toward self-supporting employment.[2702] Clearly, SSA is not placing adequate attention on helping disabled Americans return to work and be productive members of society.

If SSA is truly interested in helping disabled Americans, it should assist them in being independent and productive members of society by encouraging disability applicants to consider attempting to work before accepting them onto the disability rolls. The "Ticket to Work" program should be replaced with a more effective back-to-work program that claimants are able to access earlier in the disability application process, even before individuals apply for benefits.

Time Limit Disability Benefits to Encourage Beneficiaries to Return to Work

At present, when an individual is approved for SSDI or SSI benefits, they remain on the program until they return to work or SSA determines they have improved medically and are no longer disabled. When a claimant is accepted onto the disability rolls, SSA assigns a classification to the beneficiary regarding the likelihood of recovery. These classifications will be used to time-limit benefits for the following periods of time:

- A beneficiary classified as "medical improvement expected" will receive two years of disability benefits;
- A beneficiary classified as "medical improvement possible" will receive three years of disability benefits; and
- A beneficiary classified as "medical improvement not expected" will receive five years of disability benefits.

The current system provides a disincentive for many beneficiaries to improve their health, mobility, and self-sufficiency, even when possible. Incentives should be realigned by limiting the amount of time that the beneficiary will receive benefits. This would enable beneficiaries to plan and prepare to return to the work force, while providing them with help during their disability.

For claimants that truly remain disabled and unable to work, they could re-apply for benefits at any point during the final year of the benefit term. If a claimant were to be re-accepted for an additional benefit term, the five month wait period for benefits would not apply.[2703] The use of

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Participation has Increased, but Additional Oversight is Needed, Report No. 11-324 (May 2011), http://www.gao.gov/new.items/d11324.pdf.

[2702] Interestingly, SSA revised the Ticket to Work regulations in 2008 due to low participation rates by both ticket holders and ENs. Government Accountability Office, *Social Security Disability: Ticket to Work Participation has Increased, but Additional Oversight is Needed*, Report No. 11-324 (May 2011), http://www.gao.gov/new.items/d11324.pdf. To date, it remains a failure. When it was originally passed in 1999, CBO estimated that it would result in millions saved. *See* CBO, *Pay-As-You-Go-Estimate: H.R. 1180 Ticket to Work and Work Incentives Improvement Act of 1999* (Dec. 13, 1999). The same number of beneficiaries, however, are returning to work as before it was implemented. Social Security Administration, Office of the Inspector General, *Ticket to Work and Self-Sufficiency Program Cost Effectiveness*, Report No. A-02-07-17048 (August 2008).

[2703] Timing limiting disability benefits is a concept utilized by the Netherlands in recent reforms to its disability program. *See* Richard V. Burkhauser, Mary C. Daly, and Philip R. de Jong, *Curing the Dutch Disease: Lessons for*

time-limiting benefits also takes the administrative burden off of SSA to perform medical CDRs, which it consistently states it lacks funds to properly perform.

Development of a Treatment Plan

Upon becoming eligible for disability benefits, all disabled beneficiaries should be required to develop a treatment plan if SSA finds they have a condition where medical improvement is expected or possible. The plan should include vocational rehabilitation and medical treatment, and would have return-to-work as its goal within a designated time period. This would put the emphasis on returning to work and not staying on disability benefits indefinitely. This simple policy correction would help many beneficiaries reclaim the freedom of self-sufficiency and enjoy the dignity of gainful employment.

Increase State Involvement in the Management of SSI

In 1996, under bipartisan federal welfare reform legislation, states became responsible for administering the welfare program, technically called Temporary Assistance to Needy Families ("TANF"). TANF's mission is to help needy families to become self-sufficient, including reducing the dependency of needy parents by promoting job preparation, work, and marriage.[2704] Under the historic, bipartisan reform, states received federal block grants to cover benefits, administrative expenses, and services targeted to needy families with wide flexibility to develop state-run welfare programs.

The SSI program also provides disabled individuals with benefits, effectively making it essentially a welfare program for individuals with health problems. Not surprisingly, statistics show an overlap in the populations served by TANF and SSI. In fact, GAO estimates indicate that almost all TANF offices encourage some TANF recipients with impairments to apply for SSI.[2705] This overlap means that taxpayers may be overpaying for programs that have at least partially duplicate functions. Congress should shift the management of the SSI program to the states to take advantage of the states experience in encouraging TANF recipients to return-to-work and become independent and productive Americans.[2706]

Shifting management of the SSI program to the states would also benefit children that are currently enrolled in the SSI program. For example, instead of making payments directly to parents, states could divert SSI funds directly to educational supports to fund the improved education of children with disabilities. The Individuals with Disabilities Education Act ("IDEA") authorized the federal government to make grants to states that fund special education and related services for students with disabilities. In 2009, IDEA could provide up to $4,200 per

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United States Disability Policy, University of Michigan Retirement Research Center, Working Paper No. 2008-188 (September 2008), http://www.mrrc.isr.umich.edu/publications/Papers/pdf/wp188.pdf.

[2704] United States Department of Health and Human Services, Administration for Children and Families, Temporary Assistance for Needy Families ("TANF"), About TANF, http://www.acf.hhs.gov/programs/ofa/tanf/about.html.

[2705] Estimates from GAO's nationwide survey of county TANF offices indicated that almost all offices reported that they refer at least some recipients with impairments to apply for SSI. Government Accountability Office, *TANF and SSI: Opportunities Exist to Help People with Impairments Become More Self-Sufficient*, Report No. 04-878 (September 2004), http://www.gao.gov/new.items/d04878.pdf.

[2706] Richard V. Burkhauser, Mary C. Daly, and Philip R. de Jong, *Curing the Dutch Disease: Lessons for United States Disability Policy*, University of Michigan Retirement Research Center, Working Paper No. 2008-188 (September 2008), http://www.mrrc.isr.umich.edu/publications/Papers/pdf/wp188.pdf.

child to states to fund educational supports. Program funding, however, only provided about $1,370 per child. In fact, CBO recently advocated an increase in IDEA funds to provide states with the authorized maximum grant for educating children with disabilities.[2707] By diverting SSI funding to states, these payments could meaningfully fund programs that would provide much needed educational support for children with disabilities to become productive and independent members of society.

Savings

The proposed reforms allow for the SSDI Trust Fund to remain solvent for 75 years.

The proposed changes to the SSI program will save over **$17.175 billion** over the next ten years.

[2707] Congress of the United States, Congressional Budget Office, Budget Options, Volume 2, pg. 117, *Increase Funding for the Education of Children with Disabilities* (August 2009), http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf.

REFORMING TAX EXPENDITURES & ENDING SPECIAL INTEREST GIVEAWAYS

From teens with summer jobs to multi-billion dollar corporations, taxpayers across the country sent $2.16 trillion to Washington last year.[2708] Most Americans agree the tax code is confusing and unfair, making it even more frustrating to hand Uncle Sam nearly twenty five percent of their monthly paycheck.

The tax code is long overdue for comprehensive restructuring. Yet, instead of considering broad reform to simplify the code and lower rates, Washington continues to make the problem worse—doling out new tax breaks and subsidies in the form of tax credits to well-connected companies and special interests with powerful lobbyists who seem to have more influence than most members of Congress. The result is a complex tax structure that benefits only a few, hinders economic growth and drives up costs and taxes for many working families and businesses across the country.[2709]

In part, the complexity of the tax code arises from the countless spending programs hidden within it. Masquerading as tax cuts, many of these programs are no different from any other federal program that spends taxpayer money. Cleaning up the code by eliminating the most egregious tax giveaways will pave the way to reducing tax rates for all Americans and small businesses.

The need for fundamental tax reform is clear: as government has grown so has the tax code. It was designed to collect from citizens only those resources truly needed to fund basic federal functions, but has become the latest playground for Washington politicians to hand out benefits to their favorite special interests. At more than 3,800 pages, the code is a labyrinth of exclusions, deductions, exemptions, and credits, making it nearly incomprehensible. By most estimates, these special preferences add up to more than $1 trillion in annual spending, all administered by a Treasury Department that receives little oversight from Congress, leaving virtually no way to stop runaway costs.

In his recent *National Affairs* analysis of the tax code, "Spending in Disguise," former member of President Bush's Council of Economic Advisers Donald Marron explains how the code has become a tool for secret spending programs, stating "[t]ax preferences are social safety-net

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[2708] "Budget and Economic Outlook: Fiscal Years 2011 to 2021," p. 14, Congressional Budget Office, January 2011, http://www.cbo.gov/ftpdocs/120xx/doc12039/01-26_FY2011Outlook.pdf.

[2709] Taxpayers spend more than $160 billion annually to comply with the tax code, a sum equal to 11 percent of all the revenue the federal government collects. Written Statement of Nina Olson, National Taxpayer Advocate, Internal Revenue Service, page 12, hearing before the United States Senate Committee on Finance, "Complexity and the Tax Gap: Making Tax Compliance Easier and Collecting What's Due," June 28, 2011.

programs. They are middle- and upper-income entitlements." Marron concludes, "The federal government is therefore bigger than we typically think it is. Conventional budget measures miss hundreds of billions of dollars that are implicitly collected and spent each year through spending-like tax preferences."[2710]

The nonpartisan Congressional Research Service agrees, explaining how tax expenditures are, "in many ways equivalent to entitlement spending.[2711] That is, tax expenditures are available to everyone who qualifies and federal budgetary costs depend on program rules (the tax code), economic conditions, and behavioral responses. Furthermore, they often remain in the tax code until changed or eliminated by congressional action."[2712]

> "They [tax expenditures] represent a major exercise of government power, but face less oversight than many activities on the spending side of the budget. They conceal the true size of government, and they confer enormous power upon the tax-writing committees in Congress — which have the ability to simultaneously raise revenue and spend it inside the tax code."
> *Marron, Spending in Disguise*

Congress' tax code spending spree has created an unfair system in which taxpayers with similar incomes and businesses with similar profits often do not pay similar rates. For example, a recent report found eleven major U.S. corporations with $163 billion in profits from 2008-2010 had effective federal tax liabilities averaging only 3.3 percent—far below the corporate rate of 35 percent. In the case of General Electric, the company had a *negative* income tax liability of 61.3 percent, receiving $4.7 billion from the federal Treasury over the last three years.[2713]

Many tax preferences are little more than corporate welfare, designed compensate for our country's high tax rate. Inevitably, these exceptions tend to favor those companies and groups with close ties to lawmakers and access to the most experienced lobbyists. Without such access, small businesses and the middle class often bear the burden of the high standard tax rates while the wealthy and powerful receive a vast array of deductions, credits, and other preferences created by Congress.

Loose requirements for various tax write-offs allow clever taxpayers to reduce their taxable income for bizarre and dubious expenditures. One family was allowed to deduct the cost of cat food as a business expense, claiming cats were needed to keep animals out of their junkyard.[2714] Meanwhile others have allowed

[2710] Marron, Donal J., "Spending in Disguise," *National Affairs*, Summer 2011, http://www.urban.org/uploadedpdf/1001542-Spending-In-Disguise-Marron.pdf.
[2711] Congressional Research Service Definition: Tax expenditures—special deductions, exclusions, exemptions, and credits in the tax code—are often used instead of direct expenditures (mandatory and discretionary spending) to achieve policy goals.
[2712] CRS R41369, "Empowerment Zones, Enterprise Communities, and Renewal Communities: Comparative Overview and Analysis," Congressional Research Service, February 14, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41639&Source=search#fn29.
[2713] Citizens for Tax Justice, "Twelve Corporations Pay Effective Tax Rate of Negative 1.5% on $171 Billion in Profits; Reap $62.4 Billion in Tax Subsidies," June 1, 2011, http://ctj.org/ctjreports/2011/06/twelve_corporations_pay_effective_tax_rate_of_negative_15_on_171_billion_in_profits_reap_624_billion.php.

deductions include elective abortion services, toupees for some balding men and breast augmentations for exotic dancers.[2715]

Some of the most expensive provisions in the code are wrought with waste or are poorly targeted, often benefiting upper income tax filers instead of those most in need. For example, individuals with over a million dollars in income benefited from more than $7 billion in tax relief through mortgage interest deduction in one year alone.[2716] In fact, the IRS recently found that in 2008, more than 18,000 individuals earning at least $200,000 used these tax credits, deductions, and other preferences to reduce their personal income tax liability to zero. This resulted in the highest percentage of high-income taxpayers who avoided paying taxes since this data collection began in 1977.[2717]

Worse still, the government does not even collect all of the taxes it is legally owed. The IRS loses billions of dollars every year to erroneous payments and poor oversight of spending programs found in the tax code. Consider, the Earned Income Tax Credit Program was identified as having nearly $17 billion in improper payments in 2010,[2718] while the IRS Inspector General found that more than 1,200 prisoners, 241 of whom are serving life sentences, mistakenly received $9.1 million in first-time homebuyer tax credits just one year.[2719] Simply requiring beneficiaries to provide a valid Social Security number to receive the Additional Child Tax Credit could save another $17 billion annually.[2720]

Allowing deductions for everything from clown wigs to basketball jerseys[2721], the tax code not only misdirects federal funding, but it imposes a significant drag on the overall economy, hindering growth and slowing the recovery. As wages continue to stagnate and many Americans are still unemployed, the sluggish economy has produced below-average levels of federal revenue in recent years. Combined with Washington spending at an all time high and record deficits of more than $1.65 trillion, we simply can no longer afford a tax code that loses hundreds of billions of dollars in revenue every year.

Ultimately, attempting to force all taxpayers, both corporate and individual, to pay the full standard rates is futile—there are simply too many escape hatches to avoid taxation. More

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[2714] Blank, Peter, Kiplinger, "Extraordinary Tax Deductions," March 2010, http://kiplinger.com/features/archives/extraordinary-tax-deductions.html.
[2715] Congressional Research Service, Response to Office of Senator Coburn, "Deductibility of Certain Expenses and Exemption for Certain Gambling Winnings," July 11, 2011.
[2716] IRS, Statistics of Income Division, April 2011.
[2717] Rubin, Richard and Zajac, Andrew, Bloomberg News, "High-Income Returns Reporting No Taxes Almost Doubled in 2008, IRS Says," June 14, 2011, http://www.bloomberg.com/news/2011-06-14/high-income-no-tax-returns-almost-doubled-in-2008-irs-says.html.
[2718] "Improper Payments in the Administration of Refundable Tax Credits," written statement of Nina E. Olson, May 25, 2011, http://waysandmeans.house.gov/UploadedFiles/Olsen_Testimony.pdf .
[2719] Block, Sandra, "Home buyer tax credit fraud includes 1,295 prison inmates," *USA Today*, June 24, 2010, http://www.usatoday.com/money/economy/housing/2010-06-23-home-buyers-credit-inmates_N.htm.
[2720] Estimate made by staff of Senator Coburn.
[2721] Congressional Research Service, Response to Office of Senator Coburn, "Deductibility of Certain Expenses and Exemption for Certain Gambling Winnings," July 11, 2011.

importantly, our economy simply cannot grow under such a burdensome level of taxation. The only way to fix the tax code is to eliminate most preferences, eliminate the Alternative Minimum Tax, and sharply lower standard rates for businesses and individuals. In addition, the corporate code should be reformed to move from a worldwide system to a competitive territorial system, like nearly all major industrial countries. While some favor a temporary repatriation holiday, transition to a territorial system would create a permanent incentive for companies to bring their foreign earnings home.

At a time of divided government and record deficits, it is unrealistic to believe we can put the federal budget back in black without looking at both spending and revenue. This plan eliminates waste and duplication in every corner of the federal budget, including the tax code. By a ratio of 8 to 1, the report focuses heavily on reducing mandatory and discretionary spending, but also calls for ending wasteful spending in the tax code. Ending special interest giveaways, selling unused federal assets, and eliminating spending through the tax code will bring in more revenue, but without increasing tax rates.

Sweeping tax reform that creates a level playing field, eliminates tax subsidies, and dramatically reduces both personal and corporate income tax rates is clearly needed. Congress can act now to remove some of the most egregiously unfair, unwarranted tax preferences in the code. Many of the costly and unproven tax provisions contained in the stimulus bill earmarked for specific politically favored agendas are repealed in this plan. Preferences like many included in this report cost the government billions of dollars and do little for the economy. Meanwhile, other reforms proposed in this plan could be considered with rate reductions to promote a flatter, simpler code. These reforms will also begin to make the tax code fairer for those who cannot afford to hire a lobbyist to represent them in Washington. Immediately ending dozens of special interest giveaways and reforming other major tax provisions will help remove these distortions generating nearly $1 trillion over the next ten years.

TEN YEAR SAVINGS
Tax Expenditure: $962.02 billion
Other Revenue: $30.34 billion
Total: $992.36 billion

END MISDIRECTED ECONOMIC DEVELOPMENT TAX BREAKS

In addition to the more than 180 federal programs doling out federal dollars for local economic development initiatives across the country, a handful of tax subsidies spend billions of dollars through the tax code for the very same purpose. These tax breaks are duplicative of countless other federal programs and benefits, often poorly targeted, and difficult to measure in terms of success and effectiveness.

Congress should eliminate these tax expenditures and focus on ensuring a smaller subset of the hundreds of economic development programs work as intended. Ending the New Markets Tax Credit along with the Empowerment Zone, Renewal Community, and District of Columbia Tax Incentives, would result in savings of more than $15 billion over ten years.[2722]

New Markets Tax Credit

Individuals investing in businesses that provide capital to low-income residents in low-income communities can apply for the New Markets Tax Credit.[2723] New Market Tax Credits reduce an individual's taxes by a portion of their investment over several years, creating an incentive for investment. Rather than working this way, the program rewards past behavior, but does little to incentivize new development. Some of the "community development entities" benefiting from this special tax break are actually multi-million dollar companies.

Recipients of the tax break are often subsidiaries of major banks, like two divisions of Chase Bank, which were awarded $204 million worth of tax credits through this program in only three years (2007-2009); or the Merrill Lynch Community Development Company, which received $174 million in the same period; or Wachovia Community Development Enterprises, which received $521 million in awards from 2004-2009.[2724]

These credits have been used to subsidize expensive construction projects like the $116 million renovation of the landmark Blackstone Hotel in downtown Chicago, a Marriott hotel. This project's main beneficiary was Prudential Financial Inc., the second-largest U.S. life insurer, which received $15.6 million in New Market Tax Credits.[2725]

[2722] Staff Estimate based on "Expiring Tax Provisions (xls)," available on website of the Congressional Research Service, The Budget and Economic Outlook: An Update, August 2010, http://www.cbo.gov/doc.cfm?index=11705.
[2723] Internal Revenue Code, Section 45D, http://www.taxalmanac.org/index.php/Internal_Revenue_Code:Sec._45D._New_markets_tax_credit.
[2724] Website of the Community Development Financial Institutions Fund, "Spreadsheet from Community Development Financial *Institutions* Fund website," http://www.cdfifund.gov/docs/nmtc/NMTC_Public_Data_09-17-10.xls, accessed June 29, 2011.
[2725] Dietz, David, "Rich Take From Poor as U.S. Subsidy Law Funds Luxury Hotels," *Bloomberg News*, February 8, 2011, http://www.bloomberg.com/news/2011-02-08/rich-taking-from-poor-as-10-billion-u-s-subsidy-law-funds-luxury-hotels.html, accessed June 29, 2011.

In 2009 alone, over $3.5 billion in federal funding was directed via this tax break for projects not seemingly intended to benefit low-income regions:

- $19.9 million for a multiplex movie cinema and retail development;
- $8 million for a hockey arena;
- $5 million for 3D digital products and software application sales;
- $1.1 million for a cable television station;
- $15.7 million for a performing arts venue and school;
- $2.2 million for the "development of enhanced streetscapes;"
- $4.9 million for an 86 Room Fairfield Inn & Suites;
- $3.75 million for the historic rehabilitation of a "Vacant Hotel;"
- $9.8 million for a movie studio and entertainment venue;
- $4.5 million for "architecture studios;
- $10.7 million for a historic rehabilitation of the headquarters of a global entertainment and convention venue management company; and
- $31 million for two "historic theater rehabilitations."[2726]

These credits are disbursed to a recipient for at least eight years. The Congressional Research Service estimates roughly $705 million will be spent on these credits in fiscal year 2011.

Empowerment Zone, Renewal Community, and District of Columbia Tax Incentives

Similarly, Empowerment Zones (EZs) and Renewal Communities (RCs) are federally designated geographic areas characterized by high levels of poverty and economic distress, where businesses and local governments are often eligible to receive federal grants and tax incentives.

Since 1993, Congress has authorized three rounds of EZs and one round of RCs with the objective of revitalizing federally selected economically distressed communities. These designations unlock a combination of federal tax incentives and grants.

Nearly $1.8 billion in grant incentives provided to EZs and ECs have been expended since 1993 have mostly been expended. The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010[2727] enacted on December 17, 2010 extended EZ tax benefits, but not RCs, until the end of 2011.

There are several Empowerment Zone (EZ) tax incentives[2728] intended to help "economic development" struggling economically.[2729] One of these provisions allows businesses to receive a credit equal to 20 percent of the first $15,000 in wages paid to an employee who is a resident of the empowerment zone and who performs most of their work within the

[2726] Website of the Community Development Financial Institutions Fund, "Spreadsheet from Community Development Financial *Institutions* Fund website," http://www.cdfifund.gov/docs/nmtc/NMTC_Public_Data_09-17-10.xls, accessed June 29, 2011.
[2727] Public Law 111-312.
[2728] Internal Revenue Code, Sections 1396, 179.
[2729] Website of the Department of Housing and Urban Development, "Tax Tips," http://www.hud.gov/offices/cpd/economicdevelopment/library/taxincentivesez.pdf, accessed June 29, 2011.

empowerment zone. The idea is to make it easier for companies to hire individuals in these poor areas. RC tax incentives, which have not been extended since they expired in 2009,[2730] are similarly allowed for businesses to collect an employment tax credit equal to 15 percent of the first $10,000 in wages paid to an employee who is a resident of the renewal community and who performs most of their work within the renewal community.

Other investment incentives apply to both the EZ and RC programs with the goal of fostering economic development through an increase in the capital stock within the designated geographic areas. Firms may expense the cost of new and used qualified property/assets they acquire when the assets are placed in service up to $35,000, for a total of $285,000 if they are located in an EZ. Empowerment zone tax-exempt bonds can be issued for economic development projects in EZs. Capital gain deferral options are also available for investments within EZs and 50-75 percent of the gain from the sale of EZ small business stock held for more than five years is excluded from gross income.

There is also a special carve out for the District of Columbia (DC) Enterprise Zone, which includes census tracts in the District of Columbia with a poverty rate of at least 20 percent. Businesses in the DC Zone are eligible for the following tax benefits: (1) a wage credit equal to 20 percent of the first $15,000 in annual wages paid to qualified employees who resided within the District of Columbia; (2) $35,000 in increased Section 179 expensing; and (3) tax-exempt bond financing. Additionally, a capital gains exclusion is allowed for certain investments in small business stock held more than five years and made within the affected areas. These incentives were extended through 2011 after expiring in 2009.[2731]

Since federal grant programs also exist to assist these economic development zones/communities, it is unclear why these tax incentives should be extended. For entities applying for government funding, additional points are awarded on grant applications for the Department of Housing and Urban Development, Treasury, and Health and Human Services, and Department of Education programs.

Government-sponsored studies by the Government Accountability Office (GAO) and the Department of Housing and Urban Development (HUD) have failed to demonstrate EZ designation generating improvement in community outcomes.

In 2001, HUD published a progress report examining the first five years of the Empowerment Zone and Enterprise Communities programs.[2732] HUD investigators found little evidence that the EZ program resulted in community improvement. The small growth that did occur within these communities, given the low take-up rate of the tax incentives, may have been attributable to activities not related to EZ activities.

[2730] Website of the Department of Housing and Urban Development, "Welcome to the Community Renewal Initiative," February 25, 2011, http://www.hud.gov/offices/cpd/economicdevelopment/programs/rc/index.cfm, accessed June 29, 2011.

[2731] Section 754 of P.L. 111-312.

[2732] Website of the Department of Housing and Urban Development, "Interim Assessment of the Empowerment Zones and Enterprise Communities (EZ/EC) Program: A Progress Report and Appendices," October 31, 2011, "http://www.huduser.org/portal/publications/econdev/ezec_rpt.html , accessed June 29, 2011.

In 2006, GAO also released a report on the EZ program.[2733] This study found "none of the federal agencies that were responsible for program oversight—including HHS and the Departments of Housing and Urban Development (HUD) and Agriculture (USDA)—collected data on the amount of program grant funds used to implement specific program activities. This lack of data limited both federal oversight and GAO's ability to assess the effect of the program."
Despite a previous request by GAO as part of a 2004 study for these federal agencies to address this deficiency, GAO found this issue had not been addressed two years later. Based on the limited data GAO had, it could not determine that the EZ program was effective.[2734]

Tribal Economic Development Bond Program

Established in the 2009 stimulus legislation, the Tribal Economic Development Bonds (TEDB) program authorizes tribes to issue up to $2 billion in bonds for economic development purposes, with each tribe selected for participation eligible to issue as much as $30 million.

Unlike previous tribal bonds, this provision does not require bonded projects to fulfill an "essential government function," and thus can be used for a wide variety of initiatives including tourism development, convention facilities, golf course, and marinas. Tribes contend the provision brings them into parity with state and local government bond provisions.

The bonds are not always put to the best use. Thanks in part to the new tax free bond provision, the Salt River Pima-Maricopa Indian Community in Arizona constructed the new spring training facility for Major League Baseball's Colorado Rockies and the Arizona Diamondbacks. With twelve baseball fields, including an 11,000 seat central stadium, two soccer fields, clubhouses, separate workout facilities for both teams, and a theater, the Salt River Fields complex is conveniently located near the tribes Talking Stick Resort, casino, and golf course.[2735]

[2733]Website of the Government Accountability Office, "Empowerment Zone and Enterprise Community Program, Improvements Occurred in Communities, but the Effect of the Program is Unclear,"GAO-06-727, September 22, 2006, http://www.gao.gov/new.items/d06727.pdf, accessed June 29, 2011.
[2734] Congressional Research Service R41639, "Empowerment Zones, Enterprise Communities, and Renewal Communities: Comparative Overview and Analysis," February 14, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41639&Source=search#_Toc286402530.
[2735] Website at Salt River Fields at Talking Stick, "Tribes, Teams Dedicate Grand Opening of Salt River Fields, http://www.saltriverfields.com/media/news-archive/11-02-11/Tribes_Teams_Dedicate_Grand_Opening_of_Salt_River_Fields.aspx, accessed June 27, 2011.

The New York Times describes the new facility this way: "Simply put, it's the nicest spring training facility in the majors." Legendary former Yankees manager Joe Torre gushed, "This is amazing. I've never seen anything like this in a major league place, much less a spring training facility. It's incredible. It's enormously impressive, it really is."[2736]

Also, these bonds are provided for the development of certain facilities associated with casinos. Although Congress in the Recovery Act excluded gaming as a permitted use of TED Bonds, the IRS opened a very large loophole, as the prohibition does not explicitly extend to ancillary facilities, such as a hotel, if they are structurally independent. As such, a hotel built on top of the casino would be ineligible, but a hotel built next to the casino would qualify – even though they serve exactly the same function.

This proposal would prohibit the further issuance of any new bonds under the program. Eliminating this provision could save $400 million over the next ten years.[2737]

[2736] Kepner, Tyler, "Salt River Fields, the New Spring Sensation," New York Times, February 26, 2011, http://bats.blogs.nytimes.com/2011/02/26/salt-river-fields-the-new-spring-sensation/, accessed June 27, 2011.
[2737] Staff estimate based on Joint Committee on Taxation JCS-3-10, "Estimates Of Federal Tax Expenditures For Fiscal Years 2010-2014," http://www.jct.gov/publications.html?func=startdown&id=3718. A significant portion of the money could be saved by shutting this program down immediately and stopping the issuance of any new bonds. According to the IRS, there have been significant forfeitures in the bond program.

END SPECIAL INTEREST CORPORATE TAX BREAKS

The Historic Preservation Tax Credit and the Preservation Credit for Rehabilitation of Structures, Non-Historic Structures

Millions of dollars in tax benefits were recently used to fund the $27 million development of a beer garden and microbrewery at a former Coca-Cola syrup plant in St. Louis.[2738] This includes $14.4 million of financing for the project was provided through a HUD-insured mortgage. The project also benefited from $1.25 million in state brownfields credits, $2.8 million in tax-increment financing, and a $5.3 million federal historic preservation tax credit.[2739]

The brewery, a beer tasting room and beer garden were developed in a 12,000 square feet building. In addition to the brewery there are 77 apartment units along with 16,000 square feet of commercial space available.

The $18-$20 million conversion of Milwaukee's historic Loyalty Building into a Hilton Garden Inn is also expected to be financed in part with federal historic preservation tax credits. The 6-story building was purchased for $1.7 million in March – an amount less than half of the tax credit the developer would receive if the final project cost is $20 million.[2740]

A similar $40 million project is expected to utilize these tax credits in Buffalo to renovate the Lafayette Hotel, after it was added to the National Register of Historic Places in August. The redevelopment project will see the upper floors converted into 115 one and two-bedroom apartments and a 34-room boutique hotel will occupy the second floor.[2741] Prior to the renovation, the building was home to a number of social services organizations that use the rooms for "short-term emergency housing clients."[2742]

Current law provides for two separate tax credits for historic preservation of structures.[2743] One of them is applied to structures certified by the National Park Service as historic structures on the National Register of Historic Places or by the Secretary of Interior. This subsidy is expected to total $500 million in federal funds for fiscal year 2011 (including $400 million for corporations)

[2738] Kelly Robert, "Beer garden, microbrewery set to open at old Coke plant," *Post-Dispatch* (St. Louis, MO), May 27, 2011, http://www.stltoday.com/business/local/article_14056c5f-5086-5fef-a26f-e4e0d98ff791.html, accessed June 29, 2011.
[2739] Information verified by the Office of Sen. Tom Coburn in phone call to Steins Broaday, June 24, 2011.
[2740] Daykin, Tom, "Developer hopes to begin downtown Hilton project by September, Journal-Sentinel (Milwaukee WI), June 13, 2011, http://www.jsonline.com/business/123789464.html, accessed June 29, 2011.
[2741] Website of Buffalo Rising, "Termini Purchases Lafayette Hotel," May 21, 2011, http://www.buffalorising.com/2011/05/termini-purchases-lafayette-hotel.html, accessed June 29, 2011.
[2742] Meyer, Brian, "First steps taken to aid Termini plans," *Buffalo News*, August 10, 2010, http://www.buffalonews.com/city/article20023.ece.
[2743] Internal Revenue Code, Section 47.

and $600 million in fiscal year 2012.[2744] There is no upper limit on the amount of rehabilitation expenditures that can be claimed.

Additionally, there is a historic preservation tax credit for other structures not certified as historic. The credit provides up to 10 percent of renovation and rehabilitation costs for individuals and corporations for non-residential buildings built before 1936.[2745] This subsidy is expected to total $200 million in federal funds for fiscal year 2011 (including $100 million for corporations) and $300 million in fiscal year 2012.[2746] There is no upper limit on the amount of rehabilitation expenditures that can be claimed.

These tax credits are highly duplicative of numerous other federal grant programs allowing federal funds to be used for promotion of historic preservation, such as the Community Development Block Grant, the National Community Development Initiative, and USDA's Rural Development program.

Many states have a similar state tax credit in place, including:

- Minnesota, which has a 20 percent tax credit in addition to the federal tax credit;[2747]
- Wisconsin, which has a 5 percent tax credit in addition to the federal tax credit;[2748]
- Rhode Island had one that has been at least temporarily discontinued because of fraud and budget concerns;[2749] and
- Michigan had one that was recently eliminated.[2750]

These tax credits are duplicative and subsidize projects eligible for other government funding or private sources. Eliminating these two tax credits would result in savings of more than $7.6 billion over the next ten years.[2751]

[2744] Website of the Senate Budget Committee, "Tax Expenditures: Compendium of Background Material on Individual Provisions" *Congressional Research Service*, December 31, 2010, http://budget.senate.gov/democratic/index.cfm/files/serve?File_id=8a03a030-3ba8-4835-a67b-9c4033c03ec4, accessed June 25, 2011.

[2745] Website of the Senate Budget Committee, "Tax Expenditures: Compendium of Background Material on Individual Provisions" *Congressional Research Service*, December 31, 2010, http://budget.senate.gov/democratic/index.cfm/files/serve?File_id=8a03a030-3ba8-4835-a67b-9c4033c03ec4, accessed June 25, 2011.

[2746] Website of the Senate Budget Committee, "Tax Expenditures: Compendium of Background Material on Individual Provisions" *Congressional Research Service*, December 31, 2010, http://budget.senate.gov/democratic/index.cfm/files/serve?File_id=8a03a030-3ba8-4835-a67b-9c4033c03ec4, accessed June 25, 2011.

[2747] Bjorhus, Jennifer, "Developers line up for historic tax credit," *Star-Tribune* (Minneapolis, MN), June 15, 2011, http://www.startribune.com/business/123642889.html, accessed June 29, 2011.

[2748] Website of the Wisconsin Historical Society, "Historic Preservation Tax Credits for Income-Producing Historic Buildings," http://www.wisconsinhistory.org/hp/architecture/iptax_credit.asp, accessed June 29, 2011.

[2749] Mackay, Scott, "Reinstate the Historic Preservation Tax Credit," *WRNI*, June 13, 2011, http://www.publicbroadcasting.net/wrni/news.newsmain/article/0/13/1814624/Top.Stories/Reinstate.the.historic.preservation.tax.credit, accessed June 29, 2011.

[2750] Website of National Public Radio, "Coltrane House, Chicago Hospital Called Endangered," June 15, 2011, http://www.npr.org/templates/story/story.php?storyId=137189590, accessed June 29, 2011.

[2751] Staff estimate based on Joint Committee on Taxation JCS-3-10, "Estimates Of Federal Tax Expenditures For Fiscal Years 2010-2014," http://www.jct.gov/publications.html?func=startdown&id=3718.

NASCAR Tax Break

The cost of NASCAR tracks or "motorsports entertainment complexes" can be written off over seven years.[2752] One of the main beneficiaries of this tax subsidy is the International Speedway Corp, owners of the Daytona Speedway and 11 other NASCAR tracks.[2753] Estimates have put the company's benefit from this provision at approximately $38 million.[2754]

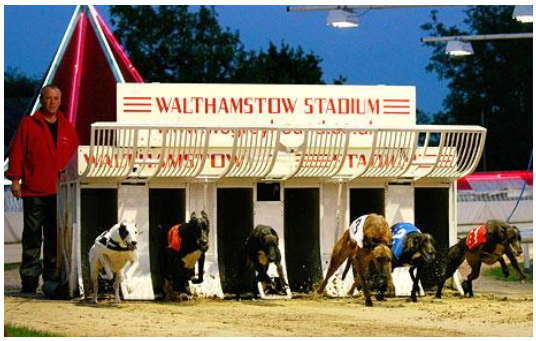
In order to qualify for the special seven-year recovery period, the racing track facility must be permanently situated on land and host a racing event within thirty-six months of its completion.[2755] These businesses can also use a 15 year depreciation schedule for "land improvements" if the venue hosts an event within thirty-six months of its completion.[2756] The provision encompasses all facilities including grandstands, and food and beverage concession stands.[2757] Local track owners have received plenty of other tax breaks from states and other local authorities eager to keep the speedway in their community.[2758] The depreciation schedule in the tax code for similar non-residential real property is typically 15 to 39 years.[2759]

The IRS previously questioned whether these types of racetracks belong in the same tax category as amusement parks until Congress interceded on NASCAR and other track owner's behalf.[2760] Since 2004, this provision has been extended several times, and would cost $400 million over the next decade.[2761]

[2752] McMurray, Jeffrey, "Lawmakers Aim to Protect NASCAR Tax Break," *Associated Press*, May 11, 2004.
[2753] Park, Clayton, "Fan loyalty to sponsors' products fuels NASCAR success," February 20, 2011, http://www.news-journalonline.com/business/local-business/2011/02/20/fan-loyalty-to-sponsors-products-fuels-nascar-success.html, accessed June 23, 2011.
[2754] Website of the Center for American Progress, "Congressman Join Chorus for Calling for Tax Expenditure Scrutiny," June 18, 2010, http://www.americanprogress.org/issues/2010/06/tax_expenditure_scrutiny.html, accessed June 23, 2011.
[2755] Website of the Joint Committee on Taxation, "Technical Explanation Of The Revenue Provisions Contained In The Tax Relief, Unemployment Insurance Reauthorization, And Job Creation Act Of 2010, December 10, 2010, http://www.jct.gov/publications.html?func=startdown&id=3716, June 23, 2011.
[2756] Website of the Joint Committee on Taxation, "Technical Explanation Of The Revenue Provisions Contained In The Tax Relief, Unemployment Insurance Reauthorization, And Job Creation Act Of 2010, December 10, 2010, http://www.jct.gov/publications.html?func=startdown&id=3716, June 23, 2011.
[2757] Website of the Joint Committee on Taxation, "Technical Explanation Of The Revenue Provisions Contained In The Tax Relief, Unemployment Insurance Reauthorization, And Job Creation Act Of 2010, December 10, 2010, http://www.jct.gov/publications.html?func=startdown&id=3716, June 23, 2011.
[2758] Graves, Will, "Kentucky Speedway to get tax breaks with Cup race," Associated Press, February 17, 2009, http://www.usatoday.com/sports/motor/2009-02-17-4071969232_x.htm, accessed June 23, 2011.
[2759] Website of Taxpayers for Common Sense, "Holiday Honey Baked Hams – Special Interest Carveouts at the End of the Year," http://www.taxpayer.net/user_uploads/file/FederalBudget/TaxPolicy/Top_Special_Interest_Carveouts_EndofYear2010.pdf, accessed June 23, 2011.
[2760] McMurrary, Jeffrey, "Lawmakers Aim to Protect NASCAR Tax Break," *Associated Press*, May 11, 2004.
[2761] Website for Joint Committee on Taxation, "Estimated Budget Effects Of The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010," December 10, 2010,

Dog and Pony Show Tax Breaks

Foreigners who gamble at horse and dog tracks in the United States were once subject to a withholding tax on their winnings, though no longer.[2762] In 2004, Congress eliminated the tax for bets placed by foreign bettors on live horse or dog races in the United States through certain wagering pools if the wager was initiated from outside the United States.[2763] Supporters and detractors contend this provision assists these tracks with their Internet betting operations.



The provision exempts a certain type of betting known as as pari-mutuel. Rather than placing a bet against the track, pari-mutuel betting allows horse racing bettors to wager against each other. This type of betting system allows payouts to range from less than the amount wagered "to astronomical amounts."[2764] A horse or dog racing track then takes a minimal commission from all wagers as a handling fee.[2765]

Some have raised concerns that the consumer behavior promoted by this type of tax subsidy may be harmful to the economy. According to the *Federal Communications Law Journal*, "Internet gambling deprives state and local governments of valuable tax revenues required to maintain services. Internet gambling also forces consumers to pay higher fees and interest rates as a result of uncollectable gambling debts."[2766]

Some news reports from 2003 claim this tax earmark was inserted in a key tax bill at the behest of powerful lawmakers for parochial interests. [2767] Ending this provision would save $30 million dollars over the next ten years.[2768]

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http://www.jct.gov/publications.html?func=startdown&id=3715, accessed June 23, 2011; Estimate by staff of Senator Tom Coburn.

[2762] Norris, Floyd, "Multinational Companies Get a Tax Break, as Do Foreign Gamblers," New York Times, October 15, 2004, http://www.nytimes.com/2004/10/15/business/15norris.html?_r=1&scp=2&sq=Multinational%20Companies%20Get%20a%20Tax%20Break&st=cse, June 21, 2011.

[2763] Website of IRS.gov, "Gambling winnings from Dog and Horse racing," http://www.irs.gov/publications/p519/ch03.html#en_US_publink1000222289, accessed June 20, 2011.

[2764] Website of the Sports Geek, "Pari-Mutuel Horse Racing Betting Explained," http://www.thesportsgeek.com/sports-betting/horse-racing/pari-mutuel-betting/, accessed June 20, 2011.

[2765] Website of the Sports Geek, "Pari-Mutuel Horse Racing Betting Explained," http://www.thesportsgeek.com/sports-betting/horse-racing/pari-mutuel-betting/, accessed June 20, 2011.

[2766] Hammer, Ryan D., "Does Internet gambling strengthen the U.S. economy? Don't bet on it," *Federal Communications Law Journal*, December, 2001.

[2767] McKinney, Joan, "Louisianians and tax cuts," *Sunday Advocate (Baton Rouge, LA)*, May 25, 2003.

[2768] Joint Committee on Taxation, "Estimated Budget Effects of the Conference Agreement For H.R. 4520, Fiscal Years 2005 – 2014," October 7, 2004, http://www.jct.gov/publications.html?func=startdown&id=1618, accessed June 20, 2011; Staff estimate from the Office of Senator Coburn (Provision phases out in 2014.)

Hollywood Tax Breaks

Designed as an incentive to encourage Hollywood to produce feature films and television programs in the United States, entertainment companies may currently elect to deduct up to $15 million in certain costs associated with the production of television episodes and movies where at least 75 percent of the compensation costs are for work performed on U.S. soil.[2769] [2770] Allowing Hollywood to benefit from this accelerated cost recovery results in federal revenue losses of at least $30 million year.

While benefitting from special tax treatment, the entertainment industry is not lacking in privately generated revenue. The year's top grossing film, Hangover Part II, brought in more than $232 million less than one month after hitting theaters. With a production budget of $80 million, the film netted a profit in its first weekend, as moviegoers spent more than $85 million to catch the latest installment of this series.[2771] Likewise setting new records was *Harry Potter and the Deathly Hallows, Part 2*, which set an opening day record of $92.1 million and $168.6 in its first weekend.[2772] Despite a tough economy, taxpayers are still choosing to spend their own money at the box office. They should not be forced to pay for Hollywood flicks twice – once at the box office and once with a federal subsidy program for a multi-billion dollar a year industry.

Hollywood film production is also being subsidized through state tax incentives in nearly 40 states—to the tune of $1.5 billion in 2010, according to the Center on Budget and Policy Priorities (CBPP), which suggests states consider scaling back their Hollywood tax breaks.[2773] According to the Motion Picture Association only 11 states do not provide "significant tax incentive for [entertainment] production."[2774] However, in light of chronic budget shortfalls, many states are now considering eliminating these tax subsidies altogether.[2775]

It is unclear if these incentives, whether at the state or federal level, actually pay for themselves by bringing in enough revenue during production to offset the cost of the multi-million dollar write offs and tax breaks. An independent commission in the state of Missouri recommended eliminating the credit in 2011, stating "This tax credit serves too narrow of an industry and fails to provide a positive return on investment to the state. There is currently no long term

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[2769] Joint Committee on Taxation, "General Explanation of Tax Legislation Enacted in the 111th Congress," March 2011.
[2770] The deduction jumps to $20 million if production took place in areas eligible for designation as a low-income community.
[2771] BoxOfficeMoJo, The Hangover Part 11, accessed June 19, 2011, http://boxofficemojo.com/movies/?id=hangover2.htm.
[2772] Bowles, Scott, "'Harry Potter' finale shatters weekend record," *USA Today*, July 17, 2011, http://www.usatoday.com/life/movies/news/2011-07-18-box-office-july-18_n.htm.
[2773] Center on Budget and Policy Priorities, "State Film Subsidies: Not Much Bang For Too Many Bucks," Accessed June 19, 2011, http://www.cbpp.org/cms/index.cfm?fa=view&id=3326.
[2774] Website of the Motion Picture Association of America, State by State Statistics, accessed June 19, 2011, http://www.mpaa.org/policy/state-by-state.
[2775] Patton, Zach, "The Value of Movie Tax Incentives: States spend billions on incentives to lure film productions away from Hollywood. Some say it's gone too far," *Governing*, June 2010, http://www.governing.com/topics/economic-dev/The-Value-of-Movie-Tax-Incentives.html.

opportunity for the location of production facilities for films in Missouri."[2776] CBPP echoes this sentiment outlining, "The revenue generated by economic activity induced by film subsidies falls far short of the subsidies' direct costs to the state. To balance its budget, the state must therefore cut spending or raise revenues elsewhere, dampening the subsidies' positive economic impact."

Unlike Washington, many states are forced to live within their means and cannot run large deficits to fund low-priority spending during an economic downturn. Congress should follow their lead and eliminate this tax break for a highly profitable industry in little need of taxpayer support—other than their purchase of popcorn and movie tickets on a Friday night. Eliminating this provision could save more than $1 billion over ten years.[2777]

Indian Employer Tax Credit

When businesses locate on Indian reservations they can qualify for enhanced accelerated depreciation rules for property and an employment tax credits when they hire tribal members. The original intent was to spur economic development on reservations, among the most isolated and depressed economies in the nation.[2778]

The tax credit is available to employers for up to $20,000 of qualified wages and health insurance costs paid by the employer for tribal members. The credit is worth 20 percent of the excess of eligible employee wages and health insurance costs this year over the amount of such wages and costs incurred by the employer during 1993.[2779]

The law had been amended to include all former Indian reservation lands in Oklahoma, which represents the vast majority of land in the state. However, Oklahoma stands in stark contrast to the reservation economies that prompted the original incentive. Though it is home to 39 tribes, no reservations existed after statehood in 1907. American Indians make up 8.6 percent of the Oklahoma population and the percent of former Indian land in private ownership, 97 percent, is among the highest in the nation.[2780] Unemployment, conversely, is among the lowest in the nation at 5.3 percent.[2781] Yet, because much of Oklahoma had reservation status prior to statehood, two-thirds of Oklahoma lands qualify for this special tax status—regardless of proximity to tribal communities

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[2776] Report of the Missouri Tax Credit Review Commission, November 30, 2010, accessed June 15, 2011, http://tcrc.mo.gov/pdf/TCRCFinalReport113010.pdf.

[2777] Staff Estimate based on "Expiring Tax Provisions (xls)," available on website of the Congressional Research Service, The Budget and Economic Outlook: An Update, August 2010, http://www.cbo.gov/doc.cfm?index=11705.

[2778] Website of the Senate Committee on Indian Affairs, "Testimony of Donald Laverdure, Deputy Assistant Secretary, Office of the Assistant Secretary-Indian Affairs, Department of the Interior," January 28, 2010, http://www.indian.senate.gov/public/_files/DonaldLaverduretestimony.pdf, accessed July 1, 2011.

[2779] Website of the Joint Committee on Taxation, "Technical Explanation of the Revenue Provisions Contained in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010," December 10, 2010, http://www.jct.gov/publications.html?func=startdown&id=3716, accessed July 1, 2011.

[2780] Website of the Oklahoma Department of Wildlife Conservation, "Partners for Fish and Wildlife Program," "http://www.wildlifedepartment.com/landowner/partners.pdf , accessed July 1, 2011.

[2781] Website of the Bureau of Labor Statistics, "Local Area Unemployment Statistics, http://www.bls.gov/lau/ , accessed July 1, 2011.

Oklahoma Chamber of Commerce and business development officials remain strong proponents of the incentive and believe it to be an important recruiting tool.[2782] However, it is unclear whether these types of tax subsidies are successful or not. In describing the Indian Lands Tax Credit and other similar credits, the Congressional Research Service finds, "if the main target of these provisions is an improvement in the economic status of individuals currently living in these geographic areas, it is not clear to what extent these tax subsidies will succeed in that objective."[2783]

While supporters may be able to point to a benefit on occasion, the reservation economy still remains in third-world conditions and has generally not seen discernable improvement since this provision was enacted. Ending this provision could save $1 billion over the next 10 years.[2784]

2785

Tree Planting Tax Subsidies

The federal tax code has several breaks for tree planting in the timber industry, including annual expensing and deductions that can provide significant benefits to the industry.

While taxes are deferred until a company harvests its timber, deductions for timber growing expenses can be made at the time of expenditure. Maintenance costs,

[2782] Website of the Oklahoma Department of Commerce, "American Indian Land Tax Credits," http://www.okcommerce.gov/Site-Selection/Incentives/Indian-Land-Tax-Credit, accessed July 1, 2011.
[2783] Website of the Senate Budget Committee, "Tax Expenditures: Compendium of Background Material on Individual Provisions" *Congressional Research Service*, December 31, 2010, http://budget.senate.gov/democratic/index.cfm/files/serve?File_id=8a03a030-3ba8-4835-a67b-9c4033c03ec4, accessed June 25, 2011.
[2784] Staff Estimate based on "Expiring Tax Provisions (xls)," available on website of the Congressional Research Service, The Budget and Economic Outlook: An Update, August 2010, http://www.cbo.gov/doc.cfm?index=11705.
[2785] Website of the Oklahoma Department of Commerce, American Indian Lands Tax Credits, accessed July 5, 2011, http://www.okcommerce.gov/Site-Selection/Incentives/Indian-Land-Tax-Credit.

such as thinning, disease and pest management, and fire cost can be deducted as they occur.[2786]

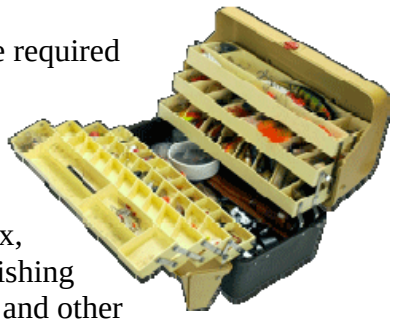
Up to $10,000 in reforestation expenses may also be deducted per taxpayer per unit of property, with amounts over that being amortized over seven years.[2787] This allows multiple individuals to claim the same benefit for the same unit of property, which by regulation, only has to be one acre or more in size.

Reforestation expenditures include costs associated with forestation or reforestation by planting, artificial seeding, or natural seeding.

The current expensing provision allows for immediate expensing (especially in light of deferred tax assessment) while other industries may be required to capitalize these costs and amortize them over a longer periods of time or, alternatively, only recover them upon a future disposition.

Eliminating these provisions could save $4.8 billion over the next ten years.[2788]

Tackle Box Tax Break



Manufacturers, producers and importers of fishing tackle boxes were required to pay a 10 percent excise tax on all equipment they sold until 2004 when the law was changed, reducing the amount of the tax to only three percent.[2789]

Yet, other sport fishing equipment is still subject to the full excise tax, including manufacturing of fishing rods and poles (capped at $10), fishing reels, lures and hooks. The revenue produced from the tackle boxes and other fishing equipment pays for federal and state sport-fishing programs.[2790]

Sports-fishing businesses have paid a federal excise tax on their products for more than 60 years. These funds were initially deposited in the general treasury until 1950. But in that year, sportsmen and businesses teamed with lawmakers to redirect the revenue to the sport-fishing

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[2786] Website of the Lewis and Clark Law School, "Reflections on the Environmental Impacts of the Federal Tax Subsidies for Oil, Gas and Timber Production," http://www.lclark.edu/live/files/8324-lcb152art2bogdanski, accessed June 27, 2011.
[2787] Website of the Lewis and Clark Law School, "Reflections on the Environmental Impacts of the Federal Tax Subsidies for Oil, Gas and Timber Production," http://www.lclark.edu/live/files/8324-lcb152art2bogdanski, accessed June 27, 2011.
[2788] Staff estimate based on Joint Committee on Taxation JCS-3-10, "Estimates Of Federal Tax Expenditures For Fiscal Years 2010-2014," http://www.jct.gov/publications.html?func=startdown&id=3718.
[2789] Website of the Joint Committee on Taxation, "General Explanation Of Tax Legislation Enacted in the 108th Congress," Mary 31, 2005, http://www.jct.gov/publications.html?func=startdown&id=2314, accessed June 24, 2011.
[2790] Website of the Joint Committee on Taxation, "General Explanation Of Tax Legislation Enacted in the 108th Congress," Mary 31, 2005, http://www.jct.gov/publications.html?func=startdown&id=2314, accessed June 24, 2011.

programs. They hoped the program would encourage more people to fish and that the sale of fishing equipment would therefore increase.[2791]

In 2009, taxes and duties on the sport-fishing industry totaled $123 million.[2792] Over the next ten years, the cost is estimated to be $11 million dollars.[2793] Ending this specialty tax break would once again treat tackle boxes the same as other sport fishing equipment.

Eliminate IRS Tax Exemptions for Bailout Recipients

As part of the effort to stabilize the economy the Treasury Department used its authority under the Troubled Asset Relief Program ("TARP")[2794] to become a major shareholder in several companies. Through a series of subsequent agency-issued "Notices," the IRS excluded major bailout recipients and their other owners, perhaps improperly, from certain tax obligations for potentially the next 20 years.

Generally, when one company buys another's assets, it does not also acquire its tax losses. In order to limit "trafficking" in tax losses, the tax code limits a buyer's ability to use the Net Operating Losses ("NOLs") of a loss corporation it buys. The limits apply whenever the stock owned by shareholders holding 5 percent or more in the loss corporation increase by 50 percentage points within a three-year period. These limits then restrict the amount of the NOLs the firm can use to an amount equal to "(A) the value of the old loss corporation, multiplied by (B) the long-term tax-exempt rate."[2795]

From 2008 to 2010, the Treasury Department issued a series of "Notices"[2796] exempting firms in specified industries from the statutory restrictions under section 382:

- Notice 2008-100 declared that an acquisition by Treasury of acquired stock in a loss corporation would not trigger 382 limitations.[2797]
- Notice 2009-14 purported to "amplify" 2008-100, and explicitly covered the auto industry.[2798]

[2791] Website of the Association of Fish and Wildlife Agencies, "Financial Returns to Businesses from the Federal Aid in Sport Fish Restoration Program," March 3, 2011, http://www.fishwildlife.org/files/SportFish-Restoration-ROI-Report_2011.pdf, accessed June 24, 2011.
[2792] Website of the Association of Fish and Wildlife Agencies, "Financial Returns to Businesses from the Federal Aid in Sport Fish Restoration Program," March 3, 2011, http://www.fishwildlife.org/files/SportFish-Restoration-ROI-Report_2011.pdf, accessed June 24, 2011.
[2793] Website of the Joint Committee on Taxation, "Estimated Budget Effects of the Conference Agreement for H.R. 4520 The 'AMERICAN JOBS CREATION ACT OF 2004,' Fiscal Years 2005 – 2014," October 7, 2004, http://jct.gov/publications.html?func=startdown&id=1618, accessed June 24, 2011.
[2794] Emergency Economic Stabilization Act of 2008, P.L. 110-343, 122 STAT. 3765, Sec. 101(c)(5)
[2795] 26 U.S.C. § 382(b)(1)
[2796] In Revenue Ruling #90-91, the IRS announced that pursuant to the Revenue Reconciliation Act of 1989, all notices and announcements issued by the Service and published in the Internal Revenue Bulletin are considered authority and may be relied upon to the same extent as a revenue ruling or revenue procedure.
[2797] Internal Revenue Bulletin 2008-44. November 3, 2008.
[2798] Internal Revenue Bulletin 2009-7. February 17, 2009. Subsequently amplified and superseded by Notice 2009-38, May 4, 2009.

- Notice 2010-2 declared that fur purposes of the 5 percent rule above, (1) stock previously held by treasury should be treated as if it had never been outstanding; and (2) Treasury selling stock to a new public group would not be considered to have increased the Group's ownership.[2799]

CFO.com reported the final notice as Treasury anticipating the situation that would arise with a GM IPO and "fixing a snag" in advance.[2800]

As a response to Notice 2010-2, legislation was introduced, which would have deemed that Internal Revenue Service Notice 2010-2 shall have no force and effect of tax law. It would have also amended the Internal Revenue Code of 1986 to restrict the authority of the Secretary of the Treasury to prescribe regulations under section 382 of such Code.

The result is that these carve-outs provide special benefits to just three companies: General Motors, AIG and Citigroup—all major recipients of TARP funding. Although some argue the carve-outs will result in additional above the line revenue for the Treasury upon the sale of these assets, there is no guarantee of this. Instead, repealing these notices immediately would prevent any further significant revenue loss from these TARP recipients, which could avoid paying more than $90 billion combined in taxes because of this special tax treatment.[2801]

3 Major Recipients

General Motors: ("Old GM") was a publicly traded auto manufacturer that reported losses of $88 billion between 2005 and 2009. Over the course of 2008, the Treasury loaned "Old GM" $49.5 billion. When "Old GM" declared bankruptcy in June, 2009, the Treasury took a 61 percent stake in the assets of "New GM." GM's re-organization was conducted as a "363-sale" under the bankruptcy code,[2802] limiting creditors' rights and allowing it to reform as a "G reorganization," which allowed "New GM" to absorb many of "Old GM's" assets and liabilities tax-free, most notably the NOL carry-forwards and other credit carryovers.[2803] "New GM" stands to avoid as much as $45.4 billion in taxes because of the Treasury Department's exemptions.[2804]

American International Group ("AIG"): AIG is a publicly traded insurance company that received $85 Billion from the Federal Reserve in September, 2008, giving the U.S. Government a 79.9 percent stake in the company. AIG received an additional $37.8 billion securities agreement later that month, followed by a $40 Billion share purchase with TARP funds in November. At its peak, the U.S. Government owned 92 percent of AIG. Following a recent share sale, the U.S. Treasury's stake has now been reduced to 77 percent. AIG officials have touted the tax benefits as "a source of funds," and accumulated over $25.6 billion in NOL carry-

[2799] Internal Revenue Bulletin 2010-2. January 11, 2010.
[2800] Willens, Robert, "Treasury Fixed Snag Prior to GM IPO", CFO.com website. September 27, 2010.
[2801] This plan assumes $45 billion in prevented revenue loss from this recommendation.
[2802] 11 U.S.C. § 363
[2803] 26 U.S.C. § 382(g)
[2804] Smith, Randall and Sharon Terlep, "GM Could Be Free of Taxes for Years." *The Wall Street Journal*, November 3, 2010.

forwards and other tax-deferred assets.[2805] A slideshow prepared for the company's first quarter earnings call indicates some of the accumulated tax assets do not need to be used until 2030.[2806] Chief Financial Officer David Herzog said on a recent AIG earnings call "We're really not going to pay much income tax to the U.S."[2807]

Citigroup ("Citi"): Citi is a publicly traded bank that received $25 billion from the original TARP lending program in October, 2008. In November, it received an additional $20 billion, through Treasury's Capital Purchase Program ("CPP"), along with a loss sharing agreement with Treasury, the Federal Reserve, and the FDIC. The Treasury received $27 billion in preferred stock and warrants in exchange, giving it a 34 percent stake in Citi. University of Cincinnati Tax Law Professor Paul Caron called the issuance of Notice 2010-2 a $38 billion tax break for Citi in exchange for a partial repayment of TARP funds.[2808] Although Citi has now repaid much of its TARP money and the Treasury sold its remaining stake in the bank, Citi has expressed an intention to use $23.2 billion in NOL carry-forwards and other credit carryovers this year.[2809]

Railroad Tax Credit

In 2003, Congress passed legislation to temporarily offer a tax credit to certain railroad companies for railroad track maintenance expenses incurred in 2005, 2006, and 2007. The purpose of this credit was to encourage the rehabilitation, rather than the abandonment, of short-line railroads (Class II or Class III), which were spun off in the deregulation of railroads. Qualified railroad track maintenance expenditures were eligible for a 50-percent business tax credit up to a limit of $3,500 times the number of miles of railroad track owned by an eligible taxpayer.

While the credit expired at the end of 2009, it was retroactively extended to cover both 2010 and 2011 last December.[2810] As a result of the extension, total revenue loss is expected to be $232 million in 2011 and $99 million 2012.[2811]

This provision substantially lowers the cost of track maintenance for the qualifying short-line railroads, with tax credits covering half the costs for those firms and individuals. For example, with the recent extension of the credit, Iowa Interstate Railroad (IAIS) announced an increase of $4.5 million in the infrastructure portion of its capital spending program for 2011 from $9.5

[2805] Buhayar, Noah. "AIG Joins Citigroup, GM in Deferred Tax Asset Hall of Fame." *Bloomberg News*. July 8, 2011.
[2806] American International Group 1st Quarter 2011 Results Conference Call. Available at http://www.aigcorporate.com/investors/May_2011/1Q11%20Earnings%20Release%2005-05-2011_Final.pdf
[2807] Ovide, Shira. "AIG: We're Practically Tax Free!" *The Wall Street Journal*, May 6, 2011.
[2808] "IRS Eased NOL Rules for Citigroup in Exchange for Repayment of TARP Funds." Taxprofblog. December 16, 2009. Available at: http://taxprof.typepad.com/taxprof_blog/2009/12/irs-eased-nol.html
[2809] Buhayar, Noah. "AIG Joins Citigroup, GM in Deferred Tax Asset Hall of Fame." *Bloomberg News*. July 8, 2011.
[2810] Public Law 111-312.
[2811] Website of the Joint Committee on Taxation, "Estimated Budget Effects of the 'Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010," December 10, 2010, http://jct.gov/publications.html?func=startdown&id=3715, accessed June 29, 2011.

million to $14 million.[2812] The American Short Line and Regional Railroad Association compiled a document with many of the projects utilizing the tax credit that showed many of the projects being finished, but that their benefits should have been funded by the projects' beneficiaries. As an example, one completed project reduced "operating costs and transit times." Another project "will support streamlined operations, as well as an increase in rail traffic resulting from the opening of a new Archer Daniels Midland dry mill ethanol facility … that will employ 80 people and generate an additional 30,000 carloads per year."[2813]

Proponents argue this tax credit is necessary to ensure short railroad lines, many of which were previously abandoned, are kept in good repair. The increase in functional short lines is said to provide more transportation options for manufacturers and farmers.

Unfortunately, such tax credits also substitute the judgment of Congress for that of the market and by favoring certain modes of transportation, such as short-line railroad, over other transportation methods. If improving a rail line will lower operating costs for a railroad, this should provide an ample incentive for the railroad to pay for these improvements. If a nearby ethanol plant wants to increase the amount of ethanol it transports, it should decide how best to accomplish this goal. As the Congressional Research Service finds, "In general, special subsidies to industries and activities tend to lead to inefficient investment allocation since in a competitive economy businesses should earn enough to maintain their capital."[2814]

Any government involvement should be through local citizens, concerned with the economic well-being of their community who elect to pay their taxes to fund these specific capital improvements. Repealing this tax credit would enable more efficient allocating of private funds to address transportation needs and result in savings of $2.3 billion over ten years to taxpayers.[2815]

Tax Break for Eskimo Whaling Captains

Eskimo whaling captains have braved the frigid arctic waters for decades to hunt the bowhead whale. They are also given significant support for this from U.S. taxpayers.

Traditionally, the captains of the boats are paid in whale meat and "muktuk – blubber and skin – and, by custom, donate

[2812] Website of Rail Resource, "Tax Credit Extension Gives Boost to Iowa Interstate Railroad's Capital Projects, January 31, 2011, http://www.railresource.com/content/?p=1148, accessed June 29, 2011.
[2813] Website of the American Short Line and Regional Railroad Association, "Section 45G," 2011 Edition, "http://www.aslrra.org/45Gsuccess.pdf, accessed June 29, 2011.
[2814] Website of the Senate Budget Committee, "Tax Expenditures: Compendium of Background Material on Individual Provisions" *Congressional Research Service*, December 31, 2010, http://budget.senate.gov/democratic/index.cfm/files/serve?File_id=8a03a030-3ba8-4835-a67b-9c4033c03ec4, accessed June 25, 2011.
[2815] Website of the Joint Committee on Taxation, "Estimated Budget Effects of the 'Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010," December 10, 2010, http://jct.gov/publications.html?func=startdown&id=3715, accessed June 29, 2011.

most of the meat to [the] community."[2816] But as modern times have made whale hunting more expensive, out-of-pocket costs for weapons and whale boat upkeep for the whaling captains increased.[2817]

Despite the fact that commercial whaling is banned in U.S. territorial waters,[2818] after seven years of lobbying by elected officials from Alaska, Congress decided to provide a tax benefit to whaling captains, effective in 2005. Specifically, the tax code now allows Native Alaskan whaling captains to claim up to a $10,000 per year charitable tax deduction to offset their equipment and fuel and certain other costs for the annual subsistence whale hunts generally in the Beaufort Sea. The charitable deduction is offered even though the hunting activities are not otherwise charitable within the meaning of the tax code, and donations of whale meat are not required to be made to a charitable organization.[2819]

The provision was first proposed in 1997 because of an IRS ruling that prevented whaling captains from deducting their hunting costs from their taxes.[2820] However, only certain individuals who are recognized as whaling captains by the Alaska Eskimo Whaling Commission get the break.[2821] This year, tax preparation officials in Alaska with Jackson Hewitt, have seen "out of the norm returns" for the deduction.[2822] Ending this tax break could save taxpayers $4 million over the next ten years.[2823]

Brownfields Tax Break

Non-profit organizations are subject to taxes under the unrelated business income tax (UBIT) for activities that are not part of their original tax-exempt purpose. Gains from the sale of assets that were debt-financed in part are subject to the UBIT in proportion to the debt. Currently,

[2816] Morgan, Dan, "Engineering a Tax Break for Eskimo," *Washington Post*, July 25, 2009, http://juneauempire.com/stories/072599/Loc_taxbreak.html, accessed June 25, 2011
[2817] Morgan, Dan, "Engineering a Tax Break for Eskimo," *Washington Post*, July 25, 2009, http://juneauempire.com/stories/072599/Loc_taxbreak.html, accessed June 25, 2011
[2818] Congressional Research Service, Response to Office of Senator Coburn, "Deductibility of Certain Expenses and Exemption for Certain Gambling Winnings," July 11, 2011.
[2819] Website of Alaska Digest, "Sen. Murkowski Says Eskimo Whaling Captains Tax Credit Will Help Protect Historic Whaling, Subsistence In Alaska," October, 2004, http://www.alaska-sites.com/akdigestemailnews102004o.htm, accessed June 25, 2011.
[2820] Website of Alaska Digest, "Sen. Murkowski Says Eskimo Whaling Captains Tax Credit Will Help Protect Historic Whaling, Subsistence In Alaska," October, 2004, http://www.alaska-sites.com/akdigestemailnews102004o.htm, accessed June 25, 2011.
[2821] Collins, Margaret, "Whaling or Hosting Exchange Student Lets U.S. Taxpayers Claim Deductions," *Bloomberg News*, April 18th, 2011, http://www.bloomberg.com/news/2011-04-18/whaling-or-hosting-exchange-student-lets-u-s-taxpayers-claim-deductions.html, accessed June 25, 2011.
[2822] Collins, Margaret, "Whaling or Hosting Exchange Student Lets U.S. Taxpayers Claim Deductions," *Bloomberg News*, April 18th, 2011, http://www.bloomberg.com/news/2011-04-18/whaling-or-hosting-exchange-student-lets-u-s-taxpayers-claim-deductions.html, accessed June 25, 2011.
[2823] Website of the Joint Committee on Taxation, "Estimated Budget Effects of the Conference Agreement for H.R. 4520 The 'American Jobs Creation Act of 2004,' Fiscal Years 2005 – 2014," October 7, 2004, http://jct.gov/publications.html?func=startdown&id=1618, accessed June 24, 2011.

qualifying brownfield properties[2824] remediated and sold to another party are exempt from this tax.

The exclusion from the tax reduces the cost of remediating and reselling brownfields by tax exempt organizations using debt finance. The savings would typically be 35 percent of the gain in value. The provision targets areas in distressed urban and rural communities that can attract the capital and enterprises needed to rebuild and redevelop polluted sites. This provision was added by the American Jobs Creation Act of 2004 (P.L. 108-357) to address what was considered by some to be an unintentional effect of UBIT on tax exempt entities' ability to invest and redevelop environmentally contaminated real estate.

This expensing provision for businesses enables companies to deduct brownfield remediation costs against income in the year incurred, instead of capitalizing them over several years.[2825] The deduction applies to both the regular and the alternative minimum tax. This subsidy is intended to encourage investment and redevelopment of brownfields. According to the Congressional Research Service, this tax subsidy is primarily viewed as an instrument of community development.

While this provision was set to expire in 2000, Congress has instead increased program eligibility and repeatedly extended it, most recently in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.[2826]

Because only companies with more than $10 million in annual revenue must file an additional tax reform to claim environmental remediation costs on their tax returns (other businesses just combine these costs with other expenses they can write off), the funding data in the past is incomplete. However, according to the IRS, 184 companies filed the separate tax form and claimed $574 million in tax benefits for the last available tax year, 2008.[2827]

The Congressional Research Service has echoed concerns that this "expensing is inefficient because it makes investment decisions based on tax considerations rather than inherent economic considerations."
CRS also noted some question the effectiveness of the provision: "The effectiveness of that tax subsidy has been questioned, as … the main barrier to development appears to be regulatory rather than financial… Barring such regulatory disincentives, the market system ordinarily creates its own incentives to develop depressed areas, as part of the normal economic cycle of growth, decay, and redevelopment. As an environmental policy, this type of capital subsidy is also questionable on efficiency grounds."[2828]

[2824] Brownfield Properties are include any property that is held for use in a trade or business and on which there has been an actual or threatened release or disposal of certain hazardous substances.
[2825] Internal Revenue code Section 198.
[2826] Consolidated Appropriations Act, 2001 (P.L. 106-170).
[2827] E-mail from the Internal Revenue Service, June 30, 2011.
[2828] Website of the Senate Budget Committee, "Tax Expenditures: Compendium of Background Material on Individual Provisions" *Congressional Research Service*, December 31, 2010, http://budget.senate.gov/democratic/index.cfm/files/serve?File_id=8a03a030-3ba8-4835-a67b-9c4033c03ec4, accessed June 25, 2011.

These concerns should be further considered, given the numerous other federal programs intended to aid cleanup and redevelopment efforts of brownfields. Congress should eliminate these duplicative initiatives and focus on ensuring the remaining federal programs do not overlap. Additionally, Congress should revisit current federal regulations of brownfields to ensure federal law does not penalize good-faith attempts to remediate such areas of blight. Ending these tax breaks will save at least $3.2 billion over the next ten years.[2829]

Low Income Housing Tax Credit

As one of the purest examples of a direct spending assistance program run through the tax code, the Low Income Housing Tax Credit (LIHTC) provides more than $5 billion annually in tax credits for the development of affordable housing. Recipients of the credit often sell the credit to investors who in turn develop housing for upper low-income tenants. Over a period of ten years, the nonrefundable credit compensates companies for roughly 70 percent of their investment, [2830] and this reimbursement can reach nearly 90 percent of the private companies' costs.

Using the tax code to promote affordable housing is both inefficient and duplicative of countless programs at the Department of Housing and Urban Development, which provides other forms of federal assistance to help those in need of housing. As a tax credit, the money is funneled first to the companies taking advantage of the tax break, and much of the federal funds are lost to administrative costs and payouts to private companies instead of applied directly to the housing projects. An audit by the state of Missouri, which provides an additional state tax credit with the LIHTC, found that "For every $1 in LIHTC authorized and issued, the current tax credit model provides only about $.35 towards the development of housing. The remaining $.65 goes to investors, syndication firms, and to the federal government in the form of increased taxes resulting from the use of state tax credits."[2831]

The same audit found that a portion of funding for the housing projects even came from other federal sources, including federal loans and even more tax credits-the historic preservation credit and the affordable housing credit.[2832] In these cases the LIHTC is also driving up the cost of other federal programs.

In addition, the LIHTC does not necessarily help meet the needs of the very poor and most in need of housing assistance. Specifically, recipients of the credit are required to ensure their rents can be paid by those earning 50 to 60 percent of local median incomes. As a result, these subsidized properties are often available mostly to the higher end of those living in affordable

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[2829] Staff Estimate based on "Expiring Tax Provisions (xls)," available on website of the Congressional Research Service, The Budget and Economic Outlook: An Update, August 2010, http://www.cbo.gov/doc.cfm?index=11705.
[2830] CRS RS22389, "An Introduction to the Design of the Low-Income Housing Tax Credit," Congressional Research Service, September 17, 2010, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL34591&Source=search#fn23.
[2831] Susan Montee, Missouri State Auditor, Report No. 2008-23, "Analysis of Low Income Housing Tax Credit Program," April 2008, http://www.auditor.mo.gov/press/2008-23.pdf.
[2832] Susan Montee, Missouri State Auditor, Report No. 2008-23, "Analysis of Low Income Housing Tax Credit Program," April 2008, http://www.auditor.mo.gov/press/2008-23.pdf.

housing who are most likely to make the rental payments every month to the private companies receiving the federal benefit.[2833]

Despite decades of federal funding to combat homelessness, many are still without a place to call home. Unfortunately, it is unclear if this expensive tax spending program increases the net supply of available affordable housing, or merely replaces already existing housing structures starting to age. The Congressional Budget Office explains, "the low-income housing credit, like other supply subsidy mechanisms, is unlikely to increase substantially the supply of affordable housing. Subsidized housing largely replaces other housing that would have been available through the private, unsubsidized housing market."[2834] Ending this duplicative and inefficient tax program is estimated to save at least $57 billion over the next ten years.[2835]

[2833] Joint Center for Housing Studies of Harvard University, "Long-Term Low Income Housing Tax Credit Policy Questions," November 2010, http://www.jchs.harvard.edu/publications/governmentprograms/long-term_low_income_housing_tax_credit_policy_questions.pdf.
[2834] Congressional Research Service Staff Memorandum, "The Cost-Effectiveness of the Low-Income Housing Tax Credit Compared with Housing Vouchers," April 1992, http://www.cbo.gov/ftpdocs/62xx/doc6216/doc09b.pdf.
[2835] Staff Estimate based on "Expiring Tax Provisions (xls)," available on website of the Congressional Research Service, The Budget and Economic Outlook: An Update, August 2010, http://www.cbo.gov/doc.cfm?index=11705.

Reforming Expensive Exemptions and Deductions

Reform the Home Mortgage Interest Deduction & End the Deduction for Vacation Homes

One of the most popular provisions in the tax code is the home mortgage interest deduction, even though it is claimed by only about a quarter of all tax filers.[2836] For the millions of Americans who claim the deduction every year, though, it helps offset the cost of owning a home. Under current law, homeowners can deduct the interest paid on home mortgages for primary residences and vacation homes loans of up to $1 million, and also on an additional $100,000 home equity line of credit. This is one of the most expensive tax breaks in current law, resulting in lost federal revenue of nearly $88 billion in fiscal year 2011.[2837]

While most assume the mortgage interest deduction largely benefits middle and lower income earners, economist Martin Sullivan points out this is actually not the case. Sullivan asserts, "The tax benefit provided by the mortgage interest deduction flows overwhelmingly to rich families like those portrayed in the hit television series Beverly Hills, 90210."[2838] Data from the Internal Revenue Service further emphasizes this discrepancy. In 2008 alone, millionaires[2839] across the country took advantage of more than $7 billion in mortgage interest deduction tax breaks.[2840] Sullivan explains the disparity, "First, the rich have larger houses and larger mortgages than the poor. Second, the deduction is available only to itemizers. While almost all high-income taxpayers itemize deductions on their returns, very few of the poor do. Finally, the rich have much higher marginal income tax rates than the poor."[2841]

As the second home allowance even further highlights, those benefitting from this tax break are among the most well off. Even a yacht can be considered a second residence- as long as the luxury boat has a "sleeping, cooking, and toilet facility" and an individual lives in it for at least two weeks a year.[2842]

The *Seattle Post-Intelligencer* exposed numerous examples of vacationers wrongly taking advantage of this deduction, also noting the IRS does little to verify boat-owners

[2836] Fleenor, Patrick, "Tax Savings from Mortgage Interest Deduction Vary Significantly from State to State," Fiscal Facts, Tax Foundation, May 25, 2010, http://www.taxfoundation.org/publications/show/26341.html.
[2837] Office of Management and Budget, FY 2012 Budget Submission, Supplemental Materials, Tax Expenditure Spreadsheet: Tables 17-1 to 17-4, accessed June 25, 2011, http://www.whitehouse.gov/omb/budget/Supplemental.
[2838] Sullivan, Martin, TaxProf Blog, "The Rich Get 100 Times More Mortgage Subsidy Than the Poor," March 7, 2011, http://taxprof.typepad.com/files/130tn1110.pdf.
[2839] Those with an adjusted gross income of over $1 million, as claimed on their tax return.
[2840] IRS, Statistics of Income Division, April 2011.
[2841] Sullivan, Martin, TaxProf Blog, "The Rich Get 100 Times More Mortgage Subsidy Than the Poor," March 7, 2011, http://taxprof.typepad.com/files/130tn1110.pdf.
[2842] Website of the Internal Revenue Service, Publication 936, Part 1, accessed June 25, 2011, http://www.irs.gov/publications/p936/ar02.html.

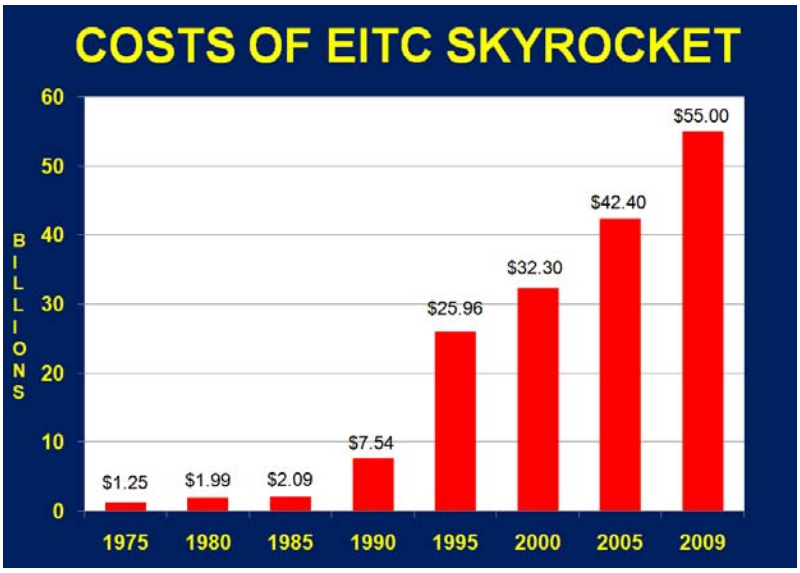
actually meet the requirements to consider these floating vacation getaways a second home. In one case, the newspaper found a Seattle businessman who was able to "declare his yacht a second home for tax purposes … allowing him to reduce his income by $19,200, the amount he pays in interest on the loan. "According to the paper, he also deducted the annual $3,600 state registration fee, and between the two tax breaks, was able to lower his tax bracket from 36 to 32 percent, greatly reducing his annual tax bill.[2843]

Reforms are needed to ensure this deduction is not abused to provide tax breaks for vacation homes, yachts, and mansions. Instead, this deduction should be directed to help those in the middle own their home. As proposed by the President's National Commission on Fiscal Responsibility and Reform,[2844] eliminating the deduction for second homes and equity lines of credit, combined with lowering the cap for the primary deduction to homes worth $500,000, will better target the mortgage deduction to those with the most need, while resulting in significant savings.

Enacting these reforms could save more than $187 billion over the next ten years.[2845]

Earned Income Tax Credit: Allow Up To Five Years of Benefits for Recipients

Congress created the Earned Income Tax Credit (EITC) in 1975 as a small temporary program designed to reduce the tax burden on working low-income families and "to encourage them to seek employment rather than welfare."[2846] Three years later, Congress made the program a permanent welfare program.



When EITC started, 6.2 million filers received the credit at a cost of $1.25 billion, but changes in the 1990s caused the cost of the

[2843] Nalder, Eric, "Declaring your boat a second home can bring big tax relief," *The Seattle Post-Intelligencer*, November 10, 2004, http://www.seattlepi.com/local/article/Declaring-your-boat-a-second-home-can-bring-big-1159212.php#ixzz1QJsx1UUY.

[2844] National Commission on Fiscal Responsibility and Reform, "Moment of Truth, Report of the National Commission on Fiscal Responsibility and Reform," December 1, 2010, http://www.fiscalcommission.gov/news/moment-truth-report-national-commission-fiscal-responsibility-and-reform. The Commission plan included this recommendation as part of the illustrative comprehensive tax reform proposal detailed on page 31 of the report.

[2845] Estimate provided by the Joint Committee on Taxation.

[2846]"Improper Payments in the Administration of Refundable Tax Credits," Testimony of the Honorable J. Russell George Treasury Inspector General for Tax Administration before the Committee on Ways and Means Subcommittee on Oversight U.S. House of Representatives, May 25, 2011.

program to skyrocket. One study found "between 1990 and 1996 the program more than doubled in real terms" and "much of this increase in costs is driven by the increase in the number of recipients — in 1995, 19 million filers received the EITC, 160 percent more than 10 years earlier."[2847]

The program is now one of the largest federal welfare programs with 24 million people filing to receive a total of $55 billion worth of tax credits during tax year 2009.[2848]

Since the tax credit is refundable, an EITC recipient does not need to owe taxes to receive the benefits. If an individual's income does not exceed a certain level, he or she can receive a credit in the form of a direct payment. As a result of credits like EITC, "30 percent of tax-filing units received more from the federal government in tax credits than the amount of their income tax liability."[2849] When an individual receives the EITC as a refund payment it is scored as an outlay, meaning money leaves the federal Treasury, just as with a discretionary spending program. This portion of the program EITC resulting in spending through the tax code of more than $54 billion in 2010.[2850]

It is also possible for individuals receiving a tax rebate check to obtain other federal assistance. In addition to the refundable portion of the EITC, hundreds of billions of dollars in federal assistance is directed toward these same low-income individuals, such as Medicaid, Supplemental Nutrition Assistance Program, Supplemental Security Income, Pell Grants, Temporary Assistance for Needy Families, the additional (refundable) Child Tax Credit, and Section 8 Housing Choice Vouchers. Many individuals can qualify for most all of these programs at the same time. According to the Congressional Research Service (CRS), "The federal government spent almost $708 billion in fiscal year 2009 on programs for the low-income, and nearly $578 billion the previous year."[2851]

The following CRS chart (Figure 1) shows the percentage of filers eligible for EITC who also reported receiving federal assistance from other welfare programs such as SNAP and WIC benefits. The diagram shows that a significant proportion of EITC recipients are likely receiving other welfare benefits. CRS also explains "EITC is generally not counted as income, nor as a resource, in determining eligibility or benefits in federal need-tested programs."[2852] This proposal recommends a change in this policy, requiring EITC benefits be considered as income for such purposes.

[2847] "Redistribution and Tax Expenditures: The Earned Income Tax Credit," Eissa, Nada & Hoynes, Hilary, National Tax Journal, June 2011, http://www.econ.ucdavis.edu/faculty/hoynes/publications/Eissa-Hoynes-NTJ-2011.pdf .

[2848] "Reduction Targets and Strategies Have Not Been Established to Reduce the Billions of Dollars in Improper Earned Income Tax Credit Payments Each Year," Treasury Inspector General for Tax Administration, February 7, 2011, http://www.treasury.gov/tigta/auditreports/2011reports/201140023fr.pdf .

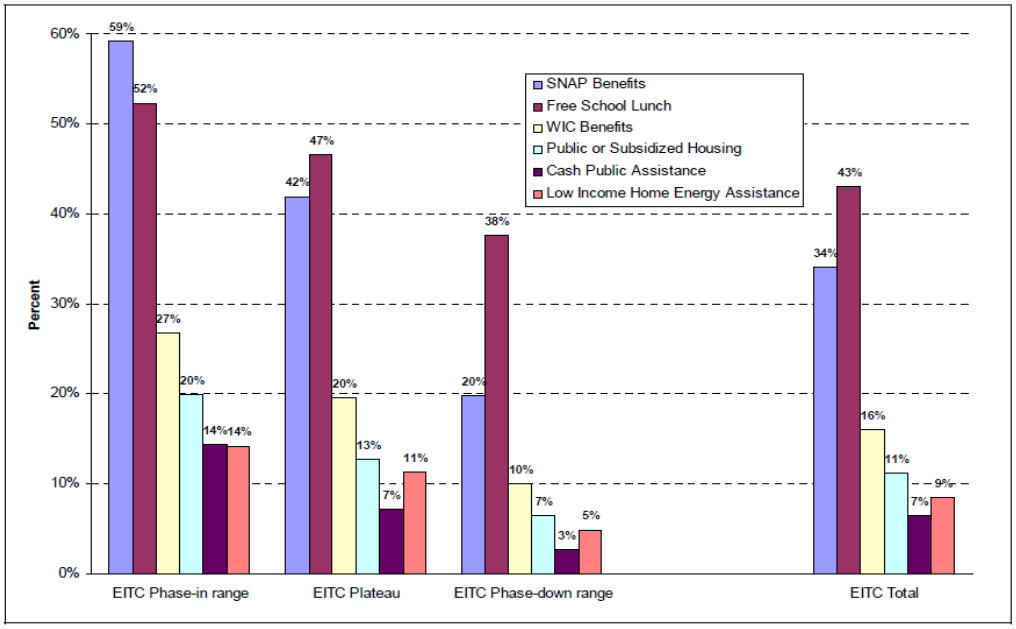
[2849] "Obamacare Tax Subsidies: Bigger Deficit, Few Taxpayers, Damaged Economy," The Heritage Foundation, Winfree, Paul, May 24, 2011, http://www.heritage.org/research/reports/2011/05/obamacare-tax-subsidies-bigger-deficit-fewer-taxpayers-damaged-economy.

[2850] OMB Data Table 32-1: http://www.whitehouse.gov/omb/budget/Analytical_Perspectives.

[2851] "Federal Benefits and Services for People with Low Income: Programs, Policy, and Spending, FY2008-FY2009," Congressional Research Service, Spar, Karen, January 31, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41625&Source=search.

[2852] EITC Recipient Receipt of Selected Need-Tested Benefits, Congressional Research Service June 30, 2011.

Figure 1. Head of Household Tax Filers, with One or More Children, Qualifying for the EITC, by Household Receipt of Selected Need-Tested Benefits in 2009



Source: Estimates prepared by the Congressional Research Service (CRS) based on analysis of data from the U.S. Census Bureau's 2010 Annual Social and Economic Supplement to the Current Population Survey (CPS/ASEC).

In part, EITC was designed to help those at the lower end of the economic scale by effectively re-paying their payroll taxes and thus providing an incentive to keep working even at low paying jobs as they transitioned into the working world to eventually become self-reliant. However, as the program grew, the general purpose started to change from an anti-poverty program to an entitlement welfare program. Studies have found the program is not completely transitional, but is being used for long-term support. Up to 20 percent of EITC claimants receive the credit for over five years.[2853]

Unfortunately, the EITC program has also become a target of abuse and scams, which only further take away from those it was meant to serve while draining taxpayer resources. According to the Treasury Inspector General for Tax Administration (TIGTA), "the Government Accountability Office (GAO) has listed the Earned Income Tax Credit (EITC) Program as having the second highest dollar amount of improper payments of all federal programs."[2854] Little if any progress has been made in fixing the problem in the last decade since agencies were required to report improper payments to the Congress.[2855] The IG estimates between 23 and 28 percent of EITC payments are improper each year. GAO recently reported $16.9 billion in

[2853] "Income Mobility and the Earned Income Tax Credit: Short-term Safety Net or Long-term Income Support," Dowd, Tim & Horowitz, John, April 11, 2011, pg: 2 http://pfr.sagepub.com/content/early/2011/04/06/1091142111401008.

[2854] "Reduction Targets and Strategies Have Not Been Established to Reduce the Billions of Dollars in Improper Earned Income Tax Credit Payments Each Year," Treasury Inspector General For Tax Administration, February 7, 2011, http://www.treasury.gov/tigta/auditreports/2011reports/201140023fr.pdf

[2855] "Reduction Targets and Strategies Have Not Been Established to Reduce the Billions of Dollars in Improper Earned Income Tax Credit Payments Each Year," Treasury Inspector General For Tax Administration, February 7, 2011, http://www.treasury.gov/tigta/auditreports/2011reports/201140023fr.pdf

improper payments were made through EITC program in 2010. This represents a massive increase "from approximately $12 billion in 2009."[2856]

The Treasury IG also stated, "While the IRS has implemented some of our recommendations, it has not taken actions to address key recommendations aimed at preventing/reducing EITC improper payments."[2857] One instance of fraud in Wisconsin involved an individual who filed multiple fraudulent tax returns and claimed earned income tax credits over many years. It is estimated he received about $3.2 million in federal earned income tax credit refunds.[2858]

Limiting the time an individual can claim the EITC will help ensure the program acts primarily "as a safety net for workers experiencing temporary income and employment shocks,"[2859] not a permanent entitlement program. Limiting this tax benefit to no more than five years may also reduce the amount of improper payments made by the government and prevent some fraud and abuse. This proposal assumes savings of $65 billion over the next ten years. Specifically, the plan recommends EITC be reformed to phase in allowing recipients to receive the benefit for a maximum of five years and directs the IRS to implement reforms proposed by the TIGTA to reduce improper payments in this program.[2860]

Additional Child Tax Credit: Require Proper Beneficiary Identification

The Additional Child Tax Credit (ACTC) is the refundable portion of the child tax credit and directed to individuals with very little or no other tax liabilities.[2861] Millions of individuals are able to obtain the tax credit without a valid Social Security Number (SSN). Instead they use an Individual Taxpayer Identification Number (ITIN), which is available even to those that are "not authorized" to work in the United States.[2862] In 2000, a total of 62,000 ITIN filers with claims totaling $62 million in the additional child tax credit. By 2010 the number grew to 2.3 million

[2856] "Improper Payments in the Administration of Refundable Tax Credits," written statement of Nina E. Olson, May 25, 2011, http://waysandmeans.house.gov/UploadedFiles/Olsen_Testimony.pdf
[2857] Reduction Targets and Strategies Have Not Been Established to Reduce the Billions of Dollars in Improper Earned Income Tax Credit Payments Each Year," Treasury Inspector General For Tax Administration, February 7, 2011, http://www.treasury.gov/tigta/auditreports/2011reports/201140023fr.pdf
[2858] "Tax Credits often benefit wrong people," Werner, Mary Jo, June 6, 2011, http://lacrossetribune.com/news/opinion/article_cd9657c0-8ec7-11e0-a5d7-001cc4c03286.html
[2859] "Distinguishing Between Short-Term and Long-term Recipients of the Earned Income Tax Credit," Dowd, Timothy, National Tax Journal December 2005.
[2860] Estimate by Staff of Senator Coburn.
[2861] Website of the Internal Revenue Service, "Ten Facts about the Child Tax Credit," http://www.irs.gov/newsroom/article/0,,id=106182,00.html, accessed June 14, 2011.
[2862] Treasury Inspector General for Tax Administration, "Testimony before the House Ways and Means Subcommittee on Oversight- Improper Payments in the Administration of Refundable Tax Credits," May 25, 2011, http://waysandmeans.house.gov/UploadedFiles/George_Testimony.pdf, accessed June 14, 2011.

ITIN filers claiming totaling $4.2 billion[2863] in tax credits.[2864] In total, $22.7 billion in ACTC credits were distributed in 2010.[2865]

ITIN number fraud is a growing concern. The Treasury IG explained, "Billions of dollars in ACTC are being provided to ITIN filers without verification of eligibility, and IRS employees have raised concerns about the lack of an adequate process for identifying and addressing improper claims."[2866] Over 60,000 ITINs were assigned and used on multiple tax returns processed in 2008.[2867] Seventy percent of these ITIN numbers should never been issued due to shady documentation provided by the applicants.[2868] Just like Social Security numbers, ITIN numbers are supposed to be "specific to individuals and should be issued to and used only by that individual."[2869]

The use of the ITIN numbers has been controversial for some time because of its susceptibility to fraud. In 2003, a number of states decided to allow ITIN numbers for use on driver's licenses, instead of Social Security numbers. In response, Henry O. Lamar, Jr., IRS Wage and Investment Division Commissioner, wrote a letter to each state motor vehicle department discouraging this practice stating that the IRS does not "subject ITIN applicants to the same rigorous document verification standards as Social Security number or visa/passport applicants."[2870]

Ending the ACTC for individuals without a valid SSN would save at least $8.9 billion over five years,[2871] with potential savings of $17.8 billion over ten years.[2872] The IRS should also be given more authority by Congress to deny fraudulent claimants.

[2863] Changes made to the ACTC in the Stimulus bill are in place through 2012. It is unclear whether those loosened requirements will be extended into 2013. That would increase the total estimated cost above the staff estimate.
[2864] Treasury Inspector General for Tax Administration, "Testimony before the House Ways and Means Subcommittee on Oversight- Improper Payments in the Administration of Refundable Tax Credits," May 25, 2011, http://waysandmeans.house.gov/UploadedFiles/George_Testimony.pdf, accessed June 14, 2011.
[2865] Treasury Inspector General for Tax Administration, "Testimony before the House Ways and Means Subcommittee on Oversight- Improper Payments in the Administration of Refundable Tax Credits," May 25, 2011, http://waysandmeans.house.gov/UploadedFiles/George_Testimony.pdf, accessed June 14, 2011.
[2866] Treasury Inspector General for Tax Administration, "Testimony before the House Ways and Means Subcommittee on Oversight- Improper Payments in the Administration of Refundable Tax Credits," May 25, 2011, http://waysandmeans.house.gov/UploadedFiles/George_Testimony.pdf, accessed June 14, 2011.
[2867] Website of the Treasury Inspector General for Tax Administration, "Individual Taxpayer Identification Numbers Are Being Issued Without Sufficient Supporting Documentation" (Report No: 2010-40-005), December 8, 2009, http://www.treasury.gov/tigta/auditreports/2010reports/201040005fr.pdf, accessed June 14, 2011.
[2868] Website of the Treasury Inspector General for Tax Administration, "Individual Taxpayer Identification Numbers Are Being Issued Without Sufficient Supporting Documentation" (Report No: 2010-40-005), December 8, 2009, http://www.treasury.gov/tigta/auditreports/2010reports/201040005fr.pdf, accessed June 14, 2011.
[2869] Website of the Treasury Inspector General for Tax Administration, "Individual Taxpayer Identification Numbers Are Being Issued Without Sufficient Supporting Documentation" (Report No: 2010-40-005), December 8, 2009, http://www.treasury.gov/tigta/auditreports/2010reports/201040005fr.pdf, accessed June 14, 2011.
[2870] Website of the National Immigration Law Center, "The IRS Individual Taxpayer Identification Number: An Operational Guide to the ITIN Program," 2004, http://www.nilc.org/immsemplymnt/ITINs/ITIN_Paper_2004-web.pdf, accessed July 5, 2011.
[2871] Website of the Treasury Inspector General for Tax Administration, "Semi-annual Report to Congress, October 1, 2008 – March 30, 2009," http://www.treasury.gov/tigta/semiannual/semiannual_mar2009.pdf, accessed June 14, 2011.
[2872] Estimate made by the staff of Senator Coburn.

Reform the Tax Treatment of Employer-Provided Health Insurance

Tax benefits have played an important part in providing health care to millions of Americans for over 60 years. However, excesses in the current benefit structure have actually increased the cost of health care for many, especially the uninsured. Currently, those with the most generous employment benefits gain the most from the existing tax structure. This can be addressed with simple reforms to the employer-provided health exclusion to provide a more balanced benefit to everyone and greater fairness.

Americans receiving health insurance from their employer also benefit from preferential treatment under the tax system, compared with individuals who purchase health insurance on their own. Under current federal law, health insurance coverage provided to individuals by their employers does not count toward employees' income for purposes of determining their federal income taxes. This tax treatment of health coverage is referred to as the "employee exclusion" for employer-sponsored insurance (ESI), since the employer's payment of the health coverage is excluded for tax calculation purposes. Considering the average cost of ESI in 2010 was approximately $13,770 for family coverage, this exclusion results in significant tax savings for many employees while reducing government tax revenues by more than $150 billion annually.[2873]

While the employer-based tax health benefit initially helped encourage and expand the number of individuals with health coverage, economists from across the political spectrum argue the current tax treatment of health benefits is one key driver of rapidly rising health care costs. The unlimited tax exclusion for employer-provided health coverage hides the true cost of insurance from those covered by it, undermines the health care market, and contributes to more expensive care and more costly insurance for many. Respected economist Roger Feldman explains:

> "Currently, [employer-sponsored insurance] ESI premiums are exempt from income and payroll taxes, while insurance purchased by individuals and self-employed workers lacks some or all of these tax privileges. ESI has many advantages… but these advantages are supported by an inefficient and unfair tax subsidy. These conclusions are not controversial among health economists, who agree, virtually unanimously, that excluding ESI premiums from taxable compensation causes workers to demand more insurance than they would in the absence of that exclusion. There is also general agreement that this higher level of coverage leads to inefficiently high levels of health care spending, and finally, that the tax subsidy is 'upside-down' with the largest subsidies going to high-income taxpayers. I believe there is also general agreement that the tax subsidy should be reformed so that it does not encourage consumption of more insurance on the margin, and so it should not disproportionately benefit high-income taxpayers."[2874]

[2873] Kaiser Family Foundation, "Family Health Premiums Rise 3 %" http://www.kff.org/insurance/090210nr.cfm , June 2010.
[2874] House Ways and Means Committee Website, "Hearing Video",http://waysandmeans.house.gov/hearings.asp?formmode=view&id=7416 , June 2010.

Careful reforms to the tax treatment of health coverage are long overdue. Targeted reform addressing three significant problems with the current ESI employee exclusion could lower costs, and improve health care, while also generating revenue.

Current Tax Treatment Contributes to Increasing Costs

From the president's economists to Nobel Laureate Milton Freidman, many policy experts and academics agree the tax treatment of health coverage contributes to inefficiency, increased levels of insurance and increased utilization, and rising health care spending.

The nonpartisan Congressional Research Service explains, "One criticism of the exclusion for employer-provided health insurance is that it reduces the after-tax cost of insurance to workers in ways that are not transparent, likely resulting in their obtaining more coverage than they otherwise would. Not being explicitly capped or limited in some other manner, it does little to restrict the generosity of the insurance or annual premium increases. The exclusion thus contributes to what some economists consider an excess of insurance coverage and a significant welfare (or efficiency) loss for insured individuals and society as a whole."[2875]

These tax subsidies increase consumer demand and encourage certain behaviors or decisions that would otherwise be realized without the subsidy. The director of the Congressional Budget Office, Doug Elmendorf, said, "many analysts would agree that the current tax exclusion for employment-based health insurance—which exempts most payments for such insurance from both income and payroll taxes—dampens incentives for cost control because it is open-ended."[2876]

The Tax Policy Foundation likewise concludes, "Insulation from the full costs of health care—and the lack of transparency in the trade-off between wages and benefits—may drive up overall health care costs by spurring greater demand for health insurance that combines benefits, networks, and management features in more expensive ways than employers and employees might otherwise demand. This can drive up overall health care costs."[2877]

A similar critique was offered by Nobel prize winning economist, Milton Freidman, who said: "The high cost and inequitable character of our medical care system are the direct result of our steady movement toward reliance on third-party payment…. The ideal way to do [reverse

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[2875] CRS Report: RL 34767, "The Tax Exclusion for Employer-Provided Health Insurance: Issues for Congress", Congressional Research Service, January 4th 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL34767&Source=search.

[2876] Senator Coburn Website, "What Experts Have Said About the Tax Treatment of Health Insurance," http://coburn.senate.gov/public/index.cfm/files/serve?File_id=2cedd12f-36dd-4c15-b63e-c6963654c55a , Page 1, June 2010.

[2877] "Changes to the Tax Exclusion of Employer-Sponsored Health Insurance Premiums", Tax Policy Center, June 2010, http://www.taxpolicycenter.org/uploadedpdf/411916_tax_exclusion_insurance.pdf.

course] would be to reverse past actions: repeal the tax exemption of employer-provided medical care."[2878] The tax code effectively subsidizes the purchase of health insurance by making it artificially inexpensive for a consumer related to what they pay out of pocket for other goods or services. The critique is not an ideological one, however, as one liberal economist also acknowledged, saying "no health expert today would ever set up a health system with such an enormous tax subsidy to a particular form of insurance coverage."[2879]

The distorting impact of the employee tax exclusion for health coverage can be quantified. According to estimates from the Tax Policy Center, "even when we adjust for medical price inflation as recorded by increases in medical insurance premiums — which has far outstripped overall price growth — the employer exclusion still grows in real terms between 1988 and 2002 (a 36 percent rise)."[2880] The gross size of the employee exclusion makes it effectively one of the largest tax subsidies in federal law.

Current Tax Treatment Is Inequitable, Regressive

There is a second reason to reform ESI, related to how it treats lower-income individuals, compared to top income-earners. As one economist explained, "the tax exclusion of employer expenditures from individual taxation ….is a regressive entitlement, since higher income families with higher tax rates get a bigger tax break; about three-quarters of these dollars go to the top half of the income distribution."[2881] In other words, the current tax treatment of ESI is inequitable, generally yielding a larger tax benefit for higher-income Americans who receive more generous benefits, compared with lower-income Americans who receive less. The Tax Policy Foundation further details this shortfall of the health exclusion:

> "The current tax exclusion is regressive. Because it reduces taxable income, the exclusion is worth more to taxpayers in higher tax brackets than to those facing lower tax rates. Not taxing a $10,000 premium, for example, saves a taxpayer in the 35 percent top tax bracket $3,500 but reduces the tax bill for someone in the 15 percent tax bracket by just $1,500. In addition, the value of the tax exclusion is greater for those with higher incomes, who tend to have jobs with richer benefits, and smaller for lower-income employees, who are much less likely to have ESI coverage. Thus, the current tax exclusion disproportionately subsidizes those with higher incomes."

This is another area where analysts of all political stripes find significant agreemnt. Len Nichols, director of the health policy program at the New America Foundation has said the current tax treatment of employer-sponsored health insurance "is highly regressive (because this particular tax break is worth more to people who make more and have higher income tax rates and because high-income Americans are more likely to have employer-sponsored health insurance than those

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[2878] Hoover Institute Stanford University, "How to Cure Health Care", http://www.hoover.org/publications/digest/3459466.html , June 2010.
[2879] Senate Finance Committee Website, "Hearing Testimony", http://finance.senate.gov/hearings/testimony/2008test/073108jgtest.pdf , June 2010.
[2880] "Growth in the Exclusion of Employer Health Premiums", Tax Policy Center, June 2005, http://www.taxpolicycenter.org/UploadedPDF/1000794_Tax_Fact_6-27-05.pdf .
[2881] Senate Finance Committee Website, "Hearing Video", http://finance.senate.gov/hearings/testimony/2008test/073108jgtest.pdf, June 2010.

with lower incomes.). Eliminating or capping the employer tax exclusion is one option that could play a substantial role in financing comprehensive reform."[2882] Meanwhile, Robert Helms of the American Enterprise Institute agrees: "The tax subsidy is regressive, offering more benefits to those with higher incomes… This distribution also helps to explain the political popularity of the tax exclusion. The policy gives more to those who have higher incomes and who work for firms that offer health insurance – a powerful bloc of voters."[2883]

Current Tax Treatment Depresses Wages

The current tax treatment of ESI also effectively depresses wages. Employee compensation includes not only an employee's salary, but any additional benefit contributions from their employer (life insurance, health insurance, parking benefits, etc.). As has been shown, employees benefitting from ESI currently receive disproportionate compensation through the employer share of their health care. The diversion of employer dollars from salaries to benefits effectively depresses net wages. CRS explains: "There is general understanding about these matters—it is reasonable to assume that much of the employer contribution is actually borne by workers through reduced wages."[2884] In fact, one significant reason wages have stagnated in real dollars in recent decades is due to employers shifting compensation dollars toward health care coverage under ESI, which in turn feeds the disconnect between employees and their health care choices.

Policy Reform Realizes Savings, Realigns Incentives

Because the current tax treatment of health insurance inflates costs, depresses wages, and is regressive, this proposal caps the tax benefit of the individual employee exclusion at $7,500 for individual premiums and $15,000 for premiums for families. The policy would start in 2013 and the cap would remain frozen through 2017, growing with a mix of health inflation and consumer inflation thereafter. This cap is well above the average premium levels for employer-sponsored health insurance in 2010 of $5,050 for an individual and $13,770 for families.

This proposal is similar to the one put forward by the bipartisan National Commission on Fiscal Responsibility and Reform, which recommended capping the exclusion at the 75th percentile of premium levels in 2014, with cap frozen in nominal terms through 2018 – though unlike the Commission plan, this plan does *not* phase out the tax exclusion.[2885] As the Commission noted,

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[2882] "Health Politics: Continuing the Employer Tax Exclusion Debate", New America Foundation, June 2010, http://www.newamerica.net/blog/new-health-dialogue/2008/health-politics-getting-whole-story-employer-sponsored-insurance-6098/ .

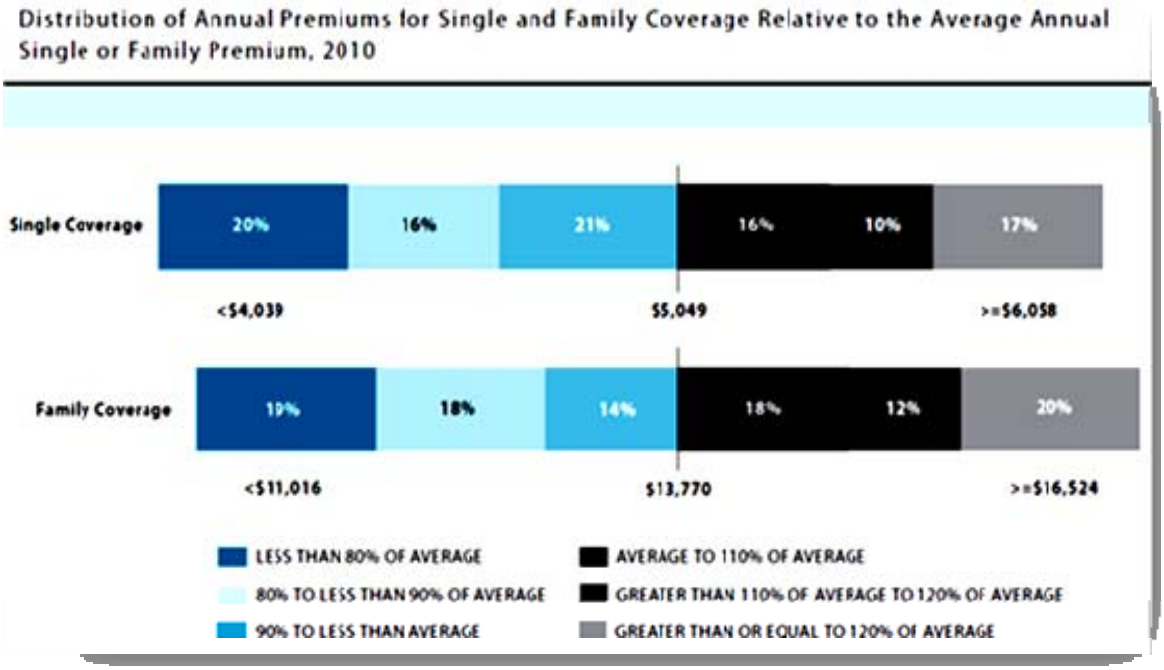
[2883] "Tax Reform and Health Insurance", American Enterprise Institute, June 2005, http://www.aei.org/publications/filter.all,pubID.21921/pub_detail.asp.

[2884] CRS Report: RL 34767, "The Tax Exclusion for Employer-Provided Health Insurance: Issues for Congress", Congressional Research Service, January 4th 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL34767&Source=search

[2885] The National Commission on Fiscal Responsibility and Reform, *The Moment of Truth*, December 2010, page 31. *http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf*

"reducing … the exclusion for employer-provided health insurance will help decrease growth in health care spending, according to virtually all health economists."[2886]

Implementing this reform to the health tax exclusion could save more than $200 billion over the next decade.[2887] The cap grows with a blend of health and consumer inflation, providing a long-term approach to helping reduce the distortion in the tax code. This approach is balanced, maintaining the majority of the tax preference from the current ESI exclusion, but also putting downward pressure on health spending. Over the longer term, this reform has the effect of encouraging some individuals and families to choose lower cost plans.



The Kaiser Family Foundation and Health Education Research and Trust, "Employer Provided Benefits, 2010."[2888]

Implement Chained CPI

Many provisions throughout the tax code are automatically adjusted each year based on inflation, including the size of the standard deduction to income bracket thresholds and exemption amounts.[2889]

[2886] The National Commission on Fiscal Responsibility and Reform, *The Moment of Truth*, December 2010, page 36. *http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf*

[2887] Staff estimate.

[2888] Page 29, http://ehbs.kff.org/pdf/2010/8085.pdf

[2889] Congressional Budget Office, "Budget Options 2007," Revenue Option 6, page 266, http://www.cbo.gov/ftpdocs/78xx/doc7821/02-23-BudgetOptions.pdf.

As with other government programs also adjusted for inflation, the consumer price index (CPI) is applied to some in the tax code. For more than 15 years, many budget experts have agreed the current CPI mechanism outpaces actual inflationary growth, causing the cost of government programs to rise rapidly, needlessly adding to the deficit.[2890] As the CBO Director Doug Elmendorf explained last year, "According to many analysts…the CPI overstates increases in the cost of living because it does not fully account for the fact that consumers generally adjust their spending patterns as some prices change relative to other prices."[2891]

The Bureau of Labor Statistics developed a more accurate measure of inflation, known as Chained CPI, which over the last ten years has grown at a slightly slower rate than the current measure for CPI.[2892] As a more accurate measure of inflation, it is only appropriate it be applied government-wide, even throughout the tax code. The nonpartisan Congressional Budget Office explains, "Indexing allows those tax parameters to grow over time in nominal terms but keeps them relatively stable in real (inflation-adjusted terms). …Indexing with that lower measure would increase the amount of income subject to taxation over time and thus result in higher tax revenues."[2893]

The *Washington Post* editorial board points out in their support of a government-wide transition to Chained CPI, noting academics and economists across the political spectrum agree this is an area of government spending and automatic growth that can and should be addressed. The *Post* says, "Among the organizations that have endorsed a switch to the Chained CPI are the president's fiscal responsibility commission (better known as Simpson-Bowles), the Bipartisan Policy Center's Deficit Reduction Task Force, the conservative Heritage Foundation and the liberal Center for American Progress."[2894]

Applying Chained CPI to the tax code would save $59.6 billion over the next ten years.[2895]

The Foreign Earned-Income Exclusion

Citizens who live and work in other countries are permitted to exclude from U.S. federal income tax up to $92,900 of their foreign earned income.[2896] They may also exclude approximately

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[2890] Goldwein, Marc and Rosenberg, Adam, Moment of Truth Project, "Measuring Up: The Case for Chained CPI," May 11, 2011, http://crfb.org/sites/default/files/MeasuringUp5_11_2011.pdf.
[2891] Congressional Budget Office, Director's Blog, "Using a Different Measure of Inflation for Indexing Federal Programs and the Tax Code," accessed July 5, 2011, http://cboblog.cbo.gov/?p=477.
[2892] Congressional Budget Office, Director's Blog, "Using a Different Measure of Inflation for Indexing Federal Programs and the Tax Code," accessed July 5, 2011, http://cboblog.cbo.gov/?p=477.
[2893] Congressional Budget Office, "Budget Options 2007," Revenue Option 6, page 266, http://www.cbo.gov/ftpdocs/78xx/doc7821/02-23-BudgetOptions.pdf.
[2894] Editorial, "The Chained CPI, an easy way to save money," *The Washington Post*, May 26, 2011, http://www.washingtonpost.com/opinions/the-chained-cpi-an-easy-way-to-save-money/2011/05/23/AGaYsLCH_story.html.
[2895] Estimate provided by the Joint Committee on Taxation.
[2896] Internal Revenue Code ("Code") section 911(a)(1), (b)(2); The amount of the foreign earned income exclusion is adjusted annually for inflation. The 2011 inflation adjustment is provided in IRS Revenue Procedure 2010-40, 2010-2 C.B. 663.

$13,000 in employer-provided housing costs.[2897] The combined exclusion of over $100,000 is available even to U.S. citizens who pay no taxes in the country where they are currently working.

A form of the foreign earned income exclusion has existed for decades and long been seen as a way to make American companies overseas more competitive in the global economy by increasing exports and equalizing the tax treatment of employees regardless of where they worked (as most American citizens overseas are taxed by their resident country). However, it is not clear this goal is being met through this tax exemption.

In 2006, more than 300,000 taxpayers lived overseas and reported approximately $36.7 billion in income. About half of this amount was not taxed as a result of this provision. Nearly 60 percent of taxpayers who took advantage of this provision paid no taxes to the United States in 2006.[2898]

Regardless of where they live, U.S. citizens with identical incomes should have similar tax liabilities.[2899] The Congressional Research Service also found this provision is potentially a subsidy for business because it "subsidizes employers sending employees overseas" and it "may work against U.S. domestic interests by encouraging highly compensated U.S. citizens to work overseas…expatriating U.S. intellectual capital and reducing U.S. tax revenue."[2900]

Also of note, citizens working overseas are not just working for American companies. In the 21st century global economy, many Americans are working overseas for non-U.S. companies, yet taking advantage of this tax break. The tax exemption is provided for these employees, but is not necessarily encouraging U.S. competitiveness. In fact, depending on the country, some employees working for non-U.S. companies may not be subject to Medicare and Social Security taxes, in addition to enjoying the income tax exclusion.[2901]

Beneficiaries argue they should not be required to pay taxes because they receive limited government services. However, a majority of the discretionary budget of the U.S. government funds the Departments of Defense, State, and Veterans Affairs, as well as interest on the national debt. Clearly American citizens benefit from our embassies and consulates. This includes the significant protection from the United States military through treaties and other international agreements. The U.S. military's global presence with the worldwide deployment of ground troops and constant patrol of naval warships along commercial shipping lanes ought to be paid for by all citizens who benefit from this protection.

[2897] Code section 911(a)(2), (c). The amount of the housing-cost exclusion is based on the amount of the foreign earned income exclusion and therefore automatically adjusts for inflation.

[2898] Website of the Senate Budget Committee, "Tax Expenditures: Compendium of Background Material on Individual Provisions" *Congressional Research Service*, December 31, 2010, http://budget.senate.gov/democratic/index.cfm/files/serve?File_id=8a03a030-3ba8-4835-a67b-9c4033c03ec4, accessed June 25, 2011.

[2899] Website of the Congressional Budget Office, "CBO Budget Options, Vol 2," August, 2009, http://cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf, June 25, 2011, 202.

[2900] Website of the Senate Budget Committee, "Tax Expenditures: Compendium of Background Material on Individual Provisions" *Congressional Research Service*, December 31, 2010, http://budget.senate.gov/democratic/index.cfm/files/serve?File_id=8a03a030-3ba8-4835-a67b-9c4033c03ec4, accessed June 25, 2011.

[2901] Website of the IRS, "Publication 54: Tax Guide for U.S. Citizens and Resident Aliens Abroad," Department of the Treasury, http://www.irs.gov/pub/irs-pdf/p54.pdf.

U.S. citizens should be allowed to retain the tax credit for the taxes they pay to other governments while overseas, but should be required to include all of the earnings in what they report to the IRS as part of their taxable income. According to the Congressional Budget Office, ending the exclusion would save at least $71.3 billion over ten years.[2902]

The Health Coverage Tax Credit

The Health Coverage Tax Credit (HCTC) is a federal income tax credit that covers most of the cost of qualified health insurance for eligible Americans and their family members. Individuals eligible to claim the credit include those receiving income support or wage subsidies under the federally funded Trade Adjustment Assistance program and individuals between the ages of 55 and 64 receiving payments from the U.S. Pension Benefit Guaranty Corporation, because the government took over their company's failed pension system.

The credit's well-intended purpose is to help offset the cost of health coverage for Americans who may be in unique need due to job loss. However, there is little interest in taking advantage of the credit among the eligible population, eligible participants have other similar federal health benefits to select from, and the credit has extremely costly overhead for an under-utilized program. Meanwhile, the credit is poorly targeted, as some participants earn more than the median income, yet siphon funding from those who need it most.

Despite its high cost to taxpayers, the tax credit is largely underutilized by those who could receive the benefit. For each year the credit has been available, less than 30,000 individuals have participated, out of hundreds of thousands of individuals who potentially are eligible for the credit. For example, in tax year 2008—the most recent year data is available—the program had only 24,790 participants.[2903] One reason for low participation is the offer of the credit might be duplicative for individuals already enrolled in other government-funded health programs, such as Medicare, Medicaid, Children's Health Insurance Program, and Federal Employees Health Benefits Program. The law states individuals who receive the credit cannot be *enrolled* in most other federal health programs, but this does not preclude otherwise eligible individuals from being eligible to participate in another federal health program.

Nonpartisan experts note the widespread lack of participation in the Health Coverage Tax Credit program. According to the Congressional Research Service, "data for the HCTC indicate[s] that it is not widely used, raising questions about its effectiveness. At this time it is not clear whether changes to the HCTC program will lead to more taxpayers using the credit, or if participation will always be low."[2904]

Even recent changes in the credit program have not boosted enrollment. The stimulus bill directed $150 million be spent through the Department of Labor's Employment and Training

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[2902] Website of the Congressional Budget Office, "CBO Budget Options, Vol 2," August, 2009, http://cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf, June 25, 2011, 202.
[2903] IRS publication, 2010 Report to the Congress Health Coverage Tax Credit.
[2904] Fernandez, Bernadette. The Health Coverage Tax Credit, Congressional Research Service, January 5, 2011 (RL32620). http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL32620&Source=search

Administration (ETA) on "National Emergency Grants." The grants were designed to cover the cost of health insurance coverage for eligible Americans until they could be enrolled in the Health Coverage Tax Credit program. A 2010 report by the Labor Department's Office of Inspector General found as of December 2009, only "3 grants totaling $8 million of the appropriated $150 million had been awarded to 6 states."[2905] The Inspector General's office found that "while ETA conducted various outreach activities, these outreach efforts were not completely effective," and noted that their "primary concern was ETA has not determined the need for the full $150 million given the low participation in the program." If participation in the program is low during both a strong economy and during a recession, it certainly highlights the fundamental question of whether or not the program is even needed. In fact, prior to the stimulus bill, only about 14,000 individuals per month received the tax credit as advance payments.[2906]

Canceling the credit will also save in administrative costs, which are significant given the program's low participation. From 2003-2008 the administrative costs for the program were a steep $161 million.[2907] In fiscal year 2009 alone, taxpayers paid $28 million to run the program.[2908] CRS notes high administrative costs are not limited to just the start-up of the credit program. "Observers of the HCTC have voiced concerns regarding the efficiency with which the program is run," CRS states. Specifically, CRS found that "administrative costs remain high even after a few years of operation," and cited a GAO estimate program administrative costs at nearly one-fifth of total program costs during a five-year period.[2909] CRS notes another study "estimated that of the federal funding going towards advance payments in 2007, a full third would be spent on administration," which would leave "only 66 cents for every federal dollar spent on the advance payment component for purchasing health coverage."[2910] Additionally, from 2009 through this year, the IRS will spend about $40 million to implement changes to the credit program from the stimulus bill and update its computer systems for the program.[2911]

Because the health coverage tax credit is a refundable credit, there is also a question of equity under the law. As a refundable credit, Americans may claim the full credit amount even if they have little or no federal income tax liability. This allows individuals who have not paid any federal income taxes to benefit directly from the subsidy of other Americans whose income taxes fund the program through general revenues. Most participants in the credit program had a bachelor's degree with household income between $35,000 and $74,000.[2912] According to the 2010 Census, the national median income is over $50,000. As such, families receiving subsidies could have had income well within—or above—the national average.

[2905] http://www.oig.dol.gov/public/reports/oa/2010/18-10-003-03-390.pdf

[2906] Fernandez, Bernadette. The Health Coverage Tax Credit, Congressional Research Service, January 5, 2011 (RL32620). http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL32620&Source=search

[2907] "Health Care Coverage Tax Credit: Participation and Administrative Costs", Government Accountability Office, April 30 2010, http://www.gao.gov/new.items/d10521r.pdf

[2908] IRS publication, 2010 Report to the Congress Health Coverage Tax Credit, page 7.

[2909] U.S. Government Accountability Office, Trade Adjustment Assistance: Most Workers in Five Layoffs Received Services, but Better Outreach Needed on New Benefits, GAO-06-43, January 2006.

[2910] S. Dorn, "Administrative Costs for Advance Payment of Health Coverage Tax Credits: An Initial Analysis," The Urban Institute, March 2007, at http://www.cmwf.org/usr_doc/1017_Dorn_admin_costs_advance_payment_HCTC.pdf.

[2911] Government Accountability Office, "Health Coverage Tax Credit: Participation and Administrative Costs," April 30, 2010, available at http://www.gao.gov/new.items/d10521r.pdf.

[2912] IRS' 2010 report to the Congress, Health Coverage Tax Credit Survey, page 2.

Additionally, this special tax break is poorly targeted. The credit currently covers 80 percent of the premium for qualified health insurance purchased by an enrollee, with the enrolled individual responsible for covering the remaining 20 percent of the premium. This level of subsidization exceeds the customary cost-sharing most Americans experience in their employer-based insurance. Additionally, while individuals who benefit from the credit may be enrolled in COBRA insurance, individuals on COBRA who are ineligible for the credit usually pay about 102 percent of the premium cost of their former employer-sponsored health insurance plan. The Congressional Research Service highlights that the current 80 percent subsidy rate is available to all enrollees regardless of income, even though wealthy enrollees can more readily pay for their insurance. "For example," CRS notes, "in the case of a $3,000 self-only policy, the HCTC would provide $2,400 in tax savings to taxpayers with incomes of $50,000, as well as those with incomes of $5,000."

Unfortunately, more inequities abound. As CRS pointed out, "Unemployed workers who do not receive TAA allowances may question why they are denied the credit, particularly if they too have lost their jobs because of trade competition. Similarly, early retirees whose pensions are not paid in part by the PBGC may question not being eligible for the credit, as may those who receive no pension at all."

While most Americans benefitting from the credit certainly have experienced the true hardship of job loss, taxpayers can do better than to pay for a program with few users, high administrative costs, and entrenched inequities for individuals not enrolled in the program. Eliminating the tax credit would save $1.8 billion over the next ten years.[2913]

Exclusion of Certain Allowances for Federal Employees Abroad

Federal government civilian employees who work abroad and pay federal income taxes, but no taxes to a foreign government, are allowed to exclude from income taxes certain cost-of-living special allowances such as housing, travel, and food. The rationale is that costs of living, such as food, fuel, and living expenses for those living abroad are generally higher.[2914] However, incomes for federal civilian workers overseas are generally higher than average incomes in the United States, in part because of this discrepancy. As a result, this tax expenditure is not addressing a true need and largely benefits higher-income earners.

There is no similar tax exclusion for federal workers employed in high cost-of-living areas in the United States such as metropolitan areas or other high-cost areas like Hawaii and Alaska. In addition, some federal workers, such as Department of State employees, even earn Washington, D.C. 'locality' pay while serving overseas to compensate for the higher cost of living. It is unclear why federal employees receive both additional salary for a higher cost of living and tax-free benefits for the same reason.

[2913] Staff estimate based on Joint Committee on Taxation JCS-3-10, "Estimates Of Federal Tax Expenditures For Fiscal Years 2010-2014," http://www.jct.gov/publications.html?func=startdown&id=3718.

[2914] Senate Budget Committee, "Tax Expenditures: Compendium of Background Material on Individual Provisions," Prepared by the Congressional Research Service, December 2010, http://budget.senate.gov/democratic/index.cfm/files/serve?File_id=8a03a030-3ba8-4835-a67b-9c4033c03ec4.

As a result of the hidden costs of this tax provision, federal agencies may not make the most prudent decisions on where to base their personnel. Agency budgets do not include the amount of money lost to the Treasury through these allowances and exemptions. As such, what may appear to be a better deal to taxpayers may actually cost more than another option when the cost of this tax benefit is taken into consideration.

Part of the underlying assumption for this special tax break is that federal employees are driven primarily by financial considerations when looking at overseas employment. But foreign federal jobs also provide the opportunity to live and work in a foreign country with a steady paycheck and benefits. With a nine percent unemployment rate in the United States, it is unlikely federal workers will leave the federal workforce if this tax provision were repealed. However, it is also clear should any federal employees choose to leave such a desirable overseas post, there would likely be plenty of qualified applicants for any such job openings.

Repealing the exclusion from income taxes certain cost-of-living special allowances such as housing, travel, and food for federal employees is also part of a bipartisan proposal and is included in tax reform legislation sponsored by Senators Ron Wyden (D-Oregon) and Dan Coats (R-Indiana).[2915]

In fiscal year 2010 these exclusions cost the federal government $1.6 billion.[2916] Eliminating this provision would save $18 billion over the next 10 years.[2917]

Transit and Parking Tax Subsidy

Businesses can provide their employees up to a $230 per month in monthly tax-free benefits to commute to work via transit, vanpool, or park their vehicle at work. For bike commuting, employers can provide employees $20 each month.[2918]

For parking alone, this perk is expected to cost taxpayers $4.2 billion in fiscal year 2011, and more than $22 billion over five years. For mass transit and van pools, the cost is nearly $800 million in fiscal year 2011 and more than $4 billion over five years.[2919]

In 1978, Congress temporarily eliminated this provision but brought it back in 1981. Three years later during the 1984 debate over the Deficit Reduction Act, Congress rewrote tax rules on

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[2915] S. 727, "Bipartisan Tax Fairness and Simplification Act of 2011," Introduced in the Senate on April 5, 2011.
[2916] Senate Budget Committee, "Tax Expenditures: Compendium of Background Material on Individual Provisions," Prepared by the Congressional Research Service, December 2010, http://budget.senate.gov/democratic/index.cfm/files/serve?File_id=8a03a030-3ba8-4835-a67b-9c4033c03ec4
[2917] Staff estimate based on Joint Committee on Taxation JCS-3-10, "Estimates Of Federal Tax Expenditures For Fiscal Years 2010-2014," http://www.jct.gov/publications.html?func=startdown&id=3718.
[2918] Website for the National Center for Transit Research, "Commuter Tax Benefits Summary Table," April 22, 2011, http://www.nctr.usf.edu/programs/clearinghouse/commutebenefits/, accessed June 29, 2011.
[2919] Website of the Senate Budget Committee, "Tax Expenditures: Compendium of Background Material on Individual Provisions" *Congressional Research Service*, December 31, 2010, http://budget.senate.gov/democratic/index.cfm/files/serve?File_id=8a03a030-3ba8-4835-a67b-9c4033c03ec4, accessed June 25, 2011. Total benefit is $25.9 billion over the next five years.

employee fringe benefits. At the time, the lawmaker remained concerned "that without clear boundaries on the use of these fringe benefits, new approaches could emerge that would further erode the tax base and increase inequities among employees in different businesses and industries."[2920]

Federal employees enjoy a similar subsidy for mass transit and parking, but they are directly subsidized to the tune of about $470 million, according to numbers from the Transit Benefit Program. Recently costs have increased significantly because of the upper limit increase for transit benefits.[2921]

In 1993, Congress authorized selected federal agencies to elect to pay all or a portion of employees' public transportation costs.[2922] In fiscal year 2000, the subsidy program was expanded by Executive Order to all other government agencies.[2923] To be eligible to receive the transportation subsidy, employees must use public transportation to commute to and from their offices. DOT manages this program and takes a cut of almost five percent out of the total amount disbursed in subsidies. Most federal workers do not actually pay for parking, but are provided free parking spots—a very valuable perk in cities like Washington D.C. where parking is always at a premium.

In 2006, the Treasury Inspector General for Tax Administration (TIGTA) found the IRS did not adequately verify whether or not employees receiving subsidies were actually eligible for the subsidy or the amount awarded.[2924]

With generous benefits such as these, one recipient concluded, "Where can you go for that price, drive all month and have all your maintenance, safety sticker, registration, insurance and not have to pay for it?"[2925]

Other states have also instituted similar tax credits. New Jersey has the Urban Transit Hub Tax Credit, which recently incentivized Panasonic to move its headquarters closer to a rail station and

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[2920] Website of the Senate Budget Committee, "Tax Expenditures: Compendium of Background Material on Individual Provisions" *Congressional Research Service*, December 31, 2010, http://budget.senate.gov/democratic/index.cfm/files/serve?File_id=8a03a030-3ba8-4835-a67b-9c4033c03ec4, accessed June 25, 2011.
[2921] Personal Memo to Senator Tom Coburn, Congressional Research Service, June 14, 2011.
[2922] 5 U.S.C. § 7905.
[2923] Executive Order 13150, dated April 21, 2000.
[2924] Website for the Treasury Inspector General for Tax Administration, "The Administration of the Public Transportation Subsidy Can Be Improved," March 23, 2006, http://www.treasury.gov/tigta/auditreports/2006reports/200610062fr.html, accessed June 29, 2011.
[2925] Fujimori, Leila, "Vanpool Seeks Federal Funds After Rate Hike," *Star-Advertiser* (Honolulu, HI), June 23, 2011, http://www.staradvertiser.com/news/hawaiinews/20110623__Vanpool_seeks_federal_funds_after_rate_hike.html, accessed June 29, 2011.

reap $102 million in tax credit benefits.[2926] New Jersey is currently considering expanding this tax credit to residential buildings as well.[2927]

Maryland has a tax credit of up to $50 per month per person for mass transit and van pools.[2928] Washington State has a similar tax credit of up to $60 per month,[2929] and so does the state of Minnesota.[2930]

While employers and employees alike enjoy having their travel subsidized by others, such programs are not national priorities – especially when numerous states have enacted their own subsidies for similar costs in order to encourage certain types of transportation and/or economic development. Given the fact that the tax expenditures alone total more than $5 billion annually rescinding this tax subsidy would result in substantial savings over ten years of more than $51.6 billion. [2931]

[2926] Spodek, Yaffi, "In N.J., Tax Credit Sparks Development," *Wall Street Journal*, June 13, 2011, http://online.wsj.com/article/SB10001424052702303848104576382081750787932.html, accessed June 29, 2011.
[2927] Whiten, Jon, "Gov. Christie Vetoes Transit Hub Tax Credit Bill, Saying it Requires Too Much Affordable Housing, Jersey City Independent, February 23, 2011, http://www.jerseycityindependent.com/2011/02/23/gov-christie-vetoes-transit-hub-tax-credit-bill-because-it-requires-too-much-affordable-housing/, accessed June 29, 2011.
[2928] Website of the Comptroller of Maryland, "Commuter Tax Credit," http://business.marylandtaxes.com/taxinfo/taxcredit/commuter/default.asp , accessed June 29, 2011.
[2929] Website of King County, Washington, "Washington State Tax Credit," http://www.kingcounty.gov/transportation/CommuteSolutions/EmployerTaxBenefits/StateTaxCredit.aspx, accessed June 29, 2011.
[2930] Website of the Minnesota Department of Revenue, "Employer Transit Pass Credit," http://taxes.state.mn.us/individ/pages/other_supporting_content_transit_pass_credit.aspx, accessed June 29, 2011.
[2931] Staff estimate based on Joint Committee on Taxation JCS-3-10, "Estimates Of Federal Tax Expenditures For Fiscal Years 2010-2014," http://www.jct.gov/publications.html?func=startdown&id=3718.

Ending Misdirected Energy Tax Preferences

Clean Coal Investment and Gasification Tax Credits

Two tax credits are available for certain advanced clean coal and gasification technologies. Created in 2005, these credits cost taxpayers more than $1.6 billion initially, and in 2008, Congress allocated an additional $1.5 billion in sum for both credits.[2932] Of this, $1.25 billion was authorized for investments using "integrated gasification combined cycle (IGCC) or other advanced coal-based electricity generation technologies." Investments that are approved may be eligible for a 30 percent tax credit. These tax breaks are only available for specific projects approved by the Secretary of the Treasury, together with officials at the Department of Energy,[2933] and are distributed similar to direct grants more typically found in discretionary spending programs.

Last year, a $417 million clean coal investment tax credit was awarded to a 602-megawatt facility in Taylorville, Illinois. The company that received the award believed the credit "to be the largest ever granted to a single project." The same facility had already received a $2.579 billion loan guarantee, which brought the federal support for this one facility to $3 billion out of its $3.6 billion total cost.[2934] Despite the significant federal investment, the project has been held up by delays. Opponents also remain concerned the electricity from the facility will be more expensive and "drive up their energy costs and lead to job losses."[2935]

Close to 45 percent of the U.S. electric market is coal-based and supporting the industry should remain an important priority. However, there is still "uncertainty surrounding the economic feasibility and commercial viability" of these type of facilities. While these incentives may feel appropriate to some, the Congress is still supporting an industry with "economically unproven technologies in the sense that none may have become commercial without significant subsidies" and may be incapable of standing on its own.[2936]

More than $1 billion in the clean coal credit has been allocated to three specific projects, while $250 million in the gasification credit has been directed to two other initiatives. According to the IRS, roughly $240 million in credits have yet to be directed to any recipients.[2937] These tax

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[2932] Joint Tax Committee, Present Law Energy-Related Tax Provisions and Proposed Modifications Contained in the President's Fiscal Year 2011 Budget, April 14, 2010, http://www.jct.gov/publications.html?func=startdown&id=3678.

[2933] Website of the Congressional Budget Office, "CBO Budget Options, Vol 2," August, 2009, http://cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf, June 25, 2011, 223.

[2934] DiSavino, Scott, "US gives tax credit to Illinois clean coal project," Reuters, July 28, 2010, http://www.reuters.com/article/2010/07/28/utilities-tenaska-taylorville-idUSN2821308620100728, accessed June 27, 2011.

[2935] Finke, Doug and Landis, Tim, "Taylorville officials willing to wait a little longer on Tenaska, " *State Journal-Register* (Springfield, IL), June 1, 2011, http://www.sj-r.com/state/x724665090/Taylorville-officials-willing-to-wait-a-little-longer-on-Tenaska, accessed June 27, 2011.

[2936] Website of the Congressional Budget Office, "CBO Budget Options, Vol 2," August, 2009, http://cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf, June 25, 2011, 223.

[2937] Website of the Internal Revenue Service, Announcement 2010-56, September 27, 2010, accessed July 5, 2011, http://www.irs.gov/irb/2010-39_IRB/ar09.html.

credits, which provide direct federal aid through the tax code should be ended, all unallocated funds should be returned to the Treasury, and any unused funding from projects already in receipt of the credit should be directed to the Treasury for debt reduction. It is important to end this special interest break now or taxpayers will be liable for technology that likely cannot exist without significant federal subsidies. This proposal would rescind the remaining $240 million and end the tax credit immediately.

Renewable Energy Tax Credits

Federal Funding for Renewable Energy
Basic Renewable Energy Research and Development (wind, solar, geothermal, hydro, biofuels) is the focus of the U.S. Department of Energy's Office of Energy Efficiency and Renewable Energy. The DOE has made significant progress by partnering with industry to develop more cost-competitive alternative energy technologies.[2938]

The Department of Energy plays an important role to furthering fledgling technology. In recent years though, private investment has started to increase commensurate with the maturity and profitability of the technology itself. Combined global public and private renewable energy financing reached $243 billion in 2010, up from $186.5 billion in 2009.[2939]

The United States began funding research and development for renewable energy nearly 40 years ago.[2940] The American Recovery and Reinvestment Act (stimulus bill) provided an infusion of over $90 billion in tax cuts and spending in 2009 alone.[2941] In 2010, the federal government provided $34 billion.[2942]

While federal renewable energy research and development is a worthy goal, it is no longer essential as the technology and scale of renewable energy generation are reaching a point where industry and private investors can best provide this funding.

[2938] Website of U.S. Department of Energy, Energy Blog, 50 Years After the MoonShot Speech, Critical Advancements in Clean Energy Technology, G. Simmons, May 25, 2011, accessed June 29, 2011, http://blog.energy.gov/blog/2011/05/25/50-years-after-moonshot-speech-critical-advancements-clean-energy-technology; Website of CNN Politics, State of the Union Coverage, "Obama Touts Clean Energy a Day After State of the Union Speech, CNN Wire Staff, January 26, 2011, accessed June 29, 2011, http://www.cnn.com/2011/POLITICS/01/26/white.house.tour/index.html

[2939] Website of RenewableEnergyWorld.com, "2010 Clean Energy Investment Hits a New Record," January 11, 2011 http://www.renewableenergyworld.com/rea/news/article/2011/01/2010-clean-energy-investment-hits-a-new-record, accessed June 28, 2011.

[2940] Sissine, Fred, "Renewable Energy R&D Funding History: A Comparison with Funding for Nuclear Energy, Fossil Energy, and Energy Efficiency R&D," *Congressional Research Service*, January 26, 2011, http://www.crs.gov/Products/RS/PDF/RS22858.pdf, accessed June 28, 2011.

[2941] Weiss, Daniel J., "Clean Energy Progress Without Congress, *Center for American Progress*, January 20, 2011,http://www.americanprogress.org/issues/2011/01/energy_sotu.html, accessed June 28, 2011.

[2942] Website of RenewableEnergFocus.com, "2010: Clean energy investment up to US $243 billion," April 27, 2011, http://www.renewableenergyfocus.com/view/17600/2010-clean-energy-investment-up-to-us243-billion/, accessed June 28, 2011.

The Role of Markets

The role of federal research should not be overlooked. Federal research has brought about spectacular technological advancements in past decades, the development of the atom bomb in the 1940s and the Internet and GPS in more recent years. Indeed, critical research initiatives have an important place in the federal budget.

Alternative energy technology is a growing market, with billion-dollar industries that have many applications already available on a commercial scale. Energy security, as it relates to DOE's purview, should *not* mean investing in projects the private sector is already very interested in supporting or deploying non-competitive technology.

Before continuing to spend taxpayer dollars in this way, policymakers should first ask, "Are we addressing a market failure or unmet need?" The fact that renewable energy technologies are not being applied on a cost-competitive, commercial scale is not necessarily a market failure. It may simply mean that a given product is not a good investment.

"Ray Lane, venture capital backer of Google, Amazon.com, and other Internet groundbreakers says the alternative energy investment boom 'is bigger than the Internet by an order of magnitude. Maybe two.'"[2943] Even initiatives considered too risky for private investment eventually catch on if determined to have potential.[2944] There is a desire among multiple levels in supply chains to produce efficient, cost-effective technology that consumers will demand.

Renewable energy development is not without its risks. These risks, however, are a cornerstone to a working market, because they force entrepreneurs to address glitches in technology and delivery systems, ultimately providing the highest quality good or service in response to consumer demand rather than the political whims of Congress. Misguided subsidies foster an attitude of apathy by removing the natural link revenues share with performance and merit. They also neutralize the competitive advantage investors and companies have earned by risking capital on cutting edge innovation. Providing subsidies allows others to catch up without true risk and potentially discourages risks essential to innovation.

The Injection of Private Capital

Decades of research and federal funding have laid the foundation for renewable energy. Now venture capital, private equity, philanthropists, and dedicated renewable energy businesses are taking the lead in developing technologies on a commercial scale that are cost-competitive and can pave the way for a future generation of technology.

Billions of private sector dollars and venture capital[2945] are already dedicated to next generation energy technologies. The U.S. led the world in venture capital and private equity investments in

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[2943] Website of New Energy Technologies Inc., "Investing in renewable and alternative energy," http://www.newenergytechnologiesinc.com/investing_renewable, accessed June 28, 2011.

[2944] Wald, Mathew L, "Energy Firms Aided by U.S. Find Backers," *New York Times*, February 2, 2011, http://www.nytimes.com/2011/02/03/business/energy-environment/03energy.html?_r=1, accessed June 2

[2945] Podkul, Cezary, "Private Equity is Bullish on Clean Energy," *New York Times*, http://green.blogs.nytimes.com/2010/01/29/private-equity-is-bullish-on-clean-energy/, accessed June 28, 2011; Website of Pipeline Clean Energy, "Project financing stalls in 1Q11 while venture capital and private equity accelerate," April 19, 2011, http://cleanenergypipeline.com/Press.aspx?id=15, accessed June 28, 2011; and Website

renewable energy by a long shot in 2010 with over $4 billion.[2946] In the same year, global venture capital reached $8.8 billion, up 28 percent from 2009.[2947]

Philanthropists are now playing a significant role as well. Richard Branson pledged $3 billion for renewable energy technologies,[2948] Warren Buffet invested $5.4 billion for wind energy developments,[2949] and Bill Gates invested in algae biofuels[2950] and energy-tech startups.[29512952]

American companies are also being proactive. Started in 2005, GE's Ecomagination program is on pace to invest $10 billion between 2010 and 2015 in renewable energy and energy efficiency technologies, such as buildings and appliances.[2953] GE recently marked a milestone in thin-film solar and will construct what will likely be the largest manufacturing plant for solar panels in the country, estimated to cost $600 million.[2954] To date, Google has totaled $780 million in renewable energy investments, including solar, wind, and transmission.[2955] The company does not seem to be slowing down either as it recently announced a $280 million contribution to a solar energy fund, its largest renewable energy investment to date.[2956] With Citi, it is investing

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in LiveScience.com, "Investment in Green Energy Quadruples in 4 years," June 3, 2009, http://www.livescience.com/5497-investment-green-energy-quadruples-4-years.html, accessed June 28, 2011.

[2946] Bloomberg New Energy Finance, BCSE Meeting, March 15, 2011, Slide 11; Website of Deloitte & Touche LLP in conjunction with The Cleantech Group, "Global Clean Technology Venture Investment Increases 65 Percent in 1H 2010 to March the Record 1H 2008," July 1, 2010, accessed June 29, 2011, http://www.deloitte.com/view/en_US/us/press/Press-Releases/83fef471f40f9210VgnVCM100000ba42f00aRCRD.htm

[2947] Website of RenewableEnergyWorld.com, "2010 Clean Energy Investment Hits a New Record," January 11, 2011 http://www.renewableenergyworld.com/rea/news/article/2011/01/2010-clean-energy-investment-hits-a-new-record, accessed June 28, 2011.

[2948] Website of the U.S. Department of Energy, "Richard Branson Pledges $3 Billion in Renewable Energy Technology Development," September 26, 2006, http://www1.eere.energy.gov/inventions/energytechnet/news_detail.html?news_id=10304, accessed June 28, 2011.

[2949] Dodrill, Tara, "Warren Buffett Boosts Wind Power Financials," *Yahoo News*, March 2, 2011, http://news.yahoo.com/s/ac/20110302/tc_ac/7979838_warren_buffett_boosts_wind_power_financials, accessed June 28, 2011.

[2950] LaMonica, Martin, "Bill Gates Invests in Algae Fuel," *CNet News*, September 17, 2008, http://news.cnet.com/8301-11128_3-10043996-54.html, accessed June 28, 2011.

[2951] Website of Renewable Energy World, "Bill Gates backs battery built for clean energy," May 23, 2011, http://www.renewableenergyworld.com/rea/partner/buy-battery/news/article/2011/05/bill-gates-backs-battery-built-for-clean-energy, accessed June 28, 2011.

[2952] LaMonica, Martin, "Bill Gates investing in Vinod Khosla green-tech fund," CNet News, January 25, 2010, http://news.cnet.com/8301-11128_3-10439785-54.html?tag=mncol;title, accessed June 28, 2011.

[2953] Website of Environment and Energy Management News, "GE's Ecomagination Spent $1.8bn, Launched 22 Products in 2010,"June 21, 2011, http://www.environmentalleader.com/2011/06/21/ges-ecomagination-spent-1-8bn-launched-22-products-in-2010/, accessed June 28, 2011.

[2954] Anderson, Eric, "GE hits milestone with thin-film solar, will build plant," *Times-Union* (Albany, NY), April 7, 2011. http://blog.timesunion.com/business/ge-hits-milestone-with-thin-film-solar-will-build-plant/23346/, accessed June 28, 2011.

[2955] Website of Google Green, "Are there innovative ways to support innovation," http://www.google.com/green/collaborations/support-innovations.html, accessed June 28, 2011.

[2956] The Official Google Blog website, "Helping homeowners harness the sun," June 16, 2011, http://googleblog.blogspot.com/2011/06/helping-homeowners-harness-sun.html, accessed June 28, 2011; Website of the Financial Times Tech Hug, "Google launches $280 million solar fund," June 15, 2011 http://blogs.ft.com/fttechhub/2011/06/google-launches-280-million-solar-fund/, accessed June 28, 2011.

$102 million in a wind energy project.[2957] Goldman Sachs went beyond its original commitment to invest $1 billion in renewable energy and energy efficiency projects and has now invested over $2 billion.[2958]

Downfalls of Excessive Subsidies

Subsidizing market success or potential is not the highest and best use of taxpayer dollars. Over-subsidizing fledgling technologies brings with it potential problems.

Some countries subsidize the renewable energy industry more heavily than ours and have created a tax environment unrealistically favorable to renewable energy. These efforts can be attributed, in part, to why some American renewable energy manufacturing moved overseas in recent years. For example, Spain subsidized its renewable energy industry so heavily that when it scaled back subsidies (particularly for solar), the bubble it had created for renewable energy production burst, resulting in thousands of lost jobs and plummeting prices for solar panels.[2959]

States with similar provisions also experienced similar consequences in recent years. In Pennsylvania, a swath of tax credits from various levels of government depressed market prices for solar by 75 percent to the point it could not be made profitable. Now state legislators are seeking corrective measures requiring utilities to buy solar power—essentially increasing the state's clean energy standard—that will initially increase prices for them but ultimately be passed on to consumers.[2960]

While there may be a limited role for DOE research where market investments do not reach, this is done most efficiently at the Office of Science where the Department is already at work in these areas.

Tax Credit Basics

The cornerstones of commercial renewable energy tax credits are the Production Tax Credit and Investment Tax Credit. Because the developers claiming these two credits do not typically have the tax liability to profit from a credit, they often team with banks or other capital partners to utilize the tax credit. During the economic crisis, banks lost their ability to maintain a strong partnership. As a result, Congress provided through the American Recovery and Reinvestment Act a program offering grants in lieu of tax credit, effectively monetizing the tax credit in the form of a cash grant up front to bridge the gap in the financial industry.

[2957]Website of BusinessWire, "Citi, Google to Invest in Additional Phase of Terra-Gen Power's Alta Wind Energy," June 22, 2011, http://www.businesswire.com/news/home/20110622006208/en/Citi-Google-Invest-Additional-Phase-Terra-Gen-Power%E2%80%99s, accessed June 29, 2011; Website of Austin Business Journal, by Silicon Valley/San Jose Business Journal, "Google puts another $102M in wind energy," June 22, 2011, http://www.bizjournals.com/austin/news/2011/06/22/google-puts-another-102m-into-mojave.html, accessed June 28, 2011.

[2958] Website of Goldman Sachs, "Environmental Stewardship and Sustainability," http://www2.goldmansachs.com/citizenship/environment/business-initiatives.html, accessed June 28, 2011.

[2959]Faiola, Anthony, "Spain's Answer to unemployment: Go Greener," *Washington Post*, September 24, 2009, http://www.washingtonpost.com/wp-dyn/content/article/2009/09/23/AR2009092302152.html, accessed June 28, 2011.

[2960] Maykuth, Andrew, "Pennsylvania's solar-energy industry suffering from success," Philadelphia Inquirer (PA), May 24, 2011, http://articles.philly.com/2011-05-24/business/29578002_1_solar-projects-green-energy-capital-partners-solar-power, accessed June 28, 2011.

Business Energy Investment Tax Credit

The Business Energy Investment Tax Credit (ITC) provides a 30 percent credit to owners or long-term lessees for constructing both commercial and individual renewable energy properties. It is scheduled to expire at the end of 2016.

The ITC is primarily used for solar projects. Large wind has not been eligible since the 1980s.[2961] According to the Solar Energy Industries Association (SEIA), the U.S. solar market is becoming more attractive both domestically and abroad and international markets for solar, particularly as Italy and Germany, have slowed. According to Solarbuzz, a market research and analysis provider for solar power, the U.S. will account for 9 percent of global solar photovoltaic demand through 2011 and 14 percent by 2015.[2962] SEIA attributes this growth in the U.S. in part to declines in infrastructure costs, better business models, and state-based incentives.[2963]

The ITC is structured to reward capital investment rather than electricity generation itself, which can be problematic. For example, a company could construct a wind turbine that does not spin, yet the project would be eligible for the tax credit. Eliminating this credit would save $5 billion over ten years.[2964]

Renewable Electricity Production Tax Credit

The Renewable Electricity Production Tax Credit provides a per kilowatt hour (kWh) tax credit for electricity generated from renewable energy sources. The credit began at 1.5 cents per kWh in 1992 and is annually adjusted for inflation. By 2005, $2.1 billion (23 percent) of energy tax expenditures were associated with the PTC, which was largely claimed by large wind projects. Between 2009 and 2013, approximately 75 percent of funding is expected to go towards wind projects. Biomass facilities are expected to take the second largest share followed by closed-loop biomass, geothermal, hydropower, solar, small irrigation, and municipal solid waste facilities. Refined coal producers also benefit from this credit. Around 60 facilities around the country have been approved by the IRS to receive a $6.27 per ton credit for coal they produce.

The PTC is available for ten years and is provided at a reduced amount if a project is also receiving federal assistance through other means. Unlike the ITC, the production tax credit rewards actual generation of electricity rather than just the investment in renewable energy infrastructure.

The structure of the PTC may lend itself to excessive subsidy values, though, because the credit is not considered taxable income. A 2006 analysis described the true value of the PTC using as an example a normal investment in a qualifying wind energy project with totals of approximately

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[2961] Small wind projects can receive the credit.
[2962] ADP News Renewable Energy Track, "US solar industry shines through in Q1 2011," June 27, 2011, http://www.forconstructionpros.com/article/article.jsp?siteSection=25&id=20696&pageNum=3, accessed June 29, 2011.
[2963] ADP News Renewable Energy Track, US solar industry shines through in Q1 2011, June 27, 2011, http://www.forconstructionpros.com/article/article.jsp?siteSection=25&id=20696&pageNum=3, accessed June 29, 2011
[2964] Sherlock, Molly, "Energy Related Tax Provisions," *Congressional Research Service* memo, May 11, 2011.

$1.5 million and 1 megawatt of capacity. If such an investment is made in an area with high wind potential, harnessing 35 percent of capacity in a given area, annual production would reach three million kilowatts per hour (kWh), generating $58,000 from the PTC. This amount, however, would be the equivalent to $90,000 of corporate revenue taxed at the 35 percent corporate tax rate. When examined over a ten-year time period at an 8 percent discount rate, the value of the PTC in this scenario would reach $625,000 for a total of $1.5 million investment over its lifetime. This is the equivalent to a 42 percent ITC.[2965]

Such credits may not be necessary, however. Wind power accounted for 26 percent of all new U.S. electric capacity in 2010 with 15 percent growth in the same year. There were over 400 wind-related manufacturing facilities in the U.S. in 2010 with over 38 states operating utility-scale facilities.[2966]

Ending this provision would save $14 billion over ten years.[2967]

Sec. 1603 Grants in Lieu of Tax Credits

The Grants in Lieu of Tax Credits program was created as an option by the stimulus bill to allow for the monetization of the Production Tax Credit or Investment Tax Credit or 48C, effectively making each refundable by allowing recipients to receive grants instead of credits.

Under the program, renewable energy developers earn almost immediate grants of 30 percent of project costs. The program was originally intended to expire after one year but remains in existence today.[2968] Investigative news stories found the program was subsidizing jobs overseas as eight out of ten stimulus dollars spent on wind energy farms went to foreign companies, creating approximately 4,500 jobs overseas.[2969] Of the 11 American wind farms that received grants from the U.S. Treasury, 695 of the 982 turbines were imported.

Moreover, the investigation found the program funded projects already underway that would have continued regardless.[2970] A total of 19 wind farms, which received $1.3 billion, were built before any of the stimulus money was distributed. Fourteen were already sending electricity to the grid.[2971] Ending this provision could save $29.86 billion over ten years.[2972]

[2965] Sullivan, Martin A. "Economic Analysis, Wind Credits and Clean Air," *Tax Notes*, October 30, 2006, 405-417.
[2966] Website of the American Wind Energy Association, "2010 U.S. Wind Industry Market Update," http://www.awea.org/learnabout/publications/factsheets/upload/Market-Update-Factsheet-Final_April-2011.pdf, June 28, 2011.
[2967] Sherlock, Molly, "Energy Related Tax Provisions," *Congressional Research Service* memo, May 11, 2011.
[2968] Feldman, Stacy, "U.S. Solar Industry Fights to Save Controversial Clean Energy Grants" *Reuters*, November 16, 2010, http://www.reuters.com/article/idUS404294354320101116, accessed June 28, 2011.
[2969] Website of the Financial Times, "US Energy Stimulus Dollars Go Overseas," October 29, 2009, http://www.ft.com/cms/s/0/b091007e-c4b3-11de-8d54-00144feab49a.html, accessed June 28, 2011.
[2970] Feldman, Stacy, "U.S. Solar Industry Fights to Save Controversial Clean Energy Grants" *Reuters*, November 16, 2010, http://www.reuters.com/article/idUS404294354320101116, accessed June 28, 2011.
[2971] Website of the Investigative Reporting Workshop, "Overseas firms collecting most green energy money,"October 29, 2009, http://investigativereportingworkshop.org/investigations/wind-energy-funds-going-overseas/story/overseas-firms-collecting-most-green-energy-money/, accessed June 28, 2011.

Qualifying Advanced Energy Manufacturing Investment Tax Credit

The Qualifying Advanced Energy Manufacturing Investment Tax Credit provided $2.3 billion in the form of 30 percent tax credits for investments by manufacturers into new, expanded, or re-equipped domestic renewable energy facilities.[2973] While this provision has not yet expired, it has been fully exhausted of funding. This proposal would repeal the authorization for the provision.

Under this program there was no cap on the number of projects an individual investor could apply for the credit, and applicants were not disqualified if they already received a federal grant or loan for similar purposes.[2974] A large portion of the tax subsidy benefits went to foreign entities. Of the $2.3 billion made available, solar received $1 billion. [2975] REC Silicon, a subsidiary of a Norwegian company, received the largest credit of $155 million.[2976] A German subsidiary also received $128.4 million for a project in Tennessee.[2977] Not allowing this provision to be extended could save $2.3 billion.[2978]

The Residential Renewable Energy Tax Credit

The Residential Renewable Energy Tax Credit provides a 30 percent credit to homeowners for renewable electricity generating property.

There are two components to this tax credit. The first is the Non-Business Energy Property Tax Credit (26 USC 25C), which originally provided a 10 percent credit up to $500 for appliance upgrades to existing homes. The stimulus bill expanded the credit to 30 percent up to $1,500. This has since returned to its original value and is extended through the end of 2011. This credit is discussed more thoroughly in the energy efficiency portion of this proposal.

[2972] Website of the Joint Committee on Taxation, "Estimated Budget Effects Of The 'Tax Relief, Unemployment Insurance Reauthorization, And Job Creation Act Of 2010,'" December 10, 2010, http://www.jct.gov/publications.html?func=startdown&id=3715, accessed June 28, 2011.
[2973] Website of the White House, "Office of the Press Secretary, Fact Sheet: $2.3 Billion in New Clean Energy Manufacturing Tax Credits," January 8, 2010, accessed June 29, 2011, http://www.whitehouse.gov/the-press-office/fact-sheet-23-billion-new-clean-energy-manufacturing-tax-credits
[2974] Website of the Department of Energy, "President Obama Awards $2.3 Billion for New Clean-Tech Manufacturing Jobs,"http://www.energy.gov/recovery/48C.htm, accessed June 28, 2011.
[2975] Cheyney, Tom, "For the record: Manufacturing investment tax credit typo pushes REC Solar to the top of the list," *PV-Tech*, January 13, 2010,http://www.pv-tech.org/chip_shots_blog/for_the_record_manufacturing_investment_tax_credit_typo_pushes_rec_solar_to, accessed June 28, 2011.
[2976] Website of Renewable Energy Corporation, REC ASA – REC Silicon to Receive US Federal Tax Credits for Job Creating Investments, January 12, 2010, accessed June 29, 2011, http://www.recgroup.com/view?feed=R/136555/PR/201001/1372439.xml
[2977] Osborne, Mark, "Polysilicon producers top U.S. federal tax credits, *PV-Tech*, January 12, 2010, http://www.pv-tech.org/news/polysilicon_producers_top_u.s._federal_tax_credits, accessed June 28, 2011.
[2978] Staff estimate.

The second component is the Residential Renewable Generation Tax Credit, which provides a 30 percent credit for renewable electricity generating property (26 USC 25D) for solar panels, small wind turbines, and geothermal systems. This component expired at the end of 2010.

The cost for this provision was $200 million in 2010, and ending it would save $2 billion over ten years.[2979]

Clean Renewable Energy Bonds and Qualified Energy Conservation Bonds

Clean Renewable Energy Bonds (CREBs) are issued with a zero percent interest rate, allowing the borrower to repay only the principal of the bond and the bondholder to receive federal tax credits in lieu of the traditional bond interest. Effectively, it allows those who issue them to receive an interest-free loan, while the cost of the interest payments is shifted to the government.

In the CREBs program, the benefit is provided to finance renewable energy projects for state, local, and tribal governments, utilities, and rural electric cooperatives. Public sector utilities are the primary target of this provision. The American Recovery and Reinvestment Act provided $1.6 billion, which raised the previous $800 million cap and the maximum cap to $2.4 billion.[2980]

Like CREBs, Qualified Energy Conservation Bonds (QECBs) are issued with a zero percent interest rate, allowing the borrower to repay only the principal of the bond and the bondholder to receive federal tax credits in lieu of the traditional bond interest. The credit's rate is set daily by the Treasury Department, and it can be claimed quarterly to offset the tax liability of the bondholder. Credits that exceed the bondholder's tax liability may be carried forward to the next year but cannot be refunded.

In contrast to CREBs, QECBs are not subject to the approval of the Department of Treasury. Instead, they are distributed to each state government based on population and are, in turn, allocated to local governments on the basis of population. Its broad definition of eligible projects allows for increased participation. The original provision was limited to $800 million but was expanded by the stimulus bill to $3.2 billion.[2981] This plan would repeal these tax benefits, preventing any future federal expenditures for these conservation bonds.

Alternative Motor Vehicle Credit (26 USC 30B)

Providing a $1,300 tax credit for alternative vehicles, the Alternative Motor Vehicle Credit has experienced significant structural problems. According to the U.S. Treasury Inspector General for Tax Administration (TIGTA), approximately $33 million in tax credits claimed by 12,920 individuals were paid erroneously through this tax credit, out of $163.9 million in credits that were reviewed by the IG. Among the number of false claims were 29 prisoners who claimed the

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[2979] Sherlock, Molly, "Energy Related Tax Provisions," *Congressional Research Service* memo, May 11, 2011.
[2980] Website of the U.S. Department of Energy, "Tax Breaks for Businesses, Utilities, and Governments," http://www.energy.gov/additionaltaxbreaks.htm, accessed June 28, 2011.
[2981] Cunningham, Lynn J. "Renewable Energy and Energy Efficiency Incentives: A Summary of Federal Programs," *Congressional Research Service*, R40913, March 22, 2009, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R40913&Source=search, accessed June 28, 2011.

credit while incarcerated. Additionally, the report found IRS was not able to monitor credits that were claimed on paper-file tax returns.[2982]

Others have raised concerns that federal tax credits for alternative motor vehicles are not the most effective way to encourage widespread purchases. A study published in the *Journal of Environmental Economics and Management* found state-based tax incentives have a greater impact on purchases of hybrid vehicles than federal income tax incentives. The study demonstrated that only a small percentage of motorists attribute their purchase of hybrid vehicles to tax incentives while most purchase them for personal preferences or high fuel costs.[2983] Eliminating these tax breaks will save $3.1 billion over ten years.[2984]

Ethanol Tax Incentives

In the 1970s, Congress began providing federal assistance for the domestic production of ethanol, which included the establishment of the Renewable Fuels Standard (RFS) that created a permanent market for the industry. Since that time federal assistance has grown to include multiple tax incentives and federal grant programs. Most recently, EPA issued a decision to increase the current fuel blend wall from ten percent to fifteen percent (E15), effectively creating an even larger market for ethanol producers.

While born of good intentions, federal subsidies for ethanol now face sizeable roadblocks as consumers have protested the required use of ethanol in their fuel. Ethanol-blended fuel is nearly a third less efficient than gasoline (ethanol burns at 68 percent the energy content of gasoline), has contributed to the increased price of corn (as well as land, feed, and other input costs), and can cause engine damage.[2985]

Overall, ethanol subsidies are outdated and have failed to achieve their goals of helping our nation to achieve energy independence. The Congressional Budget Office recently found consumers incur a cost of $1.78 per gallon as a result of federal subsidies before they even pay at the pump.[2986] Meanwhile, U.S. biofuels consumption remains a small share (4.3 percent) of national transportation fuel use.

The original federal ethanol mandates stemmed from several events, foremost of which was the global energy crisis of the 1970s and a desire to achieve energy independence. Over four decades later, our nation seeks this goal more than ever, but ethanol has not helped achieve this

[2982] Website of the U.S. Treasury Inspector General for Tax Administration, "Individuals Received Millions of Dollars in Erroneous Plug-in Electric and Alternative Motor Vehicle Credits," January 21, 2011, http://www.treasury.gov/tigta/auditreports/2011reports/201141011fr.pdf, accessed June 28, 2011.
[2983] Gallagher, Kelly Sims, and Muehlegger, Erich J, "Giving Green to Get Green: Incentives and Consumer Adoption of Hybrid Vehicle Technology." Harvard Kennedy School Faculty Research Working Paper Series RWP08-009, February 2008, http://web.hks.harvard.edu/publications/workingpapers/citation.aspx?PubId=5488, accessed June 28, 2011.
[2984] Staff Estimate based on "Expiring Tax Provisions (xls)," available on website of the Congressional Research Service, The Budget and Economic Outlook: An Update, August 2010, http://www.cbo.gov/doc.cfm?index=11705.
[2985] Schnepf, Randy. "Agriculture-Based Biofuels: Overview and Emerging Issues," *Congressional Research Service*, June 11, 2010
[2986] Website of the Congressional Budget Office, Using Biofuel Tax Credits to Achieve Energy and Environmental Policy Goals, July 2010, http://www.cbo.gov/doc.cfm?index=11477, accessed June 28, 2011.

target. It is time to give taxpayers a break and allow the ethanol industry a chance to stand on its own or fail.

Volumetric Ethanol Excise Tax Credit (VEETC)

While various forms of federal assistance continue to sustain the ethanol industry, foremost among them is the Volumetric Ethanol Excise Tax Credit (VEETC), which provides 45 cents per gallon to blenders of ethanol. This subsidy alone accounts for $6 billion in federal spending. It is available in unlimited quantities to blenders, including companies such as Exxon, Valero, BP, and Chevron, which has drawn the ire of some environmentalists. While it was intended to encourage the use of ethanol, the Congressional Research Service determined the VEETC only duplicates what the Renewable Fuels Standard already requires. Now the VEETC only functions to incentivize the consumption of fuel.[2987]

The U.S. Senate recently voted overwhelmingly on a bipartisan basis to repeal the VEETC by a margin of 73-27, clearly demonstrating that taxpayers are ready to end costly and redundant ethanol subsidies. When VEETC is eliminated, the import duty should be eliminated as well.

The cost for this provision is $4.8 billion in 2011. Ending this provision would save $2.4 billion for the rest of this year.[2988]

Small Ethanol Producer Credit

The Small Ethanol Producer Tax Credit provides 10 cents per gallon for the first 15 million gallons of ethanol produced for any producer with capacity below 60 million gallons and has been valued at $440 million annually. It is estimated to cost nearly $500 million. It is scheduled to expire at the end of 2011. This tax credit is intended to target small businesses and farmer cooperatives.

The *Los Angeles Times* recently interviewed an ethanol producer about the efforts in Congress to end ethanol subsidies. When asked what impact ending this tax credit would have, one CEO of a longtime small ethanol production company expressed a widely held view, noting, "I don't see a fatal effect." The tax credit is valued at $1.5 million annually for his company.[2989]

While ethanol fuel has yet to capitalize on the ample opportunity given it by taxpayers to achieve economic viability on its own merit, eliminating this tax credit would likely have minimal impacts, considering the Renewable Fuels Standard continues to mandate ethanol be blended with gasoline. Eliminating this provision would save $4 billion over the next decade.[2990]

[2987] Schepf, Randy, "Redundancy of ethanol blender's tax credit when coupled with usage mandate," *Congressional Research Service* Confidential memo, July 13, 2010.
[2988] Website of the Joint Committee on Taxation, "Estimated Budget Effects Of The 'Tax Relief, Unemployment Insurance Reauthorization, And Job Creation Act Of 2010,'" December 10, 2010, http://www.jct.gov/publications.html?func=startdown&id=3715, accessed June 28, 2011.
[2989] Shaffer. David, "Midwest towns caught in middle of ethanol-subsidy fight," Los Angeles Times, June 25, 2011, http://articles.latimes.com/2011/jun/25/business/la-fi-ethanol-subsidies-20110625, accessed June 28, 2011.
[2990] Staff estimate.

Biodiesel Tax Credit

Biofuels such as ethanol and biodiesel are renewable fuels made from organic sources such as crop wastes and animal fat. This biodiesel tax credit provides $1 per gallon, available in unlimited amount to all qualifying biodiesel producers. The credit was created in 2004 and briefly expired two different times and later extended retroactively. It is now scheduled to expire at the end of 2011.[2991]

U.S. biodiesel production is much smaller than its ethanol counterpart but has also shown strong growth, rising from 0.5 million gallons in 1999 to an estimated 776 million gallons in 2008. Without the tax credit, biodiesel is more expensive than gasoline, demonstrating the fuel is not economical to produce without federal assistance. According to the Congressional Research Service, "Demand for biofuels [both ethanol and biodiesel] to fulfill a mandate is not based on price, but rather on government fiat. As long as the consumption of biofuels is less than the mandated volume, its use is obligatory."[2992]

The cost for this provision was $500 million in 2010. Ending this tax subsidy would save $5 billion over ten years.[2993]

Cellulosic Ethanol Production Tax Credit

The Cellulosic Ethanol Production Tax Credit provides $1.01 per gallon and expires at the end of 2012. While not yet being produced commercially, cellulosic ethanol holds great promise, and is included as a component of the Renewable Fuels Standard (RFS). The Environmental Protection Agency's recent draft of the RFS for 2012 projects a reduced production from the previous estimate of 500 million[2994] down to 3.45 to 12.9 million of cellulosic ethanol.[2995]

Still, industry stakeholders still claim this goal is too high.[2996] While this should not be taken as a sign cellulosic has no future, it should give strong caution to policymakers not to artificially enhance the capital environment of cellulosic projects. Although the fuel appears to hold great promise, Congress would be wise to avoid another situation similar to its experience with corn-based ethanol and, instead, allow markets to direct the capital as the technology merits it. Already, venture capital, oil and natural gas companies, banks, and agricultural research and

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[2991] Ausick, Paul, "Biodiesel Makers Will Struggle After Tax Credit Expires, January 5, 2010, http://www.investorplace.com/4732/biodiesel-makers-struggle-after-biodiesel-tax-credit-expires/, accessed June 28, 2011.

[2992] Schnepf, Randy, "Agriculture-Based Biofuels: Overview and Emerging Issues," Report: RN1282, *Congressional Research Service*, June 11, 2010, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41282&Source=search, accessed June 28, 2011.

[2993] Sherlock, Molly, "Energy Related Tax Provisions," *Congressional Research Service* memo, May 11, 2011.

[2994] Website of the Des Moines Register, EPA cuts non-corn ethanol targets," June 22, 2011, http://blogs.desmoinesregister.com/dmr/index.php/2011/06/22/epa-cuts-non-corn-ethanol-targets/, accessed June 28, 2011.

[2995] Doggett, Tom, "US EPA proposes 2012 ethanol use at 13.2 bln gallons," Reuters, June 21, 2011, http://www.reuters.com/article/2011/06/21/usa-ethanol-epa-idUSWNA156820110621, accessed June 28, 2011.

[2996] Mandel, Jenny, "Refiners Protest EPA's 'ridiculous' cellulosic targets," Greenwire, June 22, 2011, accessed June 29, 2011.

technology companies have teamed with industry experts to invest in cellulosic biofuels, and this will likely continue so long as the technology merits additional funding.[2997]

This plan calls for the elimination of this tax credit. Currently, the costs associated with this giveaway are minimal under current conditions. However, if production increases to meet RFS requirements, its costs would be substantial. In fact, some estimates project it could cost $10 billion by 2015 and $20 billion by 2020 if cellulosic biofuels fulfill their expectations.[2998]

Energy Efficiency Tax Credits

The Case for Energy Efficiency

Energy efficiency is an important goal for both industry and individuals, especially given our nation's current economic outlook and our dependence for foreign sources of energy. Energy efficiency measures have saved consumers over $200 billion, or $2,000 per household, since their inception and are projected to double in savings over the next twenty years.[2999]

Energy efficiency provides a way for consumers to be more knowledgeable, thoughtful, and responsible with household and commercial energy consumption. More generally, it provides a greater degree of conservation of our nation's natural resources.

Despite the benefits that energy efficient appliances and upgrades hold, the federal government offers a variety of tax credits to incentivize consumers to make these improvements.

Double the Benefits

However, federal assistance for these initiatives ignore a primary benefit of efficient products, which is that consumers can recoup the initial high costs of purchase within a reasonable payback period and realize considerable savings as the product(s) consume smaller amounts of energy on an annual basis.

The Department of Energy provides an economic justification for each product's efficiency based on life cycle costs and payback periods.[3000] For example, when analyzing conservation standards for residential refrigerator-freezers, DOE found that certain efficient products can generally be more cost-effective in the long run.[3001] In one scenario, the average number of

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[2997] Website of the Congressional Research Service, Cellulosic Biofuels: Analysis of Policy Issues for Congress, Kelsi Bracmort, Randy Schnepf, Megan Stuffs, Brent D. Yacobbuci, January 13, 2011, accessed on June 29, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL34738&Source=search

[2998] Website of the Congressional Research Service, Renewable Fuel Standard (RFS): Overview and Issues, Randy Schnepf, Brent D. Yacobucci, February 1, 2011, accessed on June 29, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R40155&Source=search#_Toc284409516

[2999] Website of the Natural Resources Defense Council, "Efficient Appliances Save Energy -- and Money, January 13, 2010, http://www.nrdc.org/air/energy/fappl.asp, accessed June 30, 2011.

[3000] Website of the U.S. Department of Energy, "Office of Energy Efficiency and Renewable Energy, Appliances & Commercial Equipment Standards," http://www1.eere.energy.gov/buildings/appliance_standards/, accessed June 30, 2011.

[3001] Website of the U.S. Department of Energy, Office of Energy Efficiency and Renewable Energy, "Technical Report: Analysis of Amended Energy Conservation Standards for Residential Refrigerator-Freezers," October 2005. http://www1.eere.energy.gov/buildings/appliance_standards/pdfs/refrigerator_report_1.pdf, accessed June 30, 2011.

years it takes to recoup the cost of consumers' investments for three versions of refrigerator-freezers are 5.8 years, 6.7 years, and 6.9 years.

In short, taxpayers are paying consumers in the short-term to save more money in the long-term. Federal tax credits for energy efficiency measures double the financial benefit of purchasing more efficient products or upgrading appliances or equipment and essentially pay individuals or companies to take steps a savvy consumer would likely take anyway.

Private Organizations are Assuming the Role of Assistance

Taxpayer assistance for energy efficiency measures should only be provided to those who cannot afford to do it themselves. This can actually be achieved most efficiently if led by community leaders that understand the needs of local residents and can deliver services more efficiently than a centralized government. The U.S. Senate Committee on Finance recently heard testimony on tax reform from the president of the Tax Foundation in Washington, DC, who stated:

> The relentless growth of credits and deductions over the past 20 years has made the IRS a super-agency, engaged in policies as unrelated as delivering welfare benefits to subsidizing the manufacture of energy efficient refrigerators…these [are] not the functions we would want a tax collection agency to perform.[3002]

At the same time, private and nonprofit organizations are partnering on their own initiative to address the same issues in their respective communities. Partnerships like Michigan's Clean Energy Coalition, which was established in 2006, are leveraging private capital and corporate goodwill in local communities with the technical expertise and local wherewithal of the organization's staff in order to meet the needs and energy consumption problems for less fortunate residents in over 40 local communities.[3003] The *Cities of Promise* initiative is targeting eight economically struggling cities in Michigan to enhance with cost-saving efficiency upgrades.[3004] The Department of Energy recognized that municipalities themselves are the leaders in this area who can apply an entrepreneurial spirit to address the unique needs of struggling nearby communities.[3005]

For other social classes, efficiency—and the cost savings that result from it—is a sufficient financial reward in itself. Double payment or otherwise further encouragement of consumers to take cost-savings efficiency steps (even ones that would not have otherwise) is an example of promoting political policy positions through the tax code.

[3002] Website of the Tax Foundation, "Is the Distribution of Tax Burdens and Tax Benefits Equitable? (Testimony of Scott A. Hodge before the U.S. Senate Committee on Finance)," May 3, 2011, http://www.taxfoundation.org/publications/show/27254.html, accessed June 30, 2011.

[3003] Website of the Clean Energy Coalition, "Stakeholders," http://cec-mi.org/about/stakeholders/, accessed June 30, 2011; Website of the Clean Energy Coalition, "Communities," http://cec-mi.org/communities/, accessed June 30, 2011.

[3004] Gilmer, Ellen M., "The Art of Luring 'Poor' Cities Into Energy-Saving Projects," ClimateWire via New York Times, June 27, 2011, http://www.nytimes.com/cwire/2011/06/27/27climatewire-the-art-of-luring-poor-cities-into-energy-sa-63497.html?pagewanted=print, accessed June 30, 2011.

[3005] Gilmer, Ellen M., "The Art of Luring 'Poor' Cities Into Energy-Saving Projects," ClimateWire via New York Times, June 27, 2011, http://www.nytimes.com/cwire/2011/06/27/27climatewire-the-art-of-luring-poor-cities-into-energy-sa-63497.html?pagewanted=print, accessed June 30, 2011.

Masking Bad Public Policy

It is worth recalling Congress' creation of national energy efficiency standards in the 1980s, which are still in existence today and continue to increase periodically. These standards require products meet certain levels of efficiency that, as previously discussed, increase the cost to manufacturers (or consumers, if they are passed on). These standards have continued to grow, draining resources, innovation, and increasing costs. According to a 2003 study by a non-profit research organization, these standards will cost consumers $46 billion to $56 billion through 2050.[3006]

To counter the cost burden of these mandates, Congress provides tax credits to purchase the equipment it requires be built (and purchased), essentially serving as political cover for the burdens of federally mandated efficiency standards. Since these costs are often passed along to consumers, efficiency tax credits are provided both commercially and residentially.

This behavior is not new to Washington. Congress did the same thing when it mandated certain levels of corn-based ethanol by establishing the Renewable Fuels Standard, which requires a certain percentage of gasoline be blended with biofuels. This was, and continues to be, a burdensome policy, because it requires the consumption of inefficient and, in some cases, non viable (cellulosic) fuels. However, Congress masked some of the burden related to corn-based ethanol by creating the Volumetric Ethanol Excise Tax Credit (VEETC), which pays blenders of ethanol to follow the federal mandate, allowing companies to recoup their costs and Congress to achieve its public policy agenda.

Based on Flawed Measurements

Some efficiency tax credits are contingent upon the purchase of products with Energy Star's approval (varies by product).[3007] As noted in this report's section on energy policy, the integrity of the Energy Star program has been lost as the program was found to be riddled with fraud and abuse, therefore, calling into question the true value of products approved by the program for their efficiency, which these credits encourage consumers to purchase.

Federal Investments

Finally, the U.S. led the world in energy efficiency measures at $3.3 billion in investments.[3008] Despite such a high level of funding, there has not been a corresponding metric that the U.S. Department of Energy has to show for its investment. There has also been a lack of sufficient documentation as to whether efficiency tax credits are serving those who can least afford upgrading themselves or if they are subsidizing wealthy individuals.

[3006] Sutherland, Ronald, "The High Cost of Federal Energy Efficiency Standards for Residential Appliances," *CATO Institute*, December 23, 2003, http://www.cato.org/pubs/pas/pa504.pdf, accessed June 30, 2011.

[3007] Website for the American Council for an Energy-Efficient Economy, "Energy Efficiency Tax Incentives: Changes in Store for 2011," January 10, 2011, http://www.aceee.org/press/2011/01/energy-efficiency-tax-incentives-changes-store-2011, accessed June 30, 2011; and email correspondence with the Congressional Research Service.

[3008] Website of the Climate and Energy Project, "U.S. drops to 3rd in clean-energy investment," March 30, 2011, U.S. drops to 3rd in clean-energy investment, accessed June 30, 2011.

Congress is essentially paying consumers to save—a practice many would pursue without federal incentives. It is the responsibility of consumers to decide whether the initial cost of an energy-efficient appliance can be recouped before the product's lifecycle ends.

The Residential Energy Efficient Tax Credit For Existing Homes

The Residential Energy Efficient Tax Credit provides up to $500 to homeowners (increased to $1,500 by ARRA and scheduled for termination at the end of 2011) for the purchase of high-efficiency improvements (appliances) to existing homes. Over $5.8 billion has been allocated to 6.8 million taxpayers through the end of 2010.[3009]

The U.S. Treasury Investigator General (IG) recently exposed structural problems in the administration of this tax credit, revealing that it has led to abuse of taxpayer dollars. Of the IG's findings, it was shown the tax credits were wrongly awarded to 262 prisoners and 100 underage individuals, 100 of whom were under 18 years old, 26 under 14 years old, and at least one under 3 years old.[3010] The IRS was not able to confirm whether the individuals who claimed the credit were qualified at the time their returns were processed.

IRS also failed to require documentation from a third-party showing that an individual did in fact make a qualified purchase. In a sample of 6.8 million people who claimed over $5.8 billion in energy-efficiency tax credits for 2009, the IG found 30 percent of taxpayers had no record of even owning a home.[3011] Such insufficient safeguards leave taxpayers vulnerable to erroneous payments.[3012]

The cost for this provision in 2011 is $1.2 billion. Over the next 10 years, the provision will cost $12 billion, and should be eliminated.[3013]

Energy Efficient New Homes Tax Credit for Homebuilders

This credit provides up to $2,000 for builders of new efficient homes and is scheduled to terminate at the end of 2011.

[3009] Harney, Kenneth R., "Treasury inspector general highlights problems at IRS with homeowner tax credits, *Washington Post*, May 27, 2011, http://www.washingtonpost.com/realestate/treasury-inspector-general-highlights-problems-at-irs-with-homeowner-tax-credits/2011/05/23/AGm9qmCH_story.html, accessed June 29, 2011.
[3010] Peterson, Kristina, "Treasury Audit Finds IRS Doesn't Adequately Track Energy Credits," *Dow Jones Newswires*, May 18, 2011,http://online.wsj.com/article/BT-CO-20110518-714482.html, accessed June 30, 2011.
[3011] Peterson, Kristina, "Treasury Audit Finds IRS Doesn't Adequately Track Energy Credits," *Dow Jones Newswires*, May 18, 2011,http://online.wsj.com/article/BT-CO-20110518-714482.html, accessed June 30, 2011.
[3012] Website of the Treasury Inspector General for Tax Administration, Processes Were Not Established to Verify Eligibility for Residential Energy Credits, 2011-41-038, April 19 2011, http://www.treasury.gov/tigta/auditreports/2011reports/201141038fr.pdf, accessed June 30, 2011.
[3013] Website of the Senate Budget Committee, "Tax Expenditures: Compendium of Background Material on Individual Provisions" *Congressional Research Service*, December 31, 2010, http://budget.senate.gov/democratic/index.cfm/files/serve?File_id=8a03a030-3ba8-4835-a67b-9c4033c03ec4, accessed June 25, 2011

The Congressional Research Service describes this provision as the type of tax subsidy that, "promote(s) specific types of investment [that] are economically inefficient, as they direct resources away from what would generally be their most productive use."[3014]

The cost for this provision in 2011 is $66 million.[3015] Over the next 10 years, the provision is estimated to cost $620 million, and should be eliminated.[3016]

Energy Efficient Appliance Tax Credit for Manufacturers

This credit provides a tax credit up to $25 million in value for industrial companies or appliance manufacturers for new clothes washers, dishwasher, or refrigerators that meet Energy Star 2007 requirements. Ending this provision would save $2 billion over 10 years.[3017]

Residential Energy Conservation Subsidy Exclusions for Businesses and Individuals

This exclusion provides that conservation subsidies provided by public utilities either directly or indirectly are nontaxable. It does not have a scheduled expiration date. Residential and multi-family residential entities qualify.

Qualified installations include solar water heat, solar space heat, photovoltaics, or other energy efficiency technologies not identified on houses, apartments, condominiums, mobile homes, boats and similar properties. If a building or structure contains both dwelling units and other units, any subsidy must be properly allocated.[3018]

The individual exclusion provides that conservation subsidies provided by public utilities either directly or indirectly are nontaxable. A residential energy conservation measure includes "installations or modifications primarily designed to reduce consumption of electricity or natural gas, or to improve the management of energy demand. Eligible dwelling units include houses, apartments, condominiums, mobile homes, boats and similar properties."[3019]

These two exclusions should be eliminated.

[3014] Website of the Senate Budget Committee, "Tax Expenditures: Compendium of Background Material on Individual Provisions" *Congressional Research Service*, December 31, 2010, http://budget.senate.gov/democratic/index.cfm/files/serve?File_id=8a03a030-3ba8-4835-a67b-9c4033c03ec4, accessed June 25, 2011.

[3015] Website of the Joint Committee on Taxation, "Estimated Budget Effects Of The 'Tax Relief, Unemployment Insurance Reauthorization, And Job Creation Act Of 2010,'" December 10, 2010, http://www.jct.gov/publications.html?func=startdown&id=3715, accessed June 28, 2011

[3016] Staff of Senator Tom Coburn estimate.

[3017] Sherlock, Molly, "Energy Related Tax Provisions," *Congressional Research Service* memo, May 11, 2011

[3018] Cunningham, Lynn J. and Roberts, Beth A., "Renewable Energy and Energy Efficiency Incentives: A Summary of Federal Programs," Congressional Research Service, March 22, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R40913&Source=search, accessed June 30, 2011.

[3019] Website for the Database of State Incentives for Renewables and Efficiency, "Residential Energy Conservation Subsidy Exclusion (Personal), http://www.dsireusa.org/incentives/incentive.cfm?Incentive_Code=US03F&re=1&ee=1, accessed June 30, 2011.

Oil and Gas Tax Credits

The U.S. tax code is riddled with tax credits and subsidies that distort energy markets. While deductions allow companies to keep more of their own money and allocate capital as they see fit, tax credits are more akin to a direct spending program. While there can be a benefits associated in certain economic conditions, it would benefit taxpayers to end the tax credits for production of low-producing wells—the Enhanced Oil Recovery Tax Credit in particular.

These tax credits are neither spending programs hidden in the tax code nor provisions intended to allow companies to manage more of their own capital. Rather, they are safety net programs that pay energy companies, typically smaller independent oil and natural gas producers, in times when it is not economical to produce oil from expensive, low-producing wells. It should be noted the enhanced oil recovery tax credit could have an initial economic impact in certain parts of the country. However, this volatility would likely be temporary as markets would adjust to reflect the true cost of energy.

Repeal of Enhanced Oil Recovery Credit

The Enhanced Oil Recovery (EOR) Credit provides a 15 percent credit for the costs of oil recovery technologies. Enhanced Oil Recovery costs include those paid for depreciable tangible property, intangible drilling and development expenses, tertiary injectant expenses (such as CO2, nitrogen, or steam) to supplement natural well pressure leveraged to extract oil from underground), and construction costs for certain natural gas facilities in Alaska.[3020]

The credit is available when crude prices dip below $28 per barrel with a $6 phase-out range that occurs once prices reach $34 per barrel. Price triggers are determined by the annual average price of domestic crude oil from the previous calendar year. This credit is currently inactive but has cost $2.4 billion since its inception in 1990.[3021] Some believe eliminating this credit would not have a significant impact on production as prices are expected to remain high. Although the potential savings are unclear, this repeals this tax credit, preventing future revenue losses associated with dispensing federal benefits to cover the costs of enhanced oil recovery methods.

Marginal Well Tax Credit

Marginal wells average no more than 15 barrels per day, produce heavy oil, and no less than 95 percent water with not more than 25 barrels per day of oil. Marginal gas wells do not produce more than 90 metric cubic feet (Mcf) per day.[3022] Collectively, they are believed to comprise 20

[3020] Website of the Joint Committee on Taxation, "Description Of Revenue Provisions Contained In The President's Fiscal Year 2012 Budget Proposal."JCS-3-11, June 14, 2011, http://www.jct.gov/publications.html?func=startdown&id=3796, accessed July 5, 2011, 336-337.

[3021] Website of the Congressional Research Service, "Energy Tax Policy: Historical Perspectives on and Current Status of Energy Tax Expenditures," May 2, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=R41227&Source=search#_Toc292174215, accessed July 5, 2011.

[3022] Website of the Independent Petroleum Association of America, "Marginal Well Tax Credit," April 2009, http://www.ipaa.org/issues/factsheets/tax_capital/2009-04-MarginalWellTaxCreditFactSheet.pdf, accessed July 5, 2011.

percent of oil production and 12 percent of natural gas production. Marginal wells produce 17.8 percent of U.S. domestic oil and 9 percent of domestic natural gas. There are approximately 119,255 of these wells across the country.[3023]

This credit was created in 1994 to keep these low-production, marginal wells in operation during period of low pricing and on-hand surpluses. The credit provides $3 per barrel on the first three barrels of daily production and $0.50 per Mcf tax credit for the first 18 Mcf of daily natural gas production.

Though currently inactive, under current law, a $3 a barrel tax credit is available for the first 3 barrels of daily production from an existing marginal oil well, plus a $0.50 per mcf tax credit for the first 18 mcf of daily natural gas production from a marginal well. The credit is available only if prices in the previous year were below designated averages – $18/barrel in the case of oil and $2/mcf in the case of gas. This credit is currently phased-out and should be ended permanently.

Advanced Nuclear Power Credit

The Advanced Nuclear Power Credit provides 1.8 cents per kilowatt hour for nuclear power from new facilities (kWh) for the first eight years of operation. The credit is capped at 6,000 megawatts, which is enough for approximately four to five reactors. However, applicants have filed applications for more than five times that amount of nuclear energy generation capacity by the end of 2008.[3024] Recent estimates for production put new energy capacity at about 17,000 megawatts by 2021.[3025] This credit was established in the same Act as Sec. 1703 nuclear energy loan guarantees, which are sufficient to bridge the gap between consumer demand and private investment to meet the high capital costs of nuclear construction.

As new nuclear power comes online, this provision could become very expensive, its current costs are negligible.[3026] However, in order to prevent significant future revenue losses, this plan repeals the Advanced Nuclear Power Credit.

[3023] Website of the State of Oklahoma, "Marginal Well Commission," http://www.ok.gov/marginalwells/About_MWC/Quick_Facts/index.html, accessed July, 5, 2011.
[3024] Website of the Congressional Research Service, "Nuclear Energy Policy," RL33558, May 10, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL33558&Source=search#_Toc292897883, accessed July 5, 2011.
[3025] Website of the Congressional Research Service, "Nuclear Energy Policy," RL33558, May 10, 2011, http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL33558&Source=search#_Toc292897883, accessed July 5, 2011.
[3026] Website of the Senate Budget Committee, "Tax Expenditures: Compendium of Background Material on Individual Provisions" *Congressional Research Service*, December 31, 2010, http://budget.senate.gov/democratic/index.cfm/files/serve?File_id=8a03a030-3ba8-4835-a67b-9c4033c03ec4, accessed June 25, 2011.

RESOURCEFUL REVENUE PROPOSALS

There are numerous creative strategies the federal government could employ to generate revenue for deficit reduction.

As an example, the Department of Transportation could sell the right to name federal highways, inviting individuals to propose naming the highway after particular individuals or events they wish to commemorate. Finally, the federal government owns considerable online real estate, and could sell ad space on its websites at market rates as most private websites do.

Each of these proposals would include rules to ensure conflicts of interests do not exist between agencies and the private companies they regulate. If implemented properly however, these proposals would generate revenue for deficit reduction and help address runaway deficits.

By enacting the reforms below, the federal government will better utilize existing resources, generating generate over $30 billion over the next ten years.

Sell Federal Lands

The government now owns so much land that federal land experts are only able to provide rough estimates of the total acreage under federal control. The Congressional Research Service, which estimates a total of 650 million acres, notes, "The total federal land in the United States is not definitively known, and this figure is an estimate based on several government sources."[3027] This estimate of total acreage translates into the federal government owning one of every three acres nationwide, or nearly one of every two acres in the western United States.[3028]

With untold acres of land under federal purview, it is little wonder maintenance costs are soaring. In fact, the federal government is struggling to meet some of the most basic and urgent upkeep needs on public lands. According to the Government Accountability Office, the nation's largest land management administrator, the Department of the Interior, faces a maintenance backlog estimated to range from $13.5 billion to $19.9 billion.[3029]

Yet, in an era of record budget deficits and soaring maintenance costs the federal government continues to purchases *more* land, costing taxpayers billions of dollars. Since the start of the most recession, the federal government has spent more than $724 million to purchase additional land, and over the past ten years, it has spent more $2.5 billion to acquire more land.[3030]

[3027] Congressional Research Service, "Federal Land Ownership: Current Acquisition and Disposal Authorities," December 16, 2010, http://www.crs.gov/Products/RL/PDF/RL34273.pdf.
[3028] Congressional Research Service, "Federal Land Ownership: Current Acquisition and Disposal Authorities," December 16, 2010, http://www.crs.gov/Products/RL/PDF/RL34273.pdf.
[3029] Government Accountability Office, "Department of the Interior: Major Management Challenges," March 1, 2011, http://www.gao.gov/new.items/d11424t.pdf.
[3030] Congressional Research Service, "Land and Water Conservation Fund: Overview, Funding History and Issues," August 13, 2010, http://www.crs.gov/Products/RL/PDF/RL33531.pdf. & Congressional Research Service, "Interior, Environment and Related Agencies: FY 2011 Appropriations," May 12, 2011, http://www.crs.gov/Products/R/PDF/R41258.pdf.

This proposal calls for a five year moratorium on new purchases and require the disposal of lands with net proceeds equal to the amount spent—$2.5 billion—to acquire additional lands since fiscal year 2001. Emphasis should be on land already identified by land management agencies as suitable for disposal, while continuing to preserve access to our nation's most treasured public lands.

Opponents may argue the disposal of any land, however small, in response to budget deficits is short-sighted and threatens environmental protection and public access. This ignores previous analyses, including one by the Department of the Interior performed during the Clinton administration that identified more than three million acres suitable for disposal.[3031]

Forth Worth Federal Center, Fort Worth, TX
around 1,000,000 square feet on 75 acres of land

This reform could generate more than $2.5 billion over the next ten years.

Real Property Reform

Office buildings, warehouses, hospitals, laboratories, and ports of entry are just a few examples of the types of over 1.2 million properties that make up the federal government's real property portfolio.[3032]

For decades now, the federal government has faced serious problems managing this portfolio, which has lead to millions of tax payer dollars being wasted on excess, not utilized and underutilized federal properties. Excess property is defined as property identified by an agency to be no longer needed, while not utilized property is currently vacant but may or may not have a future use for the agency.[3033] Meanwhile, underutilized property may still be part of the agency's mission, but only a percentage of the building is in use.[3034]

To draw much needed attention to this systemic problem, the Government Accountability Office, in 2003, added federal real property to its bi-annual High-Risk list of government programs

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[3031] Becker, Bernie, The Hill: "GOP Lawmakers: Sell Some Public Lands to Narrow Deficit," March 18, 2011, http://thehill.com/blogs/on-the-money/budget/150683-gop-lawmakers-sell-some-public-lands-to-narrow-deficit.
[3032] Zients, Jeffrey, White House Blog, "Cutting Costs by Getting Rid of Government Buildings We Don't Need," March 2, 2011, http://www.whitehouse.gov/blog/2011/03/02/cutting-costs-getting-rid-government-buildings-we-dont-need.
[3033] Government Accountability Office (GAO-11-370T), "Federal Real Property: The Government Faces Challenges to Dispose of Unneeded Buildings, February 10, 2011, See Executive Summary.
[3034] U.S. General Service Administration, "2010 Guidance for Real Property Inventory Reporting," See page 9. For example, the guidance states that an office building with less than 75 percent occupation is considered underutilized. The percentage of utilization is different depending on the type of property.

susceptible to waste, fraud, and abuse.[3035] Increased oversight by GAO and Congress, as well as action taken by the Bush Administration and renewed by President Obama has moved property reform in the right direction. Problems still exist, however, much more needs to be done to reduce the vast number of buildings the federal government no longer needs. In fact, the GAO included real property yet again in its 2011 High-Risk List.[3036] At a time when our country faces an uncertain future due to out of control spending and excessive borrowing, agencies must use every tool available to manage this vast portfolio so to be good stewards of taxpayer dollars.

The government currently has over 63,000 underutilized and not utilized buildings in its real estate portfolio. Of these properties, over 57,000 are underutilized. That is an increase of over 12,000 underutilized properties from 2009.[3037] These buildings are costing the American taxpayer over $1.2 billion to operate. According to OMB, the federal government has roughly 14,000 excess properties that cost the federal government costing over $131.8 million annually to operate.[3038] In addition, federal agencies leased almost 635 million square feet of building space with a total of $8.1 billion in operational fees in fiscal year 2009.[3039]

This proposal will require the federal government to dispose of all excess federal real properties within five years. Disposal includes selling, demolition and public and private conveyance. If an agency does not sell the excess property, they will be prohibited from building or leasing any new property until they have certified that the excess properties has been disposed of. The proposal would also require OMB to make the Federal Real Property Database available to certain Committees in the House and Senate. This will provide greater transparency and oversight into the problems associated with disposing federal real property. In addition, each federal agency, with the help of OMB, should also examine the unacceptable numbers of underutilized properties and find ways to consolidate properties where possible. The President proposed a civilian BRAC process that, if enacted, may be able to reduce the majority of the

[3035] Government Accountability Office(GAO-03-119), "High-Risk Series: An Update", January 2003, See page 23
[3036] Government Accountability Office, "High-Risk Series: An Update", February 2011, See page 58.
[3037] U.S. General Services Administration, See page 5.
[3038] 2010 data from OMB.
[3039] Courtney Thompson, Federal News Radio, "Senators want progress report on real property disposal efforts", July 7, 2011, http://federalnewsradio.com/?nid=35&sid=2450478.

unneeded and mismanaged property. According to the Obama Administration, there is a potential saving of at least $15 billion in savings if the federal government gets rid of properties it no longer needs.[3040]

Collect Unpaid Taxes From Federal Employees

In 2009, the Internal Revenue Service found nearly 100,000 civilian federal employees were delinquent on their federal income taxes, owing over $1 billion in unpaid federal income taxes.[3041]

Federal employees have a clear obligation to pay their federal income taxes. The very nature of federal employment and the concept inherent to "public service" demands those being paid by taxpayers to also pay their share of taxes. Federal workers should not be exempt from the laws they enforce. In fact, they should lead by example. Failure to do so is an affront to taxpayers and to the rule of law.

This proposal will save taxpayers at least $1 billion by requiring the Internal Revenue Service to collect unpaid federal income taxes from civilian federal employees.

Rent Smithsonian Buildings for Events

Under current rules, the public is not allowed to rent Smithsonian buildings to host events, which is a privilege retained only for corporate donors.[3042] All 19 Smithsonian museum buildings should be opened up for rental at a rate of $10,000 per evening. If each building were made available ten evenings a month and booked at fifty percent capacity, it would generate $38 million each year. This plan assumes $422 million in generated revenue over ten years from this provision.[3043]

Charge $5 Admission Fee for Entrance to Museums

President Obama's National Commission on Fiscal Responsibility and Reform called for charging admission fees as high as $7.50 per person at the Smithsonian's museums, thus keeping pace with the national average.[3044] Charging slightly less at $5 per visitor, with 30 million visitors in 2010, would generate $150 million in the first year, and potentially $1.67 billion over ten years.[3045]

[3040] Gregory Korte, *USA Today*, "White House identifies unneeded government property", May 4, 2011, http://www.usatoday.com/news/washington/2011-05-03-government-identifies-surplus-buildings_n.htm
[3041] "$9.3 million in overdue taxes owed," *Washington Post*, Farnam, T.W., September 10, 2010, http://www.washingtonpost.com/wp-dyn/content/article/2010/09/09/AR2010090907023.html
[3042] "Smithsonian website, http://www.si.edu/giving/giv_faqs.html#faq10
[3043] Staff estimate.
[3044] "$200 Billion in Illustrative Savings, " Fiscal Commission website, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf
[3045] Staff estimate.

Collection of Billions in Unpaid Federal Fines

The federal government has failed to collect tens of billions of dollars of penalties owed by swindlers, criminals and others cited for violating federal laws and regulations and this amount has increased dramatically. More than $65 billion in fines and restitution is owed to the federal government as of last year. Yet, the Department of Justice only collected $2.84 billion of this amount.

According to the *USA Today*, "During the past decade, federal judges have ordered hundreds of the nation's biggest swindlers to repay millions of dollars they stole." The newspaper's analysis also found "so far, the government has collected about 2 cents on the dollar."[3046] There are few consequences for not making the payments, according to the Government Accountability Office.[3047]

"White-collar crime cases account for the largest amount of uncollected debt" according to GAO, but only seven percent of the restitution in such cases is paid. GAO blames a "fragmented processes and lack of coordination" for the failure to pursue the penalties owed.[3048]

These unpaid fines have been levied for a variety of violations, including gasoline spills, substandard nursing home care, and exposing workers to radiation. Over a three year period, the Centers for Medicare & Medicaid Services issued more than $5.3 million penalties to nursing homes in Wisconsin, but collected no more than $500,000. Many of these fines are owed by repeat offenders for shoddy care of the elderly and disabled, including the deaths of more than 50 nursing home residents.[3049]

A $3 million fine levied to a pipeline company for gasoline spill and explosion that killed three people in Washington state was reduced by 92 percent.[3050]

The $2.5 million in fines levied on nuclear laboratories for safety violations, including exposing workers to radiation, were "waived as soon as they were issued."[3051]

[3046] Brad Heath, "Swindlers rarely pay huge, court-ordered fines," USA Today, March 7, 2011; http://www.usatoday.com/news/washington/2011-03-07-1Afines07_ST_N.htm .
[3047] Brad Heath, "Swindlers rarely pay huge, court-ordered fines," USA Today, March 7, 2011; http://www.usatoday.com/news/washington/2011-03-07-1Afines07_ST_N.htm .
[3048] Martha Mendoza and Christopher Sullivan, "Unpaid Federal Fines Soar to $35 Billion; An AP review finds that financial penalties are often reduced, waived or simply ignored," April 2, 2006; http://articles.latimes.com/2006/apr/02/news/adna-fines2
[3049] Ben Poston and Mary Zahn, "Fines sometimes go unpaid by nursing homes," Milwaukee Journal Sentinel, July 28, 2008; http://www.jsonline.com/news/wisconsin/29557299.html .
[3050] Martha Mendoza and Christopher Sullivan, "Unpaid Federal Fines Soar to $35 Billion; An AP review finds that financial penalties are often reduced, waived or simply ignored," April 2, 2006; http://articles.latimes.com/2006/apr/02/news/adna-fines2 .
[3051] Martha Mendoza and Christopher Sullivan, "Unpaid Federal Fines Soar to $35 Billion; An AP review finds that financial penalties are often reduced, waived or simply ignored," April 2, 2006; http://articles.latimes.com/2006/apr/02/news/adna-fines2 .

The fines totally more than $1.3 million owed for deaths, injuries and other risks to miners from Alabama to West Virginia owed by coal companies have gone largely unpaid.[3052]

Good faith efforts to pay fines over a period of time or come into compliance with laws and regulations merit consideration for some forgiveness in the total amount due. In too many cases, however, the federal government is collecting little or nothing of what is owed. For example, "if a nursing home agrees to accept the financial penalties without appeal, the home is given an automatic 35 percent discount, even in the case of a death," according to the USA Today.[3053]

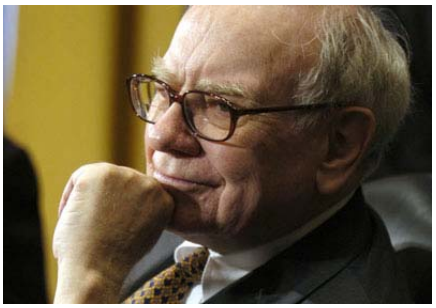
It is impossible to collect every penny of all of these fines, but in too many cases there is not even an attempt a single penny.

The federal government should make a more aggressive effort to collect these fines. This should include deducting full amounts owed from the tax returns of individuals, companies and other entities who owe restitution. Those with outstanding fines should also be barred from receiving federal grants, contracts, leases and loans until the fines are repaid, or they should be levied 100 percent. Reductions in fines should not be allowed for simply not appealing a penalty. This may deter appeals but it does not encourage improvements in meeting standards. Reductions should be limited to those demonstrating good faith efforts for compliance and even in this case, a minimal fine to offset the cost of inspections should be levied.

The federal government should collect at least 15 percent of the $65 billion in unpaid fines, resulting in $9.75 billion in additional revenue over the next decade.

Volunteer Debt Check-Off Fund for Millionaires and Billionaires

Some of the wealthiest individuals in America have been very vocal in suggesting they and their w they will have the opportunity.



Warren Buffett has lead this effort, advocating higher taxes for the wealthy, claiming "people at the high end -- people like myself -- should be paying a lot more in taxes. We have it better than we've ever had it." [3054]

This report proposes a new check-off box on individual tax forms, allowing an individual who may not think they are taxed enough to volunteer to contribute more to the federal coffers. This donation would be directed toward deficit reduction.

[3052] Martha Mendoza and Christopher Sullivan, "Unpaid Federal Fines Soar to $35 Billion; An AP review finds that financial penalties are often reduced, waived or simply ignored," April 2, 2006; http://articles.latimes.com/2006/apr/02/news/adna-fines2 .

[3053] Brad Heath, "Swindlers rarely pay huge, court-ordered fines," USA Today, March 7, 2011; http://www.usatoday.com/news/washington/2011-03-07-1Afines07_ST_N.htm .

[3054] Neher, Juliann, "Warren Buffett Tells ABC Rich People Should Pay Higher Taxes," *Bloomberg News*, November 22, 2010, http://www.bloomberg.com/news/2010-11-21/warren-buffett-tells-abc-rich-people-should-pay-more-in-taxes.html

Currently, individuals wishing to give a financial gift to the government may do so by mailing in a check or money order, payable to the U.S. Treasury. This reform would streamline this process.[3055]

It is unclear how much revenue this provision would generate, but in one year the Bureau of the Public Debt received more than $3 million in financial gifts.[3056] This plan would require the IRS to report to Congress how much revenue the volunteer debt check-off generated in the first year.

[3055] Website of the Department of the Treasury, "Gifts to the United States Government," http://www.fms.treas.gov/faq/moretopics_gifts.html, accessed July 15, 2011.
[3056] CATO, Downsizing the Federal Government, "Charitable Donations to the Government," accessed July 15, 2011, http://www.downsizinggovernment.org/charitable-donations-government.