The Heritage Foundation

Blueprint for Balance

A FEDERAL BUDGET FOR FISCAL YEAR 2019

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Romina Boccia
May 2018

INTRODUCTION

A Blueprint for Balance

Romina Boccia

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

Blueprint for Balance: A Federal Budget for Fiscal Year 2019 is our organization's budget proposal to Congress. It lays out a budgetary path to balance with specific and detailed policy reforms to strengthen America's economy, society, and defense. In this report, Heritage analysts provide detailed recommendations for the fiscal year (FY) 2019 congressional budget, targeting discretionary as well as mandatory federal programs and including federal budget process reforms.

The report is designed primarily to provide options for Congress. The information is presented in a manner that is designed to be especially useful to those who use the congressional budget to pursue policy goals. All of the budget proposals are organized by appropriations subcommittees, because that is how Congress organizes itself. A major purpose of *Blueprint for Balance* is to present Congress with ready proposals and justifications that lawmakers can use to introduce legislative amendments to appropriations bills. The report and a budget proposal tracker are also intended to provide the American public with tools to hold lawmakers accountable and to help lawmakers, the media, and the public determine whether Congress and the Administration are making progress on conservative reforms.

The budget enables Congress to establish a comprehensive governing philosophy. Heritage's *Blueprint for Balance* seeks to guide Congress in this fundamental task. Congress should put the budget on a path to balance, while strengthening national defense and preserving the critical reforms adopted in law from the Tax Cuts and Jobs Act and without raising taxes, both to enable economic growth to raise living standards for all Americans and to protect and strengthen civil society in our great nation.

A FEDERAL BUDGET FOR FISCAL YEAR 2019

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

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

> the relationship between citizen and government. We can make government again responsive to the people by cutting its size and scope and thereby ensuring that its legitimate functions are performed efficiently and justly.[1]

Americans have reached a critical point. The federal government has grown to an unprecedented size, has expanded its scope to virtually every part of the economy, and is on a dangerous fiscal trajectory. Taxpayers pay enormous amounts of money to the government, and the government borrows huge sums beyond the amount it takes from taxpayers. The government uses taxes and borrows money to pay for excessive spending, including many programs that benefit the well-connected or keep people from prospering by penalizing marriage and work. As of June 2018, the national debt exceeds $21 trillion. According to the Congressional Budget Office, if the government remains on its currently planned trajectory, it will spend at least another $12.4 trillion more than it will collect over the 2018 to 2028 period, piling even more debt onto American families.

The country cannot and should not sustain the current course of excessive spending and borrowing.

Every journey begins with just one small step. *Blueprint for Balance* offers lawmakers specific steps they should take in the annual budget and appropriations processes to make a down payment on putting the government's finances in order, relieving the American economy of inappropriate and poorly administered federal spending programs, and reining in the expansive federal bureaucracy to enable American families, individuals, and business to prosper. Congress can begin this journey immediately by reducing discretionary spending and taking meaningful steps to reduce mandatory spending by reforming welfare, health care, disability, and other subsidy programs.

We encourage Congress to consider seriously the budget proposals included in this *Blueprint for Balance*. We selected programs for reductions and eliminations using four important criteria:

1. Would the program's elimination increase opportunity or reduce favoritism?

2. Would the program better serve the American people if it were administered and financed by the private sector?

3. Would the program better serve the American people if it were administered by state or local governments?

4. Is the program wasteful or duplicative?

In order to hold the Administration and lawmakers more accountable for pursuing important budget proposals, we are introducing a new tracker to establish whether federal budget proposals are included by the Administration and in select congressional budget proposals. We are tracking proposals in President Trump's budget, the House budget, the Senate budget, and the influential Republican Study Committee budget. For each proposal, we identified whether the budget proposal includes it, partially includes it, does not address it, or rejects it. We hope that this tool will prove useful to lawmakers in identifying which budget proposals already enjoy broad support and which need more champions. Our other aim is to influence future budget proposals by encouraging the inclusion of yet more support for the recommendations made in the *Blueprint for Balance*. As the saying goes, "What gets measured gets improved."

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

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

Congress should make permanent the critical U.S. tax code reforms that were passed into law through the Tax Cuts and Jobs Act and that have made America more competitive globally, benefiting American workers and families and boosting our nation's economic growth. Moreover, Congress should reduce spending through the tax code by repealing those tax credits that represent narrowly targeted subsidies benefiting certain well-connected groups at a cost to equity and the efficiency of the American economy and at a high cost to other federal taxpayers. *Blueprint for Balance* includes a long list of tax credits that Congress should repeal.

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

The federal budget for FY 2019 presented here will:

- **Slow the growth in spending** while fully and strategically funding national security priorities;
- **Make permanent the Tax Cuts and Jobs Act of 2017**, giving taxpayers more than $400 billion in additional tax cuts over the next decade;
- **Balance the budget** within six years;
- **Reduce spending** by $12.3 trillion and reduce the deficit by $11.9 trillion;
- **Reform entitlement programs**, the main driver of the national debt;
- **Eliminate budget gimmicks** and improve the broken budget process, creating more transparency and accountability; and
- **Eliminate programs** outside of the federal government's constitutional role that produce favoritism and limit opportunity.

ENDNOTE

1. Ronald Reagan, "Remarks at the Conservative Political Action Conference Dinner," The American Presidency Project, March 20, 1981, http://www.presidency.ucsb.edu/ws/index.php?pid=43580 (accessed May 23, 2018).

CHAPTER ONE

Reform Federal Policies Through the Congressional Budget

Edited by Romina Boccia

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

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

With more than $20 trillion in national debt and annual deficits approaching trillion-dollar territory, the budget resolution presents a critical opportunity for Congress to address the key drivers of the government's financial problems: spending and debt. Congress should use the reconciliation process in 2018 to reduce federal spending.

Congress should put the budget on a path toward balance in order to (1) reduce debt and enable economic growth to raise living standards for all Americans, (2) maintain a low and efficient tax system, and (3) strengthen America's national defense.

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

To strengthen civil society, Congress should protect life and conscience and defend religious liberty. In reviving true federalism, Congress should leave matters of infrastructure, natural resource management, education, and welfare principally to states, localities, and the private sector.

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

STRONG NATIONAL DEFENSE

Congress should prioritize national security by funding critical defense needs and the rebuilding of military capabilities following years of defense cuts that hurt both capability and readiness. The Heritage Foundation's *2018 Index of U.S. Military Strength* rated the U.S. military as "marginal" while rating both the Army and the Marine Corps as "weak."

The Bipartisan Budget Act of 2018 provided some necessary relief in fiscal year (FY) 2018 and FY 2019 from budget caps imposed on defense by the 2011 Budget Control Act. Rebuilding the military will require a significant funding increase for defense, sustained through time. Congress should preserve military capacity, increase readiness, and make investments in modernization. Congress should work with President Donald Trump to expand and strengthen the military and improve our national security.

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

MORE EFFECTIVE GOVERNMENT

The U.S. government looks nothing like the limited government envisioned by the Founders. Instead of concentrating on national security and the rule of law, the federal government's reach extends into virtually every sector and industry of the American economy.[1] Bigger government has not meant better government, as the federal bureaucracy operates through inefficient, unaccountable, and often detrimental means.

The federal government's massive size and inefficient and wasteful operations impose a huge burden on federal taxpayers, with the U.S. government consuming 21 cents of every dollar of American gross domestic product (GDP).[2] Congress should reduce inefficiencies, return non-federal functions to state and local governments or the private sector, eliminate waste and duplication, and reduce total federal government costs.

Congress can pursue a government reorganization agenda with comprehensive reforms in the way the federal government does business (such as federal personnel and budget process reforms) and through agency-specific changes such as restructuring, reductions, and eliminations, as well as through regulatory reforms. Congress can better respect taxpayers' dollars by making the federal government operate more efficiently and transparently.

COMPETITIVE CIVIL SERVICE COMPENSATION

Unlike private businesses that pay workers based on their productivity, the federal government pays workers based on a rigid schedule that is shielded from many market forces. Consequently, federal employees as a whole receive significantly higher total compensation than similar private sector employees receive. Yet the federal government is at a competitive disadvantage when it comes to attracting highly skilled workers because it fails to tie pay effectively to productivity. Moreover, excessive civil service protections prevent federal managers from firing—or even stopping performance-based pay increases for—underperforming, idle, and even recalcitrant employees.

Congress should reform the federal employment system, including everything from pay and benefits to personnel policies and labor–management relations, to make it operate more like the private sector. This would provide federal employees with a more competitive compensation package, including greater choice and potentially higher pay. It would also improve morale and save taxpayers an estimated $330 billion in excessive federal personnel costs over the next 10 years.[3]

ECONOMIC FREEDOM

Economic freedom in the United States has increased by 0.6 point after a decade-long decline. According to The Heritage Foundation's *2018 Index of Economic Freedom*, the U.S. is ranked as the world's 18th-freest economy, posting a significant improvement in financial freedom while losing some ground in the government integrity category. Although America's economic freedom ranking has dropped due to comparatively better improvements in other countries, there are signs of renewed labor market dynamism and increased economic growth.

Efforts to overhaul federal regulatory policies and lower tax rates for corporations and individuals are spurring business confidence and investment. The continuing decline in the score for government integrity reflects a growing perception of cronyism, elite privilege, and corruption. Future moves in the area of trade, including renegotiation of the North American Free Trade Agreement (NAFTA), could affect America's competitiveness in the world economy.

EFFICIENT TAXATION

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

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

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

COMPETITIVE FEDERALISM

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

To revive true federalism, Congress should focus on its core constitutional responsibilities and not treat the states as administrative sub-units tasked with helping to implement federal policies using federal funds. Because Congress is now involved in so many areas, Congress must propose issue-specific reforms that will restore constitutional governance in each of these areas.

Congress should also stop trying to induce states to adopt its preferred policies by making state acceptance of these policies a condition of states' receiving federal funds. Rather, Congress should leave to the states those programs that do not carry out a constitutional function of the federal government or that otherwise ought to be handled by states.

Moreover, in exchange for flexibility from federal mandates, Congress should return to the states fiscal responsibility for many programs now funded by the federal government. Laws that go beyond the federal government's enumerated powers and preempt state authority should be repealed.

LIMITED REGULATION

Federal spending and revenues constitute only one part of the total burden imposed on Americans by Washington. Rules imposed by federal regulators also impose crushing costs on the U.S. economy and society. During the Obama Administration alone, these costs increased by over $120 billion annually.[4]

Congress, along with President Trump, must reverse this out-of-control regulatory growth. It should start by repealing the harmful and unnecessary rules that have been imposed on Americans. It already has started this process by repealing network-neutrality restrictions on Internet providers.

Next, Congress should require that every major new rule must be approved by Congress and the President before taking effect. In addition, existing rules should be subject to automatic expiration (often called "sunsetting") if not specifically renewed after a certain time. Both of these changes would help to limit the harmful growth of the regulatory burden.

SECURITIES LAW REFORM FOR BARRIER-FREE ENTREPRENEURSHIP

A morass of securities regulations impedes capital formation, disproportionately harms small and start-up businesses, and reduces innovation and economic growth. Securities laws should focus primarily on the core mission of deterring and punishing fraud and should require reasonable, limited, scaled disclosure by widely held firms of material information that investors need to make informed investment decisions, such that larger and even more widely held firms are subject to greater disclosure requirements.

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

STABLE MONEY

Many take for granted that the Federal Reserve has contributed positively to economic stabilization, but the U.S. has experienced severe economic turmoil in at least four different decades since the Fed was founded. Recessions have not become less frequent or shorter in duration, output has not become less volatile, and some of the worst U.S. economic crises have occurred on the Fed's watch.[5] Furthermore, the Fed's action during the 2008 financial crisis is only the latest example of its long history of propping up failing firms;[6] throughout its history, the Fed has operated within a purely discretionary policy framework.

Congress should reduce the Fed's discretion in monetary policy and direct the central bank to implement rules-based policies that move the U.S. toward a truly competitive monetary system. Congress should also review the effectiveness of the Federal Reserve with a formal commission and require the Fed to implement a plan that combines shrinking the balance sheet with phasing out the payment of interest on excess reserves in no more time (approximately five years) than it took to implement its QE programs. In the meantime, Congress should immediately require the Fed to stop paying above-market rates on reserves.[7]

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

TRADE FREEDOM

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

The United States has trade agreements with 20 countries around the world that reduce most taxes on imports from these countries to zero. The United States is currently renegotiating the North American Free Trade Agreement (NAFTA), which opens the flow of trade among the U.S., Canada, and Mexico. After 24 years of free trade between the countries, the United States is seeking changes to modernize NAFTA and broaden the sectors covered under the agreement. These agreements cover only about 36 percent of U.S. annual imports, and Congress should further eliminate trade barriers and protectionist policies to increase Americans' economic freedom.

Nearly half of U.S. imports are intermediate goods (goods that are components used in making other goods), and U.S. manufacturers rely on these imported inputs to create American jobs and compete in the global marketplace. The government should encourage manufacturing by eliminating all taxes on imports of intermediate goods. Trade laws such as Section 201 of the Trade Act of 1974[8] and Section 232 of the Trade Expansion Act of 1962[9] should not be employed haphazardly to impose tariffs and other trade restrictions, as restrictions aimed at providing protection or benefit to one industry or producer often have serious negative impacts on other domestic producers in addition to harming U.S. consumers.

VITAL INFRASTRUCTURE

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

In surface transportation, lawmakers have repeatedly diverted Highway Trust Fund money to non-highway projects. This has contributed to overspending from the Highway Trust Fund, leading to extensive general fund bailouts. Grant programs administered at the federal level further create perverse incentives for states and localities to build new, unnecessary projects while badly needed maintenance of vital infrastructure goes unfunded. In aviation, federal airport improvement grants and prohibitive regulations siphon resources from the most important airports and distribute them to those of far less significance. The Federal Aviation Administration's Air Traffic Control system continues to be run like a bureaucracy instead of a high-tech business. America's waterways infrastructure likewise suffers from an outmoded federal funding and management paradigm that has left it in disrepair.

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

MARKET-BASED HEALTH CARE

Obamacare is unpopular, unaffordable, and unworkable. Congress took the right step by repealing the individual mandate penalty in 2017, returning to Americans the ability to decide which insurance is right for them. Congress should finish the job and fulfill its long-held promise to repeal and replace Obamacare. Full repeal would alleviate the burdens caused by Obamacare's costly and onerous federal insurance regulations, which have caused massive disruption in the insurance market and dramatically increased costs. Repeal is essential to controlling government health care spending and clearing the way for an alternative reform that is patient-centered and market-based.

Congress should put in place a framework for a health care reform alternative. This proposal should address the major drivers of health care spending and promote a free market for health care by removing the federal regulatory and policy obstacles that discourage choice and competition.

A replacement package should encourage personal ownership of health insurance by reforming the tax treatment of health insurance. It should start by capping the currently open-ended value of the tax exclusion for employer-based health care in order to remove economic distortions that drive up costs and by providing tax relief for individuals to purchase or save for the coverage of their choice.

A replacement package should also restore Medicaid to a true safety net and ensure that it focuses on the nation's most vulnerable: the elderly, disabled, and women and children in poverty. Federal Medicaid assistance for able-bodied individuals should be converted to a direct, defined contribution to facilitate participation in the private marketplace. Federal Medicaid assistance for the low-income elderly should be folded into the Medicare program to streamline seniors' health benefits. For the disabled population, payments to states should be limited to ensure fiscal control but also allow states flexibility to tailor their programs to the specific needs of their populations.

Finally, a replacement package should modernize the Medicare program so that it can meet its growing demographic, fiscal, and structural challenges. Medicare should transition to a defined-contribution or premium-support model. Instead of setting payment administratively, Medicare should base the annual government contribution on the market, and the amount should reflect the results of competitive bidding among health plans to provide standard Medicare benefits. To prepare the way for such a comprehensive reform, smaller Medicare changes—such as raising the retirement age, reducing subsidies for wealthy seniors, and consolidating existing hospital and outpatient benefits in a single Medicare program—would help to make the transition to premium support smoother.

WELFARE REFORM

The current U.S. welfare system has failed the poor. It directly undermines human well-being, promotes dysfunctional behavior, and is extremely costly. Total federal and state government spending on dozens of different federal means-tested welfare programs now reaches $1.1 trillion annually.[10] However, most policymakers, along with the American public, are not aware of the full cost of welfare. Congress should include in its annual budget an estimate of total current welfare spending, as well as 10-year projections.

There is dignity and value in work, in supporting oneself and one's dependents. Welfare reform should encourage work, a proven formula for reducing dependence and controlling costs. The food stamp program, one of the largest of the government welfare programs, would be a good place to start: Able-bodied adults receiving food stamps should be required to work, prepare for work, or look for work as a condition of receiving assistance. The work requirements of the Temporary Assistance for Needy Families program, put into place by the 1996 welfare reform, are much too weak today and should be strengthened.

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

The most important reform leaders should seek is to strengthen marriage. The absence of marriage directly reduces human well-being, yet the welfare system penalizes marriage. Policymakers should eliminate marriage penalties in the current welfare system. A place to begin would be with the earned income tax credit (EITC). By reducing widespread fraud in the EITC, policymakers could not only restore integrity to the EITC program and reap large savings, but also use a portion of those savings to eliminate marriage penalties in the rest of the welfare system.

WORKFORCE REFORM

The best wage and employment-security program is competing job offers. Labor policy should encourage economic expansion rather than hobble job creators with regulations that get in the way of dynamic economic forces.

Sclerotic labor management rules and workforce categorization from the last century are unfit for a labor market that will take advantage of new technologies, processes, and organizational structures. Entrepreneurs and workers are redefining the relationship of workers to employers. Policy needs to adapt as well. In 2017, for instance, MBO Partners reported that there were "nearly 41 million adult Americans of all ages, skill, and income levels...who work independently to build businesses, develop their careers, pursue passions and/or to supplement their incomes."[11] In addition, 49 percent of part-time independent workers have full-time traditional jobs.

Tried-and-failed job training programs should be terminated.[12] Since the private sector finances 90 percent of job training expenditure, policy should allow and encourage innovation in the private sector.[13] Simply piling more money into ineffective federal training programs will not work.

EDUCATION CHOICE

In the years since 1965, when President Lyndon B. Johnson signed the Elementary and Secondary Education Act (ESEA) into law as the keystone education component of his War on Poverty, the federal government, which represents 10 percent of all K–12 education spending, has appropriated some $2 trillion in an effort to improve the educational outcomes of American students.[14] Despite a more than doubling of inflation-adjusted federal per-pupil expenditures since that time, only slightly more than one-third of children in grades four and eight are proficient in reading—a figure effectively unchanged since the early 1970s.[15] Moreover, achievement gaps among students remain, and graduation rates for disadvantaged students are stagnant.[16]

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

In order to shift education functions from the federal government to state and local leaders, Congress should limit federal intervention in education. It can begin by eliminating ineffective and duplicative programs and offering relief to states and schools through reforms in the Academic Partnerships Lead Us to Success (A-PLUS) Act. As appropriate, Congress should also work to establish education choice options for federally connected students, including children from military families, those residing in Washington, D.C., and Native American children attending Bureau of Indian Education schools.

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

HIGHER EDUCATION ACCREDITATION REFORM AND RESTRAINT IN FEDERAL HIGHER EDUCATION SUBSIDIES

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

The number of students who borrow money through federal student loans has increased by 115 percent, from 5.9 million students during the 2002–2003 academic year to some 12.7 million today. At the same time, Pell Grant funding has more than doubled in real terms; the number of recipients has nearly doubled over the same period.[20] As federal subsidies have increased, so have college costs. Since 1980, tuition and fees at public and private universities have grown at least twice as fast as the rate of inflation.[21] Some 60 percent of bachelor's degree holders leave school with more than $26,000 in student loan debt, and cumulative student loan debt now exceeds $1.4 trillion.[22]

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

NATURAL RESOURCE ACCESS

With the abundance of resources beneath U.S. soil, America is quite literally the land of opportunity. America has an abundance of natural resources, including plentiful reserves of coal, natural gas, uranium, and oil, but federal ownership and control of vast tracts of America's land has stymied natural resource development and resulted in poor land management. Empowering individuals, as well as state and local governments, will yield better economic and environmental outcomes.

Furthermore, the government places restrictions on energy exports that block opportunities for American producers and block energy choices for America's allies. Congress should open access to natural resource development in the U.S., allow states to control the environmental review and permitting processes within their borders, and open opportunities for the free importation and exportation of energy resources and technologies.

MARKET-DRIVEN ENERGY MARKETS

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

Subsidies significantly obstruct the long-term success and viability of the very technologies and energy sources that they are intended to promote. Instead of relying on a process that rewards competition, taxpayer subsidies prevent a company from innovating to make a project economically viable without preferential treatment. Subsidies also promote dependence on government and encourage programs that are meant to last only a few years to become permanent fixtures because of the special interests that benefit from them. Congress should eliminate preferential treatment for every energy source and technology and let a free market in energy work to the benefit of Americans.

SUSTAINABLE SOCIAL SECURITY

Social Security's Old Age Survivors and Disability Insurance (OASDI) programs provide a false sense of security by promising more in benefits than they can pay. Combined, these programs cost $1 trillion in 2017—about one-quarter of the federal budget—to provide benefits to 60 million beneficiaries. OASDI's combined unfunded obligation over the 75-year horizon tops $14 trillion.

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

Individuals should be empowered to provide for more of their own retirement needs through private means.

TARGETED DISABILITY INSURANCE

Already effectively insolvent, the DI program is able to continue paying benefits only by taking money away from Social Security's retirement program. The DI program remains plagued by widespread fraud and abuse, excessive structural flaws and inefficiencies, and work disincentives.

To address these problems, Congress should transition to a flat anti-poverty DI benefit; facilitate greater access to private disability insurance; improve work incentives; adopt a needs-based period of disability; eliminate the non-medical vocational grids that allow individuals to receive benefits based on their age, education, or skill; and instruct the Social Security Administration to improve the program's efficiency and integrity. These changes would preserve the DI program's original purpose at a significantly lower cost for current and future workers.

COMPASSIONATE VETERANS HEALTH CARE

The U.S. Department of Veterans Affairs (VA) health care delivery system is in need of comprehensive reform to ensure that America's veterans receive quality, timely, and affordable health care that is consistent with the changing health care demands of the veteran population and not the institutional concerns of the VA. Congress and the new Administration have taken preliminary steps to address the many underlying troubles facing the VA health care system. Enacting new personnel policies to ensure high competency and accountability, expanding whistleblower protections, streamlining bureaucratic processes, and integrating new tools for veterans care are critical changes.[23]

For the coming fiscal year, these immediate changes should be followed by more fundamental, long-term reforms of the VA health system. Reforms should refocus the use of limited resources to emphasize service-related health care needs, especially in areas in which the VA has a unique expertise such as poly-trauma, post-traumatic stress disorder (PTSD), and rehabilitation, while ensuring that if a veteran can receive better care at a non-VA facility, especially for issues that are not service-related, the VA facilitates access to those services. These reforms should be fiscally responsible, providing quality care in a cost-effective way. They should also be based on a longer-term policy and budget window and avoid the pattern of enacting short-term fixes.

PROTECTION OF LIFE AND CONSCIENCE

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

Policymakers should return to a deeper respect for foundational American principles by protecting the freedom of conscience of individuals, medical providers, and taxpayers and ensuring the basic rights of liberty and life for everyone, including those still in the womb.

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

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

DEFENSE OF RELIGIOUS LIBERTY

The freedom to earn a living, care for the poor, heal the sick, and serve the community in ways that are consistent with one's beliefs is essential to maintaining a just and free society, but this freedom has suffered erosion in recent years. The right of Americans and institutions to exercise their religious beliefs is not confined to the private sphere and is protected from government burden and discrimination in public life.

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

A VISION FOR A FREER, MORE PROSPEROUS AMERICA

The congressional budget resolution provides Congress with a critical opportunity to review federal policy in all areas and to put forth a strong vision for an America that offers opportunity for all with favoritism to none. Congress should seize this opportunity and begin to drive down federal spending to achieve a balanced budget while ensuring a strong national defense, funded only with necessary and efficient taxation, with the goal of protecting individual liberty.

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CHAPTER TWO

Prioritize Welfare, Agriculture, and Infrastructure Reform in 2018

Edited by Romina Boccia

Congress and the Trump Administration have set out various goals for their 2018 legislative agenda, including addressing U.S. infrastructure and welfare reform. This year, with the farm bill expiring, they will also have an opportunity to make constructive choices on farm policy. Congress and the Administration should exercise prudence when considering each of these matters.

- To realize President Donald Trump's bold goals for U.S. infrastructure investment, the Administration should focus on facilitating greater private-sector involvement and devolving inappropriate federal activities to states and localities while reducing counterproductive federal requirements and regulations that have hindered U.S. infrastructure investment.
- To improve the well-being of lower-income and poor Americans, Congress and the Administration should pursue welfare reform that promotes work and marriage—proven ladders to success and economic security—and devolve more responsibility for the design, financing, and administration of social programs to state and local authorities that are more attuned to the needs of their communities.
- In addressing the expiring farm bill, Congress and the Administration should separate farm programs from welfare programs, eliminate unnecessary and market-distorting corporate welfare subsidies in the bill, and provide taxpayer assistance to farmers only when they experience major crop losses following disasters.

This chapter provides information on each issue and recommendations to guide Congress in 2018.

Using Principles of Free Enterprise and Limited Government to Drive Infrastructure Investment

Michael Sargent

On February 28, 2017, President Donald Trump promised to invest at least $1 trillion in a "new program of national rebuilding" to repair the nation's "crumbling infrastructure."[1] Almost a year later, on February 12, 2018, the Trump Administration released its *Legislative Outline for Rebuilding Infrastructure in America*.[2] The outline provides a summary of the Administration's infrastructure proposals, which would attempt to leverage $200 billion in federal spending to encourage an additional $800 billion to $1.3 trillion in investment from states, localities, and the private sector. The plan would prioritize projects that have secured local funding (for example, through user fees or a local tax) and would also devote funding to assisting rural areas, financing "transformative" projects, and augmenting existing federal infrastructure credit programs.

Despite the hyperbolic rhetoric that characterizes the nation's infrastructure as "crumbling," however, federal data do not provide any indication that large-scale federal infrastructure spending is either necessary or desirable. Data show that major U.S. highways, bridges, and airport infrastructure are in relatively good condition.[3] Furthermore, unemployment remains at its lowest point since 2000, and contractors have recently reported a shortage of skilled labor, thus undermining the argument that infrastructure investment is needed to create new jobs and address high unemployment.[4]

Instead, the Administration and Congress should embrace policy changes that alleviate counterproductive regulations and perverse incentives that are endemic in U.S. infrastructure funding. These improvements would come largely from removing federal control of infrastructure resources rather than expanding Washington's influence through new programs. In constructing an infrastructure proposal, the Administration and lawmakers should reject increased federal micromanagement and embrace principles of free enterprise and limited government as the drivers of infrastructure investment.

Heritage Foundation experts have outlined an agenda that would embrace this approach and have the potential to increase infrastructure investment in excess of $1 trillion over the next decade.[5] A robust free-market infrastructure plan should:

Eliminate mandates that drive up infrastructure costs. Federal spending is laden with requirements that favor special interests but harm projects by needlessly increasing costs. A successful infrastructure plan should liberate projects from such labor regulations as the Davis–Bacon Act and the use of Project Labor Agreements, as well as protectionist laws such as Buy America restrictions, the Jones Act, and the Foreign Dredge Act.[6]

Deregulate infrastructure investment. Misguided regulations hamper both private and public infrastructure investments by drastically delaying construction, increasing costs, limiting competition, and reducing the incentives to invest. The plan should seek to expedite the permitting and environmental review processes, unshackle the energy industry, and reduce barriers to public–private partnerships. Such a deregulatory agenda would have a profound effect by streamlining project timelines (which can take a decade or more just to get through environmental reviews) and further incentivizing private investment in much-needed infrastructure.[7]

Reform existing federal infrastructure programs. Before creating new federal initiatives, the Administration should reform and optimize current programs that have proven to be inefficient or have strayed from their original national focus. For example, nearly 30 percent of highway spending is currently allocated to projects unrelated to the National Highway System.[8] These funds should be restored to their original purpose of funding the Interstate Highway System. The infrastructure plan should also recognize the shortcomings of government-provided air traffic control and build on proposals to move the service into the private sector. Additionally, the program should fulfill the outstanding federal responsibility in the nuclear industry by spending collected funds on constructing the Yucca Mountain repository and conducting cleanup of nuclear waste.

Allow local user fees to replace centralized tax-and-spend programs. The federal government acts as an unnecessary intermediary for many types of infrastructure by collecting dedicated tax revenues, exposing them to political maneuvering in Congress, and redistributing them with restrictions and mandates. The infrastructure plan should roll back this inefficient and top-down process by allowing local user fees to replace federal programs for airports, inland waterways, and highways. The result would be a more effective and accountable funding regime that encouraged innovative practices and allowed user-funded investment to flourish without diktats from Washington.[9]

Refrain from increasing federal intervention through new spending programs. Adding additional spending programs to the government's swollen ledger is fraught with downsides: worsening the federal fiscal position, increasing the likelihood of resource misallocation, saddling ever more projects with cost-increasing regulations, presenting local governments with counterproductive incentives, and pushing difficult but necessary choices farther into the future. Historical data demonstrate that once a federal spending program is initiated, it is rarely replaced or eliminated.[10] The infrastructure plan should refrain from increasing federal spending on infrastructure and reject the use of gimmicks or tax increases to fuel such largesse. The Administration and Congress have an opportunity to lead on creating a sustainable and efficient infrastructure funding system. Further extending federal intervention through new spending programs would undermine this goal. Instead, the Administration should pursue structural reforms and deregulation to drive investment in the nation's vital infrastructure for the benefit of *all* Americans.

Reforming Welfare to Improve the Well-Being of Poor and Lower-Income Americans

Robert Rector and Vijay Menon

The current U.S. welfare system has failed the poor. It directly undermines human well-being, it promotes dysfunctional behavior, and its cost is extremely high. The federal government funds 89 means-tested welfare programs that provide cash, food, housing, medical care, and targeted social services to poor and low-income Americans. Total federal and state spending on these means-tested welfare programs continues to grow, totaling over $1.1 trillion in fiscal year (FY) 2016.[11] The current system is fiscally unsustainable and undermines the proven antipoverty mechanisms of work and marriage. Clearly, a system in which aid and self-support reinforce each other will achieve more efficient overall outcomes than will a system in which the two are antagonistic.

In 2018, Congress has an opportunity to enact reforms that will improve the well-being of poor and lower-income Americans while also creating a system that is more fiscally prudent. To achieve these goals, welfare reform should:

Provide accurate information about welfare spending and poverty. Total annual government spending on means-tested welfare programs now exceeds $1.1 trillion. However, most policymakers and the American public are unaware of this large aggregate cost because it is spread across numerous programs and is never reported in one place. Moreover, the Census Bureau counts only 5 percent of this spending as "income" for purposes of measuring poverty or inequality, which gives a misleading picture of both measures.

In 2018, Congress should address these issues. It should start by enumerating the total cost of means-tested welfare in the Congressional Budget Resolution. Congress should include in its annual budget an estimate of total current spending on means-tested welfare programs, as well as 10-year projections. This would enable policymakers to assess the full cost of such programs accurately when making important spending decisions.

Congress should also require the Census Bureau to account for means-tested welfare spending when measuring poverty or inequality. Congress should require the Census Bureau to count benefits from means-tested welfare programs, such as food stamps, the earned income tax credit (EITC), and public housing, as income in its annual "poverty" measurement. In addition, the government should issue reports detailing the value of the typical welfare benefits package for working parents. This would provide a more accurate depiction of the economic condition of poor and low-income Americans.

Keeping with this goal, Congress should take steps to create more accurate poverty measures in lieu of its currently flawed data. It should begin by eliminating funding for the Census Bureau's annual "Supplemental Poverty Measure" report, which defines poverty as financial inequality and promotes income redistribution as a public policy goal.[12] Instead, Congress should expand the Consumer Expenditure Survey, which gives a much more accurate picture of the economic resources received by American families, and use it to measure poverty rates. Congress also should create a new survey that combines IRS, Census, and other administrative program data in order to get a more accurate understanding of how Americans, especially the low-income, live.

Assign one clear point of accountability for federal welfare programs. Responsibility for the federal government's 89 means-tested welfare programs is split across various congressional committees and executive departments. Not only does this prevent a holistic understanding and accounting of the means-tested welfare state, it also produces inefficiencies that could be remedied by placing welfare programs under the purview of a single entity. To that end, Congress should consolidate oversight of all federal welfare functions in one committee. Additionally, Congress should transfer all federal welfare programs and functions to the Department of Health and Human Services (HHS) and assign responsibility for them to a high-level official.

Promote work. There is dignity and value in work, in supporting one's self and one's dependents. Welfare reform should encourage work, a proven formula for reducing dependence and controlling costs. Specifically, work-capable (able-bodied, non-elderly) adults should be required to work, prepare for work, or at least look for work in exchange for receiving taxpayer-funded assistance. Congress should create meaningful, mandatory work requirements for work-capable adults in welfare programs such as the Supplemental Nutrition Assistance Program (SNAP or food stamps) and Temporary Assistance for Needy Families (TANF).

Overall, these reforms will help to ensure that means-tested benefits are flowing to those who most need them and will promote self-sufficiency by directing more work-capable individuals toward work.

SNAP, which is due for reauthorization in the 2018 farm bill, is the nation's second-largest means-tested welfare program. Government spent roughly $76 billion on the program in FY 2016,[13] or close to twice as much as it spent in FY 2008. The fastest-growing group of food stamp recipients over this period was able-bodied adults without dependents (ABAWDs). In FY 2016, nearly 4 million ABAWDs received food stamps;[14] however, few were employed.[15] This is due largely to the fact that most states receive federal waivers from the existing ABAWD work requirement for certain areas within the state if not the whole state.[16] Because of this, the current ABAWD work requirement is virtually meaningless. Moreover, about half of the roughly 8 million able-bodied parents receiving food stamps were not employed in an average month in FY 2016.[17]

Congress should strengthen the existing ABAWD work requirement by eliminating waivers, limiting ABAWDs to one month of food stamp receipt instead of three if they are not working or participating in work activity, and reducing the monthly percentage of ABAWDs in a state that can be exempted from the work requirement from 15 percent to 5 percent. Additionally, the work requirement should be extended to able-bodied parents.

The TANF program also fails to promote work sufficiently. The majority of work-eligible TANF recipients (an average of 54.7 percent across the states) are completely idle, neither working nor participating in work activity.[18] The main reason for this high rate of "idleness" is that the work participation rate is too low. States are only required to have 50 percent of their able-bodied adult caseload working or participating in work activity, which means that the other 50 percent can be completely idle and the state is still fulfilling the requirement. In fact, state welfare agencies engage fewer than one in five work-eligible TANF recipients in activities designed to increase employment and reduce dependence.[19] To promote work and engage more individuals, Congress should require 75 percent of a state's non-employed TANF caseload to participate in work activities for 20 to 30 hours per week in exchange for receiving assistance.

Promote marriage and remove marriage penalties. The most important reforms that leaders should seek are reforms that strengthen marriage. The absence of marriage directly reduces human well-being, yet the welfare system penalizes marriage. The lack of marriage is the number one factor inhibiting upward mobility of children. Children born to a married mother and father are about 80 percent less likely to be poor compared to children in single-parent homes. Yet over 40 percent of U.S. children are born outside of marriage each year.[20]

There are significant financial penalties against marriage in virtually all means-tested welfare programs. A good place to start addressing these issues is in the EITC and TANF. In the EITC, unmarried couples who cohabit receive significantly higher EITC benefits in most cases than similar married couples receive.[21] Moreover, TANF funds intended to promote healthy marriage in low-income communities have largely been used for other purposes by nearly all states.

Reforms should eliminate marriage penalties across the board in welfare programs and provide public education on the benefits of marriage. Congress should end marriage penalties in the EITC and expand the EITC for married couples. This expansion would help to decrease marriage penalties that exist across the rest of the means-tested welfare system. For TANF, Congress should require that future TANF funding be used explicitly for the program's original pro-marriage goals and that states reduce marriage penalties.

Reduce fraud and waste in the earned income tax credit (EITC) and additional child

tax credit (ACTC). Both the EITC—the nation's largest means-tested cash welfare program—and the ACTC are in need of reform. Both programs are rife with fraud and erroneous payments: In 2015, about one-quarter of all EITC payments were made improperly.[22] Non-parental family relatives are permitted under EITC law to claim EITC cash bonuses, undermining the program's goal of promoting parental work and increasing the costs borne by the taxpayers. EITC and ACTC benefits are also often "piggy-backed" on top of other means-tested welfare benefits, which can result in excessive aggregate benefits, especially if subsidized housing aid is included in the mix.[23]

Congress should address these problems through multiple EITC and ACTC reforms. In the recently enacted Tax Cut and Jobs Act, Congress took a first step toward needed reform by requiring claimants of the child tax credit to include a valid Social Security number for each qualifying child. Congress should build on this reform by requiring the IRS to verify income tax returns before issuing refundable tax credits, allowing only parents with legal custody of a child to claim benefits, and disallowing receipt of EITC and ACTC benefits by families who receive subsidized housing assistance. These reforms would boost the integrity of the EITC and ACTC programs while promoting the principle of parental work.

Increase program effectiveness by creating outcome-based funding rather than service-based funding. Around one-tenth of means-tested spending goes to programs aimed at improving individual capacities or altering behavior in a positive manner—for example, by reducing drug abuse, prison recidivism, or school failure. Decades of research has shown that most of these social service and training programs are ineffective or produce small changes at large costs. These programs should be restructured to link funding to positive outcomes achieved rather than merely services provided, and mechanisms should be established to shift funds automatically from ineffective to effective service providers. A good first step would be to put funding for Substance Abuse and Mental Health Services Administration (SAMHSA) drug treatment and anti-prison recidivism programs on a pay-for-outcome basis.

Require states to bear a greater share of the fiscal cost of the welfare state. The federal government has played the predominant role in designing and financing government-provided welfare since the 1930s. Federal expenditures accounted for about three-quarters of the more than $1.1 trillion spent in FY 2016. Moreover, most state spending occurs in a single program: Medicaid. If Medicaid is excluded from the spending count, about 85 percent of the remaining means-tested expenditures comes from federal funds.

Requiring states to have fiscal responsibility as well as operational responsibility for welfare programs would yield greater accountability, efficiency, and fiscal prudence. A first step toward this goal would be to return control of and fiscal responsibility for housing programs incrementally to the states. Housing needs, availability, and costs vary significantly across states and localities, as does the level of needed and available assistance. Yet the federal government currently pays for over 90 percent of the cost of subsidized housing for poor and low-income persons at a cost of $42 billion in FY 2016.

Congress should phase out federal funding for means-tested housing programs at a rate of 10 percent per year, reaching zero funding at the end of a decade. It should allow each state to determine how and to what extent it will replace federal housing programs with alternative programs designed and funded by state and local authorities. With the fiscal responsibility of paying for their housing programs, states will have the incentive to run them much more efficiently and effectively than is now the case.

Real welfare reform requires four key policies:

- Provide accurate information about welfare spending, benefits, and poverty as the foundation for any rational policy;
- Ensure that welfare is a work-based system, not a one-way handout;
- Ensure that the welfare state does not penalize marriage and undo the financial penalties that it imposes today on single parents who marry; and
- Pay for outcomes—not process.

Together, these policies can advance reforms to ensure that the welfare state helps rather than harms the very poor it is intended to serve.

Reforming the Farm Handout System

Daren Bakst

In 2018, Congress is expected to consider a new farm bill. The last farm bill, enacted in 2014, is set to expire. The term "farm bill" refers to omnibus legislation that covers a wide range of issues, ranging from food stamps and nutrition programs to farm subsidies and forestry. In many ways, this legislation should be called the "food stamp" bill because over 70 percent of its costs has been going to food stamps and nutrition programs.[24]

Congress should make significant changes throughout the farm bill, including in the food stamp program as discussed in the preceding section on welfare reform. This farm bill section focuses on the out-of-control farm handout system. There is arguably no greater example of cronyism than the farm subsidies that currently exist in the farm bill.

THE NEED TO REFORM THE "SAFETY NET"

The so-called safety net for farm businesses consists of Title I commodity programs (for example, the Agricultural Risk Coverage and Price Loss Coverage programs) and the federal crop insurance program, but it is far from a safety net. Instead, this taxpayer-funded system, which costs about $15 billion a year, has become a pretext for diverting taxpayer dollars primarily to large agricultural producers[25] growing a small number of crops merely to ensure that these producers meet revenue targets.

If farm businesses have record production, they can get a government handout. If the weather is perfect for growing a crop, farm businesses can still receive a government handout. The reason is simple. The existing system provides handouts regardless of whether there is any crop loss.

Underlying this problem is an anti-market sentiment that pervades the farm handout system. Even the smallest "mom-and-pop" shop must compete in the marketplace and manage ordinary business risk, but there is an assumption that farm businesses are incapable of operating like other businesses and therefore need government help. This sentiment is exemplified by a line on the U.S. Department of Agriculture (USDA) website: "Farm and Foreign Agricultural Services (FFAS) helps to keep America's farmers and ranchers in business as they face the uncertainties of weather and markets."[26]

Besides the egregious notion that the federal government must keep commercial operations in business, farm businesses should not be insulated from market forces. Such government intervention discourages farm businesses from responding to price signals, seeking private means of managing risk, innovating, or otherwise competing like other businesses.

A TALE OF TWO SAFETY NETS

Policymakers do not need to look far to see how farm assistance can be properly focused. They need only look to the U.S. itself. There are in effect two different safety nets in the U.S. The first one is the out-of-control system that covers almost all of the farm handout costs to taxpayers. This system provides duplicative handouts to farm businesses to insulate them from market forces. The second covers most agricultural production, most commodities, and most farmers. It covers a small amount of the farm subsidy costs to taxpayers and, in general, either does not provide assistance to farmers or at most provides assistance to farmers only after disasters.

A recent Congressional Research Service (CRS) report provides an extremely important picture of this two-safety-net system. According to the CRS, from 2014 to 2016, just six commodities (corn, wheat, soybeans, cotton, rice, and peanuts) received 94 percent of the farm program support but accounted for only 28 percent of farm receipts.[27] In other words, most agricultural production (about three-fourths of all production) received just 6 percent of farm program support.

Even when these other commodities do receive support, it generally is to assist with disasters and crop losses, not to protect farm businesses from dips in revenue. In contrast, most of the program support goes to commodities receiving revenue assistance and getting such improper assistance from more than one federal taxpayer-subsidized program.

IMPROPER MASSIVE WEALTH TRANSFER

Agricultural special interests want to paint a picture of the struggling farmer to generate sympathy for unwarranted and wasteful programs. Proponents of farm subsidies want to bring up the travails of the small farmer. The reality is that most taxpayers are forced to provide their hard-earned dollars to farm households that have much greater income and wealth than they have; these agricultural producers are certainly more than capable of managing risk.

A recent USDA report provides some illuminating data that show this reverse Robin Hood effect and its growing scope. According to the USDA, the median incomes in 2015 for farm households that received commodity subsidies and farm households that received crop insurance indemnities were both about $145,000: far more than double the median income of all U.S. households (about $56,000).[28] As for trends, "In 1991, half of commodity program payments went to farms operated by households with incomes over $60,717 (in constant 2015 dollars); however, in 2015, half went to households with incomes over $146,126."[29]

WHAT CONGRESS SHOULD DO

As a general matter, Congress should develop a properly focused safety net that at most protects farmers when they experience major crop losses connected to disasters. This means eliminating programs focused on revenue protection and market manipulation while maintaining programs to assist farmers after disasters. Most agricultural production already functions under such an approach; there is no reason why other commodities should not operate in a comparable system.

Taxpayers should not be on the hook for duplicative and anti-market programs that provide handouts to certain farm businesses just so they can do well financially. To move away from subsidies and develop a more properly focused safety net, Congress should:

Repeal the Agricultural Risk Coverage and Price Loss Coverage programs. In the 2014 farm bill, Congress added two major new commodity programs that assume farmers are incapable of operating in the marketplace: the Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC) programs. The ARC program provides payments when agricultural producers do not meet expected revenue targets and suffer what are known as "shallow losses" (minor losses). The PLC program provides payments to farmers when commodity prices fall below a statutorily established fixed reference price. These programs are projected to cost $31 billion over their first five years: They were originally projected to cost $18 billion.[30]

Eliminate the sugar and dairy programs. The sugar program[31] manipulates the market to reduce supply and drive up prices. As would be expected, American sugar prices are consistently higher than world prices, thereby hurting American consumers[32] and workers in industries that use sugar to manufacture goods. Congress should repeal the sugar program. Sugar should compete in a free market as other businesses do without price guarantees, supply restrictions, import quotas, and other government intervention. The dairy program also interferes in the market by guaranteeing minimum prices through marketing orders and providing payments when margins between prices and feed costs fall below certain levels.[33]

Modify the federal crop insurance program to eliminate revenue policies while maintaining yield policies. There are generally two types of policies: yield-based and revenue-based. A yield-based policy protects farmers from yields that are lower than expected due to events like weather and disease that are beyond their control. Revenue-based policies are more popular than yield-based policies because they do not even require yield losses. A revenue-based policy protects against dips in expected revenue due to low prices, low yields, or both. These revenue policies are relatively new, having been initiated in 1997, but have been more popular than yield policies since 2003. The federal government should not be in the business of insuring prices or revenues; agricultural producers, like other businesses, should not be insulated from market forces and assured of financial success. Yield policies should provide protection exclusively for major crop losses.[34]

Separate food stamps from agricultural programs. For decades, Congress has passed farm bills by combining food stamps with agricultural programs. This alliance has existed entirely for political purposes to help secure enactment of legislation. The presumption is that rural legislators will push for farm subsidies and urban legislators will push for food stamps. Separation is the prerequisite for real reform of agricultural policy because, like food stamps, agricultural policy needs to be addressed on its own merits. Congress should consider food stamps and agricultural programs in two separate bills and should authorize the programs according to staggered schedules so that there is no potential for overlap in the future.

PLACING OUR FAITH IN FARMERS AND FREEDOM

Existing farm policy insults farmers and ranchers by treating many of them as incapable of operating in the marketplace as all other businesses, including most agricultural producers, operate. This anti-market mindset is extreme but unfortunately entrenched in the existing farm safety net system. Congress and the Administration should pursue a 2018 legislative agenda in farm policy that places faith in farmers and freedom, not in government officials and centralized federal control. Through reduced dependence on taxpayer handouts, agricultural producers will better respond to consumer demand and more freely compete in the agricultural marketplace.

CONCLUSION

As Congress and the Administration pursue a 2018 legislative agenda on infrastructure investment, welfare reform, and the farm bill, lawmakers should exercise care not to expand the federal size and scope of programs and activities before first tackling long-standing challenges posed by these areas of federal policy.

- An effective, pro-growth infrastructure agenda should focus on reducing federal barriers to private, state, and local investment and resist the urge to increase federal spending or create new federal programs.
- A person-driven welfare reform agenda should remove barriers to marriage and work and should properly account for and accurately measure the myriad welfare programs operated by the federal government in conjunction with state and local governments.
- A more properly focused farm safety net should protect farmers when, at most, they experience major crop losses connected to disasters and should discontinue funding for duplicative and anti-market programs that provide unfair handouts to certain farm businesses.

Members of Congress should tackle this challenge with prudence and not lose sight of their mandate to support and defend the Constitution of the United States of America.

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CHAPTER THREE

Fix the Broken Budget Process

Romina Boccia and Justin Bogie

BUDGET PROCESS REFORMS

The budget process provides the framework for the regular and orderly debate of fiscal issues with the goal of guiding legislative action. It determines the steps that are necessary for adopting a budget and for adopting or changing legislation. A properly functioning budget process should encourage debate on fiscal issues and set in motion negotiations over the trade-offs and considerations involved in congressional spending and taxing.

Regular order is the key to a properly functioning budget process. It provides a critically important procedure to ensure time for thorough debate and oversight of government priorities. Regular order follows a clear timeline laid out by the Congressional Budget and Impoundment Control Act of 1974 (1974 Budget Act). By the first Monday in February of each year, the President is to submit his budget to Congress. By February 15, the Congressional Budget Office (CBO) issues its *Budget and Economic Outlook* report for the upcoming decade, and the budget committees then rely on this report as a starting point for crafting the House and Senate budget resolutions. These resolutions then begin to move in the House and Senate, and Congress is required to complete consideration of the budget by April 15.

Once both chambers of Congress have agreed on the budget, appropriations activities officially begin. The budget is important to this process because it sets the topline spending figures for the upcoming fiscal year. Under regular order, the House is expected to have completed all floor action on appropriations bills by June 30. That leaves three months for the Senate to complete action and for the bills to be reconciled and then signed by the President before the beginning of the fiscal year.

Throughout the year, Congress should also be actively engaged in authorization legislation. Most federal programs are authorized initially for a limited number of years, and it is up to Congress to reauthorize them if it determines that they should continue to be federal priorities. The authorization process provides another opportunity for debate and oversight and is a key component of regular order.

That is how the process is *supposed* to work. However, the budget process is broken. Instead of engaging in open debate and the timely processing of legislation, Congress has ignored budget rules and deadlines, morphing the budget process into ad hoc funding decisions in response to self-imposed crises. This has led to an ongoing cycle of continuing resolutions and omnibus appropriations bills that lack accountability and fail to provide sufficient oversight of agency budgets and activities. This allows for unchecked spending and encourages the unfettered growth of federal government programs.

Moreover, for too many years, congressional budgets have served as party platforms without implementing legislation, rendering legislative goals to balance the budget mere wishful thinking that does not ultimately translate into action. Lawmakers will claim credit for passing a budget that balances but will not follow through with legislation to bring actual spending in line with the budget resolution. The budget resolution has become all but a sham.

The budget process should serve its original intent of driving congressional decision-making toward the achievement of fiscal sustainability. Congress should adopt several key reforms both to enhance budget discipline and to increase transparency and accountability in congressional budgeting. Specifically, Congress should:

Enact a statutory spending cap enforced by sequestration. Congress should enforce fiscal discipline with spending caps. Spending caps motivate Congress to prioritize among competing demands for resources. Designed properly, spending caps can help to curb excessive long-term spending growth. Congress should adopt a statutory spending cap that encompasses all non-interest outlays and achieves budget balance—given current projections about the economy, revenues, and interest costs—by the end of the decade or before.

Spending-cap enforcement by sequestration promises to spur negotiations to avoid automatic spending reductions in favor of a more deliberate approach. In the absence of legislative agreement, sequestration ensures that reductions in spending take place regardless of the adoption of targeted reforms. This process should spur fiscal reforms to limit the growth of government and achieve budget balance.

Once the budget balances, spending should be capped at a level that maintains balance, allowing for certain annual adjustments. In the long run, during periods of normal economic activity and absent exigent national security demands, the spending cap should grow no faster than the U.S. population and inflation. The cap should bind more stringently when debt or deficits exceed specific targets.

Move toward a balanced budget amendment. One limitation of the value of a statutory law imposing an aggregate cap on non-interest spending is that a future Congress can amend the law. Deficit spending almost always favors the current generation over future generations, who must pay for the deficit spending of today. Ultimately, therefore, a balanced budget amendment will be necessary to constrain future attempts to eliminate the spending cap and abandon fiscal discipline.

The balanced budget amendment is not a mechanism for achieving balance and should not be viewed by Congress either as a substitute for necessary reforms in federal programs or as an excuse to avoid the tough decisions that are necessary to balance the budget. Rather, a balanced budget amendment should be used to guarantee that the hard work of reforming programs cannot be easily undone in the future.

A balanced budget amendment to the U.S. Constitution is important because it can help to enshrine fiscal responsibility over the long term and secure America's fiscal future. Lawmakers should not raise taxes to continue overspending, because tax hikes shrink the economy, expand government, and reduce people's ability to spend their own money as they see fit. Lawmakers should not borrow more to continue overspending, because borrowing puts an enormous financial burden on younger generations and encourages the unchecked expansion of the federal government's size and scope. Americans need their government to spend *less* because less government spending will advance the interests of the American people by encouraging limited government, individual freedom, civil society, and free enterprise.

A balanced budget amendment should control spending, taxation, and borrowing; ensure the defense of America; and enforce the requirement to balance the budget. The ratification process may take time: The fastest ratification took less than four months (the Twenty-Sixth Amendment on the voting age of 18), and the slowest took 202 years (the Twenty-Seventh Amendment on congressional pay raises). Thus, House and Senate passage of a balanced budget amendment must be in addition to, not an excuse to avoid, current hard work to cap and cut federal spending, balance the federal budget through fiscal discipline, and avoid excessive taxation.

Eliminate the use of CHIMPs to evade discretionary spending limits. In an effort to circumvent discretionary spending limits, appropriations bills often include provisions that reduce mandatory budget authority without actually reducing spending. These provisions are called changes in mandatory programs (CHIMPs). They typically affect situations in which an agency has been granted spending authority, but because there are few recipients for the program, no spending would take place. Including these provisions in appropriations bills allows Congress to redistribute the spending authority to programs that will spend money, thereby increasing actual spending. When used in this way, these provisions are budget gimmicks that allow Congress to evade limits on discretionary spending.

Claiming false savings reduces accountability and transparency in congressional budgeting and drives up deficit spending. The fiscal year (FY) 2017

Omnibus Appropriations Act contained over $20 billion in CHIMP savings, only about $1 billion of which generated actual outlay savings. The FY 2016 Conference Budget Resolution took a first step in limiting false CHIMP savings by placing a limit on the amount that could be used through 2019 and then phasing out such CHIMPs entirely. However, budget resolutions are not binding, and instead of sticking to the proposal laid out in the 2016 resolution, the FY 2018 Conferenced Budget Resolution simply extended the cap for an additional year.

Regardless of whether a cap is in place, Congress can waive a CHIMP budget point of order through a simple majority vote in the House and a three-fifths vote in the Senate. Congress and the Administration should enact legislation immediately that permanently eliminates the use of CHIMPS that generate no real budgetary savings. Such CHIMPs are budget gimmicks that allow unchecked growth in government spending.

Discontinue spending on unauthorized appropriations. House and Senate rules require that an authorization for a federal activity must precede the appropriation that allows agencies to obligate federal funds for that activity. When appropriation bills provide new budget authority for activities whose statutory authorization (the legal authority for the program to continue) has expired, or that were never previously authorized, this is known as an unauthorized appropriation. In FY 2016, lawmakers appropriated about $310 billion for programs and activities whose authorizations of appropriations had expired.[1] For FY 2018, the CBO estimates that $713 billion in appropriations has already expired or will expire before the end of the year.[2] This practice is a violation of congressional rules and evades prudent deliberation of federal funding priorities.

Lawmakers should discontinue funding for unauthorized appropriations, as such funding evades the careful congressional scrutiny and oversight of programs required by the authorization process. Congress should authorize only programs that represent federal constitutional priorities and should eliminate funding for activities that the federal government should not undertake. The authorization process helps Congress to identify the programs that deserve renewed federal funding and those that should be eliminated or reformed.

In an effort to return to authorizing federal activities on a regular schedule, Congress should reduce the discretionary spending limits provided by the Budget Control Act of 2011 by the amount of current unauthorized appropriations. Congress should then provide for a cap adjustment of up to 90 percent of the previous year's funding level if the program is reauthorized. Instead of cutting reauthorizations across the board, Congress may prioritize among reauthorizations as it deems appropriate. If adopted, this policy would discourage Congress from appropriating money for unauthorized programs, since Congress would be forced to cut funding for authorized programs to provide an appropriation for an unauthorized program.

Modify scorekeeping rules for trust funds. Under current scorekeeping rules, it is assumed that benefits that derive their spending authority from federal trust funds, such as Social Security and Medicare Part A, will continue to be paid at the scheduled rate, regardless of the ability of the trust funds to pay them. This practice is inconsistent with most other areas of the federal budget, where budget rules show what will happen when current policies expire. Instead, for trust funds, the baseline assumes that lawmakers will make changes (that is, transfer additional funds to shore up insolvent programs) so that future benefits can be paid in full. Current scorekeeping practices allow these transfers into trust funds to be made without being scored as a spending increase.

The current scorekeeping rules reduce the perceived severity of the impending insolvencies that the Social Security and Medicare trust funds are facing. By assuming that these benefits will continue to be paid in full, current rules ignore the fact that at some point in the not-too-distant future, these trust funds will face an imbalance that will require cuts in benefit payments or tax increases or both.

Moreover, current scorekeeping conventions allow Congress to double-count savings. For example, when the Affordable Care Act was passed in 2010, it was estimated that a reduction of payment levels to Medicare Part A and Part B would save over $575 billion and help offset the costs of the bill. However, under current scorekeeping practices, these savings were also scored as extending the life of the Medicare Hospital Insurance Trust Fund by an additional 12 years. The same savings were being used simultaneously to pay for a new entitlement program (Obamacare) and to increase the life span of the Medicare program and thus were being double-counted.

If Congress wishes to infuse additional funds into the trust funds, the scorekeeping rules should reflect the full costs of doing so, and Congress should fully pay for those costs by making other spending cuts to prevent further increasing the already ballooning federal debt. Congress should act immediately to repair this scorekeeping convention.

Modify scorekeeping rules to account for the interest costs of legislation. Congress should update current scorekeeping rules so that interest costs are incorporated into CBO analysis of all legislation. Under current practices, these costs are not reported unless a Member of Congress submits a separate request to the CBO.

By failing to account for changes in interest costs, current scorekeeping conventions are creating a discrepancy between the true costs of legislation and what is being reported in CBO estimates. This could result in Members of Congress having an incomplete picture of the costs of a bill, which in turn could distort decision-making in favor of greater spending and debt accumulation than might otherwise be the case.[3] It also encourages the use of other budget gimmicks that spend more immediately by relying on savings that materialize over the 10-year budget window without accounting for the interest costs of the immediate spending.

Congress should require that any cost estimates produced by the CBO or the Joint Committee on Taxation (JCT) must include estimates of the debt-service impact. Not including the interest costs of legislation being considered by Congress diminishes the magnitude of the fiscal impact at stake and presents an inaccurate accounting of the true costs.

Put the GSEs on budget—toward their elimination. Until their elimination, putting government-sponsored enterprises (GSEs) on budget immediately to account for the risks that taxpayers face—and bailouts that they fund—from Fannie Mae's and Freddie Mac's involvement in the mortgage market is an important first step. The federal budget should reflect the net impacts of the programs administered by Fannie Mae and Freddie Mac.

The President's Office of Management and Budget (OMB) treats the GSEs as off-budget entities because it considers them separate private entities under *temporary* federal conservatorship. According to the 1967 Commission on Budget Concepts, inclusion of an entity's assets and liabilities in the federal budget depends on three basic factors: ownership, control, and permanence. The Treasury has largely owned and controlled the GSEs since taking Fannie Mae and Freddie Mac under conservatorship in 2008 after the market crash. This arrangement will continue for the indefinite future, as the agreement lacks an exit clause beyond the vague guidance that "[t]he conservatorship will end when the [Federal Housing Finance Agency] finds that a safe and solvent condition has been restored."[4]

The most likely scenario suggests that Fannie and Freddie will remain under government control until Congress changes their status. Therefore, the arrangement between Treasury and the GSEs should be considered permanent for budgetary purposes.

Putting the GSEs on budget would enhance budgetary accountability and transparency by eliminating the billions of dollars in seeming windfall payments that the Treasury is receiving from Fannie Mae and Freddie Mac and by confronting Congress with the risks of default of GSE-backed loans. Given the GSEs' current treatment, any profits are counted as offsetting receipts and reduce the reported budget deficit, while any estimated losses are ignored. This encourages higher spending. Establishing the GSEs as on-budget entities would subject them to the Federal Credit Reform Act of 1990, as is the case with most other federal credit programs.

Use fair-value accounting for federal credit programs. Congress should update the budgetary accounting for federal credit programs, governed by the Federal Credit Reform Act (FCRA) of 1990, to incorporate market risk. The FCRA specifies that the estimated net costs of federal credit programs on an accrual basis, rather than the annual cash flows that happen during the period of a loan term, must be used for scorekeeping purposes. For loans for which the government expects to incur a loss, scorekeepers calculate a subsidy cost to identify the budgetary impact. Conversely, programs that are expected to incur a gain for the government offset other spending.

How the government estimates whether it will incur a loss or a gain from a certain federal credit program matters. Currently, the government assumes that federal credit programs are just as safe and reliable as the payout on U.S. Treasury bonds. This underestimates the real market risk associated with certain loans, which is especially true and worrying during economic downturns. The fact that private firms and individuals seek loans and loan guarantees from the government demonstrates that they face higher capital costs in private markets due to the risk involved in some of their endeavors. Taxpayers should not be on the hook for private borrowing, but as long as they are, the federal government should at least account for such borrowing accurately.

Congress should adopt fair-value accounting to increase transparency and accountability in the congressional budget. Fair-value accounting more accurately confronts Congress with the risks it assumes and the subsidies it provides through credit programs. This information is crucial for lawmakers when considering whether a certain program is in the public's interest. Since incorporating market risk in estimates of federal credit programs' budgetary impact would increase reported spending, Congress may adjust the Budget Control Act's discretionary spending cap to reflect the cost of federal credit programs to taxpayers more accurately without necessitating additional cuts in spending.

Exempt conference reports from the Byrd Rule. The basic premise of the Byrd Rule is that it protects the minority party by making it harder to add items that are not budget-related to reconciliation legislation that requires only a simple majority vote for passage. Under current Senate rules, both reconciliation legislation bills originating in the Senate and conference reports (the final legislation produced during the merging of the individual House and Senate-passed bills by the conference committee) are subject to the provisions of the Byrd Rule. This was not always the case. From the time of its creation in 1985 up until 1993, the rule was generally applied only to Senate reconciliation bills and not to conference reports between the two chambers. The Byrd Rule was modified significantly by the Omnibus Reconciliation Act of 1990, and the Senate leadership initiated strict application of the Byrd Rule to conference reports in 1993. This led to the striking of more than 150 provisions from the Omnibus Budget and Reconciliation Act of 1993.[5]

The application of the Byrd Rule to conference reports has led to much frustration, especially among House members. While the rule is important in protecting the Senate's super-majoritarian norms and deliberate nature,[6] it should not limit the legislative scope and ability of the House. Excluding conference reports from the Byrd Rule might also alleviate pressure for the Senate to invoke the so-called nuclear option that would eliminate the filibuster altogether and allow any legislation to pass with a simple majority.

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

The JCT and OMB can also begin reporting a second list of tax expenditures using a consumption baseline without legislative action. The 1974 act does not preclude producing an additional, parallel accounting of expenditures. Under President George W. Bush, the OMB set a precedent for such analysis by publishing a second list of tax expenditures and a discussion of the difference between official lists and those measured from a comprehensive consumption base.[7] Both the JCT and the OMB should refresh this analysis to provide a more comprehensive look at true privileges in the tax code.

A FIRST STEP

The nearly complete breakdown of regular order in congressional budgeting at a time when fiscal discipline should be more important than ever and as automatic spending on entitlement programs threatens to overwhelm the federal budget and the U.S. economy shows the need for a fundamental reform of the budget process. Congress can begin this important journey toward a regular and deliberate budgetary order and greater fiscal discipline by implementing a few key reforms right away:

- A spending cap limiting the federal budget, enforced by sequestration;
- A balanced budget amendment;
- Elimination of unauthorized appropriations;
- Elimination of changes in mandatory programs as budget gimmicks;
- Revision of current scorekeeping rules to account for the true costs of trust fund transfers and interest costs of legislation;

- Adoption of more accurate accounting for federal credit programs, including for student loans and the operations of Fannie Mae and Freddie Mac;

- Exemption of conference reports from the Senate Byrd rule; and

- Redefinition of tax expenditures using a consumption baseline.

ENDNOTES

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2. Congressional Budget Office, *Expired and Expiring Authorizations of Appropriations*, January 2018, p. 4, https://www.cbo.gov/sites/default/files/115th-congress-2017-2018/reports/53444-eeaa-house.pdf (accessed February 5, 2018). Based on data in ibid., p. 2, Table 1, "Summary of Authorizations of Appropriations Expiring on or Before September 30, 2018, by House Authorizing Committee"; p. 3, Table 2, "Summary of Authorizations of Appropriations Expiring on or Before September 30, 2018, by Senate Authorizing Committee"; and p. 4, Table 3, "Summary of Authorizations of Appropriations Expiring on or Before September 30, 2018, by Appropriations Subcommittee."
3. Romina Boccia, "Improving Accuracy in Congressional Scorekeeping," Heritage Foundation *Backgrounder* No. 3153, September 8, 2016, http://www.heritage.org/budget-and-spending/report/improving-accuracy-congressional-scorekeeping (accessed January 8, 2018).
4. Mark Jickling, "Fannie Mae and Freddie Mac in Conservatorship," Congressional Research Service *Report for Congress*, September 15, 2008, p. 3, http://research.policyarchive.org/18785.pdf (accessed January 30, 2018).
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CHAPTER FOUR

Reduce Spending Through the Tax Code

Adam N. Michel

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

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

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

NOT ALL TAX EXPENDITURES ARE CREATED EQUAL

The concept of spending through the tax code walks a fine line that must distinguish a taxpayer's retention of his or her own money with an actual government expenditure of someone else's money. All analysis of tax expenditures, taken to its extreme, wrongly assumes that the government is entitled to spend the entirety of some arbitrarily defined tax base. However, narrowly tailored tax expenditures, which bestow concentrated benefits on select recipients, should be avoided in favor of better designed tax policy with well-defined rules broadly applied.

Further complicating the analysis of spending through the tax code, the current baseline for measuring tax expenditures as defined by the Joint Committee on Taxation and the Office of Management and Budget rests on an inconsistent definition of income, rendering tax expenditure analysis entirely subjective and unreliable. The government calculation of tax expenditures is misleading because it attempts to describe two separate phenomena. Many tax expenditures work to decrease harmful economic distortions by limiting some forms of double taxation that are built into the income tax system. True spending in the tax code (a subset of tax expenditures) is special-interest carve-outs, granting privileges to some at the expense of others.[1] Lawmakers should not confuse the two.

TABLE 1

Tax Credits Suggested for Repeal

Tax Credit	10–Year Cost, in Millions
American opportunity tax credit and lifetime learning credit	$182,385
Research and development tax credit	155,007
Low-income housing tax credit	89,298
Tax credit for orphan drug research	78,822
Energy production credit	38,097
Biodiesel credit	35,250
Credit for paid family and medical leave	25,589
Investment tax credit for energy	24,587
Credit for residential energy efficient property	19,436
Opportunity zones tax credit	16,000
New markets tax credit	13,176
Credit for employer FICA taxes on employee cash tips	12,753
Credits for clean-fuel burning vehicles and refueling property	9,415
Credit for nonbusiness energy properties	5,893
Credit for rehabilitation of historic structures	5,112
Credit for production from advanced nuclear power facilities	4,509
Enhanced oil recovery credit	4,194
Work opportunity tax credit	3,546
New energy efficient home credit	3,313
Empowerment zone tax incentives	3,208
Tax credit for certain railroad track maintenance	2,165
Credit for producing oil and gas from marginal wells	1,134
Indian employment tax credit	818
Credit for investment in clean coal facilities	747
Alcohol fuels credit	300
Disabled access credit	90
Credit for employer-provided child care	90
Total	**$ 734,934**

NOTE: The 10–year period is from 2019 to 2028.
SOURCE: Author's calculations using the President's 2018 budget, Joint Committee on Taxation reports, and Congressional Budget Office alternative fiscal scenario. See Chapter 4, footnote 2, for details.

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TAX CREDITS

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

As a policy tool, tax credits are poorly designed incentives; they introduce unnecessary complexity and ambiguity to the tax code and often poorly target the desired activity. Policymakers do no service to various technologies and companies by subsidizing them. Tax credits for a specific resource, technology, or narrowly described activity manipulate private-sector investment based on political agendas rather than market realities and create competition for subsidies rather than competitive companies.

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

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

TAX CREDITS TO REPEAL

The tax code contains a long list of tax credits, not all of which should be eliminated. For example, the credit for taxes paid to foreign governments on personal income earned overseas should be retained; it protects U.S. citizens from double taxation under our worldwide tax system and is a desirable feature of the tax code. Alternatively, Congress should eliminate the taxation of American citizens' worldwide income and tax only income that is earned in the United States.

With a few exceptions, however, the vast majority of tax credits are narrowly targeted subsidies and should be repealed. The *Blueprint for Balance* recommends repealing the full list of credits in Table 1, totaling $735 billion over 10 years.[2] Each is subject to a variety of specific policy critiques and the more broadly applicable critique that the tax code is not the appropriate tool for distributing subsidies even if they have political or economic benefits. The following sections highlight four major categories of spending in the tax code, followed by a full list of recommended credits for repeal and their estimated cost.

Category 1: Repeal Tax Credits for Energy and Environment

RECOMMENDATION

Repeal all 12 tax credits pertaining to energy production and the environment. This proposal would allow Congress to lower taxes by $147 billion over 10 years.

RATIONALE

Handouts to the energy industry carry a significant hidden cost to American taxpayers beyond lost revenue. Currently, 12 distinct tax credits for specific energy resources and technologies manipulate private-sector investment based on political agendas rather than market realities.

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

Business models built around taxpayer-funded subsidies also distort the incentive that drives innovation. Preferential tax treatment reduces the necessity for an industry to make its technology cost-competitive, because the tax credit shields a company from recognizing the actual price at which its technology is economically viable.

Moreover, targeted tax credits give one technology a government-created price advantage over an unsubsidized competing technology. Companies that do not receive any preferential treatment consequently will lobby for it, demanding a level playing field. The end result is a hodgepodge of tax credits that benefit select technologies that Members of Congress support because supporting them benefits their districts or states. The only way to achieve a truly level playing field is by eliminating all sources of subsidies for all forms of energy.

ADDITIONAL READING

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

Category 2: Repeal the Research and Development Tax Credit

RECOMMENDATION

Repeal the research and development tax credit. This proposal would allow Congress to lower taxes by $155 billion over 10 years.

RATIONALE

Capital investments, including research and innovation, are important for a flourishing economy, and tax policy should establish a framework in which such investment is not discouraged. However, tax expenditures should aim to promote neutrality rather than, by their design, give some firms or sectors an advantage over others.

The research credit permits a tax credit of up to 20 percent of qualified research expenditures in excess of a base amount and has a small and uncertain ability to increase private research spending, amounting to a dollar-for-dollar increase in private R&D for each dollar of tax subsidy. Government-incentivized research does not significantly increase measures of innovation and may even reduce the quality of research.[3] Low-quality research stems from imprecise definitions of qualified research set by bureaucrats in Washington. It is nearly impossible for governments to target socially beneficial R&D successfully: The best mechanism for development of cutting-edge technologies is the free market, not government bureaucrats.

Because the credit cannot be precisely defined, businesses are incentivized to spend large amounts of time and money lobbying Congress and tax regulators to ensure that the credit is tailored to suit their specific interests. Taxpayers claiming the credit and administrators enforcing it spend large amounts of time and money trying to interpret, litigate, and follow the law. The complex rules and formulas are used chiefly by the largest corporations, leaving smaller competitors at a disadvantage.[4] A better and more neutral way to encourage innovative business investment is to allow all businesses to expense all of their expenditures.

ADDITIONAL READING

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

Category 3: Repeal the Tax Credit for Low-Income Housing

RECOMMENDATION

Repeal the Low-Income Housing Tax Credit. This proposal would allow Congress to lower taxes by $89 billion over 10 years.

RATIONALE

The Low-Income Housing Credit Program (LIHCP) is intended to encourage the provision of low-income rental housing. It achieves its goal poorly and primarily benefits special-interest groups and investors.[5]

Taxpayers making equity investments in eligible housing projects that offer low-income housing can access a tax credit for a 10-year period. The annual credit is 4 percent of the project cost (a 30 percent subsidy) for projects using tax-exempt bonds and 9 percent for other projects (a 70 percent subsidy). More than two-thirds of the subsidy is captured by investors and parties other than low-income tenants.[6]

The LIHCP is a complex system that requires developers to expend a considerable amount of energy in order to adhere to all of its construction, occupancy, and administrative rules and regulations. LIHCP projects cost 20 percent more per square foot than medium-quality market housing projects and are less cost-effective than other direct subsidy programs.[7] The program is widely abused by tenants occupying housing for which they are not eligible, by developers who inflate their costs to receive excess tax credits, and by government officials using their discretionary powers to award credits for personal gain.

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

ADDITIONAL READING

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

Category 4: Repeal Tax Credits for Higher Education

RECOMMENDATION

Repeal the American opportunity and lifetime learning tax credits. This proposal would allow Congress to lower taxes by $182 billion over 10 years.

RATIONALE

The American opportunity tax credit (AOTC) and lifetime learning credit (LLC) are subsidies for higher education tuition and other qualifying expenses. Federal policy should not subsidize any one post-secondary education or training option.

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

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

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

ADDITIONAL READING

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

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2. Author's calculations based on expenditure reports from the President's 2018 budget, various JCT reports, and CBO alternative fiscal scenario revenue projections. Credit values from before TCJA reduced by 10 percent, however the economics of each individual credit, and how they interact with one another, will vary significantly. Office of Management and Budget, "Analytical Perspectives: Tax Expenditures," Fiscal Year 2019, https://www.whitehouse.gov/wp-content/uploads/2018/02/ap_13_expenditures-fy2019.pdf (accessed May 3, 2018); Joint Committee on Taxation, various reports (JCX-3-17, JCX-67-17, JCX-46-17, JCX-4-18, https://www.jct.gov/publications.html (accessed May 3, 2018); Congressional Budget Office, "Revenue Projections, by Category," April 2018, https://www.cbo.gov/sites/default/files/recurringdata/51138-2018-04-revenueprojections.xlsx, (accessed May 3, 2018).
3. Christof Ernst, Katharina Richter, and Nadine Riedel, "Corporate Taxation and the Quality of Research and Development," FZID *Discussion Paper* No. 66-2013, University of Hohenheim, Center for Research on Innovation and Services, 2013, https://www.econstor.eu/bitstream/10419/69739/1/736810501.pdf (accessed April 27, 2018).
4. Jason J. Fichtner and Adam N. Michel, "Can a Research and Development Tax Credit Be Properly Designed for Economic Efficiency?" Mercatus Center at George Mason University, *Mercatus Research*, July 2015, https://www.mercatus.org/system/files/Fichtner-R-D-Tax-Credit.pdf (accessed April 27, 2018).
5. Chris Edwards and Vanessa Brown Calder, "Low-Income Housing Tax Credit: Costly, Complex, and Corruption-Prone," Cato Institute *Tax and Budget Bulletin* No. 79, November 13, 2017, https://www.cato.org/publications/tax-budget-bulletin/low-income-housing-tax-credit-costly-complex-corruption-prone (accessed April 27, 2018).
6. Ed Olsen, "Does Housing Affordability Argue for Subsidizing the Construction of Tax Credit Projects?" March 24, 2017, revised July 26, 2017, prepared for presentation at a conference on housing affordability at the American Enterprise Institute, April 6, 2017, http://eoolsen.weebly.com/uploads/7/7/9/6/7796901/olsenaeihousingaffordabilityconferencepanel12rev.pdf (accessed April 27, 2018).
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CHAPTER FIVE

Cut and Cap Spending to Avert a Fiscal Crisis

Former Texas Senator Phil Gramm used to say that "the rules of the game often dictate policy outcomes." He was spot on. In particular, the congressional budget process rules have a big impact on how much the federal government spends and borrows. They explain in large part why deficit spending has become the norm in Washington for four decades.

This document by my colleagues at Heritage lays out a new budget framework to limit the size and scope of government—and to limit its borrowing and taxing authorities. This game plan is a must-read for Members of Congress and policymakers who care about our nation's fiscal future.

Right now, that fiscal future is somewhat bleak. If left on automatic pilot, the debt burden will double in 25 years to 150 percent of our national output. We will be in Greece, Puerto Rico, and Detroit territory. There are two ways to avert that frightening scenario. First, we have to grow the economy faster to generate more revenues by putting more people in jobs; second, we need fiscal controls, which is what this document is all about.

We have learned in recent years that changing the budget rules can positively alter the course of our fiscal outlook. George W. Bush's last year in office and Barack Obama's first two years were catastrophic for spending and debt. Bailouts, stimulus plans, tax rebates, Obamacare, welfare expansions, and the rest sent the level of federal borrowing into the stratosphere with three years in a row of trillion dollar–plus deficits.

What set the government on a saner and more sustainable financial path was the Budget Control Act (BCA) of 2011. That law established budget caps on discretionary domestic and defense spending (but not entitlements) and sequester spending cuts if those caps were exceeded. The BCA became one of the most successful anti-spending policies of modern times, and it helped to bring the spending blitz during Barack Obama's first two years in office to a screeching halt. After the budget caps were installed, federal spending fell for three years in a row—the first time that had happened since the 1950s despite the most liberal, pro-spending President since Lyndon Johnson. Even the much-maligned sequester cuts of 2013 had a positive effect in cutting government domestic and defense spending by 3 percent or 4 percent across the board. Most Americans hardly noticed these modest cuts.

If we examine what has happened to discretionary spending, there has been very little growth for six years. In real terms, these budgets have actually fallen slightly. Alas, however, the runaway entitlements have caused government to continue to grow.

Now for the bad news: Those caps are under assault. Both Republicans and Democrats agreed to bust the caps by nearly $300 billion over the next two years.

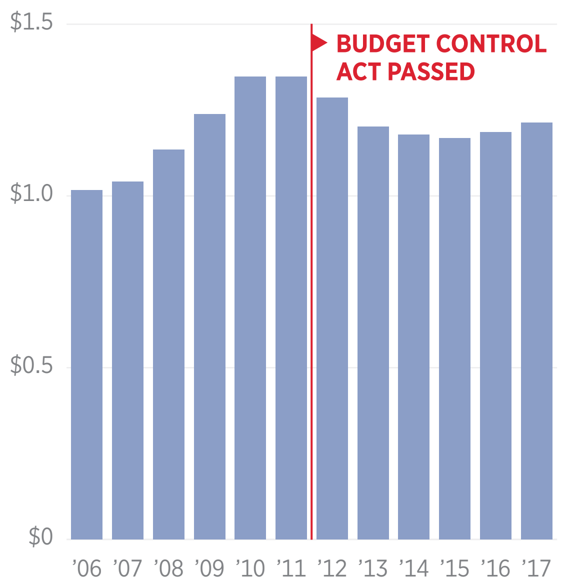
There has always been a bipartisan urge on Capitol Hill to play Santa Claus, and no more so than now. Republicans complain of the Pentagon cuts, and Democrats object to the domestic-agency reductions. So the disastrous compromise is to spend nearly $150 billion on *both*.

We are back to the Wild West of spending. The debt will accelerate if there are no spending guardrails. To

CHART 1

Budget Control Act Cut Discretionary Spending

TOTAL DISCRETIONARY OUTLAYS, IN TRILLIONS OF DOLLARS



SOURCE: Office of Management and Budget, *Historical Tables*, https://www.whitehouse.gov/omb/historical-tables/ (accessed May 21, 2018).

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borrow a phrase from P. J. O'Rourke, eliminating spending caps is about as wise as handing a teenager the car keys and a bottle of booze.

At a minimum, therefore, the BCA caps and sequesters need to be retained. They also need to be fixed. Four sensible changes would improve and modernize the law:

- **Remove the defense–nondefense "firewall."** If Congress removes the firewall between defense and nondefense spending and imposes one overall cap, lawmakers will have more flexibility in staying under the cap each year.

- **Repeal sequestration exemptions.** If a sequester kicks in, cuts should apply equally to all programs, including Medicaid, Medicare, and food stamps. This would spread the pain more equally if sequester cuts are necessary.

- **Prohibit gimmicks like "emergency" spending exemptions to breach the caps.** This year, Congress has approved roughly $50 billion for hurricane relief with no cuts in other programs to offset the cost. The Overseas Contingency Operation also has been used as a slush fund to spend an extra half-trillion dollars on the military. This should stop immediately.

- **Establish a global federal spending cap of 2.5 percent growth annually for all programs, excluding interest on the debt.** If some programs, such as Medicare, grow by more than 2.5 percent, other programs will have to grow by less than that amount. This cap would be above the expected rate of inflation for the next decade but would put pressure on Congress to restrain entitlement spending. If Congress exceeds these caps, the sequester should apply to all non–Social Security payments. This spending cap plus 3 percent growth in the economy would produce a balanced budget after 10 years.

It is also time to completely rewrite and modernize the Congressional Budget Impoundment and Control Act of 1974 (1974 Budget Act), which for four decades has tilted the budget process toward exponential growth in spending and trillions of dollars of deficits. This book explains how to do that.

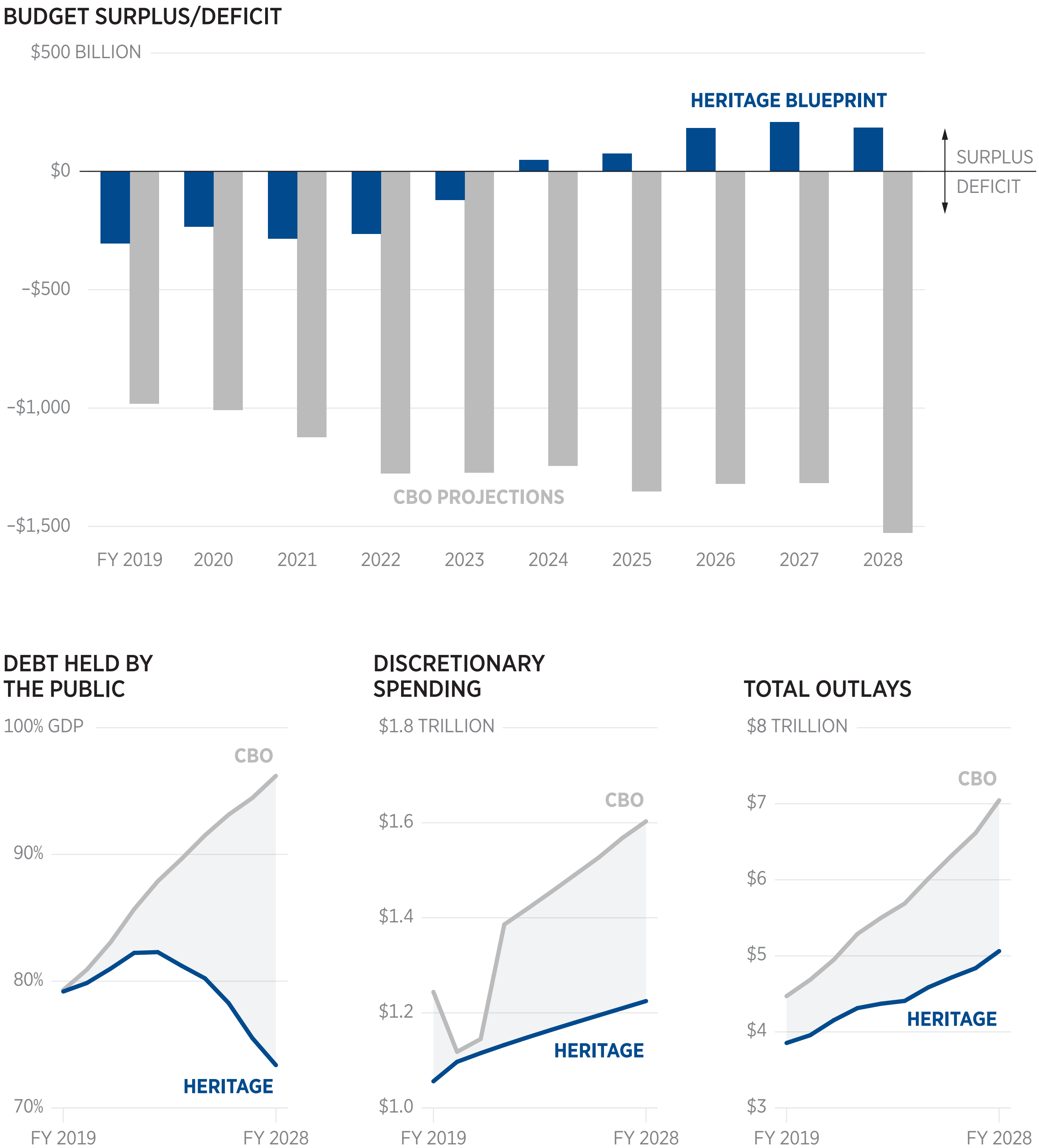
Too many in Congress today want to be unleashed from the BCA spending limits while hypocritically bemoaning our $20 trillion national debt. They want to replace the caps with…nothing. We seem to be in a mad race to get to $30 trillion of debt and, as Buzz Lightyear would say, "to infinity and beyond."

That's a road to economic ruin, but it isn't our destiny. Everyone in Washington loves to pontificate about helping our children and future generations. The best way to do that is to grow the economy faster and the federal budget and debt slower. It's not that hard.

Stephen Moore
Distinguished Visiting Fellow,
Project for Economic Growth
Institute for Economic Freedom
The Heritage Foundation
April 2018

CHART 2

Heritage Blueprint Would Save Billions Compared to CBO Projections



SOURCES: Congressional Budget Office, "The Budget and Economic Outlook: 2018 to 2028," April 9, 2018, https://www.cbo.gov/publication/53651 (accessed May 15, 2018), and Heritage Foundation calculations.

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

$2.6
SAVINGS IN MILLIONS[1]

PRESIDENT	HOUSE	SENATE	RSC

Repeal the USDA's Catfish Inspection Program

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

The USDA catfish inspection program would also have serious trade implications. Foreign countries that want to export catfish to the U.S. would need to establish a new regulatory system equivalent to the USDA program. This approval process could take years. Catfish-exporting countries would likely retaliate with and win trade disputes, since the program would be an unjustified trade barrier. The retaliation would likely be against industries other than the catfish industry, such as milk producers or meat packers. American consumers would also suffer, as this program would reduce competition.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	Eliminates program and moves inspection back to FDA.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Repeals program.

$754
SAVINGS IN MILLIONS[3]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the USDA's Conservation Technical Assistance Program

The USDA's Natural Resources Conservation Service runs this costly program that offers landowners technical assistance on natural resource management. This assistance includes help in maintaining private lands, complying with laws, enhancing recreational activities, and improving the aesthetic character of private land. Private landowners are the best stewards of a given property and, if necessary, can seek private solutions to conservation challenges.

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

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Significantly reduces program.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates program.

$497
SAVINGS IN MILLIONS[4]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the USDA's Rural Business Cooperative Service

The RBCS maintains a wide range of financial assistance programs for rural businesses. It also has a significant focus on renewable energy and global warming, including subsidizing biofuels. Rural businesses are fully capable of running themselves, investing, and seeking assistance through private means. The fact that these businesses are in rural areas does not change the fact that they can and should succeed on their own merits, just as any other business must. Private capital will find its way to worthy investments.

The government should not be in the business of picking winners and losers when it comes to private investments or energy sources. Instead of handing taxpayer dollars to businesses, the federal government should identify and remove the obstacles that it has created for businesses in rural communities.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	Eliminates agency.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates agency.

$5.4
SAVINGS IN BILLIONS[5]

PRESIDENT	HOUSE	SENATE	RSC

Repeal the USDA's Agricultural Risk Coverage and Price Loss Coverage Programs

The ARC and PLC programs are two major new commodity programs that Congress added in the 2014 farm bill. On a crop-by-crop basis, farmers can participate either in the ARC program or in the PLC program. The ARC program protects farmers from shallow losses, providing payments when their actual revenues fall below 86 percent of the expected revenues for their crops. The PLC program provides payments to farmers when commodity prices fall below a fixed reference price established by statute. The PLC program has such high reference prices that even at the time the 2014 farm bill was enacted, payments for some commodities were likely from the outset.

These programs go far beyond providing a safety net for farmers. Instead, the pretext of a safety net is used to prevent many agricultural producers from competing in the market as other businesses do. Policymakers need to allow farmers to compete freely in the marketplace and reap the financial reward of being more efficient and better managed than their competitors are.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates ARC and PLC.

$9.7

SAVINGS IN BILLIONS[6]

PRESIDENT	HOUSE	SENATE	RSC

Include Work Requirement for Able-Bodied Adult Food Stamp Recipients

The food stamp program is the second-largest of the government's 89 means-tested welfare programs. The number of food stamp recipients has risen dramatically from about 17.2 million in 2000 to 44.2 million in 2016. Costs have risen from $19.8 billion in FY 2000 to $75.8 billion in FY 2016.

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

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Limits use of waivers that exempt able-bodied adults without dependents from work requirements.
House Budget Resolution	PARTIALLY INCLUDED	Eliminates waivers that exempt able-bodied adults without dependents from work requirements.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Advocates Welfare Reform and Upward Mobility Act work requirements that extend to able-bodied parents.

$1.3
SAVINGS IN BILLIONS[7]

PRESIDENT	HOUSE	SENATE	RSC

End Broad-Based Categorical Eligibility for Food Stamps

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

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

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	Closes eligibility loopholes, limits categorical eligibility to recipients of SSI or TANF cash benefits, and modifies income calculations to target benefits to neediest households.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Ends categorical eligibility across all programs. Food stamp recipients would have to meet SNAP income and asset tests.

$1.5

SAVINGS IN BILLIONS[8]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the "Heat and Eat" Loophole in Food Stamps

Using a loophole known as "heat and eat," states can artificially boost a household's food stamp benefit. The amount of food stamps a household receives is based on its "countable" income (income minus certain deductions). Households that receive benefits from the Low-Income Heat and Energy Assistance Program are eligible for a larger utility deduction. In order to make households eligible for the higher deduction and thus for greater food stamp benefits, states have distributed LIHEAP checks for amounts as small as $1 to food stamp recipients.

Although the 2014 farm bill tightened this loophole by requiring that a household must receive more than $20 annually in LIHEAP payments to be eligible for the larger utility deduction and subsequently higher food stamp benefits, some states have continued to use it by paying over $20 per year. Policymakers should close this loophole entirely.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	Eliminates LIHEAP.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates LIHEAP.

$0
(NO SAVINGS)[9]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the USDA Sugar Program

The USDA sugar program uses price supports and marketing allotments that limit how much sugar processors can sell each year, as well as import restrictions. As a result of government intervention to limit supply, the price of American sugar is consistently higher than (and at times twice as high as) world prices.[10]

This program may benefit a small number of sugar growers and harvesters, but it does so at the expense of sugar-using industries and consumers. An International Trade Administration report found that "[f]or each sugar growing and harvesting job saved through high U.S. sugar prices, nearly three confectionery manufacturing jobs are lost."[11] The program is also a hidden tax on consumers: Recent studies have found that it costs consumers as much as $3.7 billion a year.[12]

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	REJECTED	
House Budget Resolution	REJECTED	
Senate Budget Resolution	REJECTED	
Republican Study Committee	INCLUDED	Eliminates program.

$1.9
SAVINGS IN BILLIONS[13]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate USDA Revenue-Based Crop Insurance Policies

Any reasonable concept of a taxpayer-funded safety net for farmers would require a significant crop loss, but this program does not require yield losses for farmers to receive indemnities. There are generally two types of federal crop-insurance: yield-based, which protects farmers from yields that are lower than expected due to events beyond the control of farmers, such as weather and crop disease, and revenue-based, which protects farmers from dips in expected revenue due to low prices, low yields, or both. Revenue-based policies, which are more popular than yield-based policies because they do not require yield losses, accounted for 77 percent of all policies earning premiums in 2014.[14] Farmers can even have greater yields than expected and still receive indemnity payments if commodity prices are lower than expected.

The federal government should not be in the business of insuring price or revenue; agricultural producers, like other businesses, should not be insulated from market forces or guaranteed financial success at the expense of taxpayers. Revenue-based crop insurance is unnecessarily generous and should be eliminated. Taxpayer-subsidized crop insurance should be limited to yield insurance as it was in the past.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$200
SAVINGS IN MILLIONS[15]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the USDA's Market Access Program

MAP subsidizes trade associations, businesses, and other private entities to help them market and promote their products overseas. Under MAP, taxpayers have recently helped to fund international wine tastings, organic hair products for cats and dogs, and a reality television show in India.

It is not government's role to advance the marketing interests of certain industries or businesses. Taxpayers should not be forced to subsidize the marketing that private businesses should do on their own.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates program.

Policy Riders

Withhold funding for federal fruit-supply and vegetable-supply restrictions in marketing orders. In June 2015, the Supreme Court of the United States decided *Horne v. Department of Agriculture*,[16] a case regarding the federal government's authority to fine raisin growers who did not hand over part of their crop to the government. The Court held that forcing growers to turn over their raisins was a taking of private property requiring just compensation. Although the "raisin case" received much attention because of the outrageous nature of the government's actions, it is far from unique. In particular, the USDA uses its power to enforce a number of cartels through industry agreements known as marketing orders. Fruit and vegetable marketing orders[17] allow the federal government to authorize supply restrictions (volume controls), limiting the amounts that agricultural producers may sell. Marketing orders are bad enough, but at a minimum, Congress should stop funding these volume controls that limit how much of their own fruits and vegetables farmers may sell and should get the government out of the market and cartel management business.[18]

Prohibit funding for national school meal standards. The USDA's school-meal standards for the Healthy, Hunger-Free Kids Act of 2010 have been a failure. They are a burden on schools and have led to many negative outcomes. A September 2015 GAO report shows that since the implementation of these standards, participation in the school lunch program has declined, food waste remains a significant problem, and some schools have dropped out of the school lunch program at least partly because of the standards.[19] Some schools have even had to draw from their education funds to cover the costs imposed by these standards.[20] No funding should be directed toward implementation or enforcement of these standards. Any new standards should give states and local educational authorities much greater flexibility and respect the role of parents in helping their children make dietary decisions.

Prohibit funding for the community eligibility provision. The community eligibility provision is a policy that was implemented by the Healthy, Hunger-Free Kids Act of 2010. It expands free school meals to students regardless of family income. Under this provision, if 40 percent of students in a school, group of schools, or school district are identified as eligible for free meals because they receive benefits from another means-tested welfare program like food stamps, then all students can receive free meals. The community eligibility provision is essentially a backdoor approach to universal school meals. Schools should not be providing welfare to middle-class and wealthy students. Ending the community eligibility provision would ensure that free meals are going only to students from low-income families. No further funding should be directed toward implementing this provision.

ENDNOTES

1. Savings of $2.6 million for FY 2019 are based on estimates from the U.S. Department of Agriculture's Food Safety and Inspection Service (as reported by the GAO) pursuant to a transfer of the program's administration. Under a final rule (9 CFR §§ 530–561, issued December 2, 2015, effective March 1, 2016, and with a full compliance date of September 1, 2017), catfish inspection was transferred from the FDA to the FSIS. Subsequently, the FSIS revised its estimated annual cost of the program downwards from $14 million to $2.6 million annually. See U.S. Government Accountability Office, "Agriculture: Catfish Inspection," last updated October 18, 2017, https://www.gao.gov/duplication/action_tracker/Catfish_Inspection/action1 (accessed May 9, 2018), and U.S. Department of Agriculture, *2019 President's Budget: Food Safety and Inspection Service*, https://www.obpa.usda.gov/22fsis2019notes.pdf (accessed May 9, 2018).
2. U.S. Government Accountability Office, *Seafood Safety: Responsibility for Inspecting Catfish Should Not Be Assigned to USDA*, GAO–12–411, May 2012, http://www.gao.gov/products/GAO-12-411 (accessed April 17, 2019).
3. Savings of $754 million for FY 2019 are based on the most recent estimated spending level of $754 million for FY 2018 as found in U.S. Department of Agriculture, *FY 2019 Budget Summary*, p. 24, https://www.usda.gov/sites/default/files/documents/usda-fy19-budget-summary.pdf (accessed May 9, 2018). Heritage experts assume that the FY 2018 spending level remains constant in FY 2019.
4. Savings of $497 million for FY 2019 are based on the CBO's most recent April 2018 baseline spending projections. Savings include $103 million in discretionary spending and $394 million in mandatory spending.
5. Savings of $5.354 billion for FY 2019 are based on projections for the ARC and PLC as reported in Congressional Budget Office, *CBO's April 2018 Baseline for Farm Programs*, April 9, 2018, https://www.cbo.gov/sites/default/files/recurringdata/51317-2018-04-usda.pdf (accessed May 9, 2018). Estimated savings of $5.354 billion in FY 2019 include $2.727 billion for the PLC (p. 6); $2.604 billion for the ARC-CO (county) (p. 6); and $23 million for the ARC-IC (individual coverage) (p. 9). All $5.868 billion in savings represents mandatory spending.
6. Savings of $9.7 billion for FY 2019 are based on analysis contained in Robert Rector, Rachel Sheffield, and Kevin Dayaratna, "Maine Food Stamp Work Requirement Cuts Non-Parent Caseload by 80 Percent," Heritage Foundation *Backgrounder* No. 3091, February 8, 2016, http://www.heritage.org/research/reports/2016/02/maine-food-stamp-work-requirement-cuts-non-parent-caseload-by-80-percent. All $9.7 billion in savings represents mandatory spending.
7. Savings of $1.305 billion for FY 2019 are based on the CBO's analysis of the impact of previously proposed legislation that would have enacted this reform. Specifically, we use the CBO's FY 2015 estimate for "Section 105. Updating program eligibility" because 2015 represents the first full year of the proposal's implementation. See Congressional Budget Office, "Cost Estimate for H.R. 3102, the Nutrition Reform and Work Opportunity Act of 2013," September 16, 2013, https://www.cbo.gov/sites/default/files/113th-congress-2013-2014/costestimate/hr31020.pdf (accessed March 20, 2018). All $1.305 billion in savings represents mandatory spending.
8. Savings of $1.470 billion for FY 2019 are based on estimated savings from a proposal that would enact this change. Specifically, we use the estimated FY 2014 savings for "Changes to SNAP Eligibility Requirements: Standard Utility Allowance" because FY 2014 represents the first full year of implementation. See Report No. 112-470, *Sequester Replacement Reconciliation Act of 2012*, Committee on the Budget, U.S. House of Representatives, 112th Cong., 2nd Sess., May 9, 2012, p. 27, https://www.gpo.gov/fdsys/pkg/CRPT-112hrpt470/pdf/CRPT-112hrpt470.pdf (accessed May 9, 2018). All $1.470 billion in savings represents mandatory spending.
9. Savings of $0 million in FY 2019 are based on the CBO's estimated FY 2019 cost of the program. Although the CBO estimates zero cost in FY 2019, it projects that the sugar program will have a total cost of $76 million over the 2019–2028 period. Congressional Budget Office, *CBO's April 2018 Baseline for Farm Programs*.
10. Agralytica, "Economic Effects of the Sugar Program Since the 2008 Farm Bill & Policy Implications for the 2013 Farm Bill," June 3, 2013, http://fairsugarpolicy.org/wordpress/wp-content/uploads/2018/03/AgralyticaEconomicEffectsPaperJune2013.pdf (accessed August 4, 2016).
11. U.S. Department of Commerce, International Trade Administration, "Employment Changes in U.S. Food Manufacturing: The Impact of Sugar Prices," undated, p. 2, https://www.trade.gov/mas/ian/build/groups/public/@tg_ian/documents/webcontent/tg_ian_002705.pdf (accessed April 17, 2018).
12. Agralytica, "Economic Effects of the Sugar Program Since the 2008 Farm Bill & Policy Implications for the 2013 Farm Bill." See also John C. Beghin and Amani Elobeid, "The Impact of the U.S. Sugar Program Redux," Iowa State University, Center for Agricultural and Rural Development *Working Paper* No. 13-WP 538, May 2013, https://www.card.iastate.edu/products/publications/pdf/13wp538.pdf (accessed April 17, 2018).
13. Savings of at least $1.92 billion for FY 2019 are based on a CBO analysis of federal crop insurance costs that provides estimated savings for a more limited proposal to restrict the way producers' costs are estimated for revenue-based policies by requiring that costs be based on the projected price of crops at the time the policy is issued instead of providing for the greater of the projected price and the actual harvest price. Although this proposal would not entirely eliminate revenue-based crop insurance policies, it would limit their costs. The CBO estimates that this change in revenue-based policies would save $19.2 billion over the 2018–2027 period, for an average of $1.92 billion per year. Congressional Budget Office, *Options to Reduce the Budgetary Cost of the Federal Crop Insurance Program*, December 2017, https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53375-federalcropinsuranceprogram.pdf (accessed March 20, 2018). All $1.92 billion in savings represents mandatory spending.
14. Dennis A. Shields, "Federal Crop Insurance: Background," Congressional Research Service *Report for Members and Committees of Congress*, August 13, 2015, https://fas.org/sgp/crs/misc/R40532.pdf (accessed April 17, 2018).
15. Savings of $200 million for FY 2019 are based on estimates for federal farm program costs in Congressional Budget Office, *CBO's April 2018 Baseline for Farm Programs*. All $200 million in savings represents mandatory spending.

16. *Horne v. Department of Agriculture*, 135 S. Ct. 2419 (2015), https://www.leagle.com/decision/insco20150622a72 (accessed April 17, 2018).
17. These marketing orders cover fruits, vegetables, and specialty crops. See U.S. Department of Agriculture, Agricultural Marketing Service, "Marketing Orders for Fruits, Vegetables, & Specialty Crops," http://www.ams.usda.gov/rules-regulations/moa/fv (accessed April 17, 2018). There also are milk marketing orders, but they are different from fruit and vegetable marketing orders. See U.S. Department of Agriculture, Agricultural Marketing Service, "Federal Milk Marketing Orders," U.S. Department of Agriculture, http://www.ams.usda.gov/rules-regulations/moa/dairy (accessed April 17, 2018).
18. Daren Bakst, "The Federal Government Should Stop Limiting the Sale of Certain Fruits and Vegetables," Heritage Foundation *Issue Brief* No. 4466, September 29, 2015, http://www.heritage.org/research/reports/2015/09/the-federal-government-should-stop-limiting-the-sale-of-certain-fruits-and-vegetables.
19. U.S. Government Accountability Office, *School Nutrition: USDA Had Efforts Underway to Help Address Ongoing Challenges Implementing Changes in Nutrition Standards*, GAO–15–656, September 2015, http://gao.gov/products/GAO-15-656 (accessed April 17, 2019).
20. Erik Wasson, "Michelle's Meals Turn Off the Kids," *The Hill*, May 21, 2014, http://thehill.com/policy/finance/206734-michelles-meals-turn-off-the-kids (accessed April 17, 2018).

Commerce, Justice, Science, and Related Agencies

$276
SAVINGS IN MILLIONS[1]

PRESIDENT	HOUSE	SENATE	RSC

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

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

In *Federalist* No. 45, James Madison wrote: "The powers delegated by the proposed Constitution to the federal government are few and defined. Those which are to remain in the State governments are numerous and indefinite." When Congress funds the routine, day-to-day operations of local police departments in this manner, it effectively reassigns to the federal government the powers and responsibilities that fall squarely within the expertise, historical control, and constitutional authority of state and local governments. The responsibility to combat ordinary crime at the local level belongs almost wholly, if not exclusively, to state and local governments. According to Attorney General Jeff Sessions, during the Obama Administration, the COPS program was also diverted to "expensive wide-ranging investigative assessments" that included attempts to "reform" law enforcement agencies and institute requirements such as "inherent bias" training based on flawed and unproven social science.[2]

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

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	$96 million reallocation.
House Budget Resolution	INCLUDED	Eliminates funding.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates funding.

$2.0
SAVINGS IN BILLIONS[3]

PRESIDENT	HOUSE	SENATE	RSC

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

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

In addressing criminal activity, the federal government should limit itself to handling tasks that state and local governments cannot perform by themselves and that the Constitution commits to the federal government. For example, juvenile delinquency is a problem common to all states, but the crimes that delinquents commit are almost entirely and inherently local in nature and are therefore regulated by state criminal law, state law enforcement, and state courts. The fact that thefts by juveniles occur in all states does not mean that these thefts require action by the federal government.

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

ADDITIONAL READING

- David B. Muhlhausen, "Get Out of Jail Free: Taxpayer-Funded Grants Place Criminals on the Street Without Posting Bail," Heritage Foundation *WebMemo* No. 3361, September 12, 2011.
- David B. Muhlhausen, "Where the Justice Department Can Find $2.6 Billion for its Anti-Terrorism Efforts," Heritage Foundation *Backgrounder* No. 1486, October 5, 2001.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Eliminates $210 million from OJP-administered State Criminal Alien Assistance Program.
House Budget Resolution	INCLUDED	Eliminates funding.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates funding.

CJS

$492
SAVINGS IN MILLIONS[4]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate Violence Against Women Act Programs and Grants

The services funded by VAWA programs and grants are properly funded and implemented locally. Using federal agencies to fund the routine operations of domestic violence programs that state and local governments could provide is a misuse of federal resources and a distraction from concerns that *are* the province of the federal government. Moreover, the administrative cost of funneling state resources back to the states through the federal government actually reduces the overall level of available resources.

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

ADDITIONAL READING

- Paul J. Larkin Jr., "Send in the Lawyers: The House Passes the Senate's Violence Against Women Act," The Daily Signal, March 1, 2013.
- David B. Muhlhausen and Christina Villegas, "Violence Against Women Act: Reauthorization Fundamentally Flawed," Heritage Foundation *Backgrounder* No. 2673, March 29, 2012.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	INCLUDED	Eliminates funding.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$410
SAVINGS IN MILLIONS[6]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the Legal Services Corporation

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

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

ADDITIONAL READING

- Congressional Budget Office, *Budget Options: Volume 2*, August 6, 2009.
- Ken Boehm, Chairman, National Legal and Policy Center, "What the Legal Services Corporation Doesn't Want Congress to Know," testimony submitted to the Subcommittee on Commerce, Justice, Science and Related Agencies, Committee on Appropriations, U.S. House of Representatives, March 22, 2012.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	Reduces funding by $367 million.
House Budget Resolution	INCLUDED	Eliminates funding.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates funding.

CJS

$49
SAVINGS IN MILLIONS[7]

PRESIDENT	HOUSE	SENATE	RSC

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

A 2013 report by the Justice Department Inspector General described the Civil Rights Division as having a "dysfunctional management chain" and being torn by "polarization and mistrust."[8] The division has undermined election integrity and has filed abusive lawsuits intended to enforce progressive social ideology in areas ranging from public hiring to public education. At a time when there is less discrimination than ever before in our society, the division is at its largest—far larger that it was in the 1960s when it was fighting crucial civil rights battles. It has far more employees than vigorous enforcement of our civil rights and voting rights laws requires, and its budget can be cut significantly without sacrificing the division's efficiency and ability to protect the public from discrimination.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$36
SAVINGS IN MILLIONS[9]

PRESIDENT	HOUSE	SENATE	RSC

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

The Justice Department's ENR Division has suffered an embarrassing string of defeats in the courts because it has taken radical positions on environmental issues far outside the legal mainstream. One federal court of appeals accused ENR Division lawyers of making legal arguments in court that were "so thin as to border on the frivolous."[10] It has also colluded in "sue and settle" lawsuits with extremist environmental groups that take environmental lawmaking out of the hands of Congress and put it in the hands of agencies, private interests, and federal judges. Significantly reducing its budget would encourage the ENR Division to concentrate on its core functions of defending the environmental laws of the United States in a reasonable and commonsense manner.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$16
SAVINGS IN MILLIONS[11]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the Department of Justice's Community Relations Service

The CRS budget should be entirely eliminated. Rather than fulfilling its mandate of trying to be the peacemaker in community conflicts, the CRS has *raised* tensions in local communities. In both the Zimmerman case in Sanford, Florida, and the Wilson case in Ferguson, Missouri, for example, the CRS helped to organize and manage rallies and protests against George Zimmerman and Darren Wilson. Other employees inside the CRS have cited a culture of incompetence, political decision-making, and gross mismanagement that has led them to send a letter of complaint to the Attorney General of the United States.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$259
SAVINGS IN MILLIONS[12]

PRESIDENT	HOUSE	SENATE	RSC

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

The ATF's budget should be reduced to eliminate resources that could be used for reckless operations similar to Operation Fast and Furious. The ATF may be the most scandal-ridden agency in the federal government. According to Representative Jim Sensenbrenner (R–WI), it has been "branded" with decades of "high profile failures." Representative Sensenbrenner introduced a bill to eliminate the ATF because it is a "largely duplicative" agency that "lacks a clear mission." Sensenbrenner believes that enforcement work should be transferred to the FBI and the Drug Enforcement Agency.

ADDITIONAL READING

- News release, "Rep. Sensenbrenner Introduces the ATF Elimination Act," Office of Congressman Jim Sensenbrenner, January 12, 2017.
- AWR Hawkins, "GOP Lawmaker Proposes 'ATF Elimination Act,'" Breitbart, March 6, 2015.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	REJECTED	Increases funding by 2.4 percent.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$140
SAVINGS IN MILLIONS[13]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the Department of Commerce's Hollings Manufacturing Extension Partnership

The Hollings Manufacturing Extension Partnership is a federally funded management consulting operation directed at manufacturers. It is managed by the National Institute of Standards and Technology (NIST) of the U.S. Department of Commerce. The Hollings Partnership provides subsidies to consultants, manufacturers, and business advisers with the goal of bettering the business practices of small and medium-size businesses.

The government should not be playing a role in the development of business. Federal involvement distorts market outcomes and picks winners and losers among businesses. This is nothing more or less than corporate welfare, and it should be ended.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	Eliminates program.
House Budget Resolution	NOT ADDRESSED	Eliminates Hollings Partnership and other Department of Commerce corporate welfare programs.
Senate Budget Resolution	INCLUDED	
Republican Study Committee	INCLUDED	Eliminates program.

$495
SAVINGS IN MILLIONS[14]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the Department of Commerce's International Trade Administration

The ITA serves as a sales department for certain businesses and promotes investment in the U.S., offering taxpayer-funded subsidies for businesses that promote their products overseas. Promoting U.S. exports is also a task carried out by the Department of Agriculture and the Department of State, rendering the ITA's efforts redundant. The ITA's protectionist policies, including antidumping and countervailing duty laws, interfere with free trade and drive up costs for both consumers and businesses.

One ITA program is the International Buyer Program (IBP), through which the ITA sets up a space "where foreign buyers can obtain assistance in identifying potential business partners, and meet with U.S. companies to negotiate and close deals."[15] Private companies should facilitate their own business meetings or do so through voluntary trade associations, not on the taxpayer's dime.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	REJECTED	Continues to fund.
House Budget Resolution	INCLUDED	Eliminates ITA, which it characterizes as a corporate welfare program.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	PARTIALLY INCLUDED	Eliminates ITA export promotion activities, which provide market resources to private companies.

CJS

$263
SAVINGS IN MILLIONS[16]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the Department of Commerce's Economic Development Administration

The EDA provides taxpayer money and technical assistance to economically distressed areas in the form of "grants" and "investments" for local projects, including the private sector. The EDA uses taxpayer dollars to target local political pet projects with a very narrow benefit—in many cases, just one particular company or small segment of the population. The EDA is just one of about 180 federal economic development programs, including (among others) the Small Business Administration's disaster assistance loans and the Department of Agriculture's rural development programs, that Congress should eliminate.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	Eliminates EDA as part of an effort to eliminate duplicative and unauthorized economic development programs.
House Budget Resolution	INCLUDED	Eliminates EDA as part of an effort to eliminate overlap within the Department of Commerce.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates EDA as duplicative and providing subsidies outside the federal government's scope.

$39
SAVINGS IN MILLIONS[17]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the Department of Commerce's Minority Business Development Agency

The Minority Business Development Agency hands out grants and runs federally funded management consulting operations called business centers in over 40 locations. Part of the Department of Commerce, the MBDA reported that its business centers assisted eligible businesses with 1,108 financings and contracts worth over $3.9 billion in FY 2011.[18]

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Continues to fund MBDA, but with reforms to change its focus and reduce costs.
House Budget Resolution	PARTIALLY INCLUDED	Consolidates MBDA within the Small Business Administration.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$5.9

SAVINGS IN MILLIONS[19]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate Census Bureau Funding for the Annual Supplemental Poverty Measure Report

The Census Bureau's annual Supplemental Poverty Measure is a relative measure; rather than determining whether a household is poor based on its income, as the official U.S. poverty measure does, the SPM determines a household's poverty status by comparing its income to the income of other households. The SPM undergirds a "spread-the-wealth" agenda and should be eliminated.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

ENDNOTES

1. Estimated savings of $276 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018, Public Law 115-141, 115th Cong., https://www.congress.gov/115/bills/hr1625/BILLS-115hr1625enr.pdf (accessed May 9, 2018). Heritage experts assume that FY 2018 spending remains constant in FY 2019.
2. Alan Neuhauser, "Justice Department Ends COPS Office Review of Police," *U.S. News & World Report*, September 15, 2017, https://www.usnews.com/news/national-news/articles/2017-09-15/justice-department-ends-cops-office-review-of-local-police (accessed April 13, 2018).
3. Estimated savings of $1.96 billion for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019. Savings include $1.678 billion for State and Local Law Enforcement Assistance and $282.5 million for Juvenile Justice Programs.
4. Estimated savings of $492 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
5. U.S. General Accounting Office, *Justice Impact Evaluations: One Byrne Evaluation Was Rigorous: All Reviewed Violence Against Women Office Grants Were Problematic*, GAO-02-309, March 2002, p. 10, https://www.gao.gov/assets/240/233527.pdf (accessed April 13, 2018).
6. Estimated savings of $410 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
7. Estimated savings of $48.5 million for FY 2019 are based on the FY 2018 continuing resolution level of $147 million as reported in table, "U.S. Department of Justice: Summary of Budget Authority by Appropriation," in U.S. Department of Justice, *FY 2019 Budget and Performance Summary*, https://www.justice.gov/doj/fy-2019-budget-and-performance-summary (accessed May 9, 2018). Heritage experts assume that FY 2018 spending remains constant in FY 2019. Savings equal a 33 percent reduction in FY 2019 spending.
8. U.S. Department of Justice, Office of the Inspector General, Oversight and Review Division, *A Review of the Operations of the Voting Section of the Civil Rights Division*, March 2103, p. 257, https://oig.justice.gov/reports/2013/s1303.pdf (accessed January 13, 2016).
9. Estimated savings of $36 million for FY 2019 are based on the FY 2018 continuing resolution level of $110 million as reported in table, "U.S. Department of Justice: Summary of Budget Authority by Appropriation," in U.S. Department of Justice, *FY 2019 Budget and Performance Summary*. Heritage experts assume that FY 2018 spending remains constant in FY 2019. Savings equal a 33 percent reduction in FY 2019 spending.
10. *Evans v. U.S.*, 694 F.3d 1377, 1381 (Fed. Cir. 2012).
11. Estimated savings of $15.5 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
12. Estimated savings of $259 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019. Savings equal a 20 percent reduction in estimated FY 2019 spending.
13. Estimated savings of $140 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
14. Estimated savings of $495 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
15. Hil Anderson, "DOC Selects 24 Shows for 2015 International Buyer Program," *Trade Show Executive*, June 27, 2014, http://www.tradeshowexecutive.com/archive/industry-news/doc-selects-24-shows-2015-international-buyer-program/ (accessed April 13, 2018).
16. Estimated savings of $263 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
17. Estimated savings of $39 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
18. U.S. Government Accountability Office, *Government Contracting: Federal Efforts to Assist Small Minority Owned Businesses*, GAO-12-873, September 2012, http://www.gao.gov/assets/650/648985.pdf (accessed April 10, 2018).
19. Estimated savings of $5.9 million for FY 2019 are based on the estimated annualized FY 2018 level of $59 million as specified in U.S. Department of Commerce, Economics and Statistics Administration, U.S. Census Bureau, *U.S. Census Bureau's Budget: Fiscal Year 2019, As Presented to the Congress, February 2018*, p. CEN-19, https://www2.census.gov/about/budget/FY-2019-Congressional-Budget-Submission.pdf (accessed May 9, 2018). Heritage experts assume that FY 2018 spending remains constant in FY 2019 and estimates that the annual supplemental poverty measure uses 10 percent of the household survey appropriations.

Defense

$413
SAVINGS IN MILLIONS[1]

PRESIDENT	HOUSE	SENATE	RSC

Cut Non-Defense Spending from the Defense Department Budget

The Congressionally Directed Medical Research Programs (CDMRP) is one of the oldest and largest examples of non-defense funding inside the DOD budget. It was started by Congress in FY 1992 with an appropriation of $11 billion. While some of this funding goes to medical research for issues like post-traumatic stress or orthotics that are relevant to the DOD, in FY 2017 alone, Congress appropriated $245 million to support research on such nondefense medical issues as breast, ovarian, and prostate cancer; epilepsy; and autism.[2] This funding for non-defense research should be eliminated.

Another set of non-defense programs that should be cut from the defense budget are what the DOD calls "civil military programs." These include a DOD education program called STARBASE and the National Guard Youth Challenge Program. This category has grown from $122 million in FY 2007 to $160 million in FY 2017.[3] Eliminating civil military programs would save $183 million in FY 2019.

ADDITIONAL READING

- Senator Tom A. Coburn, *Department of Everything*," November 2012.
- Thomas Spoehr and Rachel Zissimos, eds., "Preventing a Defense Crisis: The 2018 National Defense Authorization Act *Must* Begin to Restore U.S. Military Strength," Heritage Foundation *Backgrounder* No. 3205, March 29, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	PARTIALLY INCLUDED	Addresses CDMRP's role in the defense budget.

$278
SAVINGS IN MILLIONS[4]

PRESIDENT	HOUSE	SENATE	RSC

Combine Military Exchanges and Commissaries and Reduce Commissary Subsidies

The DOD operates two parallel but similar organizations that provide access to goods and services for servicemembers and their families. The commissaries provide groceries at cost plus 5 percent, which is sustainable only through an annual subsidy. In FY 2018, Congress subsidized the commissaries at almost $1.4 billion.[5]

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

In debates over the 2018 National Defense Authorization Act, Congress included a reporting requirement that would provide a cost-benefit analysis and aim to reduce the operational costs of commissaries and exchanges by $2 billion. Congress should revisit this question and continue to consider ways to reform these systems. This is especially important at a time when the Government Accountability Office has found that the DOD does not properly measure the benefits created by these systems.[6]

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

DEFENSE

$150
SAVINGS IN MILLIONS[7]

PRESIDENT	HOUSE	SENATE	RSC

Close Domestic Dependent Elementary and Secondary Schools

Congress should create real choice for military families and transition the Domestic Dependent Elementary and Secondary Schools system into a system of education savings accounts for military families. The current DDESS system serves only 4 percent of military-connected children;[8] 80 percent of military-connected children attend traditional public schools. Additionally, over one-third of servicemembers consider their children's schooling a deciding factor in continuing their military careers.[9] The current system focuses on the needs of a minuscule minority to the detriment of the majority of its population.

There is no need for the military to operate schools in the United States. The Pentagon should promptly take action to close these schools and transfer military dependents to local school systems, a process that the Trump Administration has initiated.[10]

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$3.9
SAVINGS IN BILLIONS[11]

PRESIDENT	HOUSE	SENATE	RSC

Reform Military Health Care

Congress should reform the DOD's current TRICARE system and introduce a private-sector health insurance option for military family members. This would give servicemembers and their families more choices and serve as a competition catalyst for the current TRICARE system. The Military Compensation and Retirement Modernization Commission assessed that "[t]he quality of TRICARE benefits as experienced by Service members and their families has decreased, and fiscal sustainability of the program has declined."[12]

Implementing a private-sector health insurance system would dramatically increase access and options for military family members while also reducing costs. A 2011 Heritage Foundation report proposed moving servicemembers and their dependents to the system currently used by civilian federal employees, which would save $1.4 billion in the first year and significantly more in future years.[13] In January 2015, the congressionally chartered Military Compensation and Retirement Modernization Commission issued its final report and included a recommendation to allow military dependents to choose from a selection of commercial health insurance plans. The MCRMC estimated that this would save $3.90 billion in the first year and more in the future.[14]

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	PARTIALLY INCLUDED	Raises similar concerns but does not shape any proposals.

DEFENSE

$9.0
SAVINGS IN BILLIONS[15]

PRESIDENT	HOUSE	SENATE	RSC

Increase Use of Performance-Based Logistics

Congress should incentivize and enable the broader use of Performance-Based Logistics throughout the acquisition process. The Department of Defense should increase the use of PBL in weapon-systems maintenance and sustainment. It is estimated that these arrangements could save between $9 billion and $32 billion a year.[16] PBL is an arrangement in which the contractor is responsible for a larger portion of the support throughout the life cycle of the product. Thus, instead of being associated with the delivery of a platform, a contract is associated with the proper functioning of said platform.[17] This serves to align the contractors' interests with the DOD's interest in maintaining the readiness of platforms.

PBL is not appropriate for all systems and should be applied judiciously. It is both DOD policy and a priority for product-support solutions, and it is estimated that it saves between 5 percent and 20 percent of contract costs.[18]

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$0
(NO SAVINGS)[19]

PRESIDENT	HOUSE	SENATE	RSC

Reduce Excess Infrastructure

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

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

As it works to expand the military, Congress should allow the DOD to conduct a rigorous and transparent review of its current and future infrastructure needs, including closing bases and facilities as appropriate. While this process will come with an up-front cost, the DOD estimates that it could save $2 billion annually once it is fully implemented.[21]

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$418
SAVINGS IN MILLIONS[22]

PRESIDENT	HOUSE	SENATE	RSC

DEFENSE

Reform the Basic Allowance for Housing

For FY 2018, the DOD requested over $20.1 billion in Basic Allowance for Housing for both enlisted personnel and officers.[23] Congress needs to reform the rules for the BAH and restore it to its proper role as an allowance by requiring married military couples to share a single allowance and requiring all servicemembers to document their housing expenditures to receive the allowance. Servicemembers are not entitled to, nor should they have any expectation, that money above what they pay for housing can be retained as "extra compensation."

These changes would reduce costs and are completely appropriate. Congress should phase in more accurate housing allowances, since the BAH is designed solely to help servicemembers pay for accommodations. A Senate proposal in the National Defense Authorization Act would have reformed the BAH, but it did not move forward in conference with the House.

A U.S. Army Audit Agency report estimated that married servicemembers receive $200 million more in BAH than their actual housing costs.[24] Congress should phase in more accurate housing allowances beginning with the FY 2019 NDAA. This would save an estimated $418 million in FY 2019.

ADDITIONAL READING

- Thomas Spoehr and Rachel Zissimos, "Preventing a Defense Crisis: The 2018 National Defense Authorization Act *Must* Begin to Restore U.S. Military Strength," Heritage Foundation *Backgrounder* No. 3205, March 29, 2017.
- Leo Shane III, "Group Wants Lawmakers to Cap Military Housing Stipends to Curb Costs," *Military Times,* March 29, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$880
SAVINGS IN MILLIONS[25]

PRESIDENT	HOUSE	SENATE	RSC

Replace Military Personnel in Commercial Positions with Civilian Employees

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

Military personnel are inherently more expensive than civilians because the required training and rotations are shorter than the time that a civilian usually spends on a job. According to the CBO, the savings would be generated because of two factors: On average, civilians are 30 percent less expensive, and fewer civilians than the number of military personnel can be employed in the same positions.[27] The savings vary depending on the replacement rate that the DOD achieves. In similar earlier initiatives, the DOD was able to average a ratio of 1:1.5, with two civilians replacing three military personnel. Even a replacement ratio of 1:1 would save $3.1 billion annually. At a ratio of 1:1.5, the amount would reach $5.7 billion.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

Policy Riders

End renewable energy mandates in the Department of Defense. Such mandates impede marketplace diversity by undermining the incentives for producers of renewable energy to develop competitively priced products. Fuel is as much an asset as it is a point of vulnerability for the military. To protect taxpayers from undue DOD energy expense, Congress should remove technology-specific and fuel-specific mandates from the military.[28] In particular, under Section 2911(e) of Title 10 of the United States Code, the Defense Department is obligated to produce or procure 25 percent of the energy consumed in DOD facilities from renewable sources by 2025. This mandate, which is forcing the Pentagon to expend ever more resources on renewable energy rather than on military capability, should end immediately.[29]

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

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

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

ENDNOTES

1. Savings of $413 million for FY 2019 include $245 million for CDMRP and $168 million for civil military programs. CDMRP savings are based on FY 2017 spending levels for research on autism, breast cancer, epilepsy, ovarian cancer, and prostate cancer as reported in U.S. Department of Defense, U.S. Army Medical Research and Materiel Command, Congressionally Directed Medical Research Programs, *Congressionally Directed Medical Research Programs: 2017 Annual Report*, September 30, 2017, http://cdmrp.army.mil/pubs/annreports/2017annrep/2017annreport.pdf (accessed May 9, 2018). Savings in civil military programs are based on FY 2018 requested levels of $150.5 million for the National Youth Guard Challenge Program and $17.4 million for STARBASE as reported in U.S. Department of Defense, *Fiscal Year (FY) 2019 President's Budget, Operation and Maintenance, Defense-Wide: Civil Military Programs*, February 2018, p. CMP-22, http://comptroller.defense.gov/Portals/45/Documents/defbudget/FY2019/budget_justification/pdfs/01_Operation_and_Maintenance/O_M_VOL_1_PART_1/CMP_OP-5.pdf (accessed May 9, 2018).
2. U.S. Department of Defense, Congressionally Directed Medical Research Programs, "About Us: Funding History," last updated June 6, 2017, http://cdmrp.army.mil/about/fundinghistory (accessed May 10, 2018).
3. U.S. Department of Defense, *Fiscal Year 2018 President's Budget: Civil Military Programs (CMP)*, May 2017, http://comptroller.defense.gov/Portals/45/Documents/defbudget/FY2018/budget_justification/pdfs/01_Operation_and_Maintenance/O_M_VOL_1_PART_1/CMP_OP-5.pdf (accessed May 10, 2018).
4. Savings of $278 million for FY 2019 are based on the FY 2018 subsidy level of $1.389 billion as found in U.S. Department of Defense, Defense Commissary Agency, *Defense Commissary Agency (DeCA) Fiscal Year (FY) 2019 President's Budget*, February 2018, pp. 16–17, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2019/budget_justification/pdfs/06_Defense_Working_Capital_Fund/DeCA_PB19_J-Book.pdf (accessed May 10, 2018). The $278 million in savings represents a 20 percent reduction in the $1.389 billion requested subsidy.
5. Report 115-404, *National Defense Authorization Act for Fiscal Year 2018*, Conference Report, 115th Cong., 1st Sess., November 9, 2017, p. 731, http://docs.house.gov/billsthisweek/20171113/HRPT-115-HR2810.pdf (accessed April 18, 2018).
6. U.S. Government Accountability Office, *Defense Commissaries: DOD Needs to Improve Business Processes to Ensure Patron Benefits and Achieve Operational Efficiencies*, GAO–17–80, March 23, 2017, https://www.gao.gov/products/GAO-17-80 (accessed April 18, 2018).
7. Savings of $150 million in FY 2019 are based on the FY 2018 requested spending level of $602 million for DDESS as found in U.S. Department of Defense, *Fiscal Year (FY) 2019 President's Budget, Operation and Maintenance, Defense-Wide: DoD Dependents Education*, February 2018, p. DoDDE-370, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2019/budget_justification/pdfs/01_Operation_and_Maintenance/O_M_VOL_1_PART_1/DoDDE_OP-5.pdf (accessed May 10, 2018). This estimate assumes a phased-in reduction in DDESS spending amounting to a 25 percent cut in FY 2019.
8. Lindsey M. Burke and Anne Ryland, "A GI Bill for Children of Military Families: Transforming Impact Aid into Education Savings Accounts," Heritage Foundation *Backgrounder* No. 3180, June 2, 2017, http://www.heritage.org/education/report/gi-bill-children-military-families-transforming-impact-aid-education-savings.
9. Jim Cowen and Marcus S. Lingenfelter, "The Stealth Factor in Military Readiness," *The Hill*, February 27, 2017, http://thehill.com/blogs/congress-blog/education/321321-the-stealth-factor-in-military-readiness (accessed April 17, 2018).
10. Karen Jowers, "Pentagon May Stop Running Stateside Schools for Military Children," *Military Times*, November 14, 2017, https://www.militarytimes.com/newsletters/pay-benefits/2017/11/13/pentagon-may-stop-running-state-side-schools-for-military-children/ (accessed April 17, 2018).
11. Estimated savings of $3.90 billion for FY 2019 are based on implementation of Recommendation 6 as outlined in Military Compensation and Retirement Modernization Commission, *Report of the Military Compensation and Retirement Modernization Commission: Final Report*, January 2015, pp. 79–119, https://www.ngaus.org/sites/default/files/MCRMC%202015_0.pdf (accessed May 10, 2018). The commission estimated that this proposal would save $3.90 billion in the first year and more than $6 billion per year once fully implemented.
12. Ibid., p. 81.
13. Baker Spring, "Saving the American Dream: Improving Health Care and Retirement for Military Service Members and Their Families," Heritage Foundation *Backgrounder* No. 2621, November 17, 2011, http://www.heritage.org/research/reports/2011/11/saving-the-american-dream-improving-health-care-and-retirement-for-military-service-members.
14. Military Compensation and Retirement Modernization Commission, *Report of the Military Compensation and Retirement Modernization Commission: Final Report*, p. 262.
15. Savings of $9 billion for FY 2019 represent the low end of a range of estimated savings from two reports: John Boyce and Allan Banghart, "Performance Based Logistics and Project Proof Point: A Study of PBL Effectiveness," Defense AT&L: Product Support Issue, March–April 2012, pp. 26–30, http://dau.dodlive.mil/files/2012/03/Boyce_Banghart.pdf (accessed May 10, 2018), and Jacques S. Gansler, William Lucyshyn, Lisa H. Harrington, and Amelia Cotton Corl, "The Current State of Performance Based Logistics and Public–Private Partnerships for Depot-Level Maintenance: Operating Models, Outcomes, and Issues," University of Maryland, School of Public Policy, Center for Public Policy and Private Enterprise, October 2010, http://cpppe.umd.edu/file/861/download?token=ipx2r1Sr (accessed May 10, 2018). The estimates of cost savings range from a notably conservative, or low, level of $9 billion per year to $32 billion per year. Heritage experts conservatively assume that the DOD would initially realize the lowest range of these savings, at $9 billion per year in FY 2019, with that figure growing to $32 billion per year over the 10-year period.
16. Baker Spring, "Performance-Based Logistics: Making the Military More Efficient," Heritage Foundation *Backgrounder* No. 2411, May 6, 2010, http://www.heritage.org/defense/report/performance-based-logistics-making-the-military-more-efficient.

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18. U.S. Department of Defense, Assistant Secretary of Defense, Logistics & Materiel Readiness, *PBL Guidebook*: *A Guide to Developing Performance-Based Arrangements*, 2016, p. 12, http://acqnotes.com/wp-content/uploads/2017/07/Performance-Based-Logistics-Guidebook-March-2016.pdf (accessed April 18, 2018).
19. We do not assume any savings for FY 2019. However, the Department of Defense estimates that once fully implemented, a BRAC would save $2 billion annually. See U.S. Department of Defense, Office of the Under Secretary of Defense (Comptroller), Chief Financial Officer, *Defense Budget Overview: United States Department of Defense Fiscal Year 2017 Budget Request*, February 2016, pp. 2-4, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2017/FY2017_Budget_Request_Overview_Book.pdf (accessed May 10, 2018).
20. U.S. Department of Defense, *Department of Defense Infrastructure Capacity*, October 2017, p. 3, https://1yxsm73j7aop3quc9y5ifaw3-wpengine.netdna-ssl.com/wp-content/uploads/2017/10/101717_DoD_BRAC_Analysis.pdf (accessed April 18, 2018).
21. James Mattis, Secretary of Defense, "Written Statement for the Record," testimony before the Committee on Armed Services, U.S. House of Representatives, June 12, 2017, http://docs.house.gov/meetings/AS/AS00/20170612/106090/HHRG-115-AS00-Bio-MattisJ-20170612.pdf (accessed April 18, 2018).
22. Estimated savings of $418 million for FY 2019 are based on an assumed 2 percent reduction in BAH costs. While the exact level of savings is uncertain, and while more accurate allowances could change behaviors and affect actual housing costs, Heritage experts estimate that a phased-in approach would reduce BAH costs by 2 percent in FY 2019, rising to 8 percent in FY 2022. In FY 2018, the DOD spent $20.889 billion on BAH. The $418 million in FY 2019 savings equals 2 percent of this cost. See U.S. Department of Defense, Office of the Under Secretary of Defense (Comptroller), *Department of Defense Budget, Fiscal Year 2019: Military Personnel Programs (M-1)*, February 2018, p. 22A, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2019/fy2019_m1.pdf (accessed May 10, 2018).
23. U.S. Department of Defense, Office of the Under Secretary of Defense (Comptroller), *Department of Defense Budget, Fiscal Year 2018: Military Personnel Programs (M-1)*, May 2017, p. 22A, http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2018/fy2018_m1.pdf (accessed April 18, 2018).
24. Report No. 114-255, *National Defense Authorization Act for Fiscal Year 2017*, Committee on Armed Services, U.S. Senate, 114th Cong., 2nd Sess., May 18, 2016, p. 164, https://www.congress.gov/114/crpt/srpt255/CRPT-114srpt255.pdf (accessed on April 20, 2018).
25. Estimated savings of $880 million for FY 2019 are based on a five-year phase-in of the proposal, leading to the midpoint of the CBO's estimated annualized savings of between $3.1 billion and $5.7 billion. We assume savings of $880 million in the first year, increasing by $880 million each year until year five, when total annualized savings reach the midpoint—$4.4 billion—of the CBO's estimated savings. Congressional Budget Office, *Replacing Military Personnel in Support Positions With Civilian Employees*, December 2015, https://www.cbo.gov/publication/51012 (accessed April 15, 2018).
26. See ibid.
27. Ibid., p. 3.
28. Rachel Zissimos and Katie Tubb, "The New Administration's Policy Should Reflect that Biofuels Cannot Meet Military Needs," Heritage Foundation *Issue Brief* No. 4643, January 4, 2017, http://www.heritage.org/defense/report/the-new-administrations-policy-should-reflect-biofuels-cannot-meet-military-needs.
29. Jack Spencer, "Capability, Not Politics, Should Drive DOD Energy Research," Heritage Foundation *WebMemo* No. 3299, June 22, 2011, http://www.heritage.org/research/reports/2011/06/capability-not-politics-should-drive-dod-energy-research.
30. National Defense Authorization Act for Fiscal Year 2010, Public Law 111-84, 111th Cong., October 28, 2009, https://www.gpo.gov/fdsys/pkg/PLAW-111publ84/pdf/PLAW-111publ84.pdf (accessed April 18, 2018).
31. Stan Soloway, "It's Time to Bury A-76—It Worked Once, But Its Day Is Past," *Government Executive*, January 4, 2017, http://www.govexec.com/excellence/promising-practices/2017/01/its-time-bury-76it-worked-once-its-day-past/134305/ (accessed April 17, 2018).
32. Susan M. Gates and Albert A. Robbert, *Personnel Savings in Competitively Sourced DoD Activities: Are They Real? Will They Last?* RAND Corporation, National Defense Research Institute, 2000, https://www.rand.org/content/dam/rand/pubs/monograph_reports/2007/MR1117.pdf (accessed April 18, 2018).
33. Valerie Ann Bailey Grasso, "Circular A-76 and the Moratorium on DOD Competitions: Background and Issues for Congress," Congressional Research Service *Report for Congress*, January 16, 2013, https://fas.org/sgp/crs/misc/R40854.pdf (accessed April 17, 2018).
34. Cheryl Pellerin, "DOD Makes Audit Progress, But Challenges Remain," American Forces Press Service, May 15, 2014, http://archive.defense.gov/news/newsarticle.aspx?id=122263 (accessed April 17, 2018).
35. Arthur J. Radin and Miriam E. Katowitz, "Have Audits Become Too Inefficient and Expensive?" *The CPA Journal*, February 2016, https://www.cpajournal.com/2016/02/01/audits-become-inefficient-expensive/ (accessed April 17, 2018).
36. Thomas Spoehr, "The Unaffordable Pentagon Audit," *The National Interest*, December 25, 2017, http://nationalinterest.org/feature/the-unaffordable-pentagon-audit-23784 (accessed April 17, 2018).
37. National Defense Authorization Act for Fiscal Year 2017, Public Law 114-328, 114th Cong., December 23, 2016, https://www.gpo.gov/fdsys/pkg/PLAW-114publ328/pdf/PLAW-114publ328.pdf (accessed April 18, 2018).

Energy and Water Development

$493
SAVINGS IN MILLIONS[1]

PRESIDENT	HOUSE	SENATE	RSC

E&W

Focus DOE National Nuclear Security Administration Spending on Weapons Programs

The DOE is responsible for the nuclear reactors and weapons that are operated by the Defense Department. Each year, the DOE receives between $16 billion and $17 billion to fund defense-related activities. The recent negative review of U.S. nuclear forces drove the Obama Administration to increase spending in the coming years. While this increase for nuclear weapons programs is entirely necessary, an increase for non-weapons programs and support is not. Congress should cancel the Minority Serving Institution Partnership Program, with a savings of $17 million in FY 2019, and return the following programs to their FY 2014 budget levels (in nominal dollars):

- Secure Transportation Asset (saves $46 million);
- Information Technology and Cyber Security (saves $25 million);
- Warhead Dismantlement and Fissile Materials Transparency (now under "Nuclear Verification") (saves $1 million);
- Nuclear Safeguards and Security Programs (saves $2 million); and
- Defense Environmental Clean-Up (saves $379 million).[2]

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	REJECTED	Maintains or increases spending for all programs.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$122
SAVINGS IN MILLIONS[3]

PRESIDENT	HOUSE	SENATE	RSC

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

Under the Office of Science, the Office of Nuclear Physics supports theoretical and experimental research in the composition of and interactions within nuclear matter. The DOE and the National Science Foundation conduct nearly all basic U.S. nuclear physics research, and the DOE provides over 90 percent of the nuclear science research funding, which is employed at universities and federally sponsored research facilities (also called user facilities).[4] Funding for the nuclear physics program has become unaffordable in tight fiscal conditions. Program funding should be returned to the inflation-indexed FY 2008 amount of $495 million in FY 2019 (actual FY 2008 spending was $424 million), a $121 million reduction from its projected FY 2018 level of $616 million.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	Reduces spending to $478 million.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	

$231
SAVINGS IN MILLIONS[5]

PRESIDENT	HOUSE	SENATE	RSC

E&W

Return DOE Advanced Scientific Computing Research to FY 2008 Levels

This program under the Office of Sciences conducts computer modeling, simulations, and testing to advance the DOE's mission through applied mathematics, computer science, and integrated network environments. These models can lay the foundation for scientific breakthroughs and arguably are some of the most important aspects of basic Energy Department research, but this program has also been the beneficiary of a consistently expanding budget. In order to live within today's fiscal constraints, funding should be returned to the inflation-indexed FY 2008 levels of $410 million (actual 2008 spending was $351 million).

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	REJECTED	Increases spending to $820 million.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$353
SAVINGS IN MILLIONS[6]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the DOE Advanced Research Projects Agency–Energy Program

ARPA–E is a federal program designed in 2007 to fund high-risk, high-reward projects on which the private sector would not embark on its own. However, ARPA–E does not always seem to follow its own clear goals: The federal government has awarded several ARPA–E grants to companies and projects that are neither high-risk nor something that private industry cannot support. Of the 44 small and medium-size companies that received an ARPA–E award, the GAO found that 18 had previously received private-sector investment for a similar technology. The GAO found that 12 of those 18 companies planned to use ARPA–E funding either to advance or to accelerate already funded work.[7]

Government projects that have become commercial successes—the Internet, computer chips, the global positioning system (GPS)—were developed initially to meet national security needs, not to meet a commercial demand. Entrepreneurs saw an opportunity in these defense technologies and created the commercially viable products available today. The DOE should conduct research to meet government objectives that the private sector does *not* undertake.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	Expects program to wind down operations in FY 2018 and shut down in FY 2019.
House Budget Resolution	INCLUDED	Appears to eliminate program.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates program.

$608
SAVINGS IN MILLIONS[8]

PRESIDENT	HOUSE	SENATE	RSC

E&W

Eliminate the DOE Biological and Environmental Research Program

The Office of Science BER program funds research for a variety of energy-related subjects, including biology, radiochemistry, climate science, and subsurface biogeochemistry. Many BER programs should be cut drastically and moved to the Office of Science or eliminated entirely because they are activities that are better suited to the private sector, duplicate other research, or do not align with the Energy Department's mission. Specifically, cuts should be made in the Climate and Environmental Science program, the Biological Systems Facilities and Infrastructure program, the Bioenergy Research Centers program, the Genomic Science program, and Climate and Environmental Facilities and Infrastructure.

One BER program that should receive *increased* funding is the Low-Dose Radiation Research (LDRR) program, which was created to understand the radiobiological effects of low levels of radiation exposure. Such research is critical because the federal government is engaged in regulating low-dose levels that it does not adequately understand, and government responsibilities like cleanup of the remaining nuclear weapons complex could be improved with more accurate knowledge of radiation risks. The Obama Administration gradually decreased funding for the LDRR program and requested no funds in its final budget. Congress should reconstitute the LDRR program to 2008 levels of funding over the next two years, beginning with 75 percent funding in FY 2018 and 100 percent in FY 2019.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Reduces spending to $284 million.
House Budget Resolution	PARTIALLY INCLUDED	Reductions not specified, but finds program redundant and not a wise use of tax dollars.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$331
SAVINGS IN MILLIONS[9]

PRESIDENT	HOUSE	SENATE	RSC

E&W

Reduce Funding for the DOE Basic Energy Sciences Program

The BES program investigates "fundamental research to understand, predict, and ultimately control matter and energy at the electronic, atomic, and molecular levels in order to provide the foundations for new energy technologies and to support the DOE mission in energy, environment, and national security."[10] The problem is that many BES subprograms stray from fundamental research into commercialization. The government should eliminate such aspects of these programs because private companies are capable of fulfilling these roles, whether through their own laboratories or by funding university research. The proposed cuts would eliminate some subprograms and return others to near-FY 2008 levels.

Federal scientific R&D funding must meet a specific government objective or contribute to basic research where the private sector is not already working. Government projects that have become commercial successes—the Internet, computer chips, GPS—were developed initially to meet national security needs, not to meet a commercial demand. Entrepreneurs saw an opportunity in these defense technologies and created the commercially viable products available today. The DOE should conduct research to meet government objectives that the private sector does not undertake. Further, policies should be put in place that remove bureaucratic obstacles and invite the private sector, using private funds, to access that research and commercialize it.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Reduces spending to $1.408 billion.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$39
SAVINGS IN MILLIONS[11]

PRESIDENT	HOUSE	SENATE	RSC

E&W

Eliminate DOE Energy Innovation Hubs

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

Federal scientific R&D funding should be rationalized to cut waste and rein in federal spending either to meet a specific government objective or to contribute to basic research in areas where the private sector is not already working. In 2013, the DOE had the federal government's fourth-largest R&D budget.[12] Government projects that have become commercial successes—the Internet, computer chips, GPS—were developed initially to meet national security needs, not to meet a commercial demand. Entrepreneurs saw an opportunity in these defense technologies and created the commercially viable products available today. The DOE should conduct research to meet government objectives that the private sector does not undertake, and policies should be implemented that remove bureaucratic obstacles and invite the private sector, using private funds, to access that research and commercialize it.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$248
SAVINGS IN MILLIONS[13]

PRESIDENT	HOUSE	SENATE	RSC

Drastically Cut or Eliminate the DOE Office of Electricity Deliverability and Energy Reliability

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

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

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Reduces spending to $61.3 million.
House Budget Resolution	PARTIALLY INCLUDED	Appears to reduce spending.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates program.

$2.3
SAVINGS IN BILLIONS[15]

PRESIDENT	HOUSE	SENATE	RSC

E&W

Eliminate the DOE Office of Energy Efficiency and Renewable Energy

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

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

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

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Reduces spending to $575.6 million.
House Budget Resolution	PARTIALLY INCLUDED	Appears to reduce spending.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates program.

$984
SAVINGS IN MILLIONS[17]

PRESIDENT	HOUSE	SENATE	RSC

E&W

Eliminate the DOE Office of Fossil Energy

Under the Obama Administration, most of the funding for fossil-energy research and development focused on technologies that will reduce CO_2 emissions and are activities that should be the province of the private sector. The FE also authorizes imports and exports of natural gas, which is an outdated and unnecessary function that unnecessarily restricts energy markets.

Other funding has gone to managing the government-controlled stockpile of oil, the Strategic Petroleum Reserve. The SPR has been used more for politics than for responding to oil supply shocks and ignores the private sector's ability to unload abundant inventories in such an event. Over time, Congress should sell all of the oil in the SPR and sell storage facilities used for the SPR. Eliminating spending for fossil energy projects and selling off government reserves of stockpiled resources eliminates the need for an Office of Fossil Energy.

By attempting to force government-developed technologies into the market, the government diminishes the role of the entrepreneur and crowds out private-sector investment. This practice of picking winners and losers denies energy technologies the opportunity to compete in the marketplace, which is the only proven way to develop market-viable products. When the government attempts to drive technological commercialization, it circumvents this critical process and almost without exception fails in some way.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Reduces spending to $302 million.
House Budget Resolution	PARTIALLY INCLUDED	Reduces spending.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates program.

$364
SAVINGS IN MILLIONS[18]

PRESIDENT	HOUSE	SENATE	RSC

E&W

Eliminate the DOE Office of Nuclear Energy

The Office of Nuclear Energy aims to advance nuclear power in the U.S. and address technical, cost, safety, security, and regulatory issues. Like spending with conventional fuels and renewables, it is not an appropriate function of the federal government to spend taxes on nuclear projects that should be conducted by the private sector. Work that clearly falls under basic R&D should be moved to the Office of Science. For example, the President's Nuclear Energy Enabling Technologies program is charged with investigating the crosscutting of technologies. Cuts in the NEET budget should include eliminating the unnecessary Modeling and Simulation Hub and cutting tens of millions of dollars from the National Scientific User Facility.

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

Congress should provide $50 million each to the DOE and the Nuclear Regulatory Commission for FY 2018 to start up the program and reevaluate concrete funding needs in FY 2019. No funds should be used for the DOE's consent-based siting initiative without direction from Congress.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Reduces Fuel Cycle R&D spending to $60 million but increases NEET spending by $116 million.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$153
SAVINGS IN MILLIONS[19]

PRESIDENT	HOUSE	SENATE	RSC

E&W

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

The DOE Office of Science includes SBIR and STTR programs with the original intent to "increase private sector commercialization of innovations derived from Federal R&D, thereby increasing competition, productivity, and economic growth."[20] Both programs stress that their goal today is to place more emphasis on commercialization, "[a]ccepting greater risk in support of agency missions." Using taxpayer dollars to offset higher risk is no way to promote economic development. It ensures that the public pays for the failures, as has been the case with failed government energy investments, while the private sector reaps the benefits of any successes.

Congress should eliminate all SBIR and STTR funding in the DOE budget. Government projects that have become commercial successes—the Internet, computer chips, GPS—were developed initially to meet national security needs, not to meet a commercial demand. Entrepreneurs saw an opportunity in these defense technologies and created the commercially viable products available today. The Department of Energy should conduct research to meet government objectives that the private sector does not undertake, and policies should be implemented that remove bureaucratic obstacles and invite the private sector, using private funds, to access that research and commercialize it.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$31
SAVINGS IN BILLIONS[21]

PRESIDENT	HOUSE	SENATE	RSC

E&W

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

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

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

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Reduces spending to $175.1 million and sells $637 million of crude oil from SPR.
House Budget Resolution	PARTIALLY INCLUDED	Authorizes sale of 58 million barrels from SPR.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$30
SAVINGS IN BILLIONS[22]

PRESIDENT	HOUSE	SENATE	RSC

Auction Off the Tennessee Valley Authority

The TVA's original purpose was to provide navigation infrastructure, flood control, power generation, reforestation, and economic development in a region encompassing nine states, especially in Tennessee, Alabama, Mississippi, and Kentucky. This goal has long been accomplished. The TVA's continuance as a government corporation is an outmoded means of providing rural areas with electricity that enables tremendous special privileges that interfere with market competition. The lack of effective oversight from either the government or the private sector has led to costly decisions, environmental damage, excessive expenses, high electricity rates, and growing liabilities for all U.S. taxpayers. Americans serviced by the TVA pay some of the region's highest electricity prices. Despite three major debt-reduction efforts in recent history, the TVA has still not reduced its taxpayer-backed and ratepayer-backed debt.

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

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Transfers TVA to the private sector.

$35
SAVINGS IN BILLIONS[23]

PRESIDENT	HOUSE	SENATE	RSC

E&W

Auction Off the Four Remaining Power Marketing Administrations

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

Generating and distributing commercial electricity should not be a centralized, government-managed activity, and taxpayers should not be forced to subsidize the electricity bills of a select group of Americans. Both the Reagan and Clinton Administrations proposed privatizing the PMAs. The Alaska Power Administration was successfully sold off to its customers. The remaining PMAs should similarly be sold under competitive bidding.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Details plans to sell all PMAs except the Southeastern Power Administration.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Sells all four PMAs.

Policy Riders

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

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

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

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

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

E&W

ENDNOTES

1. Estimated savings of $493 million for FY 2019 are based on the requested FY 2018 spending levels for each program as specified in U.S. Department of Energy, Office of Chief Financial Officer, *Department of Energy FY 2019 Congressional Budget Request, Volume 1, National Nuclear Security Administration: Federal Salaries and Expenses, Weapons Activities, Defense Nuclear Nonproliferation, Naval Reactors*, March 2018, https://www.energy.gov/sites/prod/files/2018/03/f49/FY-2019-Volume-1.pdf (accessed May 13, 2018). Savings include $18.8 million for cancelling the Minority Serving Institution Partnership Program, $73 million for reductions in the Secure Transportation Asset, $30.3 million for reductions in Information Technology and Cyber Security, $0.6 million for Nuclear Verification, 1.7 million for International Nuclear Safeguards, and $368 million for reductions in Defense Environmental Clean-Up.
2. Totals may not add due to rounding.
3. Estimated savings of $122 million for FY 2019 are based on the FY 2018 spending level of $618 million as found in U.S. Department of Energy, Office of Chief Financial Officer, *Department of Energy FY 2019 Congressional Budget Request: Budget in Brief*, March 2018, p. 49, https://www.energy.gov/sites/prod/files/2018/03/f49/DOE-FY2019-Budget-in-Brief_0.pdf (accessed May 13, 2018). The FY 2008 level of $424 million would be $496 million in inflation-adjusted 2019 dollars based on the personal consumption expenditures (PCE) index through 2018 and assuming 2.0 percent inflation in 2019).
4. U.S. Department of Energy, Office of Chief Financial Officer, *Department of Energy FY 2017 Congressional Budget Request,* Volume 4, *Science: Advanced Research Projects Agency–Energy*, February 2016, p. 239, https://www.energy.gov/sites/prod/files/2016/02/f29/FY2017BudgetVolume%204.pdf (accessed April 19, 2018).
5. Estimated savings of $231 million for FY 2019 are based on the FY 2018 spending level of $643 million as found in U.S. Department of Energy, *Department of Energy FY 2019 Congressional Budget Request: Budget in Brief*, p. 49. Heritage experts assume that FY 2018 spending remains constant in FY 2019. The FY 2008 level of $351 million would be $411 million in inflation-adjusted 2019 dollars based on the personal consumption expenditures (PCE) index. Savings equal the difference between projected spending of $643 million and recommended spending of $411 million.
6. Estimated savings of $353 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018, Public Law 115-141, 115th Cong., https://www.congress.gov/115/bills/hr1625/BILLS-115hr1625enr.pdf (accessed May 13, 2018). Heritage experts assume that FY 2018 spending remains constant in FY 2019.
7. U.S. Government Accountability Office, *Department of Energy: Advanced Research Projects Agency–Energy Could Benefit from Information on Applicants' Prior Funding*, GAO-12-112, January 2012, http://www.gao.gov/assets/590/587667.pdf (accessed April 19, 2018). See also U.S. Department of Energy, Office of Inspector General, Office of Audits and Inspections, *Audit Report: The Advanced Research Projects Agency–Energy*, OAS-RA-11-11, August 2011, http://science.house.gov/sites/republicans.science.house.gov/files/documents/hearings/2011%2008%20DOE%20IG%20ARPA-E%20Audit.pdf (accessed April 19, 2018).
8. Estimated savings of $608 million for FY 2019 are based on the FY 2018 spending level of $608 million as found in U.S. Department of Energy, *Department of Energy FY 2019 Congressional Budget Request: Budget in Brief*, p. 49. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
9. Estimated savings of $331 million for FY 2019 are based on the recommended $287.6 million in FY 2013 spending cuts for Basic Energy Sciences as found in Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2668, March 23, 2012. These cuts would have brought FY 2013 spending to a level of $1.402 billion, which would be $1.528 billion in inflation-adjusted FY 2019 dollars based on the personal consumption expenditures (PCE) index. The FY 2018 spending level was $1.859 billion as found in U.S. Department of Energy, *Department of Energy FY 2019 Congressional Budget Request: Budget in Brief*, p. 49. The estimated savings of $331 million for FY 2019 equals the difference between the inflation-adjusted FY 2019 recommended level of $1.528 billion and the estimated 2019 level of $1.859 billion. Heritage experts assume that the FY 2018 enacted level holds steady in FY 2019.
10. U.S. Department of Energy, Office of Science, "Basic Energy Sciences (BES)," last modified January 29, 2018, http://science.energy.gov/bes/ (accessed April 19, 2018).
11. Estimated savings of $39 million for FY 2019 are based on the FY 2017 spending levels as found in U.S. Department of Energy, Office of Chief Financial Officer, *Department of Energy FY 2019 Congressional Budget Request, Volume 3, Part 2: Energy Efficiency and Renewable Energy, Nuclear Energy, Advanced Research Projects Agency–Energy, Advanced Tech. Vehicles Manufacturing Loan Program, Title 17–Innovative Tech. Loan Guarantee Program, Tribal Energy Loan Guarantee Program, Energy Information Administration*, March 2018, p. 334, https://www.energy.gov/sites/prod/files/2018/03/f49/FY-2019-Volume-3-Part-2.pdf (accessed May 13, 2018), and U.S. Department of Energy, Office of Chief Financial Officer, *Department of Energy FY 2019 Congressional Budget Request, Volume 4, Science*, March 2018, p. 49, https://www.energy.gov/sites/prod/files/2018/03/f49/DOE-FY2019-Budget-Volume-4_0.pdf (accessed May 13, 2018). Heritage experts assume that FY 2017 spending remains constant through FY 2019. Estimated savings include $15 million for the Fuels from Sunlight Hub; $24.3 million for the Batteries and Energy Storage Hub; nothing for the Nuclear Energy Modeling and Simulation Hub (because it is not listed in the FY 2019 budget request); and nothing for the Critical Materials Institute (because the budget request does not fund this in FY 2019).
12. James Jay Carafano, Jack Spencer, Bridget Mudd, and Katie Tubb, "Science Policy: Priorities and Reforms for the 45th President," Heritage Foundation *Backgrounder* No. 3128, June 13, 2016, http://thf-reports.s3.amazonaws.com/2016/BG3128.pdf.
13. Estimated savings of $248 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
14. U.S. Department of Energy, Office of Electricity Delivery and Energy Reliability, "Mission," http://energy.gov/oe/mission (accessed April 19, 2018).

15. Estimated savings of $2.322 billion for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
16. U.S. Department of Energy, Office of Energy Efficiency and Renewable Energy, "About the Office of Energy Efficiency and Renewable Energy," http://energy.gov/eere/about-office-energy-efficiency-and-renewable-energy (accessed April 19, 2018).
17. Estimated savings of $984 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Savings include $727 million from Fossil Energy Research and Development, $4.9 million from the Naval Petroleum and Oil Shale Reserves, and $252 million from the Strategic Petroleum Reserves. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
18. Estimated savings of $364 million for FY 2019 are based on the recommended $178 million in FY 2013 spending cuts for nuclear energy as found in Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus." These cuts would have brought FY 2013 spending to a level of $592 million, which would be $645 million in inflation-adjusted FY 2019 dollars based on the personal consumption expenditures (PCE) index. The FY 2018 spending level was $1.009 billion as found in U.S. Department of Energy, "FY 2019 Summary Control Table by Appropriation," p. 1, https://www.energy.gov/sites/prod/files/2018/04/f50/FY2019ControlTablebyAppropriation.pdf (accessed May 13, 2018). The estimated savings of $364 million for FY 2019 equals the difference between the inflation-adjusted FY 2019 recommended level of $645 million and the estimated 2019 level of $1.009 billion. Heritage experts assume that the FY 2018 enacted level holds steady in FY 2019.
19. Estimated savings of $153 million for FY 2019 are based on U.S. Department of Energy, *Department of Energy FY 2019 Congressional Budget Request, Volume 4, Science*, p. 394, https://www.energy.gov/sites/prod/files/2018/03/f49/DOE-FY2019-Budget-Volume-4_0.pdf (accessed May 13, 2018). Heritage experts assume that the FY 2017 enacted level (no FY 2018 estimates were provided) holds steady through FY 2019.
20. U.S. Department of Energy, Office of Science, Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR), "About," http://science.energy.gov/sbir/about/ (accessed April 19, 2018).
21. Estimated one-time savings of $30.584 billion for FY 2019 are based on selling 10 percent of the previous month's inventory each month. In FY 2019, this would mean selling off 477 million of barrels (186 MMB sweet and 291 MMB sour) based on the most recently available data on the SPR's inventory (April 20, 2018), including 259.3 MMB of West Texas Intermediary sweet crude oil and 405.4 MMB of sour crude oil, for a total of 664.7 MMB. As of April 27, 2018, the market price for oil was $68.11 for sweet and $62.28 for sour (Dubai). Heritage experts assume that inventory remains at that level until the sell-off begins and that prices remain constant through FY 2019. This results in total sales of $30.790 billion (roughly 72 percent of the current inventory). Heritage experts subtract $630 million from this amount as the CBO projects the SPR will sell off $630 million worth of oil in FY 2019 according to its most recent April 2018 baseline spending projections. Thus, the one-time savings from selling off the SPR equals $30.160 billion in FY 2018 as well as $237 million in discretionary savings. One-time savings in FY 2018 from selling the Northeastern Home Heating and Gasoline Supply Reserves equals $180 million. Both reserves hold 1 million barrels (42 gallons per barrel), and the current price per gallon is $2.16 for home heating oil and $2.12 for gasoline. Heritage experts assume that these prices hold constant until the reserves are sold. Selling the Northeast Reserves also includes $7 million in discretionary savings per the CBO's April 2018 baseline spending projections. Combined, selling off the SPR and Northeast Reserves saves $27.789 billion in FY 2018, including $33.968 billion in one-time savings and $244 million in discretionary savings.
22. Estimated savings of $30.003 billion for FY 2019 are based on the lower end of an estimated value of $30 billion (one-time savings in FY 2019) for the TVA as well as $3 million in mandatory contributions to the TVA fund in FY 2019 as included in the most recent April 2018 CBO baseline spending projections. It is hard to know the TVA's market value, but comparable assets in the Southeast suggest that the TVA's value is between $30 billion and $40 billion. For an assessment of the TVA's value, see Ken G. Glozer, "Time for the Sun to Set on the Tennessee Valley Authority," Heritage Foundation *Backgrounder* No. 2904, May 6, 2014, http://www.heritage.org/research/reports/2014/05/time-for-the-sun-to-set-on-the-tennessee-valley-authority.
23. Estimated savings of $34.805 billion for FY 2019 are based on the lower-end, inflation-adjusted estimated of a previous CBO study that valued them between $23 billion and $31 billion in FY 1997. See Congressional Budget Office, "A CBO Study: Should the Federal Government Sell Electricity?" November 1997, p. 15, https://www.cbo.gov/sites/default/files/105th-congress-1997-1998/reports/electric.pdf (accessed February 7, 2017). In inflation-adjusted terms, the CBO's FY 1997 estimates translate into a range of $33.983 billion to $45.804 billion in estimated FY 2019 dollars. Heritage experts assume the low end of this estimate at $33.983 billion in one-time savings for FY 2019. In addition, auctioning off these PMAs would generate savings from the annual operation and maintenance costs, which are projected to total $115 million in discretionary savings for FY 2019, and another $707 million in mandatory savings from the funds contributed to these PMAs as estimated by the CBO in its most recent April 2018 baseline spending projections. Thus, total savings equal $34.805 billion in FY 2019.
24. Nicolas D. Loris, "Removing Restrictions on Liquid Natural Gas Exports: A Gift to the U.S. and Global Economies," Heritage Foundation *Backgrounder* No. 3232, July 27, 2017, https://www.heritage.org/sites/default/files/2017-07/BG3232.pdf.

Financial Services and General Government

$1.9
SAVINGS IN BILLIONS[1]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the Small Business Administration's Disaster Loans Program

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

While SBA disaster loans are intended to help applicants return their property to its pre-disaster condition, the unintended consequence of this requirement is that borrowers are forced to rebuild in disaster-prone locations. For example, instead of moving from a town located in a major flood zone, applicants are required to rebuild in exactly the same high-risk area. In many cases, the loans fail to offer a long-term solution. The program amounts to a poorly managed government subsidy that falls outside the proper scope of the federal government.

ADDITIONAL READING

- David B. Muhlhausen, "Business Disaster Reform Act of 2013: Review of Impact and Effectiveness," Testimony before the Committee on Small Business and Entrepreneurship, U.S. Senate, March 14, 2013.
- Justin Bogie, "Trump's Budget Deal with Democrats Will Only Worsen Our Fiscal Situation," The Daily Signal, September 7, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	REJECTED	Continues to fund.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$47
SAVINGS IN MILLIONS[2]

PRESIDENT	HOUSE	SENATE	RSC

Reform the Securities and Exchange Commission

The SEC's mission is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation. These are important goals, but over the past 10 years, the SEC's budget has increased by 80 percent—two times faster than government as a whole. The SEC budget should be frozen at its real FY 2017 level ($1.67 billion). The Consolidated Appropriations Act, 2018, signed into law on March 23, 2018, funded the SEC for FY 2018 at $1.65 billion.

There is no reason to believe that this flood of resources has improved the SEC's effectiveness. In fact, the SEC has become sclerotic and moribund, with too many layers of middle management, too many offices, and too many layers of review. It needs to be reformed and streamlined.

The number of SEC managers reporting directly to the chairman should be reduced from 23 to 10, and 13 offices should be merged into other offices. A Complex Case Unit should be created within the Enforcement Division to handle cases involving large, complex, and well-financed investment banks, banks, investment companies, and similar market participants. The SEC, the Government Accountability Office (GAO), or both should study whether regional office consolidation is warranted. The SEC, the GAO, or both should also study whether delegation of authority to staff should be narrowed and whether sunsetting of delegations should be standard practice to ensure review of various delegations' practical effects and efficacy.

FS

ADDITIONAL READING

- "Securities and Exchange Commission," in "Blueprint for Reorganization: An Analysis of Federal Departments and Agencies," ed. David B. Muhlhausen, Heritage Foundation *Special Report* No. 192, June 12, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	REJECTED	$1.72 billion, a $50 million increase, 6 percent higher than FY 2018 and 3 percent higher than FY 2017.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$250
SAVINGS IN MILLIONS[3]

PRESIDENT	HOUSE	SENATE	RSC

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

The CDFI Fund is administered by the U.S. Department of the Treasury and provides grants to CDFIs, Community Development Entities (CDEs), and other private financial institutions. Its stated objective is to improve the ability of private financial firms to provide credit, capital, and various financial services to underserved communities.[4] From 2010 to 2015, a total of more than $15 billion in taxpayer dollars was disbursed through these programs. The CDFI Fund should be shut down because it amounts to corporate welfare. Its grants hinder competition and distort private markets, ultimately leading to higher consumer prices and further justification for increased federal spending.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	Eliminates, providing only $14 million in 2019 for oversight of existing commitments and other CDFI Fund programs.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates.

$80
SAVINGS IN MILLIONS[5]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the Export–Import Bank

The Export–Import Bank provides subsidized financing to foreign firms and governments for the purchase of American exports. The program primarily benefits very large corporations and puts unsubsidized American firms at a competitive disadvantage and taxpayers at risk. Those risks are ignored in reported budget figures, which assume that incoming fee collections will fully offset Ex–Im costs. This assumption fails to account for default risks. A better, fair-value accounting method that prevails in the private sector reveals an estimated 10-year cost of $2 billion for Ex–Im according to the Congressional Budget Office.[6]

The bank's charter was reauthorized through 2019 as a rider to a bloated multibillion-dollar transportation measure passed by the House and Senate on December 4, 2015. Ex–Im was capitalized with $1 billion in taxpayer dollars, and its financing is backed by the full faith and credit of the United States, which means that taxpayers are on the hook for any losses that the bank fails to cover with reserves.

Ex–Im's direct costs do not reflect the detrimental impact on American firms of subsidizing overseas competitors. The subsidies also distort the allocation of credit and labor. For example, export financing of coal mining in Colombia, copper excavation in Mexico, and airplanes for India has led to job losses for domestic companies. There is no shortage of private financing, and Ex–Im subsidies are not needed to maintain strong levels of exports.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	REJECTED	Continues to fund.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates.

$10
SAVINGS IN MILLIONS[7]

PRESIDENT	HOUSE	SENATE	RSC

FS

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

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

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

Overall, the MSP's faulty design threatens to increase consolidation in the health insurance markets still further.[11]

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$1.4
SAVINGS IN BILLIONS[12]

PRESIDENT	HOUSE	SENATE	RSC

Replace Costly Provisions of Dodd–Frank

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

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

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Calls for restructuring the CFPB and, beginning in FY 2020, subjecting now-mandatory funding to the annual appropriations process.
House Budget Resolution	INCLUDED	Assumes adoption of provisions of the Financial CHOICE Act.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Assumes adoption of provisions of the Financial CHOICE Act.

Policy Riders

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

D.C.'s Death with Dignity Act endangers the weak and vulnerable, corrupts the practice of medicine and the doctor–patient relationship, compromises the family and intergenerational commitments, and betrays human dignity and equality before the law.[15] The RHNDA specifically prohibits employers from discriminating in "compensation, terms, conditions or privileges of employment" on the basis of an individual's "reproductive health decision making," including the "termination of a pregnancy." It could require pro-life organizations to hire individuals who advocate for abortion.

The HRAA repealed a policy that protected religious schools in D.C. from being coerced by the government into "promoting, encouraging, or condoning any homosexual act, lifestyle, orientation, or belief" if it violates their beliefs about human sexuality. Repeal of this protection could force Christian schools to violate their beliefs about human sexuality and recognize LGBT student groups or host "gay pride" days on campus.[16]

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

Federal policymakers should shift a portion of the additional federal funding provided to traditional public schools in the three-sector approach to fund additional scholarships for students to attend a private school of choice. Since the District of Columbia falls under the jurisdiction of Congress, it is appropriate for the federal government to fund the OSP. According to one study, 91 percent of students who used a voucher to attend a private school of choice graduated high school: a rate 21 percentage points higher than the rate for a control group of peers who were awarded but did not use a scholarship.[17]

ENDNOTES

1. Estimated savings of $1.875 billion for FY 2019 are based on the CBO's most recent April 2018 baseline spending projections.
2. Estimated savings of $47 million for FY 2019 are based on the FY 2018 appropriated level of $1.652 billion as specified in the Consolidated Appropriations Act, 2018, Public Law 115-141, 115th Cong., https://www.congress.gov/115/bills/hr1625/BILLS-115hr1625enr.pdf (accessed May 12, 2018). Heritage experts assume that FY 2018 spending remains constant in FY 2019. This proposal would reduce the SEC budget to its inflation-adjusted FY 2015 spending level, which would be $1.605 billion for FY 2019.
3. Estimated savings of $250 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
4. U.S. Department of the Treasury, Community Development Financial Institutions Fund, "New Markets Tax Credit: CDE Certification Application," revised May 2009, https://www.novoco.com/sites/default/files/atoms/files/cde_certification_application_0509.pdf (accessed April 12, 2018).
5. Estimated savings of $80 million for FY 2019 are based on Table 2, "Estimated Annual Loan Volume and Budgetary Costs of the Credit Programs of the Export–Import Bank of the United States Under FCRA and the Fair-Value Approach, 2015 to 2024," in Douglas W. Elmendorf, Director, Congressional Budget Office, "Estimates of the Cost of the Credit Programs of the Export–Import Bank," testimony before the Committee on Financial Services, U.S. House of Representatives, June 25, 2014, p. 6, https://www.cbo.gov/sites/default/files/113th-congress-2013-2014/reports/45468-exportimportbanktestimony.pdf (accessed May 12, 2018), which estimates that under fair-value accounting, eliminating the Export–Import Bank would have resulted in savings of $1.6 billion over the 2015–2024 period, or $160 million per year. We estimate half of this level of savings for FY 2019 because the bank has not been operating at full capacity; lacking a board quorum for the past two years, it has been unable to finance deals in excess of $100 million.
6. Congressional Budget Office, *Fair-Value Estimates of the Cost of Selected Federal Credit Programs for 2015 to 2024*, May 22, 2015, https://www.cbo.gov/sites/default/files/113th-congress-2013-2014/reports/45383-fairvalue.pdf (accessed April 16, 2018).
7. Estimated savings of $10 million for FY 2019 are based on news release, "Johnson, Meadows Introduce Bill to Eliminate Failed Obamacare Program," Committee on Homeland Security and Governmental Affairs, U.S. Senate, December 12, 2017, https://www.hsgac.senate.gov/media/majority-media/johnson-meadows-introduce-bill-to-eliminate-failed-obamacare-program (accessed May 12, 2018). As part of their oversight responsibilities and using program data supplied by the U.S. Office of Personnel Management (OPM), committee staff estimated an initial annual savings of $10 million from elimination of the MSP program. This estimate comes from eliminating MSP administrative costs, including salaries and expenses.
8. The Honorable Linda Springer, The Honorable Donald J. Devine, The Honorable Dan G. Blair, and Robert E. Moffit. "The Office of Personnel Management: A Power Player in America's Health Insurance Markets?" Heritage Foundation *Lecture* No. 1145, February 19, 2010 (delivered January 20, 2010), http://www.heritage.org/research/lecture/the-office-of-personnel-management-a-power-player-in-americas-health-insurance-markets (accessed April 14, 2018).
9. Robert E. Moffit and Neil R. Meredith, "Multistate Health Plans: Agents for Competition or Consolidation?" Mercatus Center *Working Paper*, January 2015, p. 4, https://pdfs.semanticscholar.org/cddc/248c94214b0681a4cc6b4a275b7e03d7c421.pdf (accessed April 14, 2018).
10. News release, "Johnson, Meadows Introduce Bill to Eliminate Failed Obamacare Program."
11. See Moffit and Meredith, "Multistate Health Plans: Agents for Competition or Consolidation?" pp. 15–17.
12. Estimated savings of $1.39 billion for FY 2019 are based on Congressional Budget Office, *Cost Estimate: H.R. 10, Financial CHOICE Act of 2017*, May 18, 2017, https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/hr10.pdf (accessed May 12, 2018). The CBO report assumes implementation in late 2017, so we used its 2018 estimated fiscal impacts as the first year of implementation and applied those figures to FY 2019. Total savings of $1.39 billion include $1.67 billion in reduced budget authority, offset by $280 million in reduced revenues.
13. See H.R. 10, Financial CHOICE Act of 2017, 115th Cong., https://www.congress.gov/bill/115th-congress/house-bill/10 (accessed April 14, 2018).
14. Norbert J. Michel, "Money and Banking Provisions in the Financial CHOICE Act: A Major Step in the Right Direction," Heritage Foundation *Backgrounder* No. 3152, August 31, 2016, https://www.heritage.org/markets-and-finance/report/money-and-banking-provisions-the-financial-choice-act-major-step-the, and Norbert Michel, "Budget Reconciliation: A Viable Path for CHOICE Act Reforms," *Forbes*, September 4, 2017, https://www.forbes.com/sites/norbertmichel/2017/09/04/budget-reconciliation-a-viable-path-for-choice-act-reforms/#5e406c09496f (accessed April 14, 2018).
15. Ryan T. Anderson, "Always Care, Never Kill: How Physician-Assisted Suicide Endangers the Weak, Corrupts Medicine, Compromises the Family, and Violates Human Dignity and Equality," Heritage Foundation *Backgrounder* No. 3004, March 24, 2015, https://www.heritage.org/health-care-reform/report/always-care-never-kill-how-physician-assisted-suicide-endangers-the-weak.
16. Ryan T. Anderson and Sarah Torre, "Congress Should Protect Religious Freedom in the District of Columbia," Heritage Foundation *Issue Brief* No. 4364, March 9, 2015, http://www.heritage.org/research/reports/2015/03/congress-should-protect-religious-freedom-in-the-district-of-columbia.
17. Patrick Wolf, Babette Gutmann, Michael Puma, Brian Kisida, Lou Rizzo, Nada Eissa, and Matthew Carr, *Evaluation of the DC Opportunity Scholarship Program: Final Report*, U.S. Department of Education, Institute of Education Sciences, National Center for Education Evaluation and Regional Assistance, NCEE 2010-4018, June 2010, https://ies.ed.gov/ncee/pubs/20104018/pdf/20104018.pdf (accessed April 14, 2018).

Homeland Security

$700
SAVINGS IN MILLIONS[1]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate FEMA's Fire Grants

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

The Heritage Foundation's Center for Data Analysis evaluated the program's effectiveness by matching grant award data to the National Fire Incident Reporting System, a database of fire-related emergencies reported by fire departments. Using panel data from 1999 to 2006 for more than 10,000 fire departments, the evaluation assessed the impact of fire grants on firefighter deaths, firefighter injuries, civilian deaths, and civilian injuries, comparing fire departments that received grants to departments that did not receive grants, as well as the impact of the grants before and after grant-funded fire departments received federal assistance. It showed that AFG, FP&S, and SAFER grants failed to reduce firefighter deaths, firefighter injuries, civilian deaths, and civilian injuries. Comparison fire departments that did not receive grants were just as successful at preventing fire casualties as were grant-funded fire departments.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	PARTIALLY INCLUDED	Needs to consider reforms related to AFG, FP&S, and SAFER grants.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	PARTIALLY INCLUDED	FEMA operates several grant programs that fund "activities that are primarily the function of state and local governments."

$500
SAVINGS IN MILLIONS[2]

PRESIDENT	HOUSE	SENATE	RSC

Reduce Funding for FEMA's Disaster Relief Fund

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

Reforming the Stafford Act to return more responsibility for disasters to state and local governments would enable Washington to reduce disaster relief spending by at least $500 million in FY 2018, with more savings in future years. First, Congress should increase the Stafford Act threshold to require $3 per capita in damages with a $5 million minimum threshold, and a $50 million maximum threshold. Second, the FEMA cost share should be reduced from between 75 percent and 100 percent to 25 percent, with a greater cost share for large catastrophes. For disasters that top $5 billion, the cost-share provision should increase gradually as the cost of the disaster increases. This gradual increase in cost-sharing should be capped at 75 percent once a disaster tops $20 billion.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$91
SAVINGS IN MILLIONS[3]

PRESIDENT	HOUSE	SENATE	RSC

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

The U.S. private sector is constantly striving to develop new products of interest to DHS personnel or state and local officials; from private cybersecurity and technology innovations to disaster response equipment, it is the world's most powerful force for innovation. S&T, however, may not always know of technologies or products available in the private sector that could meet DHS's general needs or specific requirements. As a result, S&T's Research and Development Partnerships office has begun focusing on "technology foraging," which seeks out existing or emerging technologies that could be adapted to meet DHS needs.

This effort should be expanded: It costs the government less and will likely be faster than brand-new research and development. Together with the expansion of the SAFETY Act, DHS can make greater use of private-sector R&D to meet mission needs. Congress should trim S&T to about $750 million and mandate that it refocus its efforts on delivering technologies needed by DHS components.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	PARTIALLY INCLUDED	Recommends reductions in DHS Science and Technology Directorate management and administrative expenses and proposes focusing and narrowing S&T projects.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$300
SAVINGS IN MILLIONS[4]

PRESIDENT	HOUSE	SENATE	RSC

Streamline FEMA Grant Programs

While federal grants to state and local partners may be of value in some cases, the current structure does not adequately prioritize grants based on the risks they are trying to reduce. The Obama Administration recommended consolidating many of these grants into a new National Preparedness Grant Program that would allot grants in a more risk-based fashion. Congress should expand consolidation to cover more grant programs. Grants that meet the greatest need in high-risk areas should be prioritized. These grant dollars should be viewed not as another entitlement to send back to congressional districts, but as limited homeland security funding to alleviate the greatest risks.

Failure to prioritize grants weakens security and preparedness and perpetuates waste and abuse. In moving DHS grants to a more risk-based allocation system, programs must be evaluated to see which needs they are meeting and how well they are meeting them. Grant programs that are found to be ineffective or unnecessary, such as the Staffing for Adequate Fire and Emergency Response (SAFER) and Fire Prevention and Safety (FP&S) grants and Assistance to Firefighter Grants (AFG), should be canceled.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	Reduces FEMA grants by more than $300 million.
House Budget Resolution	PARTIALLY INCLUDED	Calls for a thorough review of Preparedness (Non-Disaster) Grants and Hazard Mitigation Assistance Grant Programs.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Agrees with President's Budget recommendation to "reduce or eliminate" underperforming, duplicative, or unauthorized FEMA grant programs.

$465
SAVINGS IN MILLIONS[5]

PRESIDENT	HOUSE	SENATE	RSC

Privatize Transportation Security Administration Screening Functions

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

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

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

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$700
SAVINGS IN MILLIONS[6]

PRESIDENT	HOUSE	SENATE	RSC

Reform Payments from the National Flood Insurance Program

The federal government holds a monopoly on primary flood insurance for homeowners and businesses, and the program is debt-ridden and dysfunctional. Because a large proportion of the flood-risk maps are obsolete, the premiums charged under the NFIP do not reflect actual risk; and because property owners do not bear the full cost of flood risk, they are more likely to locate in flood-prone areas and less likely to undertake preventive measures. As a result, the devastation of natural disasters is made even worse. The Federal Emergency Management Agency has repeatedly proven its inability to manage risk mapping. Therefore, the Flood Hazard Mapping Program should be eliminated ($178 million), and responsibility for risk mapping should be shifted to states.

The government contracts with private property and casualty insurers to sell and service NFIP policies. Insurers receive a commission of 15 percent of net written premiums and can also receive a growth bonus for meeting marketing goals. According to the Government Accountability Office, the government lacks the information necessary to determine whether its compensation payments are appropriate. FEMA should be required to determine actual costs for various policy services and allow insurers to bid for the business. Moreover, Congress should direct FEMA to eliminate the growth bonus. At the very least, the NFIP should be barred from insuring any property with lifetime losses that, in the aggregate, exceed twice the amount of the replacement value of the structure.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Calls for reduction of flood mapping services and for reforms to put NFIP "on a more sustainable financial footing."
House Budget Resolution	PARTIALLY INCLUDED	Calls for consideration of unspecified NFIP reforms.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

HS

Policy Riders

Judiciously expand and rename the Visa Waiver Program. Congress should allow the Secretary of Homeland Security to raise the 3 percent refusal rate to 10 percent if a country has a low visa-overstay rate. In addition, because "visa waiver" is often incorrectly associated with lax vetting of foreign travelers, Congress or the Department of Homeland Security should rename the VWP. One recommendation is to rename the program the "Partnership for Secure Travel (PST)," a title that recognizes both the reciprocal, mutually beneficial nature of the program and its importance to U.S. security.[7]

Streamline congressional oversight of DHS. As the Aspen Institute put it in 2013, "DHS should have an oversight structure that resembles the one governing other critical departments, such as Defense and Justice."[8] This means placing oversight of DHS under one primary homeland security committee in the House and one in the Senate, with some additional oversight by the intelligence committees and a homeland security appropriations subcommittee in both chambers.

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

ENDNOTES

1. Estimated savings of $700 million for FY 2019 are based on the FY 2018 appropriated level as reported in Lennard G. Kruger, "Assistance to Firefighters Program: Distribution of Fire Grant Funding," Congressional Research Service *Report for Members and Committees of Congress*, March 27, 2018, https://fas.org/sgp/crs/homesec/RL32341.pdf (accessed April 28, 2018). The AFG and SAFER programs each received $350 million in appropriations for FY 2018. Heritage experts assume that the FY 2018 levels remain constant in FY 2019.
2. Estimated savings of $500 million for FY 2019 are a Heritage estimate of potential savings based on current disaster relief programs and their budget authority as authorized and found in the Consolidated Appropriations Act, 2018, Public Law 115–141, 115th Cong., https://www.congress.gov/115/bills/hr1625/BILLS-115hr1625enr.pdf (accessed May 12, 2018).
3. Estimated savings of $91 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019. Savings equal the difference between the FY 2018 appropriated level of $841 million and Heritage's recommended appropriation of $750 million.
4. Estimated savings of $300 million for FY 2019 are based on estimated spending reductions that would result from implementation of a risk-based system to prioritize grants based on national preparedness needs. Compared to the current system that grants significant amounts to unnecessary and ineffective programs, this proposal could save about $300 million per year (on top of savings from eliminating already listed grant programs).
5. Estimated savings of $465 million for FY 2019 are based on David Inserra, "Time to Privatize the TSA," Heritage Foundation *Backgrounder* No. 3120, July 19, 2017, https://www.heritage.org/homeland-security/report/time-privatize-the-tsa. Estimated savings are based on likely spending reductions from implementing a private screener system similar to the Canadian model.
6. Estimated savings of $700 million for FY 2019 are based on Heritage estimates using data in letter from Keith Hall, Director, Congressional Budget Office, to Honorable Jeb Hensarling, Chairman, Committee on Financial Services, U.S. House of Representatives, "Re: Preliminary Results from CBO's Analysis of the National Flood Insurance Program," April 19, 2017, https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/52638-nfipletter.pdf (accessed May 12, 2018). This letter report estimates that the NFIP costs $1.4 billion per year. We estimate that a shift to a fully privatized flood insurance market would result in savings equal to half of the NFIP's costs in FY 2019. In later years, savings would equal the full cost of the NFIP.
7. David Inserra, "Advancing American Security, Foreign, and Economic Policy Interests Through the Visa Waiver Program," Heritage Foundation *Issue Brief* No. 4812, January 26, 2018, https://www.heritage.org/homeland-security/report/advancing-american-security-economic-and-foreign-policy-interests-through (accessed April 16, 2018).
8. Aspen Institute, Justice and Society Program, *Task Force Report on Streamlining and Consolidating Congressional Oversight of the U.S. Department of Homeland Security*, September 2013, p. 4, https://assets.aspeninstitute.org/content/uploads/files/content/docs/pubs/Sunnylands%20report%2009-11-13.pdf (accessed April 16, 2018).
9. Olivia Enos, David Inserra, and Joshua Meservey, "The U.S. Refugee Admissions Program: A Roadmap for Reform," Heritage Foundation *Backgrounder* No. 3212, July 5, 2017, https://www.heritage.org/immigration/report/the-us-refugee-admissions-program-roadmap-reform.

Interior, Environment, and Related Agencies

$64
SAVINGS IN MILLIONS[1]

PRESIDENT	HOUSE	SENATE	RSC

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

The Sustainable and Healthy Communities research program does not address environmental priorities, and it is inappropriate for the federal government to control local projects. The EPA's research agenda focuses on issues like managing municipal waste, storm water runoff, and trade-offs in community planning for greenspace, schools, and public facilities that are appropriately state and local priorities. States, localities, and individual property owners are better equipped to customize policies to meet local conditions.

ADDITIONAL READING

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

INT/ENV

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Reduces spending to $64.3 million.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$17
SAVINGS IN MILLIONS[2]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the EPA's Indoor Air Programs

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

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	Eliminates spending.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$350
SAVINGS IN MILLIONS[3]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate Six Redundant EPA Programs

Eliminating the National Estuary/Coastal Waterways program saves $27 million. Restoration and protection of estuaries and coastal areas are best managed by states and private property owners, not the federal government.

Eliminating the Integrated Environmental Strategies program saves $11.5 million. Promoting "sustainability," "smart growth," and similar social engineering is not a proper function of the federal government.

Eliminating the Pollution Prevention program saves $13 million. This program does not contribute to remediation of existing pollution problems, and it engages in activities that are better carried out by the private sector.

Eliminating the Surface Water Protection program saves $200 million. States, not the federal government, should manage bodies of water like lakes, rivers, and streams that fall within their boundaries.

Eliminating the Federal Vehicle and Fuels Standards and Certification program saves $93 million. Government-mandated emissions standards are unnecessary in light of consumer demand for fuel efficiency, and the Renewable Fuel Standard unnecessarily increases food and energy prices in order to benefit a small set of special interests.

Eliminating the Waste Minimization and Recycling programs under the EPA-developed Resource Conservation and Recovery Act saves $9 million. These programs do not contribute to actual cleanup of hazardous waste; instead, they focus on promoting recycling and other activities that are best dealt with at the state and local levels.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Eliminates National Estuary/Coastal Waterways, Pollution Prevention, and Waste Minimization and Recycling programs. Minimal or moderate reductions to remaining programs.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$52
SAVINGS IN MILLIONS[4]

PRESIDENT	HOUSE	SENATE	RSC

Reduce Funding for the EPA's Civil Enforcement Program

The EPA Civil Enforcement program litigates and settles administrative and civil judicial cases against serious violators of environmental laws, but the EPA engages in unnecessary and excessive legal actions. Therefore, a reduction in funding should impose an element of discipline that forces the agency to be more careful about inviting legal challenges to regulatory and enforcement activities.

Congress should reduce the $171 million in FY 2017 funding for the Civil Enforcement program by 30 percent. The EPA should also be prohibited both from using resources to garnish wages without a court order to collect fines or other penalties and from referring such cases to the Treasury Department for wage garnishment without a court order.

ADDITIONAL READING

- Robert Gordon and Andrew Kloster, "Wage Garnishment Without a Court Order: Not a Good Idea," Heritage Foundation *Issue Brief* No. 4275, September 29, 2014.
- Diane Katz, "An Environmental Policy Primer for the Next President," Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.

INT/ENV

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Reduces spending by $30 million.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$4.9
SAVINGS IN MILLIONS[5]

PRESIDENT	HOUSE	SENATE	RSC

Reduce Funding for the EPA's External Civil Rights Compliance Office (Title VI)

The External Civil Rights Compliance Office (Title VI) program provides the EPA with policy direction and guidance on civil rights and equal employment opportunity. However, it also undertakes a variety of other "outreach" and nonessential functions. Congress should reduce the $10 million in FY 2018 funding for this program by 50 percent.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Reduces spending to $8.5 million.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$25
SAVINGS IN MILLIONS[6]

PRESIDENT	HOUSE	SENATE	RSC

Reduce the EPA's Legal Advice on Environmental Programs

A significant amount of the EPA's regulatory activity is excessive. Therefore, a reduction in funding for programs of legal representation, legal counseling, and legal support for all of the EPA's environmental activities should impose discipline on the agency's regulatory and enforcement activities. Congress should reduce the $48 million in estimated FY 2018 funding for the EPA's legal advice on environmental programs by 50 percent.

ADDITIONAL READING

- Robert Gordon and Andrew Kloster, "Wage Garnishment Without a Court Order: Not a Good Idea," Heritage Foundation *Issue Brief* No. 4275, September 29, 2014.
- Diane Katz, "An Environmental Policy Primer for the Next President," Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Reduces spending to $42.3 million.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$8.7
SAVINGS IN MILLIONS[7]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the EPA's Stratospheric Ozone Multilateral Fund

The EPA's Stratospheric Ozone Multilateral Fund was created by parties to the 1987 Montreal Protocol to support efforts by developing countries to phase out the use of stratospheric ozone-depleting substances. The current evidence shows that ozone depletion was an exaggerated threat; no ecosystem or species was ever shown to be seriously harmed by ozone depletion. As it is, the U.S. has long paid a disproportionate share of the funding.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	Eliminates spending.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$126
SAVINGS IN MILLIONS[8]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the EPA's Information Exchange/Outreach Programs

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

Since 1992, the EPA has granted more than $68.7 million to these programs.[9] While some of these projects might be worthwhile, they are far beyond the appropriate scope of the federal government. Such projects should be funded at the local level or by private companies.

ADDITIONAL READING

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

INT/ENV

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Reduces spending to $85.6 million.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$21
SAVINGS IN BILLIONS[10]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the Land and Water Conservation Fund

The LWCF, established by Congress in 1965, allows the federal government to use royalties from offshore energy development to buy private land and turn it into public parks and other public recreation areas. Of the $38.0 billion credited to the fund, less than half ($17.5 billion) has been spent, leaving a credit of $20.5 billion.[11] Congress should rescind the remaining balance, generating a one-time savings of $20.5 billion in FY 2019.

The federal government owns some 640 million acres of land: nearly 30 percent of the country and nearly half of the western United States. The LWCF is the primary vehicle for land purchases by the four major federal land-management agencies. Congress also uses the fund for a matching state grant program, although the LWCF now chiefly funds federal objectives. This massive federal ownership has led to land mismanagement, lost recreation and resource production opportunities, and poor environmental management. Instead of giving Washington more decision-making power, Congress should empower states and local communities to protect their environments, maximize land value, and create opportunities for economic development.

ADDITIONAL READING

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

INT/ENV

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	REJECTED	Requests $28 million.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Allows LWCF to expire on schedule at end of FY 2018.

$60
SAVINGS IN MILLIONS[12]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the EPA's National Clean Diesel Campaign

The government has spent hundreds of millions of taxpayer dollars over the years to develop more than 60,000 pieces of clean diesel technology, such as "emissions and idle control devices, aerodynamic equipment, engine and vehicle replacements, and alternative fuel options."[13] Diesel Emissions Reduction Act grants have been used to pay for new or retrofitted tractors and cherry pickers in Utah, electrified parking spaces at a Delaware truck stop, a new engine and generators for a 1950s locomotive in Pennsylvania, school buses in San Diego County, and new equipment engines for farmers in the San Joaquin Valley.[14]

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

ADDITIONAL READING

- The Heritage Foundation, *Environmental Conservation: Eight Principles of the American Conservation Ethic*, 2012.
- Nicolas Loris, "EPA Is Desperately in Need of Budget Cuts. Here's a Few Places to Start," The Daily Signal, July 10, 2014.

INT/ENV

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Reduces spending to $10 million.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	

$7.2
SAVINGS IN MILLIONS[15]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate EPA Environmental Justice Programs

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

Further, environmental justice programs have expanded to subsidize state and local projects that federal taxpayers should not be forced to fund. For example, the Environmental Justice Small Grants Program has funded neighborhood litter cleanups; education on urban gardening, composting, and the negative effects of urban sprawl and automobile dependence; and a pilot program to reach California's nail salon community in order to increase "knowledge of healthy/green nail salon concepts and practices."[16]

Congress should eliminate these programs, which have been co-opted by political agendas and do not merit taxpayer resources.

ADDITIONAL READING

- The Heritage Foundation, *Blueprint for Reform: A Comprehensive Policy Agenda for a New Administration in 2017*, Mandate for Leadership Series, 2016, pp. 94–98.
- James Rust, "'Environmental Justice' Injustice (EPA Elitism, Exploitation)," Institute for Energy Research, Master Resource, August 13, 2014.

INT/ENV

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Reduces spending to $2 million.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$153
SAVINGS IN MILLIONS[17]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the National Endowment for the Humanities

The NEH, created on September 29, 1965, by President Lyndon Johnson through the National Foundation on the Arts and the Humanities Act, received a $149.8 million appropriation for FY 2017.[18] In 2016, it reported that it had awarded "more than 63,000 grants totaling $5.3 billion, and leveraged an additional $2.5 billion in matching funds" during its 50-year history.[19] These funds dwarf private giving.

Private individuals and organizations should be able to donate at their own discretion to humanities organizations and programs as they wish; government should not use its coercive power of taxation to compel taxpayers to support cultural organizations and activities. Americans gave $390.1 billion in charitable contributions in 2016, an increase of 4 percent from 2014. Charitable giving as a whole increased 4.5 percent from 2015, and giving for arts, culture, and the humanities experienced an increase of 6.7 percent from 2015.[20]

The NEH is neither a necessary nor a proper activity of the federal government.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	
House Budget Resolution	INCLUDED	Appears to eliminate NEH.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	

$153
SAVINGS IN MILLIONS[21]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the National Endowment for the Arts

The NEA was created on September 29, 1965, by President Lyndon Johnson through the National Foundation on the Arts and the Humanities Act. In 2016, it reported having awarded more than $5 billion for arts participation during its 50-year history.[22] Taxpayer assistance for the arts is neither necessary nor prudent.

The NEA received a $149.8 million appropriation in FY 2017.[23] However, private contributions to the arts and humanities vastly exceed the amount provided by the NEA. Americans made $390.1 *billion* in charitable contributions in 2015.[24] Arts, culture, and the humanities experienced a substantial increase, receiving 6.7 percent more than the previous year. Further, federally funded arts programs are susceptible to cultural cronyism whereby special interests promoting a social agenda receive government favor to promote their causes.[25]

In the words of Citizens Against Government Waste, "[a]ctors, artists, and academics are no more deserving of subsidies than their counterparts in other fields; the federal government should refrain from funding all of them."[26]

INT/ENV

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	
House Budget Resolution	INCLUDED	Appears to eliminate NEH.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	

$12
SAVINGS IN MILLIONS[27]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate Funding for the Woodrow Wilson International Center for Scholars

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

In FY 2017, the Wilson Center received a $10.5 million appropriation from Congress to carry out the Woodrow Wilson Memorial Act of 1968.[28] About one-third of the center's budget comes through annual appropriations, with the remaining funds provided through private donations. Funding for the Wilson center should be eliminated because it is not the proper role for government to pay for independent research when there is a wide range of organizations that do this with private funding.

Additionally, the Wilson Center has a plan, readily available on its website, for how it would continue to be funded without appropriations: "If there is a lapse in Federal funding as a result of failure to pass an appropriation bill, the Wilson Center will **not** close."[29] The Wilson Center can operate without federal funds, and the federal government should not spend taxpayer dollars supporting an institution that, by its own admission, does not need assistance.

INT/ENV

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$41
SAVINGS IN MILLIONS[30]

PRESIDENT	HOUSE	SENATE	RSC

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

The Kennedy Center was conceptualized in 1958 as a national cultural center. Since opening in 1971, it has served as both the National Center for the Performing Arts and the federal memorial to President John F. Kennedy.[31]

In 2017, Congress appropriated $22.3 million for the operation and maintenance of the Kennedy Center. Lawmakers appropriated an additional $14.1 million for capital repair and restoration of the arts center.[32] Even after receiving funds from the federal government, however, subscriptions for Kennedy Center performances cost $120 to $500.[33]

Private donations to the arts, culture, and humanities increased by 6.7 percent from 2015 to 2016.[34] The Kennedy Center should be funded by these private donations and robust ticket sales rather than with tax dollars paid by Americans who may never experience the music and theater for which they are paying. It is not appropriate for the federal government to be subsidizing a performing arts center in one of the wealthiest areas of the country.

Spending taxpayer dollars to fund performing arts is outside the scope of federal government obligations.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Reduces spending to $24.5 million.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	

Policy Riders

Prohibit federal efforts to regulate, either directly or indirectly, nonpoint sources of water pollution. The EPA's efforts to address water quality in the Chesapeake Bay are particularly problematic. The agency is effectively seeking to regulate agricultural runoff and other nonpoint sources of pollution (pollution coming from multiple sources over a wide area, as opposed to pollution from a point source that is a specific and identifiable source).[35] There is even concern that the EPA could determine where farming is allowed.[36] This type of regulatory scheme could very well be used on a national level as well.[37]

Prohibit retroactive vetoes of Section 404 permits. Under Section 404 of the Clean Water Act, property owners sometimes have to secure dredge-and-fill permits.[38] The EPA has decided that it can retroactively revoke a Section 404 permit that the Army Corps of Engineers has issued, regardless of whether the permit holder is in full compliance with permit conditions.[39] In a 2013 case, *Mingo Logan Coal Co. v. EPA*,[40] the D.C. Circuit Court of Appeals held that the EPA could retroactively veto such permits; the EPA's veto was exercised four years after the Corps issued the permit.[41]

Rein in the EPA's ozone standard. The Environmental Protection Agency finalized a new ozone standard of 70 parts per billion (ppb) in October 2015. This drastic action was premature. States are just now starting to meet the current 75 ppb standard. According to the Congressional Research Service, "109 million people (one-third of the U.S. population) lived in areas classified as 'nonattainment' for the 75 ppb ozone NAAQS set by EPA in 2008."[42] When a third of the nation's population lives in areas that have not met the current standard, adopting an even more stringent standard is at best, premature.[43] The ozone standard has grown more controversial as it becomes increasingly expensive to meet tighter standards with smaller margins of tangible benefits. The EPA is increasingly setting American *economic* policy as it sets *environmental* policy, enjoying nearly unfettered power to set ozone standards and, indirectly, economic activity and land use. This has restricted opportunity, and compliance costs are passed on to Americans, especially the poor. Far from being a question of whether or not to have clean, healthy air, the new standard goes well beyond what Congress intended in the Clean Air Act.

Advance the *Environmental Policy Guide*. Written in collaboration with six other organizations, The Heritage Foundation's *Environmental Policy Guide* includes over 100 specific appropriations and legislative recommendations for reforming environmental policy. Topics include the Clean Air Act, Clean Water Act, Endangered Species Act, National Environmental Policy Act, regulatory process and accountability reform, and toxicology.[44]

Repeal the Renewable Fuel Standard (RFS). By requiring fuel blenders to use biofuels regardless of the cost, the RFS has made most Americans worse off through higher food and fuel expenses. The higher costs paid by American families benefit a select group of special interests that produce renewable fuels. Tinkering around the edges will not fix this unworkable policy. Moreover, the federal government should not mandate which type of fuel drivers use in the first place. Congress should repeal the RFS.[45]

Prohibit the regulation of greenhouse gases and withdraw the endangerment finding. The Obama Administration proposed and implemented a series of climate change regulations in an effort to reduce greenhouse gas emissions from vehicles, heavy-duty trucks, airplanes, hydraulic fracturing, and new and existing power plants. Since conventional carbon-based fuels provide more than 80 percent of America's energy, these restrictions on the use of abundant, affordable energy sources will only inflict economic pain on households and businesses. They will produce no discernible climate benefit while causing hundreds of thousands of jobs and trillions of dollars of gross domestic product to be lost.[46] Though the Trump Administration has taken positive steps to reverse the previous Administration's climate agenda, Congress should prohibit all federal agencies from regulating greenhouse gas emissions. Congress should order the

Environmental Protection Agency to withdraw its endangerment finding on greenhouse gas emissions, recognizing that greenhouse gas emissions are affecting the climate but that no credible evidence suggests that the Earth is heading toward catastrophic warming.[47]

Prohibit the use of social cost of carbon in any cost-benefit analysis or environmental impact statement. The EPA is using three statistical models, known as integrated assessment models, to estimate the value of the social cost of carbon, defined as the economic damage that one ton of carbon dioxide (CO_2) emitted today will cause over the next 300 years. However, these models arbitrarily derive a value for the social cost of carbon. Subjecting the models to reasonable inputs for climate sensitivity and discount rates dramatically lowers the estimated social cost of carbon figure. Artificially increasing the estimates boosts the projected benefits of climate-related regulations in agency cost-benefit analyses. By placing a significantly high arbitrary price on a ton of carbon dioxide emitted into the atmosphere, the EPA can inflate the benefits of regulation or inflate the costs of a new project, claiming that the project will emit *X* tons of CO_2 over its lifetime and inflict *Y* damage on the environment.[48] Congress should prohibit all federal agencies from using the social cost of carbon for any purpose, especially regulatory rulemaking.

Prohibit the net acquisition of land and shift federal land holdings to states and the private sector. The federal government's land holdings are greater than the areas of France, Spain, Germany, Poland, Italy, the United Kingdom, Austria, Switzerland, the Netherlands, and Belgium combined—almost a third of the U.S. land mass, including Alaska and Hawaii. Only a fraction of this land is composed of national parks. Federal agencies cannot adequately manage these lands and the natural resources on them. Congress should prohibit land acquisitions that result in a net gain in the size of the federal estate. Congress also should dispose of excess Bureau of Land Management lands, shrink the federal estate, and reauthorize the Federal Lands Transaction Facilitation Act, stipulating that funds generated from land sales will address the Department of the Interior's maintenance backlog.[49]

Repeal or reform the Antiquities Act. National monument designations have stripped economic opportunities from communities. Whether the issue is logging, recreation, conservation, or energy development, these decisions should be made at the local level, not from Washington. For more than a century, the President has had the power to designate land as a national monument unilaterally, without input from Congress or affected states. Although the law states that the President must limit the designation to the "smallest area compatible with proper care and management of the objects to be protected," Presidents from both parties have ignored that language. For far too long, monument designations have exceeded their statutory limitations. Congress should recognize what Wyoming recognized in 1943 and what the 81st Congress recognized in 1950: The President should not have the ability to declare national monuments unilaterally and arbitrarily and take economic and environmental decisions away from the states and local organizations. Congress should eliminate the President's authority to do so, either by repealing the Antiquities Act altogether or by requiring congressional and state approval for any designation.[50]

Prohibit the EPA from abusing cost-benefit analysis to justify costly air regulations (co-benefits abuse). When the EPA issues a rule to reduce emissions of a certain air pollutant, the direct benefits of reducing those emissions should exceed the costs. However, for years, the EPA has found an improper end-run around this common-sense requirement. Even when the rule's stated objective has massive costs and few to no benefits, the EPA points to the "co-benefits" of reducing particulate matter as justification for the rule. This co-benefits abuse has become so bad that the EPA has issued major rules without even bothering to quantify whether there are benefits associated with their regulatory objectives, instead relying solely or primarily on particulate matter co-benefits.[51] Under the Clean Air Act, criteria pollutants such as particulate matter are addressed through their own specific statutory scheme and should not be addressed through other means,[52] such as through unrelated air regulations developed under other sections of the CAA.

ENDNOTES

1. Savings of $64.3 million for FY 2019 are based on the FY 2018 appropriations reported in U.S. Environmental Protection Agency, *United States Environmental Protection Agency Fiscal Year 2019 Justification of Appropriation Estimates for the Committee on Appropriations*, February 2018, p. 39, https://www.epa.gov/sites/production/files/2018-02/documents/fy-2019-congressional-justification-all-tabs.pdf (accessed May 14, 2018). Heritage experts assume that spending for FY 2018 remains constant in FY 2019.
2. Savings of $16.7 million for FY 2019 are based on the FY 2018 appropriations reported in ibid., pp. 803–805. Heritage experts assume that spending for FY 2018 remains constant in FY 2019.
3. Savings of $350 million for FY 2019 are based on the FY 2018 appropriations reported in ibid., pp. 146, 147, 803, and 807. Heritage experts assume that spending for FY 2018 remains constant in FY 2019. Total savings include $198.9 million for the Surface Water Protection program, $93 million for the Federal Vehicle and Fuels Standards and Certification program, $26.5 million for the National Estuary/Coastal Waterways program, $12.2 million for the Pollution Prevention program, $10.6 million for the Integrated Environmental Strategies program; and $9.1 million for the Waste Minimization and Recycling programs.
4. Savings of $52 million for FY 2019 are based on 30 percent of the FY 2018 annualized spending level of $174 million as found in ibid., p. 179. Heritage experts assume that spending for FY 2018 remains constant in FY 2019.
5. Savings of $4.9 million for FY 2019 are based on 50 percent of the FY 2018 annualized spending level of $9.7 million as found in ibid., p. 251. Heritage experts assume that spending for FY 2018 remains constant in FY 2019.
6. Savings of $24.9 million for FY 2019 are based on 50 percent of the FY 2018 annualized spending level of $49.7 million as found in ibid., p. 258. Heritage experts assume that spending for FY 2018 remains constant in FY 2019.
7. Savings of $8.7 million for FY 2019 are based on the FY 2018 annualized spending level as found in ibid., p. 144. Heritage experts assume that spending for FY 2018 remains constant in FY 2019.
8. Savings of $126 million for FY 2019 are based on the FY 2018 annualized spending level as found in ibid., p. 145. Heritage experts assume that spending for FY 2018 remains constant in FY 2019.
9. U.S. Environmental Protection Agency, "Education: Environmental Education (EE) Grants," https://www.epa.gov/education/environmental-education-ee-grants (accessed March 9, 2018).
10. Savings of $20.897 billion for FY 2019 equals the last reported remaining LWCF balance of $20.5 billion as found in Carol Hardy Vincent, "Land and Water Conservation Fund: Appropriations for 'Other Purposes,'" Congressional Research Service *Report for Members and Committees of Congress*, September 1, 2016, https://www.everycrsreport.com/files/20160906_RL33531_ac1555f37bb1a30bee404e6a00ad1b22af2e9f8e.pdf (accessed May 14, 2018), as well as $397 million in discretionary contributions to the LWCF for FY 2019 as reported in "Appendix D: Land and Water Conservation Fund," in U.S. Department of the Interior, *The Interior Budget in Brief: Fiscal Year 2019*, February 2018, pp. D1–D2, https://edit.doi.gov/sites/doi.gov/files/uploads/2019_highlights_book.pdf (accessed May 14, 2018). This proposal includes $20.5 billion in one-time savings and $397 million in discretionary savings.
11. Vincent, "Land and Water Conservation Fund: Appropriations for 'Other Purposes.'"
12. Savings of $60 million for FY 2019 are based on the FY 2018 annualized spending level for the Diesel Emissions Reduction Grant Program as found in U.S. Environmental Protection Agency, *United States Environmental Protection Agency Fiscal Year 2019 Justification of Appropriation Estimates for the Committee on Appropriations*, p. 523. Heritage experts assume that spending for FY 2018 remains constant in FY 2019.
13. NC Clean Energy, Technology Center, "Incentives & Funding," https://nccleantech.ncsu.edu/clean-transportation/for-fleets/ (accessed March 9, 2018).
14. U.S. Environmental Protection Agency, "Clean Diesel: Clean Diesel National Grants Awarded," 2012–2015, https://www.epa.gov/cleandiesel/clean-diesel-national-grants (accessed March 9, 2018).
15. Savings of $7.2 million for FY 2019 are based on the FY 2018 annualized spending level as found in U.S. Environmental Protection Agency, *United States Environmental Protection Agency Fiscal Year 2019 Justification of Appropriation Estimates for the Committee on Appropriations*, pp. 805–808,. Heritage experts assume that spending for FY 2018 remains constant in FY 2019.
16. U.S. Environmental Protection Agency, Office of Enforcement and Compliance Assurance (EOCA), "Environmental Justice Small Grants: FY2013 Summaries by Region," September 11, 2013, https://digital.library.unt.edu/ark:/67531/metadc949089/m1/1/ (accessed March 10, 2018).
17. Savings of $153 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018, Public Law 115-141, 115th Cong., https://www.congress.gov/115/bills/hr1625/BILLS-115hr1625enr.pdf (accessed May 13, 2018). Heritage experts assume that FY 2018 spending remains constant in FY 2019.
18. Consolidated Appropriations Act, 2017, Public Law 115-31, 115th Cong., May 5, 2017, https://www.congress.gov/bill/115th-congress/house-bill/244 (accessed March 10, 2018).
19. National Endowment for the Humanities, *Annual Report 2015*, p. 2, https://www.neh.gov/files/neh_2015_annual_report_final.pdf (accessed March 10, 2018).
20. Press release, "Giving USA 2017: Total Charitable Donations Rise to New High of $390.05 Billion," Giving USA, June 12, 2017, https://givingusa.org/giving-usa-2017-total-charitable-donations-rise-to-new-high-of-390-05-billion/ (accessed March 10, 2018).
21. Savings of $153 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
22. National Endowment for the Arts, *2015 Annual Report*, p. 2, https://www.arts.gov/sites/default/files/2015%20Annual%20Report.pdf (accessed March 10, 2018).

23. Consolidated Appropriations Act, 2017.
24. Press release, "Giving USA 2017: Total Charitable Donations Rise to New High of $390.05 Billion."
25. Elizabeth Harrington, "The National Endowment for the Arts Funds Political Propaganda," *The Federalist*, February 23, 2016, http://thefederalist.com/2016/02/23/the-national-endowment-of-the-arts-funds-political-propaganda/ (accessed March 10, 2018).
26. Citizens Against Government Waste, *Prime Cuts Summary*, April 2015, p. 34, http://cagw.org/sites/default/files/PrimeCuts2015.pdf (accessed March 10, 2018).
27. Savings of $12 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
28. Consolidated Appropriations Act, 2017.
29. Woodrow Wilson International Center for Scholars, "Plan for Federal Funding Hiatus," revised August 2015, p. 3, https://www.wilsoncenter.org/sites/default/files/wilson_center_plan_for_possible_lapse_in_federal_appropriation_revised_august_2015.pdf (accessed March 10, 2018). Emphasis in original.
30. Savings of $40.5 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019. Savings include $23.74 million in operations and maintenance and $16.775 million in capital repair and restoration.
31. John F. Kennedy Center for the Performing Arts, "Kennedy Center Plan for Federal Government Shutdown," revised September 26, 2013, http://www.kennedy-center.org/legal/130927_fed_govt_shutdown.pdf (accessed March 10, 2018).
32. Consolidated Appropriations Act, 2017.
33. Michael J. Gaynor, "How to see *Hamilton* in DC," *The Washingtonian*, July 7, 2016, https://www.washingtonian.com/2016/07/07/hamilton-tickets-kennedy-center-how-to-see-hamilton-in-dc/ (accessed March 10, 2018).
34. Press release, "Giving USA 2017: Total Charitable Donations Rise to New High of $390.05 Billion."
35. U.S. Environmental Protection Agency, "Polluted Runoff: Nonpoint Source Pollution: What Is Nonpoint Source?" last updated May 2, 2017, http://www.epa.gov/polluted-runoff-nonpoint-source-pollution/what-nonpoint-source (accessed March 10, 2018); U.S. Geological Survey, "Water Resources of the United States: Water Basics Glossary," last modified June 17, 2013, https://water.usgs.gov/water-basics_glossary.html (accessed March 10, 2018).
36. See, for example, H. Sterling Burnett, "Farm Bureau Fights Federal Land Grab in Chesapeake Bay Region," Heartland Institute, February 11, 2016, https://www.heartland.org/news-opinion/news/farm-bureau-fights-federal-land-grab-in-chesapeake-bay-region (accessed March 10, 2018), and Gary Baise, "Counties Attack EPA's TMDL Regulations," *Jefferson Policy Journal*, March 2, 2016, http://www.jeffersonpolicyjournal.com/counties-attack-epas-tmdl-regulations/ (accessed March 10, 2018).
37. To learn more about this federal overreach, see Daren Bakst, "Eliminating and Reducing Regulatory Obstacles in Agriculture," Heritage Foundation *Backgrounder* No. 3135, June 28, 2016, https://www.heritage.org/government-regulation/report/eliminating-and-reducing-regulatory-obstacles-agriculture.
38. "Discharge of dredged material" refers to material excavated or dredged from waters of the U.S., and "discharge of fill material" refers to "material placed in waters such that dry land replaces water—or a portion thereof—or the water's bottom elevation changes." U.S. Environmental Protection Agency, Office of Enforcement and Compliance Assurance, Office of Compliance, *Managing Your Environmental Responsibilities: A Planning Guide for Construction and Development*, April 2005, http://www.epa.gov/compliance/resources/publications/assistance/sectors/constructmyer/ (accessed March 10, 2018). See also the EPA regulations at 33 U.S. Code §323.2, http://www.law.cornell.edu/cfr/text/33/323.2 (accessed March 10, 2018). The regulations provide more specific definitions of dredged material, fill material, and discharge of dredged or fill material. The precise definitions of terms such as "fill material" are a matter of controversy. See Claudia Copeland, "Controversies over Redefining 'Fill Material' Under the Clean Water Act," Congressional Research Service *Report for Congress*, August 21, 2013, http://fas.org/sgp/crs/misc/RL31411.pdf (accessed March 10, 2018).
39. Robert Gordon and Diane Katz, eds., *Environmental Policy Guide: 167 Recommendations for Environmental Policy Reform*, The Heritage Foundation, 2015, p. 8, http://www.heritage.org/research/reports/2015/03/environmental-policy-guide.
40. *Mingo Logan Coal Co. v. EPA*, 714 F.3d 608 (D.C. Cir. 2013), https://www.cadc.uscourts.gov/internet/opinions.nsf/DBEEA1719A916CDC85257B56005246C4/$file/12-5150-1432105.pdf (accessed March 9, 2018).
41. Ibid.
42. James E. McCarthy and Richard K. Lattanzio, "EPA's 2015 Ozone Air Quality Standards," Congressional Research Service *Report for Members and Committees of Congress*, August 15, 2017, https://fas.org/sgp/crs/misc/R43092.pdf (accessed March 9, 2018).
43. Daren Bakst, "Statement Regarding Proposed Ozone Standards," testimony before the Environmental Protection Agency, January 29, 2015, http://www.scribd.com/doc/255666438/Bakst-Testimony-Ozone-Standards (accessed January 29, 2018).
44. Gordon and Katz, eds., *Environmental Policy Guide: 167 Recommendations for Environmental Policy Reform*.
45. Nicolas Loris, "Examining the Renewable Fuel Standard," testimony before the Subcommittee on the Interior and Subcommittee on Healthcare, Benefits, and Administrative Rules, Committee on Oversight and Government Reform, U.S. House of Representatives, March 16, 2016, https://www.heritage.org/testimony/examining-the-renewable-fuel-standard.
46. Nicolas D. Loris, "Four Big Problems with the Obama Administration's Climate Change Regulations," Heritage Foundation *Issue Brief* No. 4454, August 14, 2015, http://thf_media.s3.amazonaws.com/2015/pdf/IB4454.pdf.
47. David Kreutzer, Nicolas D. Loris, Katie Tubb, and Kevin Dayaratna, "The State of Climate Science: No Justification for Extreme Policies," Heritage Foundation *Backgrounder* No. 3119, April 16, 2016, https://www.heritage.org/environment/report/the-state-climate-science-no-justification-extreme-policies.

48. Kevin D. Dayaratna, "Methods and Parameters Used to Establish the Social Cost of Carbon," testimony before the Subcommittee on Environment and Oversight, Committee on Science and Technology, U.S. House of Representatives, February 24, 2017, http://docs.house.gov/meetings/SY/SY18/20170228/105632/HHRG-115-SY18-Wstate-DayaratnaK-20170228.pdf.
49. Nicolas Loris, "Transforming the Department of the Interior for the 21st Century," testimony before the Subcommittee on Oversight and Investigations, Committee on Natural Resources, U.S. House of Representatives, December 7, 2017, http://docs.house.gov/meetings/II/II15/20171207/106700/HHRG-115-II15-Wstate-LorisN-20171207.pdf.
50. Katie Tubb, "Why Trump's Upcoming Decision on Federal Lands Matters," Heritage Foundation *Commentary*, August 28, 2017, https://www.heritage.org/environment/commentary/why-trumps-upcoming-decision-federal-lands-matters.
51. Anne E. Smith, *An Evaluation of the PM2.5 Health Benefits Estimates in Regulatory Impact Analyses for Recent Air Regulations*, NERA Economic Consulting, December 2011, http://www.nera.com/content/dam/nera/publications/archive2/PUB_RIA_Critique_Final_Report_1211.pdf (accessed May 14, 2018). See also Marlo Lewis, "EPA's PM2.5 Co-Benefits PR Trick Exposed," GlobalWarming.org, June 15, 2016, http://www.globalwarming.org/2016/06/15/epas-pm2-5-co-benefits-pr-trick-exposed-2/ (accessed May 14, 2018).
52. See, for example, C. Boyden Gray, "EPA's Use of Co-Benefits," *Engage*, Vol. 16, Issue 2 (July 2015), pp. 31–33, https://fedsoc.org/commentary/publications/epa-s-use-of-co-benefits (accessed May 14, 2018), and *Murray Energy v. United Sates Environmental Protection Agency*, Brief of *Amicus Curiae* Cato Institute in Support of Petitioners, November 25, 2016, https://www.scribd.com/document/332581815/Murray-Energy-Corp-v-EPA (accessed May 14, 2018). Other CAA statutory sections arguably preclude consideration of criteria pollutants.

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

$1.7
SAVINGS IN BILLIONS[1]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the Job Corps

The National Job Corps Study, a randomized experiment, assessed the Job Corps' impact on participants compared to similar non-participants. The study found that for a federal taxpayer investment of $25,000 per Job Corps participant:

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

If the Job Corps improved the skills of its participants, it should have raised their hourly wages substantially. A paltry $0.22 increase in hourly wages suggests that it actually does little to boost the job skills of participants. A cost-benefit analysis based on the National Job Corps Study found that the benefits of the Job Corps do not outweigh the cost of the program.[2]

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Cuts $237.5 million by shutting down poorly performing Job Corps centers.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	PARTIALLY INCLUDED	Advocates elimination of ineffective programs and cites Job Corps as problematic.

$3.2
SAVINGS IN BILLIONS[3]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate Workforce Innovation and Opportunity Act Job-Training Programs

As documented in a 2016 Mathematica Policy Research study, the most important test of the WIA's effectiveness is the comparison of "full WIA" services—intensive services (skills assessments, workshops, and job-search assistance) plus job training—to core services, which offered mostly information and online tools for participants to plot their careers and find employment. During the five quarters of the follow-up period, members of the full-WIA group failed to have earnings that were statistically different from those of the core group. In the fifth quarter, the earnings of the full-WIA group were indistinguishable on average from the earnings of the core group. Despite being more likely to enroll in training and receive one-on-one assistance and other employment services, participation in full WIA had no effect on earnings.

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

ADDITIONAL READING

- David B. Muhlhausen, "Do Federal Social Programs Work?" Heritage Foundation *Backgrounder* No. 2884, March 19, 2014.
- Sheena McConnell, Kenneth Fortson, Dana Rotz, Peter Schochet, Paul Burkander, Linda Rosenberg, Annalisa Mastri, and Ronald D'Amico, *Providing Public Workforce Services to Job Seekers: 15-Month Impact Findings on the WIA Adult and Dislocated Worker Programs* (Washington: Mathematica Policy Research, May 2016).

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Reduces funding and uses program to supplant several other jobs programs.
House Budget Resolution	REJECTED	Funding remains the same.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	PARTIALLY INCLUDED	Advocates elimination of ineffective programs and cites WIA as problematic.

$738
SAVINGS IN MILLIONS[4]

PRESIDENT	HOUSE	SENATE	RSC

Let Trade Adjustment Assistance Expire

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

Overall, there is little empirical support for the notion that TAA improves the employment outcomes of displaced workers. In fact, participants are more likely to earn *less* after participating in the program. TAA fails the commonsense test of determining whether the program produces more benefits than costs. In addition, TAA benefits often go to politically connected unions and firms that did not experience layoffs because of foreign competition. The Department of Labor requires only that a company show a correlation between increasing foreign imports and loss of sales. These correlations are often coincidental or unrelated to the firm's financial difficulties. This allowed the Obama Administration to award TAA benefits to Solyndra and Hostess despite the fact that foreign competition had little to do with the bankruptcies of these companies.

ADDITIONAL READING

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

LABOR/HHS

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Funds at $790 million ($12 million below 2016 enacted budget but $117 million above 2017 continuing resolution).
House Budget Resolution	REJECTED	Consolidates other trade adjustment programs into the Department of Labor.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Notes that TAA is based on a flawed notion of trade benefits and harms intended beneficiaries.

$11
SAVINGS IN MILLIONS[5]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate Susan Harwood Training Grants

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

Since 1978, the Occupational Safety and Health Administration has provided Harwood grants to nonprofit organizations to provide safety training to workers. Despite existing for decades, there is no credible evidence that these training grants are effective. A case in point is the FY 2015 Department of Labor performance report that relies solely on the number of people trained to assess performance of the grant program.[6] The number of people trained provides no information for determining whether trainees learned anything new to make workplaces safer.

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	Eliminates program.
House Budget Resolution	INCLUDED	Eliminates OSHA training grants, of which Susan Harwood grants are a part.
Senate Budget Resolution	REJECTED	Funding level unchanged.
Republican Study Committee	NOT ADDRESSED	

$123
SAVINGS IN MILLIONS[7]

PRESIDENT	HOUSE	SENATE	RSC

Bring National Labor Relations Board Funding in Line with Caseloads

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

Private-sector union membership and organizing has dropped considerably over the past 25 years. Consequently, the NLRB caseload has fallen considerably as well. The NLRB received 65 percent fewer election petitions and 40 percent fewer unfair labor practice charges in FY 2014 than in FY 1990. Despite this lower workload, the NLRB's inflation-adjusted budget has increased by one-sixth since 1990. Reducing the NLRB's budget by 45 percent in FY 2019 would bring its spending in line with the previous funding levels for its caseload and save taxpayers $123 million in FY 2019.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Cuts funding by $16 million.
House Budget Resolution	PARTIALLY INCLUDED	Cuts funding by $25 million.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	PARTIALLY INCLUDED	Eliminates NLRB and shifts labor-law enforcement to the Department of Justice.

$157
SAVINGS IN MILLIONS[8]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate Redundant Department of Labor Agencies

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

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

The International Labor Affairs Bureau monitors foreign compliance with labor obligations under trade treaties. It also makes grants to unions and aid organizations to promote the welfare of foreign workers. These grants are of doubtful effectiveness and are a poor use of U.S. taxpayer dollars in times of tight budgets. Congress should eliminate ILAB funding for grant-making and restore the bureau to its core purpose of monitoring treaty compliance.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Eliminates ILAB grants and cuts bureau staff. Cuts OFCCP budget by $17 million and Women's Bureau funding by $8.6 million.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	PARTIALLY INCLUDED	Notes ineffectiveness of ILAB grants and says EEOC obviates need for OFCC.

$374
SAVINGS IN MILLIONS[9]

PRESIDENT	HOUSE	SENATE	RSC

Federal Personnel Reform: Market-Based and Performance-Based Pay

The federal government's pay structure, which relies on a proscribed formula instead of performance, results in an inflated pay system that encourages mediocrity and fails to reward excellence. Heritage Foundation experts have estimated that federal employees receive 22 percent higher wages than similar workers in the private sector.[10]

Federal employees' higher pay comes in large part from receiving two essentially automatic pay increases: annual cost-of-living-adjustments and so-called performance-based step increases whereby 99.9 percent of federal employees receive raises. Congress should reduce the pay differential between steps 1 and 10 of the GS scale from 30 percent to 20 percent and tie step increases to true performance-based measures instead of tenure alone. Part of the savings should go toward higher performance-based budgets to help attract and retain talented employees. Combined, these changes should lead to a 5 percent reduction in federal pay levels.

ADDITIONAL READING

- Rachel Greszler and James Sherk, "Why It Is Time to Reform Compensation for Federal Employees," Heritage Foundation *Backgrounder* No. 3139, July 27, 2016.
- Kay Coles James, "A Fresh Start for Federal Pay: The Case for Modernization," U.S. Office of Personnel Management *White Paper*, April 2002.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	Time needed to move from step 1 to step 10 increased from 18 years to 27 years. "Performance-based" pay increases replaced by compensation fund.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	PARTIALLY INCLUDED	Reduces federal employees' annual across-the-board pay increases by 0.5 percentage point and mentions using Holman rule to reduce federal employees' salary or compensation.

$46
SAVINGS IN BILLIONS[11]

PRESIDENT	HOUSE	SENATE	RSC

Federal Personnel Reform: Bring Retirement Benefits in Line with the Private Sector

The overall compensation received by federal employees is significantly higher than that of their private-sector counterparts. The biggest source of this compensation premium, which Heritage Foundation experts estimate is between 30 percent and 40 percent of total compensation, is excessive retirement benefits. Federal employees receive up to 18.2 percent of their pay in retirement benefits: between 11.1 percent and 13.2 percent in a defined-benefit pension and up to 5.0 percent in a 401(k). Among private-sector employees who receive retirement contributions from their employers, the average contribution is between 3 percent and 5 percent.

Congress should bring federal benefits in line with the private sector by shifting all new hires and those with fewer than five years of service to an exclusively thrift savings retirement plan with higher employer contributions. Employees with between five and 20 years of service should have the option to switch to an exclusively TSP retirement system, to freeze their already-accrued Federal Employees Retirement System benefits and receive higher TSP contributions, or to maintain their current retirement benefits with FERS plan reforms such as higher employee contributions. This would both save taxpayers $219 billion over the next 10 years and make the government more competitive because less of federal workers' compensation would be tied up in future retirement benefits.

ADDITIONAL READING

- Rachel Greszler and James Sherk, "Why It Is Time to Reform Compensation for Federal Employees," Heritage Foundation *Backgrounder* No. 3139, July 27, 2016.
- Congressional Budget Office, *Comparing the Compensation of Federal and Private-Sector Employees, 2011 to 2015*, April 2017.

LABOR/HHS

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Gradually increases employee FERS contribution to 50 percent of total contribution. Eliminates FERS COLA and reduces CSRS COLA by 0.5 percent. Reduces G fund interest rate.
House Budget Resolution	PARTIALLY INCLUDED	Requires employees to contribute larger share toward retirement costs and says new federal employees should transition to defined-contribution retirement system.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	PARTIALLY INCLUDED	Increases employees' share of FERS contributions by bringing all federal employee contributions to 3.1 percent and replaces high-3 pension formula with high-5 average.

$100
SAVINGS IN MILLIONS[12]

PRESIDENT	HOUSE	SENATE	RSC

Federal Personnel Reform: Eliminate the Special Retirement Supplement

Federal employees who have worked for at least 20 years and who retire at relatively young ages (between ages 57 and 62) receive a "special retirement supplement" that is meant to provide them with roughly the equivalent of Social Security benefits at a time when they are not yet eligible to receive Social Security.[13] This extra benefit in addition to the FERS, TSP, and regular Social Security benefits that federal retirees receive is unnecessary and excessive. The special retirement supplement can result in federal employees receiving retirement benefits for more years than they spent working.

This benefit is not something to which either the federal government or its employees contribute; instead, the funds come from taxpayers. Eliminating the special retirement supplement would save an estimated $100 million in FY 2019 and $4.7 billion over 10 years.

ADDITIONAL READING

- Congressional Budget Office, *Options for Reducing the Deficit: 2017 to 2026*, December 2016.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	Eliminates supplement.
House Budget Resolution	INCLUDED	Eliminates supplement.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates supplement.

$5.7
SAVINGS IN BILLIONS[14]

PRESIDENT	HOUSE	SENATE	RSC

Federal Personnel Reform: Bring Paid Leave in Line with the Private Sector

Federal employees receive significantly more days of paid leave than similar private-sector employees receive. A federal employee with five years of experience receives 20 vacation days and 13 paid sick days for a total of 33 days (not including 10 paid holidays). The average private-sector employee at a larger company receives 13 days of vacation and eight paid sick days for a combined total of 21 days of paid leave (excluding holidays).

Congress should bring the amount of paid leave it provides to federal employees in line with private-sector paid leave by reducing vacation leave by between three and six days and sick leave by three days so that federal employees receive between 20 and 30 days of paid leave. Alternatively, Congress should consider shifting to a Paid Time Off system that provides between 16 and 27 days of PTO. PTO policies, which do not differentiate between sick and vacation days, have become increasingly common in the private sector and are preferred by many employees.

ADDITIONAL READING

- Rachel Greszler and James Sherk, "Why It Is Time to Reform Compensation for Federal Employees," Heritage Foundation *Backgrounder* No. 3139, July 27, 2016.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	Transitions to PTO system with fewer leave days than current vacation-plus-sick combination; adds short-term disability insurance to protect federal workers facing serious medical situations.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$594
SAVINGS IN MILLIONS[15]

PRESIDENT	HOUSE	SENATE	RSC

Federal Personnel Reform: Eliminate FEHB Retirement Benefits for New Hires

Federal employees receive significantly higher total compensation than their private-sector counterparts receive, including the often overlooked and undervalued advantage of participating in the Federal Employees Health Benefits Program after retirement while paying only a small portion of the total premium. In 2002, the Congressional Budget Office found that the accrual cost of retiree health coverage equaled 6.4 percent of pay.[16] Heritage Foundation experts estimated that eliminating this benefit for new hires would generate $34.04 billion in accrued taxpayer savings over the 2019–2028 period. Private-sector companies almost never provide the same level of highly subsidized health benefits in retirement.

Future health care benefits are of little value to newly hired federal employees because they typically are not received until decades later. Additionally, instead of rewarding tenure, benefits reward workers who are employed by the government in the final five years before they retire. If workers leave federal employment before they reach retirement eligibility age, or if they have less than five consecutive years of employment leading up to retirement, they do not receive the benefits. Congress should eliminate FEHB retirement benefits for new hires. This would generate significant future cost savings with little impact on the federal government's ability to attract talented workers.

ADDITIONAL READING

- Rachel Greszler and James Sherk, "Why It Is Time to Reform Compensation for Federal Employees," Heritage Foundation *Backgrounder* No. 3139, July 27, 2016.
- Congressional Budget Office, "The President's Proposal to Accrue Retirement Costs for Federal Employees," June 2002.

LABOR/HHS

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	PARTIALLY INCLUDED	Bases FEHB retirement benefits on length of service and limits benefits growth to inflation.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$0
(NO SAVINGS)[17]

PRESIDENT	HOUSE	SENATE	RSC

Federal Personnel Reform: Eliminate the 25 Percent FEHB Premium Requirement

The premium structure for the Federal Employees Health Benefits system drives up total FEHB costs by discouraging federal workers from choosing lower-cost plans. Currently, the government contributes up to 72 percent of the weighted average premiums of all health insurance plans in the FEHB, but employees must pay at least 25 percent, regardless of the cost of the plan they choose. This reduces federal employees' incentives to choose less expensive health care plans—even if those plans are advantageous to them—because 75 percent of the savings goes to the federal government and only 25 percent accrues to them.

Congress should convert the current maximum contribution level to a flat-rate contribution so that workers who choose lower-cost plans can keep all of the savings. This would increase competition among FEHB plans and over time would reduce the average cost to taxpayers of FEHB coverage.

ADDITIONAL READING

- Rachel Greszler and James Sherk, "Why It Is Time to Reform Compensation for Federal Employees," Heritage Foundation *Backgrounder* No. 3139, July 27, 2016.
- Congressional Budget Office, *Reducing the Deficit: Spending and Revenue Options*, March 2011.

LABOR/HHS

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	Modifies government contribution rate to FEHB plans based on plans' performance.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Shifts to flat-rate subsidy for FEHB benefits.

$0

(NO SAVINGS)[18]

PRESIDENT	HOUSE	SENATE	RSC

Safeguard Private Pension Insurance and Protect Taxpayers from Private Pension Bailouts

The Pension Benefit Guarantee Corporation's multiemployer program faces a shortfall of between $65 billion and $101 billion because a significant portion of the roughly 1,300 multiemployer (private, union-run) pension plans that operate across the U.S. are massively underfunded and have promised $500 billion more than they have set aside to pay. The PBGC provides insurance against private pension losses, but its multiemployer program is itself on track to run out of money by 2025. If that happens, pensioners will experience significant pension losses, and Congress could pass legislation requiring taxpayers to bail out the PBGC.

Congress should increase multiemployer PBGC premiums and add a variable-rate premium applying to newly incurred pension liabilities. Congress should also end its preferential treatment of multiemployer pension plans and instead subject multiemployer plans to the same rules that govern other private pension plans. Additionally, policymakers should consider implementing rules to minimize pension losses within plans and to safeguard pensioners against inviable promises and irresponsible plan management. These changes would help to guard against pension losses for workers and retirees who belong to multiemployer pension plans and protect taxpayers from the risk of a taxpayer bailout of the PBGC or multiemployer pension plans.

ADDITIONAL READING

- Rachel Greszler, "Why Government Loans to Private Union Pensions Would Be Bailouts—and Could Cost Taxpayers More than Cash Bailouts," Heritage Foundation *Backgrounder* No. 3283, February 5, 2018.
- Rachel Greszler, "Bankrupt Pensions and Insolvent Pension Insurance: The Case of Multiemployer Pensions and the PBGC's Multiemployer Program," Heritage Foundation *Backgrounder* No. 3029, July 30, 2015.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	Increases PBGC multiemployer program premiums, including risk-based premiums, by $15.7 billion over 10 years.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	PARTIALLY INCLUDED	Creates "deficit-neutral reserve fund to prevent the taxpayer bailout of pension plans."
Republican Study Committee	INCLUDED	Increases PBGC premiums to align better with risks and prohibits federal government from bailing out state, local, or territorial governments, including unfunded pension liabilities.

$2.6
SAVINGS IN BILLIONS[19]

PRESIDENT	HOUSE	SENATE	RSC

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

Federal benefits like Social Security grow with the cost of living to protect the value of benefits from inflation. Several other parameters of federal benefit programs are also adjusted for inflation. Currently, Social Security and several other federal programs are indexed to the consumer price index to adjust for inflation. The current CPI is outdated and inaccurate, and it often overstates the rise in the cost of living. Under a new measure, benefit increases would more accurately reflect changes in the cost of living.

The chained CPI would correct for the small sample bias and substitution bias problems that are known to affect the CPI. Adopting the chained CPI for federal benefit calculations would protect benefits from inflation while improving accuracy in cost-of-living adjustments and saving taxpayers' money. This proposal saves $2.6 billion in 2019, with savings growing rapidly over time to $39.1 billion in FY 2027.[20]

ADDITIONAL READING

- Romina Boccia and Rachel Greszler, "Social Security Benefits and the Impact of the Chained CPI," Heritage Foundation *Backgrounder* No. 2799, May 21, 2014.
- Congressional Budget Office, *Options for Reducing the Deficit: 2017 to 2026*, December 2016.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Adopts chained CPI throughout government.

$20
SAVINGS IN BILLIONS[21]

PRESIDENT	HOUSE	SENATE	RSC

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

The EITC and ACTC provide refundable tax credits to low-income households. They are designed to promote work but are plagued with fraud. Other problems with the EITC and ACTC include benefits intended for parents going to non-parents, some EITC and ACTC recipients receiving excessive multi-tier means-tested welfare benefits that are not available to other similar low-income recipients, and discrimination against married couples.

These problems can be addressed by requiring the IRS to verify income tax returns before issuing refundable tax credits, allowing only parents with legal custody of a child to claim benefits, not allowing families who receive subsidized housing assistance to receive EITC and ACTC benefits as well, and ending marriage penalties. In addition, the EITC could be expanded for married couples to help decrease marriage penalties that exist across the rest of the government means-tested welfare system.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Requires valid-for-work Social Security number to claim EITC or child tax credit.
House Budget Resolution	INCLUDED	Requires verification of income before EITC benefits are paid and uses resulting savings to eliminate marriage penalties. Includes SSN proposal from President's Budget.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Supports better IRS verification of income, eliminates EITC marriage penalties, and prohibits payment of EITC benefits to illegal immigrants.

$2.4
SAVINGS IN BILLIONS[22]

PRESIDENT	HOUSE	SENATE	RSC

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

The federal government currently pays over 90 percent of the cost of subsidized housing for poor and low-income persons. In FY 2017, the cost was more than $40 billion. Housing needs, availability, and costs vary significantly across states and localities, as does the level of needed and available assistance. Instead of merely perpetuating federally funded programs that often provide substantial benefits for some while leaving others in similar circumstances with nothing, the federal government should begin to transfer responsibility for the administration and costs of low-income housing programs to the states, which are better equipped to assess and meet the needs of their unique populations. The fiscal responsibility of paying for their housing programs will give them the incentive to run these programs much more efficiently and effectively.

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

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Eliminates Home Investment Partnership Program and reduces federal funding for rental assistance programs. Supports giving state and local governments more control of housing programs.
House Budget Resolution	REJECTED	Block grants all HUD discretionary housing assistance programs.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	PARTIALLY INCLUDED	Eliminates HOME program and reduces funding for Public Housing Capital and Operating Funds.

$11
SAVINGS IN BILLIONS[23]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate Supplemental Security Income Benefits for Disabled Children

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

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

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	REJECTED	Creates a sliding scale for benefits received by additional recipients in multi-recipient SSI families, with children still eligible for SSI benefits.
House Budget Resolution	REJECTED	Creates a sliding scale for benefits received by children in the same households, with children still eligible for SSI benefits.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$0
(NO SAVINGS)[24]

PRESIDENT	HOUSE	SENATE	RSC

Strengthen Work Requirements in the Temporary Assistance for Needy Families Program

Today, the majority of work-eligible TANF recipients (an average of 54.7 percent across the states) are idle, neither working nor preparing for work. Part of the reason for this is that states are taking advantage of loopholes that allow them to fulfill the work requirement without actually having to move recipients into work activity. The main reason, however, is that the work-participation rate is too low. Only 50 percent of able-bodied adults are required to participate in work activities, which means that the other 50 percent of the caseload can be completely idle and the state is still fulfilling the requirement.

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

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	INCLUDED	Supports "reforms to strengthen TANF work requirements so States will engage more recipients in activities leading to self-sufficiency."
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$986
SAVINGS IN MILLIONS[25]

PRESIDENT	HOUSE	SENATE	RSC

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

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

Congress should sunset the federal Head Start program over a period of 10 years to give states time to determine whether they need to provide additional state funding to subsidize day care for low-income families. Congress should begin by reducing Head Start funding by 10 percent in FY 2019. Ultimately, Head Start would be completely phased out by 2028.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	REJECTED	Increases Head Start funding by $85 million over 2018 levels.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	PARTIALLY INCLUDED	Supports proposal by Representative Jim Banks (R–IN) to block grant Head Start funding to the states and let dollars follow children to preschool providers of choice.

$8.7
SAVINGS IN BILLIONS[26]

PRESIDENT	HOUSE	SENATE	RSC

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

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

Since the 1970s, inflation-adjusted per pupil federal education spending has more than doubled. The Every Student Succeeds Act alone authorizes dozens of competitive and formula grant programs, many of them redundant and ineffective. Federal education programs have failed to improve K–12 education nationally and have levied a tremendous bureaucratic compliance burden on states and local school districts. To ensure that state and local school leaders' focus is oriented toward meeting the needs of students and parents rather than satisfying federal bureaucrats, program count and associated federal spending should be curtailed.

ADDITIONAL READING

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

LABOR/HHS

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Reduces K–12 education spending by 5 percent. Eliminates Title II teacher grants and 21st Century Community Learning Centers. Streamlines or eliminates 39 discretionary education programs.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

–$1.2
INCREASE IN BILLIONS[27]

PRESIDENT	HOUSE	SENATE	RSC

Decouple Federal Student Aid from Accreditation

The federal government's involvement in the accreditation process restricts the flourishing of innovation in higher education. The current process in which accreditors serve as gatekeepers of federal student aid dollars also does very little to ensure that students are getting a quality education that has application in the marketplace. Decoupling federal financing from the accreditation process and allowing states to recognize their own accreditors would bring needed reform and flexibility to the system.

Additionally, students should be granted flexibility with their federal student aid to pursue individual courses that serve their needs rather than being limited to enrolling in a costly and often inefficient degree program. A reformed accreditation process could provide this needed flexibility for students. This proposal was included in the Higher Education Reform and Opportunity Act, introduced by Representative Ron DeSantis (R–FL) and Senator Mike Lee (R–UT).

ADDITIONAL READING

- Jamie Bryan Hall and Mary Clare Reim, "Time to Reform Higher Education Financing and Accreditation," Heritage Foundation *Issue Brief* No. 4668, March 28, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Decouples federal financing from accreditation through HERO proposal.

$2.3
SAVINGS IN BILLIONS[28]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the PLUS Loan Program

The PLUS Loan program, which allows parents of undergraduate students and graduate students to borrow from the federal government up to the full cost of attendance at a university, is an egregious driver of tuition inflation. Evidence suggests that virtually unrestricted access to federal student aid leads to tuition inflation. To bring down college costs and reduce dependence on federal student aid programs to finance higher education, policymakers should place strict lending caps on federal student aid.

The PLUS Loan program, however, should be eliminated. Graduate students currently have access to the Stafford Loan program, and the federal government should eliminate parent borrowing altogether as this encourages family debt. Ultimately, eliminating the PLUS Loan program will put downward pressure on tuition prices and create space for private lenders to enter the student loan market.

ADDITIONAL READING

- Mary Clare Amselem: "The Case for Private Student Loans," Heritage Foundation *Commentary*, May 23, 2017.
- Mary Clare Amselem, "Seven Essential Policies for a Higher Education Act Reauthorization," Heritage Foundation *Issue Brief* No. 4767, September 22, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

Place Strict Lending Caps on All Federal Aid Programs

Unrestricted access to federal student aid has been a significant contributor to the skyrocketing cost of higher education. Additionally, the federal government originates 90 percent of all student loans, crowding out private lenders and leaving taxpayers on the hook for defaults. To drive down college costs and insulate taxpayers from high levels of student debt, policymakers should place strict borrowing caps on federal student loans. This policy would encourage colleges to offer competitive prices to students and allow the private lending market to emerge and offer more options to students.

The Higher Education Reform and Opportunity Act introduced by Representative Ron DeSantis (R–FL) and Senator Mike Lee (R–UT) proposes a lending cap of $30,000 for undergraduate students and $40,000 for graduate students. These caps represent sound higher education policy that would protect students and taxpayers alike.

ADDITIONAL READING

- Mary Clare Amselem, "Soaring Student Debt Costs Us All," Heritage Foundation *Commentary*, August 18, 2017.
- Mary Clare Amselem, "The Case for Private Student Loans," Heritage Foundation *Commentary*, May 23, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Eliminates public service loan forgiveness and subsidized student loans.
House Budget Resolution	PARTIALLY INCLUDED	Suggests use of fair-value accounting and eliminates in-school interest subsidy. Ends public service loan forgiveness.
Senate Budget Resolution	NOT ADDRESSED	Suggests use of fair-value accounting to get a truer sense of student loan costs.
Republican Study Committee	PARTIALLY INCLUDED	Eliminates mandatory Pell Grant add-on and in-school interest subsidy.

$425
SAVINGS IN MILLIONS[30]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate All Time-Based and Occupation-Based Loan Forgiveness

Americans are now struggling under $1.4 trillion in student loan debt. Unfortunately, when students cannot afford to pay off their student loans, American taxpayers end up with that bill because of federal loan forgiveness policies and borrower defaults. Students who take out federal loans can have their loans forgiven after 20 years of payments, and the loans of public service employees are forgiven after just 10 years under current law. The Congressional Budget Office estimates that loan forgiveness will cost American taxpayers, the majority of whom do not hold bachelor's degrees, a total of $108 billion over the next 10 years.

Not only does loan forgiveness transfer large amounts of student debt onto the backs of taxpayers, but it encourages excessive borrowing on the part of students, confident that after a certain number of years their loans will be eliminated. The PROSPER Act, which reauthorizes the Higher Education Act of 1965, proposes the elimination of loan forgiveness. To restore fiscal responsibility to higher education and insulate taxpayers from outstanding student loan debt, policymakers should eliminate loan forgiveness.

ADDITIONAL READING

- Mary Clare Amselem, "Time for a Time-Out on Wasteful Federal Student Loan Programs," Heritage Foundation *Commentary*, October 10, 2017.

LABOR/HHS

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Eliminates public service loan forgiveness.
House Budget Resolution	PARTIALLY INCLUDED	Ends public service loan forgiveness.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	PARTIALLY INCLUDED	Eliminates in-school interest subsidy.

$0
(NO SAVINGS)[31]

PRESIDENT	HOUSE	SENATE	RSC

Rescind "Gainful Employment" Regulations on For-Profit Higher Education Institutions

The Higher Education Act stipulates that to be eligible for federal student aid, colleges must prepare students for "gainful employment in a recognized occupation." The U.S. Department of Education aggressively promulgated rules concerning gainful employment during the Obama Administration, and gainful employment regulations primarily affecting for-profit institutions went into effect on July 1, 2015. In particular, these regulations could limit opportunities for non-traditional students, who may choose a for-profit institution because of its flexibility and affordability.

The Trump Administration should enable private for-profit and vocational colleges to continue to serve students who have been historically underserved by traditional universities by repealing the gainful employment regulations that took effect on July 1, 2015.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$0
(NO SAVINGS)[32]

PRESIDENT	HOUSE	SENATE	RSC

Require the Use of Fair-Value Accounting

In order for taxpayers to have a clear understanding of the costs of federal higher education subsidies, policymakers should direct the Department of Education to use fair-value accounting. Fair-value accounting estimates take market risk into account and more accurately reflect the true costs of federal higher education subsidies for student loans. Without fair-value accounting, it is difficult to know whether federal loan programs are using non-subsidizing interest rates, which they should use so that the loans can break even.

Absent fair-value accounting, it is impossible to know the extent to which student loan programs are providing a subsidy to borrowers. Congress should require the Department of Education to use fair-value accounting estimates calculated by the Congressional Budget Office and adjust loan rates accordingly on a yearly basis.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	INCLUDED	Suggests use of fair-value accounting to get a truer sense of student loan costs.
Senate Budget Resolution	INCLUDED	Suggests use of fair-value accounting to get a truer sense of student loan costs.
Republican Study Committee	NOT ADDRESSED	

$445
SAVINGS IN MILLIONS[33]

PRESIDENT	HOUSE	SENATE	RSC

Privatize the Corporation for Public Broadcasting

The CPB was created in 1967 at a time when U.S. households faced very limited broadcasting options. Since then, technology has grown, and media sources for accessing news and broadcasting have greatly increased. The CPB requested $445 million in federal appropriations in FY 2019.[34]

Without federal funding from the CPB, services such as the Public Broadcasting Service and National Public Radio would operate as any other news or broadcasting source in the private sector operates. Both organizations could seek to make up the lost funding by increasing revenues from corporate sponsors, foundations, and members. NPR states that it receives only 5 percent of its overall funding from federal, state, and local governments.[35] Many nonprofits manage to stay in business without receiving federal funding by being creative and reacting to market fluctuations. Public broadcasters should be no exception. NPR and PBS should find new sponsors, create new shows, and find alternative ways to generate viewership without receiving taxpayer funding.

ADDITIONAL READING

- Emily Goff, "Why Big Bird's Federal Subsidies Need to Go," The Daily Signal, October 14, 2012.
- Public Broadcasting Service and Subsidiaries, "Consolidated Financial Statements and Independent Auditor's Report, Years Ended June 30, 2014 and 2013," October 30, 2014.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	Eliminates CPB and provides $15 million in 2019 to facilitate transition from federal funding.
House Budget Resolution	PARTIALLY INCLUDED	Recommends private-sector funding for CPB and other cultural agencies.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates CPB.

$768
SAVINGS IN MILLIONS[36]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the Corporation for National and Community Service

The CNCS is a federal agency that aims to promote public service and support civil society institutions. It operates four main programs—AmeriCorps, Senior Corps, the Social Innovation Fund, and the Volunteer Generation Fund—as well as other public-service-oriented programs. These programs are funded by federal dollars, in-kind donations, and public-private partnerships. Civil society is critical to a strong and prosperous United States, but it is not the proper role of the federal government to intervene in this sector. Americans already give to charity and volunteer their time. In 2016, according to the Charities Aid Foundation *World Giving Index*, 63 percent of Americans donated money to charity, and 44 percent spent time volunteering.[37]

Charitable giving is an individual choice, and Americans should be free to choose whether they want to give their time and money to charities, which charities they want to support, and how much they want to give. The CNCS takes this choice away from individuals and forces taxpayers to subsidize particular charities chosen by the government. Funding for the CNCS should be eliminated. If the hand-picked charities included in the CNCS provide valuable services that Americans deem worthy of their time and money, those charities will have the opportunity to maintain their operations through private donations in the same way that other charitable organizations receive their funds.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	Eliminates CNCS and provides $123 million in 2019 for orderly shutdown.
House Budget Resolution	INCLUDED	Eliminates CNCS.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates CNCS.

$240
SAVINGS IN MILLIONS[38]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate Funding for the Institute of Museum and Library Services

The IMLS is an independent agency that administers federal funds to libraries and museums. In 2018, Congress appropriated $240 million for the agency. Most funding supports state grants administered through State Library Administrative Agencies.[39] The largest grants are from the Grants to States program, which uses a population formula to disperse federal funding across all states and the District of Columbia.[40] The agency also administers smaller grants such as the Laura Bush 21st Century Librarian Program, which funds librarian workforce development, and STEMeX grants, which support STEM research for library use. The IMLS also supports special and tribal libraries, as well as various museums.

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

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	Eliminates IMLS and provides $23 million in 2019 to close existing programs.
House Budget Resolution	PARTIALLY INCLUDED	State and local governments and private sector should fund museums and libraries.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates IMLS.

$57
SAVINGS IN MILLIONS[41]

PRESIDENT	HOUSE	SENATE	RSC

Reduce Funding for the Department of Education's Office for Civil Rights

The OCR is tasked with ensuring equal access to education and enforcing civil rights laws. In recent years, the department has abused its power by interpreting "sex" to mean "gender identity," essentially rewriting the law to require access to intimate facilities, dorms, and sports programs for students based on self-declared gender identity rather than biology.[42] Furthermore, the department has violated the principles of due process by requiring an unfairly low burden of proof for adjudicating claims of sexual harassment or assault and making it exceedingly difficult for the accused to defend themselves.[43]

The Trump Administration has taken steps to correct the previous Administration's actions that undermined the rule of law by rescinding the gender identity[44] and sexual assault[45] school policies. The OCR budget should be significantly cut so that schools can make policies that will best serve *all* members of their communities.

ADDITIONAL READING

- Ryan T. Anderson, "Obama Unilaterally Rewrites Law, Imposes Transgender Policy on Nation's Schools," The Daily Signal, May 13, 2016.
- Hans von Spakovsky, "Campus Sexual Assault: Understanding the Problem and How to Fix It," Heritage Foundation *Legal Memorandum* No. 211, July 25, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	REJECTED	Funding remains at relatively the same levels.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$116
SAVINGS IN BILLIONS[46]

PRESIDENT	HOUSE	SENATE	RSC

Repeal the Affordable Care Act's Enhanced Federal Funding for Medicaid Expansion

The ACA provides the option for states to expand Medicaid eligibility to all individuals earning less than 138 percent of the federal poverty level. The Congressional Budget Office projects that the expansion increases Medicaid and Children's Health Insurance Program costs by $847 billion between 2016 and 2025.[47] For the expansion population, which consists mostly of childless, able-bodied adults, the federal government reimburses states at no less than 90 percent. However, for the traditional Medicaid population, which consists of the disabled, elderly, children, and parents, the federal government reimburses states at much lower levels, ranging from 50 percent to 75 percent.[48]

Repealing the ACA's enhanced federal funding for Medicaid expansion would end the inequitable treatment among populations and end the incentive for states to divert limited taxpayer resources from their most vulnerable populations.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	Endorses repeal-and-replace model that assumes change in enhanced match rate as part of larger Medicaid funding reforms.
House Budget Resolution	INCLUDED	Includes reforms that assume change in enhanced match rate as part of larger Medicaid funding reforms.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Assumes change in enhanced match rate as part of larger Medicaid funding reforms.

$16
SAVINGS IN BILLIONS[49]

PRESIDENT	HOUSE	SENATE	RSC

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

The Medicaid program is on an unsustainable path with respect to enrollment as well as cost. Total annual Medicaid spending rose from $316 billion in 2005 to $496.3 billion in 2014 and is projected to increase even further over the next decade, reaching $920.5 billion annually in 2024.[50] Average enrollment has also surged, increasing from 46.3 million enrollees in 2005 to 64 million in 2014, and is projected to hit 77.5 million in 2024.[51]

Congress should separate Medicaid enrollees into four distinct categories—children and able-bodied adults, the disabled, low-income Medicare beneficiaries, and long-term care beneficiaries—and finance each category independently within an aggregate federal spending cap. This change would put Medicaid spending on a more predictable fiscal path and allow different policy and financing arrangements to meet the diverse needs of each group more effectively.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	Endorses repeal-and-replace model that reforms federal financing of Medicaid and puts federal Medicaid on a budget.
House Budget Resolution	INCLUDED	Reforms federal financing of Medicaid and puts federal Medicaid on a budget.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Reforms financing of Medicaid and puts federal Medicaid on a budget.

$6.3
SAVINGS IN BILLIONS[52]

PRESIDENT	HOUSE	SENATE	RSC

End Provider Taxes in Medicaid

Some states employ provider tax schemes that consist of increasing their Medicaid reimbursement rate for providers but then "taxing back" a portion of that increased payment. Because federal match rates are based on total payment amounts, the effect of this state policy is to increase federal reimbursement beyond the level the state would receive absent the provider tax. Today, states are limited to using no more than 6 percent of provider tax revenues.

Congress should either eliminate this threshold altogether or further reduce the threshold. This policy would stop "state gaming" of and bring greater transparency to the financing of Medicaid.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Ends budgeting gimmicks like provider taxes.

$0
(NO SAVINGS)[53]

PRESIDENT	HOUSE	SENATE	RSC

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

Unlike other forms of employee compensation, the current tax treatment of employer-based health care provides an unlimited tax benefit to those who receive coverage through their employer by excluding the value of this benefit from workers' taxable income. Rather than applying the ACA's 40 percent excise tax on high-cost plans,[54] Congress should cap the amount that could be sheltered on a pre-tax basis. This change would bring health care benefits in line with other employee benefits, such as retirement savings, and discourage overinsurance.

ADDITIONAL READING

- Edmund Haislmaier, Robert E. Moffit, and Alyene Senger, "Fairness in the Federal Tax Treatment of Health Insurance: The Linchpin of Real Reform, Heritage Foundation *Issue Brief* No. 4659, February 24, 2017.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$5.9
SAVINGS IN BILLIONS[55]

PRESIDENT	HOUSE	SENATE	RSC

Unify Medicare Physician and Hospital Programs

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

ADDITIONAL READING

- Robert E. Moffit, "Medicare's Next 50 Years: Preserving the Program for Future Retirees," Heritage Foundation *Special Report* No. 185, July 29, 2016.
- Robert E. Moffit and Alyene Senger, "Medicare's Outdated Structure—and the Urgent Need for Reform," Heritage Foundation *Backgrounder* No. 2777, March 22, 2013.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	INCLUDED	Endorses recommendation.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Endorses recommendation.

$26
SAVINGS IN BILLIONS[56]

PRESIDENT	HOUSE	SENATE	RSC

Update Medicare Premiums

In 1966, Medicare beneficiaries were required to contribute 50 percent toward the premium for Medicare Part B (physician services). Over time, this amount has decreased to 25 percent, leaving taxpayers to fund the remaining 75 percent. The same is true in Medicare Part D (prescription drug coverage). Congress should slow down this trend of shifting costs to taxpayers by gradually raising the beneficiary premium obligation from 25 percent to 35 percent.

Annual hospital insurance costs will exceed total income by 2023 and will continue to do so until the program's projected insolvency in 2029.[57] Congress should add a temporary Part A premium in years with projected deficits. The annual supplemental premium would be flexible, rising or falling to cover the projected deficit, and the amount could be based on a beneficiary's income.

Currently, there is no cost-sharing requirement for beneficiaries who use home health services. Congress should add a modest copayment to the cost of each home health episode to incentivize proper use of the benefit.

ADDITIONAL READING

- Robert E. Moffit and Rea S. Hederman Jr., "Medicare Savings: 5 Steps to a Down Payment on Structural Reform," Heritage Foundation *Issue Brief* No. 3908, April 11, 2013.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	PARTIALLY INCLUDED	Endorses specific and gradual Part B and Part D premium increases but does not include proposed temporary Part A premium or cost-sharing for home health care.

$28
SAVINGS IN BILLIONS[58]

PRESIDENT	HOUSE	SENATE	RSC

Expand the Current Threshold for Medicare Income-Related Subsidies

Today, seniors with an annual income in excess of $85,000 (couples with an annual income in excess of $170,000) pay higher Part B and Part D premiums that range from 35 percent to 80 percent of total Medicare premium costs. These recipients account for just 6 percent of the total Medicare population. Congress should reset these income thresholds and require seniors with an annual income in excess of $55,000 (couples with an annual income in excess of $110,000) to start paying higher premiums.

Adopting this initial income threshold would increase the number of Medicare recipients who pay higher premiums to approximately 10 percent of the total Medicare population, and the wealthiest among them (about 3 percent) would pay their own way entirely. This change would ensure that limited taxpayer resources are distributed more evenly based on income and would focus subsidies on those who need them most.

ADDITIONAL READING

- Robert E. Moffit and Rea S. Hederman Jr., "Medicare Savings: 5 Steps to a Down Payment on Structural Reform," Heritage Foundation *Issue Brief* No. 3908, April 11, 2013.

LABOR/HHS

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	PARTIALLY INCLUDED	Endorses general policy but proposes higher income threshold to trigger premium increases for wealthy recipients.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	PARTIALLY INCLUDED	Endorses general policy but is silent on specific income thresholds to trigger higher premium payments for wealthy recipients.

$23
SAVINGS IN BILLIONS[59]

PRESIDENT	HOUSE	SENATE	RSC

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

The average life expectancy has increased greatly since Medicare was created, but the program's age of eligibility has remained the same. When Medicare was enacted in 1965, the law set eligibility in line with Social Security's age of eligibility: 65 years. In 1965, the average American's life expectancy was 70.2 years. Average life expectancy reached 79.4 years by 2015 and is projected to reach 80.7 years in 2030. Congress should gradually increase the age of eligibility for Medicare benefits both to reflect today's life expectancy more accurately and to align Medicare eligibility more closely with changes already enacted to raise the normal retirement age for Social Security.

ADDITIONAL READING

- Robert E. Moffit and Rea S. Hederman Jr., "Medicare Savings: 5 Steps to a Down Payment on Structural Reform," Heritage Foundation *Issue Brief* No. 3908, April 11, 2013.

LABOR/HHS

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	INCLUDED	Endorses recommendation.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Endorses recommendation.

$2.3
SAVINGS IN BILLIONS[60]

PRESIDENT	HOUSE	SENATE	RSC

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

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

ADDITIONAL READING

- Alyene Senger and Robert E. Moffit, "Medicare Advantage Under the ACA: Replace Payment Cuts with Market-Based Reforms," Heritage Foundation *Backgrounder* No. 3020, May 28, 2015.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$61
SAVINGS IN BILLIONS[61]

PRESIDENT	HOUSE	SENATE	RSC

Transform the Entire Medicare Program into a Defined-Contribution (Premium-Support) Program

Today, the vast majority of Medicare beneficiaries are already enrolled in popular and successful defined-contribution programs either for their coverage of prescription drugs (under Medicare Part D) or as a result of their enrollment in comprehensive private health plans (under Medicare Part C). This proposal would extend that financing arrangement to traditional Medicare and compel it to compete on a level playing field with all other private plans. Under this proposal, all competing plans, including traditional Medicare, would be required to offer a health benefits package consisting of the standard benefits of Parts A, B, and D, plus catastrophic coverage.

In examining this proposal, the Congressional Budget Office found that private plans could deliver the same level of benefits at a lower price than traditional Medicare can and estimated the wide range of savings.[62] The proposal offers many advantages: expanded personal choice, clarity in pricing, and transparency in performance. Intense competition among plans and providers would enhance accountability to patients and control costs.[63]

ADDITIONAL READING

- Robert E. Moffit, "The Second State of Medicare Reform: Moving to a Premium-Support Program," Heritage Foundation *Backgrounder* No. 2626, November 28, 2011.
- Robert E. Moffit and Rea S. Hederman, Jr., "CBO Confirms: Medicare Premium Support Means Savings for Taxpayers and Seniors," Heritage Foundation *Backgrounder* No. 2878, February 3, 2014.

LABOR/HHS

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	INCLUDED	Endorses reform based on defined-contribution financing.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Endorses reform based on defined-contribution financing.

Policy Riders

Strengthen the TANF program's work requirements. The majority of work-eligible TANF recipients (an average of 54.7 percent across the states) are idle, neither working nor preparing for work.[64] Part of the reason for this is that states are taking advantage of loopholes that allow them to fulfill the work requirement without actually having to move recipients into work activity. The main reason, however, is that the work-participation rate is too low. Only 50 percent of able-bodied adults are required to participate in work activities, which means that the other 50 percent of the caseload can be completely idle and the state is still fulfilling the requirement. Moreover, among the half of TANF recipients that fulfill the work requirements, most are working part time. State welfare bureaucracies have generally done little if anything to promote this employment but still take the credit. Congress should strengthen TANF's work requirement so that 75 percent of a state's non-employed TANF caseload is participating in work activities for 20 hours to 30 hours per week.[65]

Protect freedom of conscience in health care. Congress should maintain all existing pro-life policy riders that prevent federal funding from being entangled with the provision, coverage, or advocacy of abortion, whether in the U.S. or abroad. In addition, Congress should codify prohibitions on government agencies and federally funded programs that discriminate against health care providers, organizations, and health insurance plans because they do not perform, pay for, refer, or provide coverage for abortions. Congress should also allow victim-of-conscience violations to be vindicated in court.[66] The need to codify these protections and give victims a better path to relief is urgent. In August 2014, the California Department of Managed Health Care mandated that almost every health plan in the state must include coverage of elective abortions, including plans offered by religious organizations, religious schools, and even churches. Complaints to HHS about the state's mandate were dismissed by the Office for Civil Rights after nearly two years of investigation.[67] Policymakers should not wait for more assaults on conscience before protecting the freedom of every American to provide, find, or offer health care and health insurance coverage that aligns with his or her values.

Redirect funding from Planned Parenthood to health centers that are not entangled with abortion services. Taxpayer dollars should not be used to fund elective abortion providers such as the Planned Parenthood Federation of America and its affiliates. The need to end such funding has become even more acute in light of serious and disturbing press coverage of PPFA representatives discussing the sale of body parts of aborted infants. No federal funds should go to the PPFA or any of its affiliates or health centers. Under the recommendation, disqualifying Planned Parenthood affiliates and other abortion providers from receiving Title X family planning grants, Medicaid reimbursements, and other grants and contracts would not reduce the overall funding for women's health care: The funds currently flowing to Planned Parenthood affiliates and other abortion providers would be shifted to programs that offer comprehensive health care without entanglement in abortion on demand.

Transition Impact Aid into education savings accounts for military families. Although many aspects of military life have been modernized over the past century, the way in which the federal government supports the education of federally connected children has failed to keep pace with new education delivery models. Children of military families continue to be assigned to schools that may or may not meet their learning needs, consigning them to nearby district schools that are closest to their parents' duty station. Washington then provides taxpayer funding to district schools through a federal program called Impact Aid. Instead of filtering the $1.3 billion in federal Impact Aid funding to district schools and then assigning students to those schools based on where their parents are stationed, Impact Aid dollars should be directed to eligible students. All Impact Aid dollars for military-connected children in heavily impacted districts and all funding for children living on base in districts that are not heavily impacted should go directly into a parent-controlled ESA that the family could use to pay for any education-related service, product, or provider that meets the specific needs of their children.[68]

ENDNOTES

1. Savings of $1.719 billion for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018, Public Law 115-141, 115th Cong., https://www.congress.gov/115/bills/hr1625/BILLS-115hr1625enr.pdf (accessed May 15, 2018). Heritage experts assume that FY 2018 spending remains constant in FY 2019.
2. Peter Z. Schochet, Sheena McConnell, and John Burghardt, *National Job Corps Study: Findings Using Administrative Earnings Records Data, Final Report*, Mathematica Policy Research, October 2003, https://www.mathematica-mpr.com/api/sitecore/MediaLibrary/ActualDownload?fileId=%7BEA39AE2D-BF35-41B0-9FD4-5550A46947C6%7D&fileName=jobcorpsadmin.pdf&fileData=jobcorpsadmin.pdf%20-%20%7BEA39AE2D-BF35-41B0-9FD4-5550A46947C6%7D&fileMime=application%2Fpdf (accessed May 2, 2018).
3. Estimated savings of $3.248 billion for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018, which specifies $3.486 billion for activities including the WIOA, the Second Chance Act of 2007, and the Apprenticeship Act. Of this total, the act specifies $145 million to expand opportunities for apprenticeship programs and lists $93 million for ex-offender activities as authorized under both WIOA and the Second Chance Act. Estimated savings exclude these $145 million and $93 million amounts. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
4. Estimated savings of $738 million for FY 2019 are based on the FY 2018 full-year spending level as reported in U.S. Department of Labor, *FY 2019 Department of Labor Budget in Brief*, p. 13, https://www.dol.gov/sites/default/files/budget/2019/FY2019BIB.pdf (accessed May 15, 2018). Heritage experts assume that FY 2018 spending remains constant in FY 2019.
5. Estimated savings of $10.5 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
6. U.S. Department of Labor, *U.S. Department of Labor FY 2015 Annual Performance Report*, https://www.dol.gov/sites/default/files/documents/general/budget/CBJ-2017-V1-01.pdf (accessed April 24, 2018).
7. Estimated savings of $123 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. This proposal would reduce spending by 45 percent, or $123 million of the appropriated $274 million. Heritage experts assume that FY 2018 spending remains constant in FY 2019. Reducing the NLRB's budget by 45 percent in FY 2019 would bring its spending in line with previous funding levels for its caseload. This would save taxpayers $123 million in FY 2019. In FY 2018, projected NLRB budget authority is $274 million, even though unfair-labor-practice complaints have fallen by 40 percent since FY 1990 and election petitions have fallen by an even larger amount. A proportional reduction of 45 percent would bring the NLRB's FY 2019 spending to $151 million.
8. Estimated savings of $157 million for FY 2019 are based on the FY 2018 appropriated level of $103.5 million for the Office of Federal Contract Compliance Programs as specified in the Consolidated Appropriations Act, 2018; the specified FY 2018 spending level of $12.5 million for the Women's Bureau as reported for FY 2018 in U.S. Department of Labor, *FY 2019 Department of Labor Budget in Brief*, p. 13; and $41.3 million in savings from eliminating grants from the International Labor Affairs Bureau. Although costs of the grants within the ILAB are not readily available, the *FY 2019 Department of Labor Budget in Brief* provides a good proxy because it requests a lower spending level of $18.5 million in FY 2019 based on eliminating ILAB grants. Thus, we estimate the savings from eliminating ILAB grants to be the difference between the FY 2018 appropriated level of $59.8 million as reported in the Consolidated Appropriations Act, 2018, and the $18.5 million proposed FY 2019 request.
9. Estimated savings of $374 million for FY 2019 are based on Heritage Foundation experts' analysis of proposed comprehensive federal employee compensation reforms as detailed in Rachel Greszler and James Sherk, "Why It Is Time to Reform Compensation for Federal Employees," Heritage Foundation *Backgrounder* No. 3139, July 27, 2016, https://www.heritage.org/jobs-and-labor/report/why-it-time-reform-compensation-federal-employees#_ftn3. Savings for FY 2019 have been updated to reflect the most recent, September 2017 federal employment data as found on fedscope.opm.gov and to reflect implementation in 2019 as opposed to 2017 as assumed in the original Heritage Foundation report and figures. FY 2019 savings are small compared to this proposal's longer-term savings because the savings compound over time as workers' automatic pay increases compound over time. The long-term effect of the proposal would be to reduce salaries by 5 percent. Total savings over the 2019–2028 period would equal $27.1 billion. This 10-year figure includes interactive effects with other Heritage Foundation experts' proposals to bring federal personnel compensation in line with private-sector compensation.
10. James Sherk, "Inflated Federal Pay: How Americans Are Overtaxed to Overpay the Civil Service," Heritage Foundation *Center for Data Analysis Report* No. 10-05, July 7, 2010, http://www.heritage.org/research/reports/2010/07/inflated-federal-pay-how-americans-are-overtaxed-to-overpay-the-civil-service.
11. Estimated savings of $45.549 billion for FY 2019 are based on Heritage Foundation experts' analysis of proposed comprehensive federal employee compensation reforms as detailed in Greszler and Sherk,"Why It Is Time to Reform Compensation for Federal Employees." Savings for FY 2019 have been updated to reflect the most recent, September 2017 federal employment data as found on fedscope.opm.gov and to reflect implementation in 2019 as opposed to 2017 as assumed in the original Heritage Foundation report and figures. Retirement savings represent accrual-based savings: the long-term savings generated by the impact of the policy change on 2019 retirement benefit accruals. Since workers earn FERS credits each year but do not actually receive benefits until retirement, it makes sense to list the accrued savings that will occur to the federal government as a result of lower retirement contribution rates. FY 2019 savings include $13.340 billion in accrual-based discretionary savings from permanent changes and $32.209 billion in one-time savings from the buyout option for federal employees to convert their accumulated FERS benefits to TSP contributions with a 25 percent reduction in actuarial value. Total accrual-based savings over the 2019–2028 period would equal $219.327 billion. This 10-year figure includes interactive effects with other Heritage Foundation experts' proposals to bring federal personnel compensation in line with private sector compensation.

12. Estimated savings of $100 million for FY 2019 are based on the CBO's estimated first-year savings from eliminating the special retirement supplement as found in Congressional Budget Office, *Options for Reducing the Deficit: 2017 to 2026*, December 2016, p. 36, https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/52142-budgetoptions2.pdf (accessed May 16, 2018). Savings would grow over time, amounting to $4.7 billion over 10 years. All $100 million in savings represents mandatory spending.
13. Reg Jones, "The Special Retirement Supplement," FEDweek, January 22, 2018, http://www.fedweek.com/reg-jones-experts-view/special-retirement-supplement/ (accessed April 12, 2018).
14. Estimated savings of $5.701 billion for FY 2019 are based on Heritage Foundation experts' analysis of proposed comprehensive federal employee compensation reforms as detailed in Greszler and Sherk, "Why It Is Time to Reform Compensation for Federal Employees." Savings for FY 2019 have been updated to reflect the most recent, September 2017 federal employment data as found on fedscope.opm.gov and to reflect implementation in 2019 as opposed to 2017 as assumed in the original Heritage Foundation report and figures. Heritage Foundation experts estimate that this reform would reduce federal employment by 2.2 percent and generate total savings of $71.168 billion over the 2019–2028 period. This 10-year figure includes interactive effects with other Heritage Foundation experts' proposals to bring federal personnel compensation in line with private-sector compensation.
15. Estimated savings of $594 million for FY 2019 are accrual-based savings, which means that the actual savings do not accrue to the federal government until the future years when employees do not receive the FEHB benefits they otherwise would have. Savings estimates are based on a CBO report that estimated the value of FEHB benefits at 6.4 percent of workers' pay. See Congressional Budget Office, "The President's Proposal to Accrue Retirement Costs for Federal Employees," *CBO Paper*, June 2002, https://www.cbo.gov/sites/default/files/107th-congress-2001-2002/reports/accrual.pdf (accessed May 16, 2018). We apply this value to current statistics (September 2017) on the number and wages of federal employees. Total savings over the 2019–2028 period would equal $34.04 billion. This 10-year figure includes interactive effects with other Heritage Foundation experts' proposals to bring federal personnel compensation in line with private-sector compensation.
16. Congressional Budget Office, "The President's Proposal to Accrue Retirement Costs for Federal Employees."
17. This proposal has no estimated savings for FY 2019. However, it would likely generate significant savings over time as it would cause federal workers to desire lower-cost plans and would increase competition among FEHB plans. A CBO analysis of a similar proposal for a flat FEHB contribution alongside limited contribution growth (something that would come naturally through competition and choice under this proposal by Heritage experts) projected savings of $42 billion over 10 years, or $4.2 billion per year. See Congressional Budget Office, *Reducing the Deficit: Spending and Revenue Options*, March 2011, p. 37, https://www.cbo.gov/sites/default/files/112th-congress-2011-2012/reports/03-10-reducingthedeficit.pdf (accessed May 16, 2018).
18. This proposal has no savings in FY 2019, but it would improve the solvency of the PBGC and multiemployer pension plans, increasing the probability that pensioners would receive more or all of what their pension plans promised them and what the PBGC is supposed to insure. This proposal would also reduce the risk of a taxpayer bailout amounting to hundreds of billions of dollars.
19. Estimated savings of $2.6 billion in FY 2019 come from Congressional Budget Office, *Options for Reducing the Deficit: 2017 to 2026*, p. 73. The option to "Use an Alternative Measure of Inflation to Index Social Security and Other Mandatory Programs" includes $2.6 billion in mandatory spending in FY 2018, the first year of implementation. Thus, Heritage experts assume the same $2.6 billion in FY 2019 savings with 2019 being the first year of implementation.
20. Ibid., p. 61. The option to "Use an Alternative Measure of Inflation to Index Social Security and Other Mandatory Programs" includes $2.6 billion in mandatory spending in FY 2018. The CBO report estimates savings for FY 2027 through FY 2026. We move the estimated savings by year back by one year based on implementation in 2019 instead of 2018.
21. Estimated savings of $20.26 billion for FY 2019 include $23.56 billion per year in savings from reducing fraud and limiting eligibility in the EITC and ACTC and an added cost of $3.3 billion per year for reducing marriage penalties in the EITC, for a net savings of $20.26 billion. Estimates come from Robert Rector and Jamie Bryan Hall, "Reforming the Earned Income Tax Credit and Additional Child Tax Credit to End Waste, Fraud, and Abuse and Strengthen Marriage," Heritage Foundation *Backgrounder* No. 3162, November 16, 2016, https://www.heritage.org/sites/default/files/2018-04/BG3162.pdf. This report provides estimated savings for FY 2015. Heritage experts conservatively assume a similar level of savings in FY 2019 with the exception of the savings from the child tax credit, which doubled in 2019 and beyond (including a higher refundable portion) as a result of the Tax Cuts and Jobs Act. The Joint Committee on Taxation estimated that the TCJA's child tax credit provisions increased the cost of the CTC by 126 percent, from $53.6 billion to $67.7 billion in 2019. See Joint Committee on Taxation, U.S. Congress, "Estimated Budget Effects of the Conference Agreement for H.R.1, The 'Tax Cuts and Jobs Act,' Fiscal Years 2018–2017," JCX-67-17, December 18, 2017, https://www.jct.gov/publications.html?func=startdown&id=5053 (accessed May 16, 2018), and Joint Committee on Taxation, U.S. Congress, *Estimates of Federal Tax Expenditures for Fiscal Years 2016–2020*, JCX-3-17, January 30, 2017, https://www.jct.gov/publications.html?func=startdown&id=4971 (accessed May 16, 2018). Not all taxpayers experienced the same increase in the value of their child tax credit, however. Some low-income families may not receive a full doubling of the credit, and some higher-income families that received only a partial or no child tax credit before will receive the full $2,000 value in 2019. Although most lower-income families that would be affected by this proposal will experience a doubling of their child tax credit value, we conservatively estimate that the child tax credit provisions in this proposal will increase the value of the credit for families by 60 percent, from $7.6 billion (as reported in the November 2016 Heritage report) to $12.2 billion in 2019. All $20.26 billion in savings represents mandatory spending.

22. Estimated savings of $2.396 billion in FY 2019 come from HUD's annualized FY 2018 total spending authority as reported in U.S. Department of Housing and Urban Development, "Budget Authority by Program, Comparative Summary, Fiscal Years 2017–2019," https://www.hud.gov/sites/dfiles/CFO/documents/2%20-%20FY19CJ%20-%20Dept.%20Summary%20-%20Budget%20Authority%20-%20Updated.pdf (accessed May 16, 2018). Total HUD spending authority in FY 2018 was $47.922 billion, including $37.387 billion in net discretionary spending and $11.058 billion in net mandatory spending. Heritage experts assume that FY 2018 spending remains constant in FY 2019. We propose a 10-year, phased-in elimination of federal housing programs excluding those for low-income disabled and elderly populations. According to a CBO report, approximately 50 percent of housing assistance goes to elderly and disabled recipients ($23.961 billion). See Table 2, "Characteristics of Households Receiving Housing Choice Vouchers, Project-Based Rental Assistance, or Public Housing Assistance, 2013," in Congressional Budget Office, *Federal Housing Assistance for Low-Income Households*, September 2015, p. 43, https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/50782-lowincomehousing-onecolumn.pdf (accessed May 16, 2018). Thus, savings of $2.396 billion for FY 2019 are based on reducing half of HUD's budget by 10 percent. Estimated savings include $1.869 billion in discretionary savings and $527 million in mandatory savings.
23. Estimated savings of $11.0 billion in FY 2019 come from Congressional Budget Office, *Options for Reducing the Deficit: 2017 to 2026*, p. 46. The option to "Eliminate Supplemental Security Benefits for Disabled Children" includes $1 billion in discretionary spending and $10 billion in mandatory spending in FY 2018. Heritage experts assume that the FY 2018 savings and spending levels will apply for FY 2019 because they represent the first year of full implementation of the policy.
24. Heritage experts do not include any savings for this proposal because the federal funding stream for TANF is fixed. However, stronger work requirements would likely reduce federal outlays significantly over the long run.
25. Estimated savings of $986 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that the FY 2018 spending level of $9.863 billion remains constant in FY 2019. Savings equal 10 percent of the estimated FY 2019 spending level based on a 10-year phaseout of the program.
26. Estimated savings of $8.685 billion for FY 2019 are based on FY 2018 grant levels under the Every Student Succeeds Act as reported in U.S. Department of Education, "Department of Education Fiscal Year 2018 Congressional Action," March 27, 2018, https://www2.ed.gov/about/overview/budget/budget18/18action.pdf (accessed May 16, 2018). This includes elimination of spending on most non-Title I, non-Title VI, and non-Title VII funds under the Elementary and Secondary Education Act ($6.904 billion) and a 10 percent reduction in Title I and Title VII spending ($1.781 billion).
27. Estimated savings of –$1.2 billion (in other words, an additional cost of $1.2 billion) for FY 2019 are based on Heritage experts' estimates as reported in Jamie Bryan Hall and Mary Clare Reim, "Time to Reform Higher Education Financing and Accreditation," Heritage Foundation *Issue Brief* No. 4668, March 28, 2017, https://www.heritage.org/sites/default/files/2017-03/IB4668.pdf. The estimated cost of this proposal in the next year includes its effects on increasing total Pell Grants and federal student loans by making them accessible to students across a wider range of education options. (Additional loans cost the federal government money because we use fair-value accounting, a more accurate measure of federal loans' true costs.) Implementing this proposal in conjunction with the proposals to place strict lending caps on federal student aid programs and eliminate the PLUS Loan program would mitigate its costs in the short run. In the long run, this proposal could lead to savings by increasing competition and driving down college costs.
28. Estimated savings of $2.3 billion for FY 2019 are based on Heritage experts' estimates as reported in ibid.
29. Estimated savings of $5.5 billion for FY 2019 are based on Heritage experts' estimates as reported in ibid.
30. Estimated savings of $425 million for FY 2019 are based on Congressional Budget Office, "Proposals for Education—CBO's Estimate of the President's Fiscal Year 2018 Budget," https://www.cbo.gov/system/files/115th-congress-2017-2018/dataandtechnicalinformation/52891-education.pdf (accessed May 16, 2018). The CBO includes $425 million in FY 2018 savings from "Eliminat[ing] Public Service Loan Forgiveness." It also assumes that FY 2018 is the first year of implementation, so Heritage experts apply the FY 2018 savings level to FY 2019. Savings would increase significantly over time, as more borrowers would no longer be eligible for forgiveness. (The CBO score assumes that the policy applies to new borrowers after implementation of the proposal.)
31. Heritage experts do not include any estimated savings for this proposal because its fiscal impact would depend on a range of behavioral responses from both educational institutions and students that cannot reasonably be predicted.
32. This proposal has no estimated savings.
33. Estimated savings of $445 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019. The CPB received $445 million in federal appropriations in FY 2018.
34. Corporation for Public Broadcasting, "CPB's Federal Appropriation Request & Justification: Detailed FY 2019/2021 Request," https://www.cpb.org/appropriation (accessed May 2, 2018).
35. National Public Radio, "Public Radio Finances," http://www.npr.org/about-npr/178660742/public-radio-finances (accessed April 25, 2018).
36. Estimated savings of $768 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
37. Charities Aid Foundation, *CAF World Giving Index 2016*, October 2016, p. 11, https://www.cafonline.org/about-us/publications/2016-publications/caf-world-giving-index-2016 (accessed April 25, 2018).
38. Estimated savings of $240 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
39. Institute of Museum and Library Services, "About Us," https://www.imls.gov/about-us (accessed April 25, 2018).
40. Institute of Museum and Library Services, "Grants to States," https://www.imls.gov/grants/grants-states (accessed April 25, 2018).

41. Estimated savings of $56.5 million for FY 2019 are based on the CBO's most recent April 2018 baseline spending projections. The CBO projects $113 million in spending for FY 2019, and this proposal reduces that amount by 50 percent.
42. Ryan T. Anderson, "Obama Unilaterally Rewrites Law, Imposes Transgender Policy on Nation's Schools," The Daily Signal, May 13, 2016, http://dailysignal.com/2016/05/13/obama-unilaterally-rewrites-law-imposes-transgender-policy-on-nations-schools/.
43. Samantha Harris, "Campus Judiciaries on Trial: An Update from the Courts," Heritage Foundation *Legal Memorandum* No. 165, October 6, 2015, http://www.heritage.org/education/report/campus-judiciaries-trial-update-the-courts.
44. Ryan T. Anderson, "Trump Right to Fix Obama's Unlawful Transgender School Policy," The Daily Signal, February 22, 2017, http://dailysignal.com/2017/02/22/trump-right-to-fix-obamas-unlawful-transgender-school-policies/.
45. Hans von Spakovsky and Elizabeth Slattery, "Betsy DeVos Stands Up for Due Process Rights in Campus Sexual Assault Cases," The Daily Signal, September 8, 2017, http://dailysignal.com/2017/09/08/betsy-devos-stands-due-process-rights-campus-sexual-assault-cases/.
46. Estimated savings of $115.864 billion for FY 2019 are based on estimates from Heritage Foundation staff using the Heritage Center for Data Analysis Health Model. All $115.864 billion in savings represents mandatory spending.
47. Table 1, "Direct Spending and Revenue Effects of the Insurance Coverage Provisions of the Affordable Care Act," in Congressional Budget Office, "Insurance Coverage Provisions of the Affordable Care Act—CBO's March 2015 Baseline," https://www.cbo.gov/sites/default/files/51298-2015-03-ACA.pdf (accessed April 25, 2018).
48. U.S. Department of Health and Human Services, "Federal Financial Participation in State Assistance Expenditures; Federal Matching Shares for Medicaid, the Children's Health Insurance Program, and Aid to Needy Aged, Blind, or Disabled Persons for October 1, 2016 Through September 30, 2017," *Federal Register*, Vol. 80, No. 227 (November 25, 2015), pp. 73779–73782, https://aspe.hhs.gov/sites/default/files/pdf/167966/FMAP17.pdf (accessed April 25, 2018).
49. Estimated savings of $16.21 billion for FY 2019 are based on estimates from Heritage Foundation staff using the Heritage Center for Data Analysis Health Model. All $16.21 billion in savings represents mandatory spending.
50. Figure 2, "Historical and Projected Medicaid Expenditures and Annual Growth Rates, FY1966–2021," in U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services, Office of the Actuary, *2012 Actuarial Report on the Financial Outlook for Medicaid*, "Data for Figures and Tables in 2012 Report," https://www.cms.gov/Research-Statistics-Data-and-Systems/Research/ActuarialStudies/MedicaidReport.html (accessed April 25, 2018), and U.S. Department of Health and Human Services, Centers for Medicare and Medicare Services, Office of the Actuary, *2015 Actuarial Report on the Financial Outlook for Medicaid*, pp. ii and iii, https://www.cms.gov/Research-Statistics-Data-and-Systems/Research/ActuarialStudies/Downloads/MedicaidReport2015.pdf (accessed April 25, 2018).
51. Ibid.
52. Estimated savings of $6.315 billion for FY 2019 are based on estimates from Heritage Foundation staff using the Heritage Center for Data Analysis Health Model. All $6.315 billion in savings represents mandatory spending.
53. This proposal has no savings in FY 2019. Although it could affect federal tax revenues, this proposal would have no impact on federal spending.
54. The Affordable Care Act imposes a 40 percent excise tax on the cost of health plans above defined thresholds. This tax, commonly referred to as the "Cadillac tax," was supposed to be implemented in 2018 but has since been delayed by Congress until 2020.
55. Estimated savings of $5.938 billion for FY 2019 are based on estimates from Heritage Foundation staff using the Heritage Center for Data Analysis Health Model. All $5.938 billion in savings represents mandatory spending.
56. Estimated savings of $26.437 billion for FY 2019 are based on estimates from Heritage Foundation staff using the Heritage Center for Data Analysis Health Model. All $26.437 billion in savings represents mandatory spending.
57. Social Security Administration, Office of the Chief Actuary, "A Summary of the 2017 Annual Reports: Social Security and Medicare Boards of Trustees," https://www.ssa.gov/oact/trsum/ (accessed April 25, 2018).
58. Estimated savings of $28.221 billion for FY 2019 are based on estimates from Heritage Foundation staff using the Heritage Center for Data Analysis Health Model. All $28.221 billion in savings represents mandatory spending.
59. Estimated savings of $23.41 billion for FY 2019 are based on estimates from Heritage Foundation staff using the Heritage Center for Data Analysis Health Model. All $23.41 billion represents mandatory spending.
60. Estimated savings of $2.28 billion for FY 2019 are based on estimates from Heritage Foundation staff using the Heritage Center for Data Analysis Health Model. All $2.28 billion in savings represents mandatory spending.
61. Estimated savings of $61 billion for FY 2019 are based on estimates from Congressional Budget Office, *A Premium Support System for Medicare: Updated Analysis of Illustrative Options*, October 2017, https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53077-premiumsupport.pdf (accessed May 16, 2018). Heritage experts use the CBO's analysis of the second-lowest bid option without grandfathering and assumes that the CBO's estimates for the first year of implementation would apply for FY 2019. All $61 billion in savings represents mandatory spending.
62. Basing the government contribution to health plans on an average bid would yield $69 billion in savings; basing the contribution on the second-lowest plan option would yield $275 billion in savings. Congressional Budget Office, *Options for Reducing the Deficit: 2014 to 2023*, November 2013, p. 204, https://www.cbo.gov/sites/default/files/cbofiles/attachments/44715-OptionsForReducingDeficit-3.pdf (accessed April 24, 2018).
63. See Congressional Budget Office, *A Premium Support System for Medicare: Analysis of Illustrative Options*, September 2013, https://www.cbo.gov/sites/default/files/09-18-PremiumSupport.pdf (accessed April 24, 2018).

64. Table 6C, "Temporary Assistance for Needy Families: Average Monthly Number of Work-Eligible Individuals with Hours of Participation by Work Activity as a Percent of the Total Number of Work-Eligible Individuals, Fiscal Year 2014," in U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, "Work Participation Rates—Fiscal Year 2014," May 12, 2016, https://www.acf.hhs.gov/ofa/resource/work-participation-rates-fiscal-year-2014 (accessed April 24, 2018).
65. For additional detail, see Robert Rector and Rachel Sheffield, "Setting Priorities for Welfare Reform," Heritage Foundation *Issue Brief* No. 4520, February 24, 2016, and Rachel Sheffield, "Welfare Reform and Upward Mobility Act Can Restart Welfare Reform," Heritage Foundation No. 4619, October 28, 2016.
66. Melanie Israel, "The Pro-Life Agenda: A Progress Report for the 115th Congress and the Trump Administration," Heritage Foundation *Backgrounder* No. 3280, January 24, 2018, https://www.heritage.org/civil-society/report/the-pro-life-agenda-progress-report-the-115th-congress-and-the-trump.
67. U.S. Conference of Catholic Bishops, Secretariat of Pro-Life Activities, "HHS Refuses to Enforce Weldon Amendment," June 24, 2016, http://www.usccb.org/issues-and-action/religious-liberty/conscience-protection/upload/HHS-Refuses-to-Enforce-Weldon-Amendment-FACT-SHEET.pdf (accessed April 24, 2018).
68. See Lindsey M. Burke, "Military Families Deserve Education Choice: A Response to Carol Burris," Heritage Foundation *Commentary,* April 3, 2018, https://www.heritage.org/education/commentary/military-families-deserve-education-choice-response-carol-burris; Jonathan Butcher, "Giving Every Child in a Military Family the Chance for a Bright Future: Education Savings Accounts, Impact Aid, and Estimated Fiscal Impacts on District Schools," Heritage Foundation *Issue Brief* No. 4824, March 5, 2018, https://www.heritage.org/sites/default/files/2018-03/IB4824_0.pdf; Lindsey M. Burke and Anne Ryland, "A GI Bill for Children of Military Families: Transforming Impact Aid into Education Savings Accounts," Heritage Foundation *Backgrounder* No. 3180, June 2, 2017, https://www.heritage.org/sites/default/files/2017-10/BG3180.pdf; Lindsey M. Burke and Anne Ryland, "Modernizing the Federal Impact Aid Program: A Path Toward Educational Freedom for Military Families and Other Federally Connected Children," Heritage Foundation *Issue Brief* No. 4751, August 10, 2017, https://www.heritage.org/sites/default/files/2017-08/IB4751_0.pdf; and Paul DiPerna, Lindsey M. Burke, and Anne Ryland, *Surveying the Military: What America's Servicemembers, Veterans, and Their Spouses Think About K–12 Education and the Profession*, EdChoice, October 16, 2017, https://www.edchoice.org/wp-content/uploads/2017/10/Surveying-The-Military-by-Paul-DiPerna-Lindsey-M-Burke-and-Anne-Ryland-1.pdf (accessed May 2, 2018).

Legislative Branch

$1.4
SAVINGS IN MILLIONS[1]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate Funding for the Stennis Center for Public Service Leadership

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

Numerous private entities provide services similar to those provided by the Stennis Center. The Young Leaders Program at The Heritage Foundation is one example. Past budgets and appropriations bills have called for elimination of the Stennis Center, and Congress should act to do so now.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	REJECTED	Continues to provide funding consistent with previous two years' appropriations.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$90
SAVINGS IN MILLIONS[2]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate Funding for Congressional Subsidies for the Affordable Care Act's Health Insurance Exchange

Under Section 1312 (d)(3)(D) of the ACA, Congress voted in 2010 to end its participation in the Federal Employees Health Benefits Program (FEHBP) and instead required Members and staff to obtain their health coverage through the ACA's health insurance exchange.[3] This change meant that Members and staff would no longer receive the employer contribution toward the cost of their health insurance. On August 7, 2013, the Office of Personnel Management reversed this change through a ruling that allowed Members of Congress and staff, even though they are no longer enrolled in the FEHBP, to continue to receive the employer contribution for coverage in the exchange. The Administration took this regulatory action without statutory authority under either the ACA or Title 5 of the U.S. Code, the law that governs the FEHBP.[4]

Because the 2013 OPM ruling was an administrative action, President Donald Trump could reverse the OPM decision administratively. If President Trump does not act, Congress should restore the original intent of the statute and end this special contribution.

ADDITIONAL READING

- Edmund F. Haislmaier, "Administration Disregards the Law and Gives Special Obamacare Deal to Congress," The Daily Signal, August 7, 2013.
- Robert E. Moffit, "Congress and Obamacare: A Big Double Standard," Human Events, November 11, 2013.
- Robert E. Moffit, Edmund F. Haislmaier, and Joseph A. Morris, "Congress in the Obamacare Trap: No Easy Escape," Heritage Foundation *Backgrounder* No. 2831, August 2, 2013.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

ENDNOTES

1. Estimated savings of $1.4 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018, Public Law 115-141, 115th Cong., https://www.congress.gov/115/bills/hr1625/BILLS-115hr1625enr.pdf (accessed May 13, 2018). Heritage experts assume that FY 2018 spending remains constant in FY 2019. Savings include $430,000 in direct spending and up to $1 million in transfers from Navy operations and maintenance.
2. Savings of $90 million for FY 2019 include the following data, assumptions, and calculations. The D.C. Health Insurance Exchange reports that as of early 2017, "about 11,000" congressional members and staff were using the exchange for coverage. Louise Norris, "DC Health Insurance Marketplace: History and News of the State's Exchange," healthinsurance.org, March 31, 2018, https://www.healthinsurance.org/dc-state-health-insurance-exchange/ (accessed May 14, 2018). LegiStorm reports that the average age of congressional staff is 31 in the House and 32 in the Senate. LegiStorm, "The 115th Congress by the Numbers," https://www.legistorm.com/congress_by_numbers/index/by/senate.html (accessed May 14, 2018). The D.C. Health Insurance Exchange provides average premium costs for 2018. D.C. Government, Department of Insurance, Securities and Banking, "Sample 2018 Approved Premiums Compared to 2017," October 18, 2017, https://disb.dc.gov/node/1282351 (accessed May 14, 2018). For individuals, Heritage experts use the reported premium cost of $3,803 for a gold plan for a 27-year-old purchased in the small-business exchange. This cost likely understates the actual premium cost for congressional staffers because they have an average age between 31 and 32, and premium costs increase with age. There are no average family premiums reported for the small business exchange, so Heritage experts use the average gold family premium of $18,004 from the individual market exchange. Heritage experts assume that 50 percent of the 11,000 employees who receive the subsidy have self-only coverage, 50 percent have family coverage, and the FEHB subsidy covers 75 percent of employees' premiums. Although exchange health insurance costs have risen significantly each year, Heritage experts conservatively assume that costs hold steady in FY 2019.
3. Edmund F. Haislmaier, "Administration Disregards the Law and Gives Special Obamacare Deal to Congress," The Daily Signal, August 7, 2013, http://dailysignal.com//2013/08/07/administration-disregards-the-law-and-gives-special-obamacare-deal-to-congress/, and Robert E. Moffit, "Congress and Obamacare: A Big Double Standard," *Human Events*, November 11, 2013, http://humanevents.com/2013/11/11/congress-and-obamacare-a-big-double-standard/ (accessed April 19, 2018).
4. Robert E. Moffit, Edmund F. Haislmaier, and Joseph A. Morris, "Congress in the Obamacare Trap: No Easy Escape," Heritage Foundation *Backgrounder* No. 2831, August 2, 2013, http://www.heritage.org/research/reports/2013/08/congress-in-the-obamacare-trap-no-easy-escape.

Military Construction, Veterans Affairs, and Related Agencies

$2.9
SAVINGS IN BILLIONS[1]

PRESIDENT	HOUSE	SENATE	RSC

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

The Department of Veterans Affairs (VA) should focus on the unique needs of military medicine. A 2014 Congressional Research Service study revealed that more than one of every 10 VA patients is not a veteran, and the number of non-veterans using VA health care services has increased faster in recent years than has the number of veteran patients.[2] VA resources should be used solely to provide health care to veterans.

The VA ranks veterans who seek medical care on a scale of one to eight, with the lower numbers being the highest priority. The groups are defined according to such factors as income and disability status. Veterans in Priority Groups (PGs) 7 and 8 do not have compensable service-connected disabilities, and their incomes tend to exceed the VA's national income and geographic income thresholds. The department should not be providing benefits for veterans in PGs 7 and 8. Scarce VA health care dollars should be spent first on veterans with the most severe disabilities.

ADDITIONAL READING

- Justin Bogie, "Congress Should Exercise Restraint in Veterans Affairs Funding Bill," Heritage Foundation *Issue Brief* No. 4548, May 17, 2016.
- John S. O'Shea, "Reforming Veterans Health Care: Now and for the Future," Heritage Foundation *Issue Brief* No. 4585, June 24, 2016.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

MILCONVA

$9.0
SAVINGS IN BILLIONS[3]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate Concurrent Receipt of Retirement Pay and Disability Compensation for Veterans

Until 2003, military retirees were prohibited from collecting full Defense Department retirement and VA disability benefits simultaneously. Military retirees eligible for VA disability benefits lost $1 in Defense Department retirement benefits for every $1 in VA disability benefits they collected. The rationale for this offset policy was that concurrent receipt of retirement and disability payments was compensating veterans for the same service twice.

Policy changes instituted in 2004 allowed Defense Department retirees to collect benefits from both programs simultaneously. Under this concurrent-receipt policy, the share of military retirees who also receive VA disability benefits rose from 33 percent in 2005 to just over 50 percent in 2015. More than 2,300 veterans received $100,000 or more each in annual benefits, with the highest annual benefit amounting to more than $200,000.[4]

The U.S. government should honor its promise to the men and women who serve without generating excessive benefit payouts. Simply returning to the long-standing pre-2004 policy, under which veteran disability payments offset retirement pay, would reduce excessive benefits and save taxpayers $9 billion in 2018 and $139 billion between 2017 and 2026.

ADDITIONAL READING

- Romina Boccia, "Triple-Dipping: Thousands of Veterans Receive More than $100,000 in Benefits Every Year," Heritage Foundation *Issue Brief* No. 4295, November 6, 2014.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

MILCONVA

$2.0
SAVINGS IN BILLIONS[5]

PRESIDENT	HOUSE	SENATE	RSC

Narrow Eligibility for Veterans Disability by Excluding Disabilities Unrelated to Military Duties

Disability compensation for veterans should focus on service-related conditions. Veterans are eligible for disability compensation from the VA for medical conditions or injuries that occurred or worsened during active-duty military service, as well as for conditions that were not necessarily incurred or worsened due to military service.

The U.S. General Accounting Office (now Government Accountability Office) identified seven conditions that are not likely to be caused or worsened by military service: arteriosclerotic heart disease, chronic obstructive pulmonary disease, Crohn's disease, hemorrhoids, multiple sclerosis, osteoarthritis, and uterine fibroids.[6] This proposal would cease veterans' disability compensation for these non-service-related conditions and save $2 billion in 2018 and $25.7 billion from 2017 to 2026.

ADDITIONAL READING

- John S. O'Shea, "Reforming Veterans Health Care: Now and for the Future," Heritage Foundation *Issue Brief* No. 4585, June 24, 2016.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	PARTIALLY INCLUDED	Calls for systematic overhaul of disability ratings system to bring it more in line with current medical principles and standards.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

ENDNOTES

1. Estimated savings of $2.9 billion for FY 2019 are based on estimates from Congressional Budget Office, *Options for Reducing the Deficit: 2017 to 2026*, December 8, 2016, p. 265, https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/52142-budgetoptions2.pdf (accessed May 14, 2018). The option to "End Enrollment in VA Medical Care for Veterans in Priority Groups 7 and 8" includes $5.4 billion in discretionary budget authority savings and $2.5 billion in increased mandatory spending in FY 2018, for a net savings of $2.9 billion. Heritage experts assume that the FY 2018 savings and spending levels will apply for FY 2019 because they represent the first year of full implementation of the policy.
2. Erin Bagalman, "The Number of Veterans That Use VA Health Care Services: A Fact Sheet," Congressional Research Service *Report for Members and Committees of Congress*, June 3, 2014, http://fas.org/sgp/crs/misc/R43579.pdf (accessed April 11, 2018).
3. Estimated savings of $9.0 billion for FY 2019 are based on estimates from Congressional Budget Office, *Options for Reducing the Deficit: 2017 to 2026*," p. 34. The option to "Eliminate Concurrent Receipt of Retirement Pay and Disability Compensation for Disabled Veterans" includes $9.0 billion in mandatory spending in FY 2018. Heritage experts assume that the FY 2018 savings level will apply for FY 2019 (as opposed to the estimated $13 billion level for FY 2019) because it represents the first year of full implementation of the policy. All $9.0 billion represents mandatory savings.
4. Seto J. Bagdoyan, Acting Director, Forensic Audits and Investigative Service, U.S. Government Accountability Office, letter to The Honorable Tom Coburn, M.D., Ranking Minority Member, Committee on Homeland Security and Governmental Affairs, U.S. Senate, re: "Disability Compensation: Review of Concurrent Receipt of Department of Defense Retirement, Department of Veterans Affairs Disability Compensation, and Social Security Disability Insurance," GAO14-854R, September 30, 2014, http://www.gao.gov/assets/670/666267.pdf (accessed May 14, 2018).
5. Estimated savings of $2.0 billion for FY 2019 are based on estimates from Congressional Budget Office, *Options for Reducing the Deficit: 2017 to 2026*, p. 59. The option to "Narrow Eligibility for Veterans' Disability Compensation by Excluding Certain Disabilities Unrelated to Military Duties" includes $2.0 billion in mandatory spending in FY 2018. Heritage experts assume that the FY 2018 savings level will apply for FY 2019 (as opposed to the estimated $2.9 billion level for FY 2019) because it represents the first year of full implementation of the policy. All $2.0 billion represents mandatory savings.
6. U.S. General Accounting Office, *VA Benefits: Law Allows Compensation for Disabilities Unrelated to Military Service*, GAO/HRD-89-60, July 31, 1989, http://www.gao.gov/products/GAO/HRD-89-60 (accessed April 11, 2018).

Multiple Subcommittees

$163
SAVINGS IN MILLIONS[1]

PRESIDENT	HOUSE	SENATE	RSC

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

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

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

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Members' dues should pay for union employees and their activities.

MULTIPLE

$8.4
SAVINGS IN BILLIONS[2]

PRESIDENT	HOUSE	SENATE	RSC

Repeal the Davis–Bacon Act

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

The Davis–Bacon Act requires taxpayers to overpay for construction labor. Construction unions lobby heavily to maintain this restriction, which reduces the cost advantage of their non-union competitors, but it also needlessly inflates the total cost of building infrastructure and other federally funded construction by nearly 10 percent.

The Congressional Budget Office has estimated that the Davis–Bacon Act applies to approximately a third of all government construction. Many state and local projects are partially or wholly funded with federal dollars and without prevailing-wage restrictions would cost substantially less. Repealing the Davis–Bacon Act and prohibiting states from imposing separate prevailing-wage restrictions on federally funded construction projects would allow lawmakers to reduce federal construction spending by approximately $8.4 billion in appropriations for the Departments of Transportation, Housing and Urban Development, and Defense and other areas, saving taxpayers billions of dollars every year without reducing the effective amount of funds available for construction projects.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

MULTIPLE

Policy Riders

Eliminate or roll back Davis–Bacon requirements and project labor agreements. The Davis–Bacon Act (DBA), enacted in 1931, effectively requires construction contractors on federal projects to use union wage and benefit scales and follow union work rules. These rules inflate the cost of federal construction by nearly 10 percent on average. Similarly, project labor agreements (PLAs) require the main contractor of government contracts to sign a collective bargaining agreement as a condition of winning a project bid. Collective bargaining agreements require using union compensation rates, following union work rules, and hiring all workers on federally contracted projects through union hiring halls. PLAs inflate construction costs by 12 percent to 18 percent on top of increased costs attributed to Davis–Bacon and discriminate against the 87 percent of workers who are not members of a union. Eliminating Davis–Bacon and prohibiting PLAs would stretch each federal construction dollar, delivering more infrastructure without the need to increase spending levels. Barring complete repeal, Congress could suspend the rule for projects funded by the appropriations bill or require the Labor Department to use superior Bureau of Labor Statistics data to estimate Davis–Bacon "prevailing wages" so that they more closely reflect market pay. Eliminating Davis–Bacon and PLAs would save more than $100 billion over the next 10 years under current spending levels.

Prohibit government discrimination in tax policy, grants, contracting, and accreditation. In June 2015, the Supreme Court of the United States redefined marriage throughout America by mandating that government entities must treat same-sex relationships as marriages. The Court, however, did not say that private schools, charities, businesses, or individuals must also do so. There is no justification for the government to force these entities or people to violate beliefs about marriage that, as even Justice Anthony Kennedy noted in his majority opinion recognizing gay marriage, are held "in good faith by reasonable and sincere people here and throughout the world."[3] As Americans have long understood, the power to tax is the power to destroy. Respect for freedom after the Supreme Court's ruling takes several forms. Charities, schools, and other organizations that interact with the government should be held to the same standards of competence as everyone else, but their view that marriage is the union of a man and a woman should never disqualify them from government programs. Educational institutions, for example, should be eligible for government contracts, student loans, and other forms of support as long as they meet the relevant *educational* criteria. Adoption and foster care organizations that meet the substantive requirements of child welfare agencies should be eligible for government contracts without having to abandon the religious values that led them to help orphaned children in the first place. Congress should prohibit government discrimination in tax policy, grants, contracts, licensing, or accreditation based on an individual's or group's belief that marriage is the union of one man and one woman or that sexual relations are reserved for such a marriage.[4]

Prohibit any agency from regulating greenhouse gas emissions. The Obama Administration proposed and implemented a series of climate change regulations to reduce greenhouse gas emissions from vehicles, heavy-duty trucks, airplanes, hydraulic fracturing, and new and existing power plants. More than 80 percent of America's energy needs is met through conventional carbon-based fuels. Restricting opportunities for Americans to use such an abundant, affordable energy source will only bring economic pain to households and businesses with no climate or environmental benefit to show for it. The cumulative economic loss will be hundreds of thousands of jobs and trillions of dollars of gross domestic product.

Prohibit funding for the Waters of the United States (WOTUS) Rule. The EPA and Army Corps of Engineers' controversial WOTUS rule would greatly expand the types of waters that could be covered under the Clean Water Act, from certain man-made ditches to so-called waters that are dry land most of the time. Absent congressional action, this attack on property rights and state power could soon move forward. Fortunately, the Sixth Circuit Court issued a stay blocking implementation of the rule,[5] but this stay is only temporary. If the rule overcomes legal battles, Congress should block funding for its implementation.

Enforce data-quality standards. No funds should be used for any grant for which the recipient does not agree to make all data produced under the grant publicly available in a manner that is consistent with the Data Access Act, part of the FY 1999 Omnibus Appropriations Act (Public Law 105–277),[6] as well as in compliance with the standards of the Information Quality Act (44 U.S. Code § 3516).[7] The Data Access Act requires federal agencies to ensure that data produced under grants to and agreements with universities, hospitals, and nonprofit organizations are available to the public. The Information Quality Act requires the Office of Management and Budget, with respect to agencies, to "issue guidelines ensuring and maximizing the quality, objectivity, utility, and integrity of information (including statistical information) disseminated by the agency."[8] However, the Office of Management and Budget has unduly restricted the Data Access Act, and there is little accountability that could ensure agency compliance with the Information Quality Act. Credible science and transparency are necessary elements of sound policy.[9] Standards must be codified; guidelines are insufficient.

Withhold grants for seizure of private property. On June 23, 2005, the United States Supreme Court held in *Kelo v. City of New London* that the government may seize private property and transfer it to another private party for economic development.[10] This type of taking was deemed to be for a "public use" and allowed under the Fifth Amendment of the United States Constitution. Congress has failed to take meaningful action in the decade since this landmark decision and, to the extent that it is within its power, should provide property owners in all states necessary protection from economic development and closely related takings, such as blight-related takings. Since there is a subjective element to determining whether a taking is for economic development, the condemnor should be required to establish that a taking would not have occurred were it not for the purpose of economic development. Local governments often use broad definitions of "blight" to seize private property, including non-blighted property that is located in an allegedly blighted area. Only property that itself is legitimately blighted, such as property that poses a concrete harm to health and safety, should be allowed to be seized. Congress should withhold grants for infrastructure development to states or other jurisdictions that invoke eminent domain to seize private property either for economic development, unless the condemnor can demonstrate that the taking would not have occurred but for economic development and is for a public use, or to address blight, unless the property itself poses a concrete harm to health and safety.[11]

ENDNOTES

1. Estimated savings of $163 million for FY 2019 are based on U.S. Office of Personnel Management, *Official Time Usage in the Federal Government: Fiscal Year 2014*, March 2017, https://www.opm.gov/policy-data-oversight/labor-management-relations/reports-on-official-time/reports/2014-official-time-usage-in-the-federal-government.pdf (accessed May 14, 2018). The OPM estimated the cost of official time in FY 2014 at $162.5 million. Absent more recent data, Heritage experts assume the same figure of $162 million for FY 2019. This estimate almost certainly understates the true costs of official time, as a 2014 GAO report found significant problems and inaccuracies in agencies' reporting of official time that led to underreporting. See U.S. Government Accountability Office, *Labor Relations Activities: Actions Needed to Improve Tracking and Reporting of the Use and Cost of Official Time*, GAO-15-9, October 2014, https://www.gao.gov/assets/670/666619.pdf (accessed May 14, 2018). Heritage experts do not include any estimated savings for charging unions for their use of federal office space because Heritage experts do not have the necessary data to estimate those savings.
2. Estimated savings of $8.392 billion for FY 2019 were calculated by comparing current public construction spending of $291.1 billion annually as found in press release, "Monthly Construction Spending, February 2018," U.S. Department of Commerce, Economics and Statistics Administration, U.S. Census Bureau, April 2, 2018, https://www.census.gov/construction/c30/pdf/pr201802.pdf (accessed May 14, 2018), to spending levels in the absence of Davis–Bacon. Davis–Bacon increases construction costs by an estimated 9.9 percent as documented in Sarah Glassman, Michael Head, David G. Tuerck, and Paul Bachman, *The Federal Davis–Bacon Act: The Prevailing Mismeasure of Wages*, Beacon Hill Institute at Suffolk University, February 2008, http://www.beaconhill.org/BHIStudies/PrevWage08/DavisBaconPrevWage080207Final.pdf (accessed May 14, 2018). The CBO estimates that Davis–Bacon covers 32 percent of all public construction spending ($93.155 billion in 2018). In the absence of Davis–Bacon's 9.9 percent increase in costs, that spending would cost only $84.763 billion, a difference of $8.392 billion. Heritage experts assume that the FY 2018 public construction costs remain constant in FY 2019 and that federal taxpayers capture all of the value of the savings from eliminating Davis–Bacon.
3. *Obergefell v. Hodges*, 576 U.S. ____ (2015), https://www.supremecourt.gov/opinions/14pdf/14-556_3204.pdf (accessed May 14, 2018).
4. The Heritage Foundation, "People of Faith Deserve Protection from Government Discrimination in the Marriage Debate," *Factsheet* No. 160, July 2, 2015, http://thf_media.s3.amazonaws.com/2015/pdf/FS_160.pdf.
5. *State of Ohio et al. v. U.S. Army Corps of Engineers et al.*, Nos. 15-3799/3822/3853/3887, Order of Stay (6th Cir. 2015), http://www.ca6.uscourts.gov/opinions.pdf/15a0246p-06.pdf (accessed May 14, 2018).
6. See Eric A. Fischer, "Public Access to Data from Federally Funded Research: Provisions in OMB Circular A-110," Congressional Research Service *Report for Congress*, March 1, 2013, https://fas.org/sgp/crs/secrecy/R42983.pdf (accessed April 12, 2018), and Center for Regulatory Effectiveness, "President Signs Data Access Law (P.L. 105-277," http://www.thecre.com/ombpapers/PL105-277.htm (accessed April 12, 2018).
7. See Curtis W. Copeland and Michael Simpson, "The Information Quality Act: OMB's Guidance and Initial Implementation," Congressional Research Service *Report for Congress*, August 19, 2004, https://fas.org/sgp/crs/RL32532.pdf (accessed April 12, 2018).
8. Consolidated Appropriations Act of 2001, Public Law 106–554, 106th Cong., December 21, 2000, § 515, https://www.gpo.gov/fdsys/pkg/PLAW-106publ554/pdf/PLAW-106publ554.pdf (accessed April 12, 2018).
9. Robert Gordon and Diane Katz, eds., *Environmental Policy Guide: 167 Recommendations for Environmental Policy Reform*, The Heritage Foundation, 2015, http://www.heritage.org/research/reports/2015/03/environmental-policy-guide.
10. *Kelo v. City of New London*, 545 U.S. 469 (2005), https://www.law.cornell.edu/supct/html/04-108.ZS.html (accessed April 12, 2018).
11. Daren Bakst, "A Decade After *Kelo*: Time for Congress to Protect American Property Owners," Heritage Foundation *Backgrounder* No. 3026, June 22, 2015, http://www.heritage.org/research/reports/2015/06/a-decade-after-kelo-time-for-congress-to-protect-american-propertyowners#_ftn1.

State, Foreign Operations, and Related Programs

$80
SAVINGS IN MILLIONS[1]

PRESIDENT	HOUSE	SENATE	RSC

End Funding for the United Nations Development Program

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

> At the strategic planning level and at the executive board level, poverty reduction is accorded top priority. By the time the issue reaches the country level, however, the focus on poverty reduction often becomes diluted.... Many of [the UNDP's] activities have only remote connections with poverty, if at all.[2]

Moreover, UNDP aid meant to assist suffering populations in many authoritarian countries inadvertently helps to perpetuate their suffering. In the past, the UNDP has funded inappropriate activities in Iran, North Korea, Venezuela, and Zimbabwe.[3]

ADDITIONAL READING

- Ambassador Terry Miller, "The United Nations and Development: Grand Aims, Modest Results," Heritage Foundation *Special Report* No. 86, September 22, 2010.
- Brett D. Schaefer, "Why Does UNDP Continue to Aid Repressive Regimes?" The Daily Signal, August 27, 2010.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	No funding for International Organizations and Programs account, which funds UNDP.
House Budget Resolution	PARTIALLY INCLUDED	Reduces contributions to International Organizations and Programs account and says UNDP is "susceptible to fraud, waste, and abuse."
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Recommends eliminating International Organizations and Programs account.

–$171
INCREASE IN MILLIONS[4]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the Overseas Private Investment Corporation

Created in 1969 at the request of the Nixon Administration to promote investment in developing countries, OPIC provides loans and loan guarantees, subsidizes risk insurance against losses resulting from political disruption; and capitalizes investment funds. In today's global economy, many private firms in the developed and developing worlds offer investment loans and political-risk insurance. OPIC can displace these private options. Worse, when it guarantees investments in risky foreign environments, countries have less reason to adopt investor-friendly policies.

It is also far from clear that OPIC projects directly support U.S. economic security or interests. Examples include $85 million in loans for a major hotel and apartment complex in Afghanistan that was never properly overseen and never completed; $67 million to finance 13 projects in the Palestinian territories while a unity government was formed with Hamas; and financing for Papa John's pizza franchises in Russia, a chain of Wendy's branded franchise restaurants in Georgia, and development of Century 21 brand real estate franchising in Brazil.

OPIC activities might have been justified 50 years ago, when international financial markets were less pervasive, but the number of countries that now lack access to financial markets or that pose substantial political risk to investors is far less than the 160-plus countries where OPIC is authorized to do business. In today's globalized trading and investment environment, foreign investors should base their decisions not on whether a government agency will cover their risks, but on whether investment makes economic sense on its own merits.

ADDITIONAL READING

- Bryan Riley, Brett D. Schaefer, and James M. Roberts, "Congress Should Support the Trump Administration's Proposal to Close Down OPIC," Heritage Foundation *Issue Brief* No. 4735, July 14, 2017.
- Bryan Riley and Brett D. Schaefer, "Time to Privatize OPIC," Heritage Foundation *Issue Brief* No. 4224, May 19, 2014.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	OPIC would be eliminated, but DFI would continue to serve the same role.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$33
SAVINGS IN MILLIONS[5]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate Funding for the United Nations Population Fund

For years, the U.S. withheld funding for the UNFPA under the Kemp–Kasten Amendment, which prohibits U.S. international aid from supporting coercive abortion procedures or involuntary sterilization.[6] In 2009, President Barack Obama announced that he would allow funding to be reinstituted, and the U.S. has since sent tens of millions of taxpayer dollars to the UNFPA. The most recent allocation was $68 million in FY 2016.

In a January 23, 2017, Presidential Memorandum, President Donald Trump directed the "Secretary of State to take all necessary actions, to the extent permitted by law, to ensure that U.S. taxpayer dollars do not fund organizations or programs that support or participate in the management of a program of coercive abortion or involuntary sterilization."[7] In April, the Trump Administration announced that it would withhold $32.5 million in funding for the UNFPA.[8]

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	No request for International Organizations and Programs account, which funds voluntary contributions to U.N.-affiliated and other international organizations, including UNFPA.
House Budget Resolution	PARTIALLY INCLUDED	Reduces contributions to International Organizations and Programs, including UNFPA.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Recommends eliminating International Organizations and Programs account and objects to UNFPA funding for "family planning and abortion funding abroad."

SFOPS

$234
SAVINGS IN MILLIONS[9]

PRESIDENT	HOUSE	SENATE	RSC

Enforce Cap on United Nations Peacekeeping Assessments

Current U.S. law caps U.S. payments for U.N. peacekeeping at 25 percent of the budget, but the U.N. will assess the U.S. at 28.434 percent in 2018.[10] In the past, appropriations bills allowed payments above the 25 percent cap to avoid arrears. Congress ended this practice for FY 2018 and should continue to enforce the cap and not pay any resulting arrears until the U.N. adopts a scale of assessments that specifies a 25 percent maximum share for any member state.

The Trump Administration has repeatedly stated its desire to reduce the U.S. share of the U.N. peacekeeping budget to 25 percent. President Trump reiterated this objective in his September 2017 speech to the U.N., stating that "[t]he United States bears an unfair cost burden" and "that no nation should have to bear a disproportionate share of the burden, militarily or financially."[11] Congress enforced the 25 percent cap in FY 2018 and should continue to do so until the U.N. adopts a maximum peacekeeping assessment of 25 percent.

ADDITIONAL READING

- Brett D. Schaefer, "Diplomatic Effort to Reduce America's Peacekeeping Dues Must Start Now," Heritage Foundation *Issue Brief* No. 4781, November 1, 2017.
- Brett D. Schaefer, "The U.S. Should Push for Fundamental Changes to the United Nations Scale of Assessments," Heritage Foundation *Backgrounder* No. 3023, June 11, 2015.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	FY 2019 State Department Congressional Budget Justification requests $1.196 billion for Contributions to International Peacekeeping.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Recommends enforcing 25 percent cap on U.S. assessments.

SFOPS

$182
SAVINGS IN MILLIONS[12]

PRESIDENT	HOUSE	SENATE	RSC

Reduce U.S. Funding for the United Nations Relief and Works Agency for Palestine Refugees

The UNRWA was established more than 60 years ago as a temporary initiative to address the needs of Palestinian refugees and facilitate their resettlement or repatriation, but by applying refugee status to the descendants of the original refugees, it has caused the problem to grow larger. This is unique to the UNRWA: The definition of "refugee" employed by the United Nations High Commissioner for Refugees (UNHCR), which addresses every other refugee population for the U.N., is consistent with the 1951 Refugee Convention. To advance the long-term prospects for peace, the U.S. should encourage winding down the UNRWA to end the refugee status of Palestinians and facilitate their integration as citizens of their host states or resettlement in the West Bank and Gaza, where the Palestinian government should be responsible for their needs. The few remaining first-generation Palestinian refugees and those more recently displaced should be placed under the responsibility of the UNHCR.

The Trump Administration decided to withhold $65 million of a scheduled $125 million payment in January 2018 and notified the UNRWA that future funding would depend on the adoption of reforms. Congress should work with the Administration to phase out the UNRWA by supporting a policy of shifting responsibility for recent Palestinian refugees to the UNHCR, shifting UNRWA funding to governments hosting Palestinians to facilitate integration, and demanding that the Palestinians assume responsibility for the services provided by the UNRWA.

ADDITIONAL READING

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

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	FY 2019 State Department Congressional Budget Justification requests $2.04 billion under MRA-Overseas Contingency Operation for humanitarian needs.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$140
SAVINGS IN MILLIONS[13]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate Funding for the Global Environment Facility

The GEF manages the Special Climate Change Fund and the Least Developed Countries Fund, with a heavy emphasis on grants and financing for global-warming-adaptation projects. Since its inception by the World Bank and U.N. in 1991, the GEF has been the designated financial mechanism for a number of problematic international agreements, including the U.N. Convention on Biological Diversity, U.N. Framework Convention on Climate Change, Stockholm Convention on Persistent Organic Pollutants, U.N. Convention to Combat Desertification, Minamata Convention on Mercury, and Montreal Protocol on Substances that Deplete the Ozone Layer, as well as a number of international waters agreements such as the U.N. Convention on the Law of the Sea.[14]

According to a 2014 Transparency International report, the GEF lacks transparency in public access to information, anticorruption measures at the fund-recipient level, accountability at the executive level, and participation of project stakeholders.[15] Instead of using taxpayer dollars to fund energy and international climate-change projects, the U.S. should commit to free-market principles that will provide affordable, reliable energy, not government-selected technologies and energy sources.

ADDITIONAL READING

- David W. Kreutzer, "A Cure Worse Than the Disease: Global Economic Impact of Global Warming Policy," Heritage Foundation *Backgrounder* No. 2802, May 28, 2013.
- Nicolas D. Loris, "Economic Freedom, Energy, and Development," Chapter 5 in Terry Miller and Anthony B. Kim, *2015 Index of Economic Freedom* (Washington: The Heritage Foundation and Dow Jones & Company, Inc., 2015).

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	REJECTED	FY 2019 State Department Congressional Budget Justification requests $68.3 million for GEF.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Recommends ending U.S. funding for Special Climate Change Fund and Least Developed Countries Fund, which are managed by GEF.

$80
SAVINGS IN MILLIONS[16]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the U.S. Trade and Development Agency

The USTDA was created in 1961 to help companies create U.S. jobs through the export of U.S. goods and services for priority development projects in emerging economies. The USTDA asserts that it "links U.S. businesses to export opportunities by funding project planning activities, pilot projects, and reverse trade missions while creating sustainable infrastructure and economic growth in partner countries."[17] In practice, however, the USTDA has become little more than another source of taxpayer-subsidized crony corporatism.

The USTDA's activities belong more properly to the private sector. The best way to promote trade and development is to reduce trade barriers. Another way is to reduce the federal budget deficit and thereby reduce federal borrowing from abroad so that more foreign dollars can be spent on U.S. exports instead of federal treasury bonds. A dollar borrowed from abroad by the government is a dollar not available to buy U.S. exports or invest in the private sector of the U.S. economy.[18]

ADDITIONAL READING

- James M. Roberts and Brett D. Schaefer, "An Overhaul of America's Foreign Assistance Programs Is Long Overdue," Heritage Foundation *Backgrounder* No. 3247, September 19, 2017.
- "Eliminate the U.S. Trade and Development Agency," in Republican Study Committee, *Securing America's Future Economy: Fiscal Year 2018 Budget*, pp. 150–151.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	$12.1 million to conduct an orderly closeout of the agency beginning in FY 2018.
House Budget Resolution	REJECTED	Does not assume closure of USTDA.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Cuts $60 million and closes down USTDA.

$1.2
SAVINGS IN BILLIONS[19]

Overhaul Foreign Assistance Programs

The broad goals of U.S. assistance programs have long been to assist people in crises, enhance market opportunities for American products and investments by catalyzing economic growth in developing countries, and promote U.S. national security and foreign policy by supporting allies and countering adversaries. These are worthy goals. U.S. foreign assistance needs to update concepts and priorities, eliminate duplication and waste, and address changing circumstances. Fundamental reform has languished far too long. As a result, many U.S. foreign aid programs can no longer help countries in need or serve U.S. interests effectively.

America's fragmented and micromanaged foreign aid programs, split among more than 25 federal agencies, must be refitted to meet 21st-century challenges.

The United States Agency for International Development (USAID) needs to be completely restructured, with its core health and humanitarian missions incorporated into the State Department.

The Millennium Challenge Corporation should take charge of all U.S. development assistance with the goal of graduating all countries from the need for foreign aid.

Properly designed and directed, U.S. foreign aid can support America's national interests by addressing humanitarian crises; promoting policy changes necessary for economic growth led by the private sector, which is the most reliable and sustainable path to development; or advancing U.S. diplomatic and security priorities.

ADDITIONAL READING

- James M. Roberts and Brett D. Schaefer, "An Overhaul of America's Foreign Assistance Programs Is Long Overdue," Heritage Foundation *Backgrounder* No. 3247, September 19, 2017.

PRESIDENT	HOUSE	SENATE	RSC

Taking steps to consolidate or eliminate the following programs could result in considerable annual budgetary savings.

Save more than $1 billion by eliminating Assistance for Europe Eurasia and Central Asia (AEECA), a post–Cold War account that has fulfilled its purpose.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	REJECTED	Appropriates $691.6 million.
Senate Budget Resolution	REJECTED	Appropriates $750.3 million.
Republican Study Committee	NOT ADDRESSED	

PRESIDENT	HOUSE	SENATE	RSC

Save $52.5 million by eliminating the African Development Foundation and the Inter-American Foundation.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Consolidates into USAID. No dollar amount specified.
House Budget Resolution	PARTIALLY INCLUDED	In FY 2018, $26.3 million.
Senate Budget Resolution	REJECTED	In FY 2018, $52.5 million.
Republican Study Committee	INCLUDED	Cuts $54 million and eliminates these programs.

PRESIDENT	HOUSE	SENATE	RSC

Cut $60 million from the Department of Labor's International Labor Affairs budget and move its remaining work to the Millennium Challenge Corporation.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	REJECTED	In FY 2018, $59.8 million.
Republican Study Committee	INCLUDED	Cuts $60 million.

PRESIDENT	HOUSE	SENATE	RSC

Move USAID's Development Credit Authority (DCA) to the Millennium Challenge Corporation to save a portion of its $9 million annual administrative cost.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	REJECTED	In FY 2018, $9.12 million for DCA administrative expenses.
House Budget Resolution	REJECTED	In FY 2018, $9.12 million for DCA administrative expenses.
Senate Budget Resolution	REJECTED	In FY 2018, up to $10 million for DCA administrative expenses.
Republican Study Committee	NOT ADDRESSED	

PRESIDENT	HOUSE	SENATE	RSC

Save $80 million annually by closing the 15 smallest of USAID's 100 overseas missions, administering their existing foreign aid programs from USAID regional offices, and reducing the cost of those programs by 20 percent.[20]

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	NOT ADDRESSED	
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

Policy Riders

Increase oversight of international organizations. U.N. system revenues from assessed and voluntary contributions increased from $14.96 billion in 2002 to $45.72 billion in 2016. The U.S. remains the largest contributor, providing one-fifth of total contributions annually over that period. In 2016, the U.S. provided $9.72 billion to the U.N. system according to the U.N. Chief Executives Board. The Department of State Authorities Act, Fiscal Year 2017 (S.1635), enacted in 2016, requires the Office of Management and Budget to submit an annual report to Congress on U.S. contributions to the U.N. system, but that report does not address the question of whether the U.S. is receiving good value for those contributions. The U.S. should conduct a cost-benefit analysis of U.S. participation in all international organizations and establish a dedicated unit for international-organization issues in the Office of Inspector General for the Department of State.[21] In the FY 2019 budget, the Trump Administration announced that “the Department of State and USAID will review multilateral aid and contributions to evaluate how each multilateral organization to which the United States belongs advances American interests.”

Do not fund activities related to unratified treaties. If a treaty has not received the advice and consent of the Senate and has not been properly implemented in U.S. law, the U.S. should not fund any of its activities, either in the U.S. or elsewhere. Treaties are compacts between the nations that are party to them and should therefore be funded by the nations that have legally accepted their obligations. The only exception to this principle is that the U.S. should be able to pay the costs of its own diplomatic delegations that attend meetings related to treaties the U.S. is negotiating or related to treaties to which the U.S. is not party. This exception, however, does not allow for the funding of treaty bodies or any delegation other than that of the United States.

ENDNOTES

1. Savings of $79.8 million in FY 2019 are based on regular resource contributions by the United States as reported in U.N. Development Programme, "Our Funding: Regular Resource Contributions for 2017 as of January 2018," http://www.undp.org/content/undp/en/home/funding/core-donors.html (accessed May 16, 2018). Heritage experts assume that spending holds steady in FY 2018 and 2019.
2. George Russell, "UN's $5.7B Anti-Poverty Agency Doesn't Do Much to Reduce Poverty, According to Its Own Assessment," Fox News, January 14, 2013, http://www.foxnews.com/world/2013/01/14/uns-55b-anti-poverty-agency-doesnt-do-much-to-reduce-poverty-according-to-its/ (accessed April 3, 2018).
3. Brett Schaefer, "Why Does UNDP Continue to Aid Repressive Regimes?" The Daily Signal, August 27, 2010, http://dailysignal.com/2010/08/27/why-does-undp-continue-to-aid-repressive-regimes/.
4. Savings of –$171 million (an increase in spending of $171 million) for FY 2019 are based on the CBO's most recent April 2018 baseline spending projections. The higher spending includes $323 million in discretionary revenue losses, partially offset by $152 million in mandatory spending savings, for a total spending *increase* of $171 million in FY 2019.
5. Estimated savings of $32.5 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018, Public Law 115-141, 115th Cong., https://www.congress.gov/115/bills/hr1625/BILLS-115hr1625enr.pdf (accessed May 15, 2018). Heritage experts assume that FY 2018 spending remains constant in FY 2019.
6. Daniel Briggs, "The Kemp–Kasten Provision and UNFPA Funding," Americans United for Life, April 23, 2010, http://www.aul.org/2010/04/the-kemp-kasten-provision-and-unfpa-funding/ (accessed January 26, 2016). "The United Nations Fund for Population Activities was established as a trust fund in 1967 and began operations in 1969. In 1987, it was officially renamed the United Nations Population Fund, reflecting its lead role in the United Nations system in the area of population. The original abbreviation, UNFPA, was retained." United Nations Population Fund, "Frequently Asked Questions: What Does UNFPA Stand For?" last updated January 2018, https://www.unfpa.org/frequently-asked-questions#acronym (accessed May 16, 2018).
7. Donald J. Trump, "Presidential Memorandum Regarding the Mexico City Policy," The White House, January 23, 2017, https://www.whitehouse.gov/presidential-actions/presidential-memorandum-regarding-mexico-city-policy/ (accessed April 3, 2018).
8. Nurith Aizenman, "Citing Abortions in China, Trump Cuts Funds for U.N. Family Planning Agency," NPR, April 4, 2017, https://www.npr.org/sections/goatsandsoda/2017/04/04/522040557/citing-abortions-in-china-trump-cuts-funds-for-u-n-family-planning-agency (accessed April 3, 2018).
9. Estimated savings of $234 million for FY 2019 are based on reducing the U.S. share of funding from 28.4344 percent to 25 percent. The approved U.N. Peacekeeping budget was $6.803 billion for July 1, 2017, to June 30, 2018, as found in United Nations General Assembly, "Approved Resources for Peacekeeping Operations for the Period from 1 July 2017 to 30 June 2018," A/C.5/71/24, 71st Sess., June 30, 2017, http://undocs.org/a/c.5/71/24 (accessed May 16, 2018). Heritage experts assume that this spending level holds steady through FY 2019. The projected shares come from Report of the Secretary-General, "Implementation of General Assembly Resolutions 55/235 and 55/236," A/70/331/Add.1, 70th Sess., December 28, 2015, http://www.un.org/en/ga/search/view_doc.asp?symbol=A/70/331/Add.1 (accessed May 16, 2018). Reducing the U.S. share from 28.4344 percent (as projected for 2018 and assumed for FY 2019) to 25 percent saves $234 million in FY 2019.
10. The U.S. peacekeeping assessment is established in three-year sets, the most recent being for 2016–2018. The specific assessment can fluctuate from year to year within each three-year scale and also when new scales are adopted using updated economic data. In addition, the U.N. peacekeeping budget can change significantly as new missions are established or existing missions are expanded, contracted, or closed.
11. Donald J. Trump, "Remarks by President Trump to the 72nd Session of the United Nations General Assembly," The White House, September 19, 2017, https://www.whitehouse.gov/briefings-statements/remarks-president-trump-72nd-session-united-nations-general-assembly/ (accessed April 5, 2018).
12. Estimated savings of $182 million for FY 2019 are based on 50 percent of the reported 2017 contribution of $364.3 million as listed in United Nations Relief and Works Agency for Palestine Refugees, "2017 Pledges to UNRWA's Programmes (Cash and In-kind)—Overall Donor Rankings as [of] December 31, 2017," https://www.unrwa.org/sites/default/files/overalldonor_ranking.pdf (accessed May 16, 2018). Heritage experts assume that FY 2017 donations remain constant through FY 2019. Savings are based on reducing spending by 50 percent in FY 2019 to draw down the agency's funding.
13. Estimated savings of $140 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
14. See, for example, Global Environment Facility, "About Us," https://www.thegef.org/about-us (accessed May 16, 2018), and Global Environment Facility, "Conventions," https://www.thegef.org/partners/conventions (accessed May 16, 2018).
15. Lisa Elges and Claire Martin, *Protecting Climate Finance: An Anti-Corruption Assessment of the Adaptation Fund*. Transparency International, 2014, https://www.transparency.org/whatwedo/publication/protecting_climate_finance_adaptation_fund (accessed April 3, 2018).
16. Estimated savings of $79.5 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
17. U.S. Trade and Development Agency, "Our Mission," http://www.ustda.gov/about/mission (accessed January 12, 2016).
18. Bryan Riley and Anthony B. Kim, "Freedom to Trade: A Guide for Lawmakers," Heritage Foundation *Backgrounder* No. 3064, October 20, 2015, http://thf-reports.s3.amazonaws.com/2015/BG3064.pdf.

19. Estimated savings of $1.195 billion for FY 2019 are based on proposed reforms reported in James Roberts and Brett Schaefer, "An Overhaul of America's Foreign Assistance Programs Is Long Overdue," Heritage Foundation *Backgrounder* No. 3247, September 19, 2017. Although a comprehensive overhaul would generate substantial savings, we include only a portion of those savings that can easily be estimated. Estimated savings for FY 2019 include $995 million from eliminating Assistance for Europe, Eurasia and Central Asia based on the CBO's most recent April 2018 baseline spending projections; $55 million for eliminating the African Development Foundation ($31 million) and Inter-American Foundation ($24 million) based on the CBO's most recent April 2018 baseline spending projections; $60 million from reducing the Department of Labor's International Labor Affairs budget and moving its remaining work to the Millennium Challenge Corporation; $4.5 million in administrative savings from moving USAID's Development Credit Authority to the Millennium Challenge Corporation based on its current $9 million administrative budget as reported in U.S. Department of State, *Congressional Budget Justification: Department of State, Foreign Operations, and Related Programs, Fiscal Year 2018*, https://www.state.gov/documents/organization/271013.pdf (accessed May 16, 2018); and $80 million from closing the 15 smallest of USAID's 100 overseas missions, administering their existing foreign aid programs from USAID regional offices, and reducing the cost of those programs by 20 percent as reported in ibid. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
20. The estimate of $80 million in annual savings was calculated by summing the annual operating expenses (Objective 6) for each of the smallest 15 USAID missions, ranked according to overall budget amount requested for each USAID mission, and adding a total of 20 percent of the grants and other assistance requested for the smallest 15 missions, which can be cut when those programs are administered more efficiently from a regional location.
21. Brett D. Schaefer, "U.S. Should Demand Increased Transparency and Accountability as U.N. Revenues Rise," Heritage Foundation *Issue Brief* No. 4154, February 26, 2014, https://www.heritage.org/report/us-should-demand-increased-transparency-and-accountability-un-revenues-rise.

Transportation, Housing and Urban Development, and Related Agencies

$431
SAVINGS IN MILLIONS[1]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the Essential Air Service Program

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

The EAS squanders federal funds on flights that are often empty: EAS flights typically are only half-full, and planes on nearly one-third of the routes are at least two-thirds empty. For example, the EAS provides $2.5 million annually to continue near-empty daily flights in and out of Lancaster, Pennsylvania, even though travelers have access to a major airport (Harrisburg) just 40 miles away. To remain on the dole, airports served by the EAS must serve no more than an average of 10 passengers per day.

The federal government should not engage in market-distorting and wasteful activities like the EAS. If certain routes are to be subsidized, they should be overseen by state or local authorities, not by the federal government.

ADDITIONAL READING

- Justin Bogie, Norbert J. Michel, and Michael Sargent, "Senate Bill Should Cut Wasteful Programs and Provide Long-Term Sustainability for Highway Programs," Heritage Foundation *Issue Brief* No. 4566, May 18, 2016.
- Eli Lehrer, "EAS a Complete Waste of Taxpayer Money," Heartland Institute, undated.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Cuts discretionary EAS funding by $93 million but does not reform mandatory spending.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates EAS.

$161
SAVINGS IN MILLIONS[2]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the Appalachian Regional Commission

The Appalachian Regional Commission was established in 1965 as part of President Lyndon Johnson's Great Society agenda. The commission duplicates highway and infrastructure construction under the Department of Transportation's highway program in addition to diverting federal funding to projects of questionable merit, such as those meant to support "heritage tourism and crafts industries."[3] The program directs federal funding to a concentrated group of 13 states where funds are further earmarked for specific projects at the community level.

If states and localities see the need for increased spending in these areas, they should be responsible for funding it themselves. This duplicative carve-out should be eliminated.

ADDITIONAL READING

- Justin Bogie, Norbert J. Michel, and Michael Sargent, "Senate Bill Should Cut Wasteful Programs and Provide Long-Term Sustainability for Highway Programs," Heritage Foundation *Issue Brief* No. 4566, May 18, 2016.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	REJECTED	FY 2018 elimination of ARC removed from FY 2019 proposal.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates ARC.

$150
SAVINGS IN MILLIONS[4]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate Subsidies for the Washington Metropolitan Area Transit Authority

The WMATA, Washington, D.C.'s local transit authority, is the only transit authority to receive direct appropriations from Congress.

Federal subsidies for the WMATA decrease incentives for the transit agency to control costs, optimize service routes, and set proper priorities for maintenance and updates. Metrorail ridership has plummeted every year since 2009 and declined 13 percent from 2016 to 2017.

These ridership and safety issues come to the fore as Metro's financial picture looks increasingly grim. The agency's budget projection shows a $300 million shortfall for 2018, even after receiving huge local and federal subsidies. This is largely due to Metro's exorbitant costs: The rail system is the most expensive to operate per passenger mile of any of the major urban rail systems, and it has more employees than any other system when adjusted for ridership.

Federal subsidies for the WMATA have masked Metro's shortcomings and allowed it to reach its current dilapidated state with little consequence. Instead of fixing its manifold issues, the WMATA's strategy has been to demand more money from federal taxpayers, many of whom will likely never use the system. Congress should eliminate subsidies to the WMATA and allow market incentives to turn the WMATA into a more effective transit agency.

ADDITIONAL READING

- Michael Sargent, "Death Spiral or Not, Washington's Metro Is a Total Disaster," *National Interest*, November 4, 2016.
- Ronald D. Utt, "Washington Metro Needs Reform, Not a Federal Bailout," Heritage Foundation *WebMemo* No. 1665, October 16, 2007.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	REJECTED	No cuts in WMATA funding.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates WMATA funding.

$308
SAVINGS IN MILLIONS[5]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate Grants to the National Rail Passenger Service Corporation (Amtrak)

The National Railroad Passenger Corporation, now known as Amtrak, was created by the federal government to take over bankrupt private passenger rail companies. In FY 2016, it received an operating grant of $289 million and a capital and debt-service grant of $1.1 billion. Since its inception, Amtrak has received about $71 billion (in 2016 dollars) in taxpayer-funded federal grants.

Amtrak is characterized by an unsustainable financial situation and management that, hamstrung by unions and federal regulations, has failed to improve performance and service for customers. Amtrak's monopoly on passenger rail service stifles competition that could lower costs for passengers. Labor costs, driven by the generous wages and benefits required by union labor agreements, constitute half of Amtrak's operating costs. Amtrak trains are notoriously behind schedule, as evidenced by poor on-time performance rates.

Congress should eliminate Amtrak's operating subsidies in FY 2018 and phase out its capital subsidies over five years to give Amtrak's management time to modify business plans, work more closely with the private sector, reduce labor costs, and eliminate money-losing lines. Simultaneously, the Secretary of Transportation should generate a proposal to privatize Amtrak's profitable routes and turn over responsibilities for state-supported routes to the states. During this phaseout, Congress should repeal Amtrak's monopoly on passenger rail service and allow private companies to enter the market and provide passenger rail service where they see a viable commercial market.

ADDITIONAL READING

- Tad DeHaven, "Downsizing the Federal Government: Privatizing Amtrak," Cato Institute, June 2010.
- Ronald D. Utt, "Chairman Mica's New Amtrak Proposal Would Use the Private Sector to Reform Passenger Rail," Heritage Foundation *WebMemo* No. 3290, June 13, 2011.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	PARTIALLY INCLUDED	Reduces funding by $757 million and seeks to reform long-distance routes and other operations.
House Budget Resolution	PARTIALLY INCLUDED	Assumes lower operating subsidies.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates operating and capital grants.

SAVINGS IN MILLIONS[6]

Close Down the Maritime Administration and Repeal the Maritime Jones Act

MARAD was created in 1950, and its purpose is to maintain a maritime fleet that can be used during a national emergency. Decades later, it continues to oversee and implement duplicative and crony laws for the benefit of special interests.

MARAD and the laws it implements are steeped in protectionism and subsidies. For example, its subsidies to small shipyards are a taxpayer-funded handout to politically favored firms that may not be efficient or competitive. MARAD further provides taxpayer-backed loan guarantees for companies to hire U.S. shipbuilders under its Maritime Guaranteed Loan (Title XI) Program—another handout to politically connected entities. Finally, the maritime Jones Act, established in 1920, requires unreasonable and overly burdensome standards: Any cargo (or persons) shipped between two U.S. cities must be on a U.S.-built and U.S.-flagged vessel with at least 75 percent of its crew from the U.S.

Congress should close down the Maritime Administration and transfer its international regulatory roles to another agency. The federal government should sell the government-owned ships in the Defense Ready Reserve Fleet and transfer funding for this program to the Department of Defense. Simultaneously, Congress should repeal the maritime Jones Act and MARAD's wasteful subsidy programs.

ADDITIONAL READING

- Wendell Cox and Ronald D. Utt, "How to Close Down the Department of Transportation," Heritage Foundation *Backgrounder* No. 1048, August 17, 1995.
- Brian Slattery, Bryan Riley, and Nicolas D. Loris, "Sink the Jones Act: Restoring America's Competitive Advantage in Maritime-Related Industries," Heritage Foundation *Backgrounder* No. 2886, May 22, 2014.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	REJECTED	Includes MARAD funding.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	PARTIALLY INCLUDED	Repeals Jones Act.

$2.6
SAVINGS IN BILLIONS[7]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate Capital Investment Grants

Capital Investment Grants were created in 1991 as part of the Intermodal Surface Transportation Efficiency Act with the purpose of giving transit agencies grants for new transit projects. Because New Starts is a competitive grant program that funds only novel transit projects, not maintenance of existing systems, it gives localities the incentive to build costly and unnecessary transit systems that they can ill afford to operate and maintain. This comes at the expense of maintaining existing infrastructure.

Criteria for eligible projects include "congestion relief," "environmental benefits," and "economic development effects" but—tellingly—no longer include "operating efficiencies."[8] In some cases, such as when a streetcar receives a Capital Investment Grant, the project will *increase* traffic congestion by blocking a lane and slowing down cars. These projects are perennially over budget. A review of federal studies examining 15 projects that were completed shows that the projects were over budget by nearly 30 percent on average. Worse, the costs for these expensive rail projects tend to detract funding from more practical services, such as buses needed by low-income residents.

Congress should terminate funding for Capital Investment Grants and allow the states and private sector to manage and fund transit systems where they are truly effective.

ADDITIONAL READING

- Randal O'Toole, "Paint Is Cheaper Than Rails: Why Congress Should Abolish New Starts," Cato Institute *Policy Analysis* No. 727, June 19, 2013.
- Randal O'Toole, Cato Institute, testimony before the Subcommittee on Highways and Transit, Committee on Transportation and Infrastructure, U.S. House of Representatives, December 11, 2013.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	Limits funding to $1 billion for projects with existing full-funding grant agreements; winds down CIG program.
House Budget Resolution	INCLUDED	Phases out CIG over five years.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	

$40
SAVINGS IN MILLIONS[9]

PRESIDENT	HOUSE	SENATE	RSC

Privatize the Saint Lawrence Seaway Development Corporation

Created through the Wiley–Dondero Act of 1954, the SLSDC is a government-owned entity charged with maintaining and operating the part of the Saint Lawrence Seaway that is within United States territory. The seaway opened in 1959. Canada, which also borders the seaway, privatized its agency equivalent in 1998, eliminating any future taxpayer funding for its maintenance and operation activities.

Privatization of this kind in the U.S. would encourage productivity and competitiveness and reduce the burden on taxpayers. Congress should follow Canada's example and privatize the SLSDC.

ADDITIONAL READING

- Chris Edwards, "Downsizing the Federal Government: Department of Transportation Timeline of Government Growth," Cato Institute, undated.
- Justin Bogie, Norbert J. Michel, and Michael Sargent, "Senate Bill Should Cut Wasteful Programs and Provide Long-Term Sustainability for Highway Programs," Heritage Foundation *Issue Brief* No. 4566, May 18, 2016.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	REJECTED	Maintains SLSDC funding.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$1.5
SAVINGS IN BILLIONS[10]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the National Infrastructure Investment (TIGER) Program

The National Infrastructure Investment Program provides competitive grants administered by the U.S. Department of Transportation. It began as part of the 2009 stimulus bill and was intended to be a temporary program that funded road, rail, transit, and port projects in the national interest. Eight years later, this "temporary" program has proven too tempting a spending opportunity for Congress and the Administration to give up and has remained a permanent fixture.

Through the TIGER program, Washington sends federal dollars to pay for projects that clearly fall under the purview of local government and serve no stated federal objective. Past projects include a $16 million, six-mile pedestrian mall in Fresno, California; a $14.5 million "Downtown Promenade" in Akron, Ohio; and a $27.5 million streetcar line in Detroit, Michigan. TIGER grants amount to "administrative earmarks," because federal bureaucrats (prodded by powerful Members of Congress) choose the criteria that a project must meet and in turn decide which projects will receive grants. That gives cities perverse incentives to pander to Washington, asking for federal money for projects they may not need just to keep another city or state from receiving the funds.

The TIGER grant program creates perverse incentives for localities, duplicates state and local transportation agency programs, and squanders federal resources on local projects that have little to do with interstate commerce. These projects should be funded by the local communities that benefit from them. Congress should eliminate the TIGER program.

ADDITIONAL READING

- Baruch Feigenbaum, "Evaluating and Improving TIGER Grants," Reason Foundation *Policy Brief* No. 99, April 2012.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	INCLUDED	Eliminates TIGER.
House Budget Resolution	INCLUDED	Eliminates TIGER.
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Eliminates TIGER.

$4.0
SAVINGS IN BILLIONS[11]

PRESIDENT	HOUSE	SENATE	RSC

Eliminate the Airport Improvement Program and Reform Airport Funding

The AIP provides federal grants for capital improvements at public-use airports. The grants are funded primarily by federal taxes on passenger airline tickets, as well as other aviation activities. AIP grants can be used only for certain types of "airside" capital improvements, such as runways and taxiways, and are tied to strict regulations that govern how airports can operate.

The AIP functions as a middleman, redistributing fliers' resources from the most significant airports to those of far less importance. For example, the 60 largest airports in the U.S. serve nearly 90 percent of air travelers. Though these large airports have the greatest need for capital investment, they receive only 27 percent of AIP grants. Noncommercial airports, which serve less than 1 percent of commercial fliers and thus contribute a trivial share of revenue, receive about 30 percent of AIP grants.

Instead of continuing this redistributive scheme, Congress should eliminate the AIP, reduce passenger ticket taxes, and reform federal regulations that prohibit airports from charging market prices for their services. These reforms would eradicate the inefficient and inequitable distribution of flier resources and allow airports to fund capital improvements in a local, self-reliant, and free-market manner.

ADDITIONAL READING

- Michael Sargent, "End of the Runway: Rethinking the Airport Improvement Program and the Federal Role in Airport Funding," Heritage Foundation *Backgrounder* No. 3170, November 23, 2016.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	REJECTED	Maintains AIP funding.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	NOT ADDRESSED	

$2.3
SAVINGS IN BILLIONS[12]

PRESIDENT	HOUSE	SENATE	RSC

Phase Out the Federal Transit Administration

Created in 1964, the Federal Transit Administration provides grants to state and local governments and transit authorities to operate, maintain, and improve transit systems such as buses and subways.

The federal government began to use federal gasoline taxes, which drivers pay into the Highway Trust Fund (HTF), to support transit in 1983. The transit diversion within the HTF accounts for nearly one-fifth of HTF spending. The reasons for funding transit were to offer mobility to low-income citizens in metropolitan areas, reduce greenhouse gas emissions, and relieve traffic congestion. Despite billions of dollars in subsidies, transit has largely failed in all of these areas.

When it issues grants for streetcars, subways, and buses, the FTA is subsidizing purely local or regional activities. Even worse, federal transit grants present localities with perverse incentives to build new transit routes while neglecting maintenance of their existing systems and other infrastructure. Transit is inherently local in nature and should therefore be funded at the local or regional level.

The federal government should phase out the Federal Transit Administration over five years by reducing federal transit funding by 20 percent per year and simultaneously reducing the FTA's operating budget by the same proportion. Phasing out the program would give state and local governments time to evaluate the appropriate role of transit in their jurisdictions and an incentive to adopt policy changes that improve their transit systems' cost-effectiveness and performance.

ADDITIONAL READING

- Wendell Cox, "Transit Policy in an Era of the Shrinking Federal Dollar," Heritage Foundation *Backgrounder* No. 2763, January 31, 2013.

PROPOSAL	STATUS	EXPLANATION
President's Budget (FY2019)	REJECTED	Maintains FTA funding.
House Budget Resolution	NOT ADDRESSED	
Senate Budget Resolution	NOT ADDRESSED	
Republican Study Committee	INCLUDED	Would devolve federal transit spending to states and localities.

Policy Riders

Eliminate or roll back Davis–Bacon requirements and project labor agreements. The Davis–Bacon Act, enacted in 1931, effectively requires construction contractors on federal projects to use union wage and benefit scales and follow union work rules. These rules inflate the cost of federal construction by nearly 10 percent on average. Similarly, project labor agreements (PLAs) require the main contractor of government contracts to sign a collective bargaining agreement as a condition of winning a project bid. Collective bargaining agreements require using union compensation rates, following union work rules, and hiring all workers on federally contracted projects through union hiring halls. PLAs inflate construction costs by 12 percent to 18 percent on top of increased costs attributed to Davis–Bacon and discriminate against the 87 percent of workers who are not members of a union. Eliminating Davis–Bacon and prohibiting PLAs would stretch each federal construction dollar, delivering more infrastructure without the need to increase spending levels. Barring complete repeal, Congress could suspend the rule for projects funded by the appropriations bill or require the Labor Department to use superior Bureau of Labor Statistics data to estimate Davis–Bacon "prevailing wages" so that they more closely reflect market pay. Eliminating Davis–Bacon and PLAs would save more than $100 billion over the next 10 years under current spending levels.

Eliminate "Buy America" restrictions. Most federally funded infrastructure projects must comply with "Buy America" mandates, which require that certain input components must be manufactured in the United States. This protectionist mandate limits selection and price competition among input manufacturers, which often leads to higher costs for projects. Buy America requires the use of American-made steel, which in recent years has cost more than steel made in Western Europe or China—a price increase of roughly 30 percent in the case of Chinese-made steel. In addition, buses made in the U.S. were found to be twice as expensive as those made in Japan. Overall, Buy America provisions are allowed to increase the cost of an entire project by up to 25 percent before the project agency can apply for a waiver. Ending or waiving this bureaucratic and protectionist mandate would give U.S. infrastructure access to more numerous, better quality, and less-expensive components.

Require the Department of Transportation (DOT) to study total federal subsidies to passenger transportation. Congress should recommission the 2004 study that detailed the federal subsidies to various modes of transportation. In 2004, the DOT's Bureau of Transportation Statistics produced a report that assessed the federal subsidies to passenger transportation. The report detailed the amount of federal subsidies targeted to rail, transit, air, and highway travelers since 1990 and presented them using comparable metrics. Since 2004, however, the DOT has not updated the report, leaving most policymakers and the traveling public with outdated information about how federal subsidies are distributed among transportation modes. Reproducing the study on a periodic basis would provide lawmakers and travelers with consistent data regarding the federal government's activities in subsidizing transportation.

Request the Government Accountability Office to examine infrastructure construction costs in the United States. Data and recent reports indicate that infrastructure construction costs in the U.S. exceed those in peer countries, especially with regard to megaprojects. Congress should require the Government Accountability Office to examine and determine the reasons for these excessive construction costs. The GAO should scrutinize all possible factors, from industry practices to government regulation, in order to provide a clear picture of the shortcomings of current practice.

ENDNOTES

1. Estimated savings of $431 million for FY 2019 are based on $305 million in discretionary savings based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018, Public Law 115-141, 115th Cong., https://www.congress.gov/115/bills/hr1625/BILLS-115hr1625enr.pdf (accessed May 15, 2018), as well as $126 million in mandatory savings for FY 2019 based on the CBO's most recent April 2018 baseline spending projections. The mandatory savings include payments to the Essential Air Service and Rural Airport Improvement Fund for FY 2019. The discretionary savings estimates are based on FY 2018 enacted levels, and Heritage experts assume FY 2018 spending remains constant in FY 2019.
2. Estimated savings of $161 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Savings include $155 million authorized for the Appalachian Regional Commission, as well as half of the $6 million in grants authorized for both the ARC and the Delta Regional Authority, and $3.25 million to be transferred to the ARC from the Federal Aviation Commission. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
3. Appalachian Regional Commission, "ARC Project Guidelines," revised 2011, p. 5, https://dca.ga.gov/sites/default/files/arc_project_guidelines.pdf (accessed March 8, 2018).
4. Estimated savings of $150 million for FY 2019 are based on the FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
5. Estimated savings of $308 million for FY 2019 are based on CBO's most recent April 2018 baseline spending projections. Savings include $70 million in projected operating subsidies. Operating subsidies are assumed to be 21 percent (the ratio observed under the previous accounting system that divided funding between operating subsidies and grants for capital and debt service) of the $335 million in total FY 2019 funding for the Northeast Corridor and National Network. Savings also include $227 million in reduced capital grants, representing a 20 percent reduction in the projected level of $1.19 billion.
6. Heritage experts do not include any savings from repealing the Jones Act. Estimated savings of $680 million for FY 2019 are based on the total FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Savings exclude the $300 million designated for the Maritime Security Program, which would be transferred to the Department of Defense or Department of Homeland Security. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
7. Estimated savings of $2.645 billion for FY 2019 are based on the total FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
8. Randal O'Toole, "Paint Is Cheaper Than Rails: Why Congress Should Abolish New Starts," Cato Institute *Policy Analysis* No. 727, June 19, 2013, http://www.cato.org/publications/policy-analysis/paint-cheaper-rails-why-congress-should-abolish-new-starts (accessed March 6, 2018).
9. Estimated savings of $40 million for FY 2019 are based on the total FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
10. Estimated savings of $1.5 billion for FY 2019 are based on the total FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019.
11. Estimated savings of $4.0 billion for FY 2019 are based on the total FY 2018 appropriated level for "Grants-In-Aid for Airports" as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019. All $4.0 billion in savings represents mandatory spending.
12. Estimated savings of $2.250 billion for FY 2019 are based on the total FY 2018 appropriated level as specified in the Consolidated Appropriations Act, 2018. Heritage experts assume that FY 2018 spending remains constant in FY 2019. Savings represent a 20 percent reduction in the total outlays of $11.252 billion for FY 2018 based on a five-year phaseout beginning in 2019. Savings include $23 million in discretionary spending for the FTA's administrative expenses and $2.228 billion in mandatory spending for the FTA's transit formula grants, for a total of $2.250 billion in FY 2019.

Summary Table of Recommendations

TABLE 2

Savings from Recommendations (Page 1 of 4)

SUBCOMMITTEE	PROPOSAL	SAVINGS IN MILLIONS
Agriculture, Rural Development, Food and Drug Administration and Related Agencies	Repeal the USDA Catfish Inspection Program	$2.6
	Eliminate the Conservation Technical Assistance Program	$754.0
	Eliminate the Rural Business Cooperative Service	$497.0
	Repeal the Agricultural Risk Coverage and Price Loss Coverage Programs	$5,354.0
	Include Work Requirement for Able-Bodied Adult Food Stamp Recipients	$9,700.0
	End Broad-Based Categorical Eligibility for Food Stamps	$1,305.0
	Eliminate the "Heat and Eat" Loophole in Food Stamps	$1,470.0
	Eliminate the Federal Sugar Program	$0
	Eliminate Revenue-Based Crop Insurance Policies	$1,920.0
	Eliminate the Market Access Program	$200.0
Commerce, Justice, Science, and Related Agencies	Eliminate the Office of Community Oriented Policing Services	$275.5
	Eliminate Grants Within the Office of Justice Programs	$1,960.0
	Eliminate Violence Against Women Act Program and All Grants	$492.0
	Eliminate the Legal Services Corporation	$410.0
	Reduce Funding for the Department of Justice's Civil Rights Division	$48.5
	Reduce Funding for the Department of Justice's Environmental and Natural Resources Division	$36.2
	Eliminate the Department of Justice's Community Relations Services	$15.5
	Reduce Funding for the DOJ's Bureau of Alcohol, Tobacco, Firearms, and Explosives	$258.8
	Eliminate the Hollings Manufacturing Extension Partnership	$140.0
	Eliminate the International Trade Administration	$495.0
	Eliminate the Economic Development Administration	$262.5
	Eliminate the Minority Business Development Agency	$39.0
	Eliminate Census Bureau Funding for the Annual Supplemental Poverty Measure Report	$5.9
Defense	Cut Non-Defense Spending from the Defense Department Budget	$412.9
	Combine Military Exchanges and Commissaries and Reduce Commissary Subsidies	$277.8
	Close Domestic Dependent Elementary and Secondary Schools	$150.3
	Reform Military Health Care	$3,900.0
	Increase Use of Performance-Based Logistics	$9,000.0
	Reduce Excess Infrastructure	$0
	Reform the Basic Allowance for Housing	$417.8
	Replace Military Personnel in Commercial Position with Civilian Employees	$880.0

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TABLE 2

Savings from Recommendations (Page 2 of 4)

SUBCOMMITTEE	PROPOSAL	SAVINGS IN MILLIONS
Energy and Water Development	Focus DOE's National Nuclear Security Administration Spending on Weapons Programs	$492.8
	Return Funding for the DOE Office of Nuclear Physics to FY 2008 Levels	$122.0
	Return Advanced Scientific Computing Research to FY 2008 Levels	$231.0
	Eliminate the DOE Advanced Research Projects Agency–Energy Program	$353.0
	Eliminate the DOE Biological and Environmental Research Program	$608.0
	Reduce Funding for the DOE Basic Energy Sciences Program	$331.0
	Eliminate DOE Energy Innovation Hubs	$39.3
	Drastically Cut or Eliminate the DOE Office of Electricity Deliverability and Energy Reliability	$248.0
	Eliminate the DOE Office of Energy Efficiency and Renewable Energy	$2,322.0
	Eliminate the DOE Office of Fossil Energy	$983.9
	Eliminate the Office of Nuclear Energy and Transfer Core Functions to Other Offices	$364.0
	Eliminate Funding for Small Business Innovation Research and Small Business Technology Transfer	$153.0
	Liquidate Strategic Petroleum Reserve and Northeastern Home Heating and Gasoline Supply Reserves	$30,584.2
	Auction Off the Tennessee Valley Authority	$30,003.0
	Auction Off the Four Remaining Power Marketing Administrations	$34,805.0
Financial Services and General Government	Eliminate the Small Business Administration's Disaster Loans Program	$1,875.0
	Reform the Securities and Exchange Commission	$46.9
	Eliminate the Community Development Financial Institutions Fund	$250.0
	Eliminate the Export–Import Bank	$80.0
	Eliminate Funding for the Multi-State Plan Program	$10.0
	Replace Costly Provisions of Dodd-Frank	$1,390.0
Homeland Security	Eliminate Fire Grants	$700.0
	Reduce Funding for FEMA's Disaster Relief Fund	$500.0
	Refocus Science and Technology on Meeting DHS Needs and Using Private-Sector Developments	$90.9
	Streamline FEMA Grant Programs	$300.0
	Privatize TSA Screening Functions	$465.0
	Reform Payments from the National Flood Insurance Program	$700.0
Interior, Environment, and Related Agencies	Eliminate Funding for the EPA's Sustainable and Healthy Communities Research Program	$64.3
	Eliminate the EPA's Indoor Air Programs	$16.7
	Eliminate Six Redundant EPA Programs	$350.3
	Reduce Funding for the EPA's Civil Enforcement Program	$52.2
	Reduce Funding for the EPA's External Civil Rights Compliance Office/Title VI	$4.9
	Reduce the EPA's Legal Advice on Environmental Programs	$24.9
	Eliminate the EPA's Stratospheric Ozone Multilateral Fund	$8.7
	Eliminate the EPA's Information Exchange/Outreach Programs	$125.7
	Eliminate the Land and Water Conservation Fund	$20,897.0
	Eliminate the EPA's National Clean Diesel Campaign	$59.6
	Eliminate EPA Environmental Justice Programs	$7.2
	Eliminate the National Endowment for the Humanities	$153.0
	Eliminate the National Endowment for the Arts	$153.0
	Eliminate Funding for the Woodrow Wilson International Center for Scholars	$12.0
	Eliminate Funding for the John F. Kennedy Center for the Performing Arts	$40.5

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TABLE 2

Savings from Recommendations (Page 3 of 4)

SUBCOMMITTEE	PROPOSAL	SAVINGS IN MILLIONS
Labor, Health and Human Services, Education, and Related Agencies	Eliminate Job Corps	$1,718.6
	Eliminate Workforce Innovation and Opportunity Act Job-Training Programs	$3,248.0
	Let Trade Adjustment Assistance Expire	$737.9
	Eliminate Susan Harwood Training Grants	$10.5
	Bring National Labor Relations Board Funding in Line with Caseloads	$123.3
	Eliminate Redundant Department of Labor Agencies	$157.3
	Federal Personnel Reform: Market- and Performance-Based Pay	$374.0
	Federal Personnel Reform: Bring Retirement Benefits In Line With the Private Sector	$45,549.0
	Federal Personnel Reform: Eliminate the Special Retirement Supplement	$100.0
	Federal Personnel Reform: Bring Paid Leave in Line with the Private Sector	$5,701.0
	Federal Personnel Reform: Eliminate FEHB Retirement Benefits for New Hires	$594.0
	Federal Personnel Reform: Eliminate 25% FEHB Premium Requirement	$0
	Safeguard Private Pension Insurance and Protect Taxpayers from Private Pension Bailouts	$0
	Adopt a More Accurate Inflation Index for Social Security and Other Mandatory Programs	$2,600.0
	Reduce Fraud and Marriage Penalties in the Earned Income Tax Credit and the Child Tax Credit	$20,260.0
	Return Control and Fiscal Responsibility for Low-Income Housing to the States	$2,396.1
	Eliminate Supplemental Security Income Benefits for Disabled Children	$11,000.0
	Strengthen Work Requirements in the Temporary Assistance for Needy Families Program	$0
	Sunset Head Start to Make Way for Better State and Local Alternatives	$986.3
	Eliminate Competitive and Project Grant Programs and Reduce Spending on Formula Grants	$8,684.9
	Decouple Federal Student Aid from Accreditation	–$1,200.0
	Eliminate the PLUS Loan Program	$2,300.0
	Place Strict Lending Caps on All Federal Aid Programs	$5,500.0
	Eliminate All Time and Occupation Based Loan Forgiveness	$425.0
	Rescind the “Gainful Employment” Regulations on For-Profit Higher Education Institutions	$0
	Stipulate the Use of Fair-Value Accounting	$0
	Privatize the Corporation for Public Broadcasting	$445.0
	Eliminate the Corporation for National and Community Service	$767.6
	Eliminate Funding for the Institute of Museum and Library Services	$240.0
	Reduce Funding for the Department of Education Office for Civil Rights	$56.5
	Repeal the ACA’s Enhanced Federal Funding for the Medicaid Expansion	$115,864.0
	Disaggregate Medicaid Spending by Population Category and Put Federal Medicaid on a Budget	$16,210.0
	End Provider Taxes in Medicaid	$6,315.0
	Convert the Cadillac Tax to a Cap on Employer-Sponsored Health Benefits	$0
	Unify Medicare Physician and Hospital Programs	$5,938.0
	Update Medicare Premiums	$26,437.0
	Expand Current Threshold for Medicare Income-Related Subsidies	$28,221.0
	Harmonize Medicare’s Age of Eligibility with Social Security's	$23,410.0
	Modify Medicare Advantage Payment System with a Competitive, Market-Based System	$2,280.0
	Transform the Entire Medicare Program into a Defined Contribution (“Premium Support”) Program	$61,000.0

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TABLE 2

Savings from Recommendations (Page 4 of 4)

SUBCOMMITTEE	PROPOSAL	SAVINGS IN MILLIONS
Legislative Branch	Eliminate Funding for the John Stennis Center	$1.4
	Eliminate Funding for Congressional Subsidies for the ACA's Health Insurance Exchange	$90.0
Military Construction, Veterans Affairs, and Related Agencies	End Enrollment in VA Medical Care for Veterans in Priority Groups 7 and 8	$2,900.0
	Eliminate Concurrent Receipt of Retirement Pay and Disability Compensation for Veterans	$9,000.0
	Narrow Eligibility for Veterans' Disability by Excluding Disabilities Unrelated to Military Duties	$2,000.0
Multiple Subcommittees	Stop Paying Federal Employees Who Work for Outside Organizations on the Clock	$162.6
	Repeal the Davis–Bacon Act	$8,391.6
State, Foreign Operations, and Related Programs	End Funding for the United Nations Development Program	$79.8
	Eliminate the Overseas Private Investment Corporation	–$171.0
	Eliminate Funding for the United Nations Population Fund	$32.5
	Enforce Cap on United Nations Peacekeeping Assessments	$233.6
	Reduce U.S. Funding for the United Nations Relief and Works Agency for Palestine Refugees	$182.3
	Eliminate Funding for the Global Environment Facility	$139.6
	Eliminate the U.S. Trade and Development Agency	$79.5
	Overhaul Foreign Assistance Programs	$1,194.5
Transportation, Housing and Urban Development, and Related Agencies	Eliminate the Essential Air Service Program	$431.0
	Eliminate the Appalachian Regional Commission	$161.2
	Eliminate Subsidies for the Washington Metropolitan Area Transit Authority	$150.0
	Eliminate Grants to the National Rail Passenger Service Corporation (Amtrak)	$308.4
	Close Down the Maritime Administration and Repeal the Maritime Jones Act	$679.6
	Eliminate Capital Investment Grants	$2,645.0
	Privatize the Saint Lawrence Seaway Development Corporation	$40.0
	Eliminate the National Infrastructure Investment (TIGER) Program	$1,500.0
	Eliminate the Airport Improvement Program and Reform Airport Funding	$4,000.0
	Phase Out the Federal Transit Administration	$2,250.4

NOTE: The total discretionary savings for FY 2019 are $106 billion.
SOURCES: Heritage Foundation calculations using data and information from various government and non-government sources. When available, savings estimates come from spending levels as enacted in The Consolidated Appropriations Act, 2018, Public Law 115-141. Heritage assumed enacted FY 2018 spending levels would hold constant in FY 2019. Spending levels come from the Congressional Budget Office's April 2018 baseline spending projections for FY 2019. If not available in either of those sources, spending levels come from agencies' budgets and were based on their most recently enacted spending levels, which Heritage assumed would hold constant in FY 2019. If recommendations did not call for a direct reduction in or elimination of a certain program, Heritage analysts relied on their own analyses and those of government organizations and outside experts to estimate the appropriate savings associated with the recommendation.

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Appendix

APPENDIX TABLE 1

How Blueprint for Balance Compares to CBO Projections

OUTLAYS BY MAJOR CATEGORY (BILLIONS)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019–2028
Social Security	982	1,025	1,069	1,112	1,157	1,201	1,249	1,293	1,341	1,384	11,812
Medicare	496	520	567	649	660	660	747	795	846	964	6,902
Medicaid and Other Mandatory	819	823	838	790	735	709	733	746	745	786	7,724
Discretionary (Base)	1,099	1,086	1,097	1,115	1,129	1,144	1,160	1,175	1,190	1,205	11,399
Defense	635	669	691	708	722	736	749	762	776	790	7,238
Non-Defense	464	417	406	407	407	408	411	413	414	415	4,161
Global War on Terrorism	69	20	20	20	20	7	3	0	0	0	159
Net Interest	390	483	562	626	670	687	695	707	715	724	6,260
Total Outlays	3,854	3,956	4,154	4,312	4,370	4,407	4,585	4,717	4,838	5,063	44,256

DEBT HELD BY THE PUBLIC

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019–2028
Debt Held by the Public (in Billions of Dollars)	16,737	17,596	18,523	19,502	20,262	20,780	21,335	21,610	21,657	21,868	n/a
Debt Held by the Public (as Percentage of Gross Domestic Product)	79.2%	79.9%	81.0%	82.2%	82.3%	81.2%	80.2%	78.3%	75.5%	73.4%	n/a

PROJECTED DEFICITS (BILLIONS)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019–2028
Outlays	3,854	3,956	4,154	4,312	4,370	4,407	4,585	4,717	4,838	5,063	44,256
Revenue	3,549	3,722	3,870	4,048	4,250	4,455	4,660	4,899	5,046	5,247	43,746
Deficit/Surplus	305	234	283	264	120	–48	–74	–182	–208	–184	510

BLUEPRINT FOR BALANCE VS. CBO DEFICITS (BILLIONS)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019–2028
Outlays	–616	–729	–796	–976	–1,130	–1,281	–1,430	–1,605	–1,778	–1,984	–12,324
Revenue	59	44	44	36	23	11	–3	–102	–253	–274	–416
Deficit/Surplus	–676	–774	–839	–1,012	–1,152	–1,292	–1,427	–1,503	–1,524	–1,710	–11,908

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

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019–2028
Debt Held by the Public (in Billions of Dollars)	–26	–232	–475	–818	–1,376	–2,152	–3,003	–4,105	–5,430	–6,803	n/a
Debt Held by the Public (as Percentage of Gross Domestic Product)	–0.1%	–1.1%	–2.1%	–3.4%	–5.6%	–8.4%	–11.3%	–14.9%	–18.9%	–22.8%	n/a

NOTES:

Social Security. This *Blueprint for Balance* recommends increasing the eligibility age for Social Security's retirement program and then indexing it for longevity; transitioning the payment to a flat anti-poverty benefit focused on individuals who need it most; replacing the current cost-of-living adjustment with the more accurate chained consumer price index; and subjecting café benefits and employer-sponsored health insurance to the Old-Age, Survivors, and Disability (OASDI) tax. Also included are implementing a flat anti-poverty benefit for Social Security's Disability Insurance (SSDI) program; eliminating Supplemental Security Income (SSI) benefits for children; and enacting SSDI reforms that will improve the program's efficiency and integrity. As a proxy for transitioning to a flat benefit, the *Blueprint* includes the savings of a comparable proposal that would result in similar savings' progressive price indexing of the primary-insurance-amount (PIA) factors, beginning with newly eligible beneficiaries, and reducing benefits for individuals with significant modified adjusted gross incomes from non–Social Security sources.

Medicare. The Medicare estimates assume a two-stage approach to fixing the program's financing. The first stage involves adding catastrophic protection to Medicare coverage, reforming Medicare's cost-sharing arrangements, creating a new temporary premium for Medicare Part A, increasing the beneficiaries' share of the premium for Medicare Parts B and D from 25 percent to 35 percent, and phasing out taxpayer subsidies completely for individual seniors with significant modified adjusted gross incomes. The first stage includes indexing the eligibility age. The second stage involves transitioning to premium support over a five-year period.

Medicaid and Other Mandatory. This *Blueprint* assumes that all Obamacare-related spending would be repealed. All other mandatory spending falls under the aggregate spending cap, which is estimated by assuming that spending on the major mandatory programs is consistent with their level over the past business cycle adjusted for population growth.

Net Interest. Total net interest is based on changes in the primary deficit relative to the April 2018 baseline produced by the Congressional Budget Office (CBO) as well as interest rates under the CBO's April 2018 baseline.

Discretionary (Base). The proposal assumes that the separate spending caps for defense and non-defense discretionary spending are replaced with an aggregate spending cap. However, defense spending is assumed to grow at an accelerated level from FY 2019–FY 2020 and then by inflation each year from a base level of $629 billion in FY 2018 (total budget authority for defense in FY 2019 is $664 billion; outlays are $635 billion). Non-defense discretionary spending is adjusted for the savings provided in the proposals found in Chapter 2 of this book as well as budget process reforms identified in Chapter 3, based on levels from the Budget Control Act before its 2018 amendment.

Global War on Terrorism. Overseas Contingency Operations (OCO) funds for FY 2019 are based on the FY 2019 level from the Bipartisan Budget Act of 2018. OCO funds for the rest of the period assume that spending will be phased out over several years and funded within the base defense budget.

Revenues. The 2019 *Blueprint for Balance* revenue baseline uses an augmented version of the alternative fiscal scenario produced by the Congressional Budget Office. The CBO baseline's biggest deviations from current law are assumptions that the Tax Cuts and Jobs Act (TCJA) is made permanent and that the three yet-to-be-implemented Obamacare taxes are permanently repealed. Beginning with the CBO's April 2018 current-law revenue baseline, we lowered the projected revenues using the estimated "Budgetary Effects of Extending Certain Expiring Revenue Provisions." Following The Heritage Foundation's recommendations, we further assumed that all 25 of the "Other Expiring Revenue Provisions," generally referred to as the "tax extenders," and the new paid family-leave tax credit are not extended. They are allowed to expire as currently prescribed by law. The Heritage *Blueprint* baseline also accounts for the additional revenue from repealing the tax credits outlined in Chapter 4. The 10-year Heritage *Blueprint* baseline is $416 billion lower than the CBO current-law baseline. The CBO revenue baseline estimates that the current-law TCJA will increase the size of the economy by 0.7 percent. However, the CBO's economic growth estimates are likely smaller than the true economic impact of tax reform. Extending the TCJA permanently will also further boost the size of the U.S. economy because people and businesses choose to work and invest more when the future is more certain. The Heritage Foundation estimates that extending the TCJA permanently would increase the size of the economy by 2.75 percent over the pre-reform baseline. This means that under a revised revenue baseline, the economy should be roughly 2 percent larger than the CBO estimates in 2028. The Heritage *Blueprint* baseline does not reflect this additional 2 percent growth and thus offers a conservative revenue estimate. If the economy is larger, tax revenue will also increase if tax revenue as a percent of the economy remains relatively unchanged. An economy that is 2 percent larger in 2028 means that revenues will also be about 2 percent larger. This means that 2028 revenues will likely be about $100 billion higher than the $5,247 billion in Appendix Table 1. Because the *Blueprint* baseline does not incorporate the additional growth from permanent tax reform, we can conclude that the 2019 Heritage *Blueprint for Balance* will run surpluses earlier than the CBO-based revenue baseline on which most of our calculations rely.

NOTES: Figures are for fiscal years. Figures may not sum to totals due to rounding.
SOURCE: Heritage Foundation calculations based on data from the Congressional Budget Office's April 2018 baseline.

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APPENDIX TABLE 2

Heritage Experts by Proposal (Page 1 of 5)

SUBCOMMITTEE	PROPOSAL	EXPERT
Agriculture, Rural Development, Food and Drug Administration and Related Agencies	Repeal the USDA Catfish Inspection Program Eliminate the Conservation Technical Assistance Program Eliminate the Rural Business Cooperative Service Repeal the Agricultural Risk Coverage and Price Loss Coverage Programs	**Daren Bakst**
	Include Work Requirement for Able-Bodied Adult Food Stamp Recipients End Broad-Based Categorical Eligibility for Food Stamps Eliminate the "Heat and Eat" Loophole in Food Stamps	**Marie Fishpaw, Vijay Menon**
	Eliminate the Federal Sugar Program Eliminate Revenue-Based Crop Insurance Policies Eliminate the Market Access Program	**Daren Bakst**
Commerce, Justice, Science, and Related Agencies	Eliminate the Office of Community Oriented Policing Services Eliminate Grants Within the Office of Justice Programs Eliminate Violence Against Women Act Program and All Grants Eliminate the Legal Services Corporation	**Justin Bogie**
	Reduce Funding for the Department of Justice's Civil Rights Division Reduce Funding for the Department of Justice's Environmental and Natural Resources Division Eliminate the Department of Justice's Community Relations Services Reduce Funding for the DOJ's Bureau of Alcohol, Tobacco, Firearms, and Explosives	**Hans von Spakovsky**
	Eliminate the Hollings Manufacturing Extension Partnership Eliminate the International Trade Administration Eliminate the Economic Development Administration Eliminate the Minority Business Development Agency	**David Burton**
	Eliminate Census Bureau Funding for the Annual Supplemental Poverty Measure Report	**Marie Fishpaw, Vijay Menon**
Defense	Cut Non-Defense Spending from the Defense Department Budget Combine Military Exchanges and Commissaries and Reduce Commissary Subsidies Close Domestic Dependent Elementary and Secondary Schools Reform Military Health Care Increase Use of Performance-Based Logistics Reduce Excess Infrastructure Reform the Basic Allowance for Housing Replace Military Personnel in Commercial Position with Civilian Employees	**Frederico Bartels**

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APPENDIX TABLE 2

Heritage Experts by Proposal (Page 2 of 5)

SUBCOMMITTEE	PROPOSAL	EXPERT
Energy and Water Development	Focus DOE's National Nuclear Security Administration Spending on Weapons Programs	**Michaela Dodge**
	Return Funding for the DOE Office of Nuclear Physics to FY 2008 Levels	**Nick Loris, Katie Tubb**
	Return Advanced Scientific Computing Research to FY 2008 Levels	
	Eliminate the DOE Advanced Research Projects Agency–Energy Program	
	Eliminate the DOE Biological and Environmental Research Program	
	Reduce Funding for the DOE Basic Energy Sciences Program	
	Eliminate DOE Energy Innovation Hubs	
	Drastically Cut or Eliminate the DOE Office of Electricity Deliverability and Energy Reliability	
	Eliminate the DOE Office of Energy Efficiency and Renewable Energy	
	Eliminate the DOE Office of Fossil Energy	
	Eliminate the Office of Nuclear Energy and Transfer Core Functions to Other Offices	
	Eliminate Funding for Small Business Innovation Research and Small Business Technology Transfer	
	Liquidate Strategic Petroleum Reserve and Northeastern Home Heating and Gasoline Supply Reserves	
	Auction Off the Tennessee Valley Authority	
	Auction Off the Four Remaining Power Marketing Administrations	
Financial Services and General Government	Eliminate the Small Business Administration's Disaster Loans Program	**Justin Bogie**
	Reform the Securities and Exchange Commission	**David Burton**
	Eliminate the Community Development Financial Institutions Fund	**Norbert Michel**
	Eliminate the Export–Import Bank	**Diane Katz**
	Eliminate Funding for the Multi-State Plan Program	**Bob Moffit**
	Replace Costly Provisions of Dodd-Frank	**Norbert Michel**
Homeland Security	Eliminate Fire Grants	**David Inserra**
	Reduce Funding for FEMA's Disaster Relief Fund	
	Refocus Science and Technology on Meeting DHS Needs and Using Private-Sector Developments	
	Streamline FEMA Grant Programs	
	Privatize TSA Screening Functions	
	Reform Payments from the National Flood Insurance Program	**Diane Katz**

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APPENDIX TABLE 2

Heritage Experts by Proposal (Page 3 of 5)

SUBCOMMITTEE	PROPOSAL	EXPERT
Interior, Environment, and Related Agencies	Eliminate Funding for the EPA's Sustainable and Healthy Communities Research Program	**Daren Bakst**
	Eliminate the EPA's Indoor Air Programs	**Nick Loris, Diane Katz, Katie Tubb**
	Eliminate Six Redundant EPA Programs	
	Reduce Funding for the EPA's Civil Enforcement Program	
	Reduce Funding for the EPA's External Civil Rights Compliance Office/Title VI	
	Reduce the EPA's Legal Advice on Environmental Programs	
	Eliminate the EPA's Stratospheric Ozone Multilateral Fund	**Nick Loris**
	Eliminate the EPA's Information Exchange/Outreach Programs	**Nick Loris, Diane Katz, Katie Tubb**
	Eliminate the Land and Water Conservation Fund	**Nick Loris, Katie Tubb**
	Eliminate the EPA's National Clean Diesel Campaign	**Nick Loris, Diane Katz, Katie Tubb**
	Eliminate EPA Environmental Justice Programs	**Daren Bakst**
	Eliminate the National Endowment for the Humanities	**Romina Boccia**
	Eliminate the National Endowment for the Arts	
	Eliminate Funding for the Woodrow Wilson International Center for Scholars	
	Eliminate Funding for the John F. Kennedy Center for the Performing Arts	

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APPENDIX TABLE 2

Heritage Experts by Proposal (Page 4 of 5)

SUBCOMMITTEE	PROPOSAL	EXPERT
	Eliminate Job Corps	
	Eliminate Workforce Innovation and Opportunity Act Job-Training Programs	
	Let Trade Adjustment Assistance Expire	**David Kreutzer**
	Eliminate Susan Harwood Training Grants	
	Bring National Labor Relations Board Funding in Line with Caseloads	
	Eliminate Redundant Department of Labor Agencies	
	Federal Personnel Reform: Market- and Performance-Based Pay	
	Federal Personnel Reform: Bring Retirement Benefits In Line With the Private Sector	
	Federal Personnel Reform: Eliminate the Special Retirement Supplement	
	Federal Personnel Reform: Bring Paid Leave in Line with the Private Sector	**Rachel Greszler**
	Federal Personnel Reform: Eliminate FEHB Retirement Benefits for New Hires	
	Federal Personnel Reform: Eliminate 25% FEHB Premium Requirement	
	Safeguard Private Pension Insurance and Protect Taxpayers from Private Pension Bailouts	
	Adopt a More Accurate Inflation Index for Social Security and Other Mandatory Programs	
	Reduce Fraud and Marriage Penalties in the Earned Income Tax Credit and the Child Tax Credit	
	Return Control and Fiscal Responsibility for Low-Income Housing to the States	**Marie Fishpaw, Vijay Menon**
	Eliminate Supplemental Security Income Benefits for Disabled Children	
	Strengthen Work Requirements in the Temporary Assistance for Needy Families Program	
Labor, Health and Human Services, Education, and Related Agencies	Sunset Head Start to Make Way for Better State and Local Alternatives	**Lindsey Burke**
	Eliminate Competitive and Project Grant Programs and Reduce Spending on Formula Grants	
	Decouple Federal Student Aid from Accreditation	
	Eliminate the PLUS Loan Program	**Mary Clare Amselem**
	Place Strict Lending Caps on All Federal Aid Programs	
	Eliminate All Time and Occupation Based Loan Forgiveness	
	Rescind the “Gainful Employment” Regulations on For-Profit Higher Education Institutions	**Lindsey Burke**
	Stipulate the Use of Fair-Value Accounting	
	Privatize the Corporation for Public Broadcasting	
	Eliminate the Corporation for National and Community Service	**Justin Bogie**
	Eliminate Funding for the Institute of Museum and Library Services	
	Reduce Funding for the Department of Education Office for Civil Rights	**Melanie Israel**
	Repeal the ACA’s Enhanced Federal Funding for the Medicaid Expansion	
	Disaggregate Medicaid Spending by Population Category and Put Federal Medicaid on a Budget	**Nina Schaefer**
	End Provider Taxes in Medicaid	
	Convert the Cadillac Tax to a Cap on Employer-Sponsored Health Benefits	
	Unify Medicare Physician and Hospital Programs	
	Update Medicare Premiums	
	Expand Current Threshold for Medicare Income-Related Subsidies	**Bob Moffit**
	Harmonize Medicare’s Age of Eligibility with Social Security's	
	Modify Medicare Advantage Payment System with a Competitive, Market-Based System	
	Transform the Entire Medicare Program into a Defined Contribution (“Premium Support”) Program	

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Heritage Experts by Proposal (Page 5 of 5)

SUBCOMMITTEE	PROPOSAL	EXPERT
Legislative Branch	Eliminate Funding for the John Stennis Center	**Justin Bogie**
	Eliminate Funding for Congressional Subsidies for the ACA's Health Insurance Exchange	**Bob Moffit**
Military Construction, Veterans Affairs, and Related Agencies	End Enrollment in VA Medical Care for Veterans in Priority Groups 7 and 8	**John O'Shea, Nina Schaefer**
	Eliminate Concurrent Receipt of Retirement Pay and Disability Compensation for Veterans Narrow Eligibility for Veterans' Disability by Excluding Disabilities Unrelated to Military Duties	**Romina Boccia**
Multiple Subcommittees	Stop Paying Federal Employees Who Work for Outside Organizations on the Clock Repeal the Davis–Bacon Act	**David Kreutzer**
State, Foreign Operations, and Related Programs	End Funding for the United Nations Development Program Eliminate the Overseas Private Investment Corporation	**Brett Schaefer**
	Eliminate Funding for the United Nations Population Fund	**Melanie Israel**
	Enforce Cap on United Nations Peacekeeping Assessments Reduce U.S. Funding for the United Nations Relief and Works Agency for Palestine Refugees	**Brett Schaefer**
	Eliminate Funding for the Global Environment Facility	**Nick Loris, Katie Tubb**
	Eliminate the U.S. Trade and Development Agency Overhaul Foreign Assistance Programs	**James Roberts**
Transportation, Housing and Urban Development, and Related Agencies	Eliminate the Essential Air Service Program Eliminate the Appalachian Regional Commission Eliminate Subsidies for the Washington Metropolitan Area Transit Authority Eliminate Grants to the National Rail Passenger Service Corporation (Amtrak) Close Down the Maritime Administration and Repeal the Maritime Jones Act Eliminate Capital Investment Grants Privatize the Saint Lawrence Seaway Development Corporation Eliminate the National Infrastructure Investment (TIGER) Program Eliminate the Airport Improvement Program and Reform Airport Funding Phase Out the Federal Transit Administration	**Michael Sargent**

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