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Edited by Romina Boccia and David Ditch

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GROVER M. HERMANN CENTER FOR THE FEDERAL BUDGET

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This paper, in its entirety, can be found at **http://report.heritage.org/sr229**

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President's 2021 Budget Trims Federal Government—But Bolder Reforms Needed

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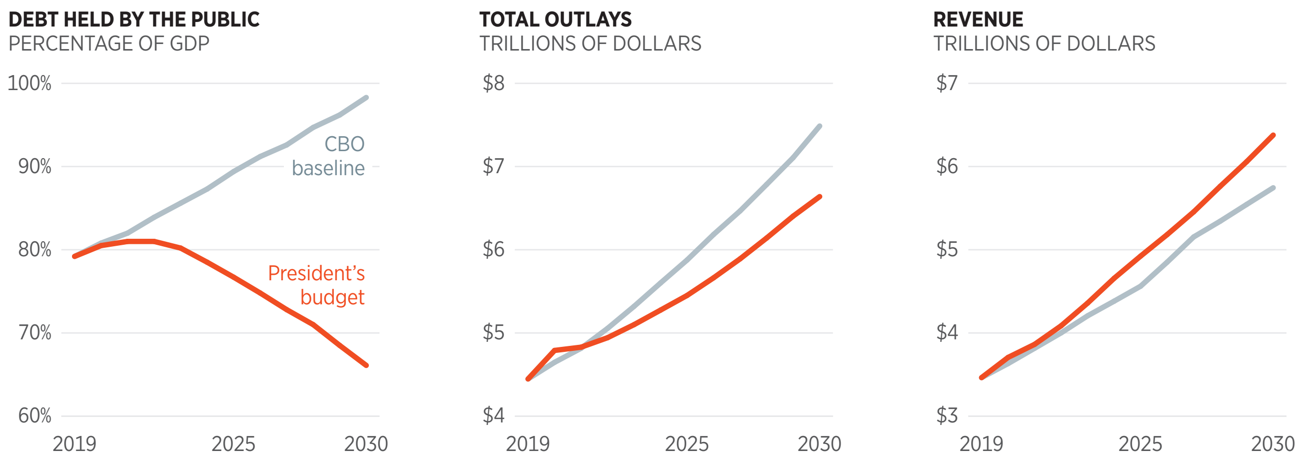
The President's annual budget proposal serves as a road map to Congress for how the executive and legislative branches can work together to secure the nation and increase individual freedom and economic prosperity for all Americans. Out-of-control federal spending threatens that freedom and prosperity for current and future generations. Much has happened since the President introduced his budget with the nation confronting an exceptional public health crisis, including with legislative measures that are projected to triple the annual deficit this year. A pro-growth budget that right-sizes federal spending and focuses the federal government on national responsibilities will be critical to returning the nation to a path to fiscal sustainability and to avert a public debt crisis once the immediate public health crisis is contained. President Trump continues to lead the way in proposing bold reforms to balance the budget and adopt a path to long-term sustainability. Heritage Foundation experts have analyzed the President's 2021 budget and offer their insights on a wide range of policy issues in an "immediate reaction" piece. This Special Report is based on their contributions.

President Donald Trump's proposed budget for fiscal year (FY) 2021 proposes to significantly reduce the size and reach of the federal bureaucracy by focusing federal activities on constitutional priorities and empowering state and local governments to address other issues closer to the people. Such reforms would have put the budget on track to balance, before exceptional measures to respond to COVID-19 (a disease caused by the novel coronavirus that originated in China) led to a steep and sudden economic decline and a massive increase in deficits. The President's proposals represent a significant step toward reducing spending and stabilizing the nation's unsustainable debt.[1] It is possible the President will amend his

CHART 1

President's Budget Reduces Spending and Debt Compared to CBO Baseline



NOTE: Outlays have been adjusted to remove timing shifts. A timing shift takes place when the first day of a fiscal year falls on a weekend.
SOURCES: Office of Management and Budget, "A Budget for America's Future, FY 2021," February 2020, https://www.whitehouse.gov/wp-content/uploads/2020/02/budget_fy21.pdf (accessed March 31, 2020), and Congressional Budget Office, "Baseline Budget Projections as of March 6, 2020," March 2020, https://www.cbo.gov/system/files/2020-03/56268-CBO-baseline-budget-projections.pdf (accessed March 31, 2020).

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budget proposal over the coming weeks to reflect new needs and priorities as a result of the COVID-19 public health crisis, which would provide the Administration with a critical opportunity to focus federal resources where they are most appropriate and necessary, by prioritizing spending instead of merely adding to it.

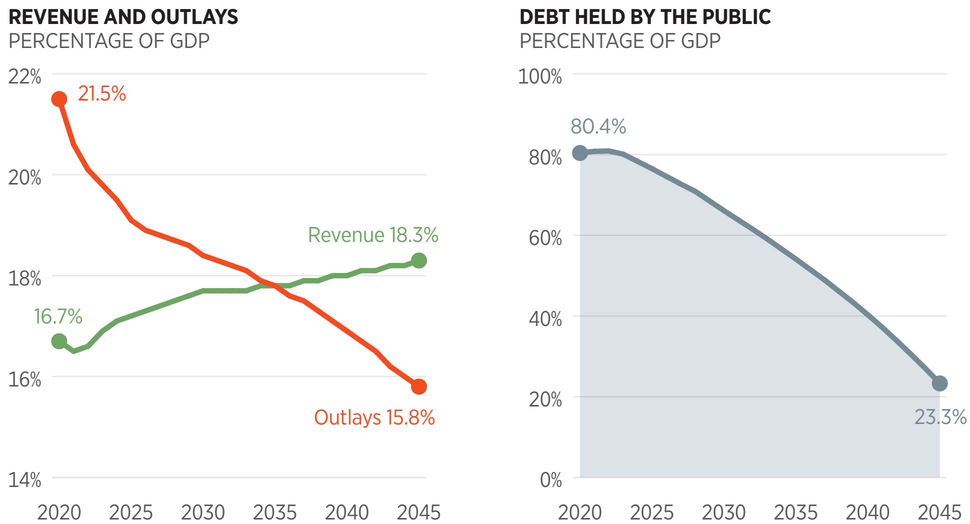
The President's FY 2021 proposal missed opportunities to stabilize spending in critical areas. Namely, the budget proposal contains few significant reforms to Social Security and health care programs, which are the main drivers of spending and debt growth.

The President's annual budget proposal serves as a road map to Congress for how the executive and legislative branches can work together to secure the nation and increase individual freedom and economic prosperity for all Americans. Out-of-control federal spending threatens that freedom and prosperity. The President continues to lead the way in proposing bold reforms that will balance the budget and puts federal spending on a path to long-term sustainability.

President Trump's budget request would:

CHART 2

President's Budget Balances in 15 Years by Controlling Spending



NOTE: Outlays have been adjusted to remove timing shifts. A timing shift takes place when the first day of a fiscal year falls on a weekend.
SOURCE: Office of Management and Budget, "A Budget for America's Future, FY 2021," February 2020, https://www.whitehouse.gov/wp-content/uploads/2020/02/budget_fy21.pdf (accessed March 31, 2020).

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- **Cut spending by $4.6 trillion and put the federal budget on a path to balance.** The president's budget includes $4.6 trillion in proposed spending cuts relative to the baseline projected spending level. According to the Administration, this represents the highest amount of spending reductions a President ever has proposed. In a sign of how unsustainable federal spending has become, even with more than $4 trillion in savings, the budget does not balance over a period of 10 years.

  The President's proposal does provide a path to balance by reducing deficits from nearly 5 percent of gross domestic product (GDP) to less than 1 percent of GDP by 2030. Under these assumptions, the Administration projects a budgetary surplus by 2035.[2] With the gross national debt already surpassing the size of the economy, there is no time to waste.[3] The Trump Administration should strive to balance the budget within 10 years, instead of 15.

TABLE 1

President's Budget Prioritizes National Defense in FY 2021

OUTLAYS IN BILLIONS OF DOLLARS

Spending Category	2020	2021
Defense	$713	$754
Non-Defense Discretionary	725	732
Social Security	1,092	1,151
Medicare	694	722
Medicaid and Other Mandatory	1,190	1,093
Net Interest	376	378
Total	**$4,790**	**$4,829**

SOURCE: Office of Management and Budget, "A Budget for America's Future, FY 2021," February 2020, https://www.whitehouse.gov/wp-content/uploads/2020/02/budget_fy21.pdf (accessed March 31, 2020).

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- **Significantly reduce the federal bureaucracy.** During the past century, the size and scope of the federal government has expanded well beyond the constitutional guardrails intended by the Founding Fathers. The president's FY 2021 budget makes significant progress in reducing the government's reach and returning power to the people.

  The budget proposal would reduce nondefense discretionary program spending by $1.9 trillion over ten years. Much of the nondefense discretionary budget includes waste, duplication, or overlap, or funds programs that have no proper federal role. To address these problems, the President's budget proposes a 5 percent cut to nondefense programs, rejecting the irresponsible Bipartisan Budget Act of 2019.[4] The budget proposes a 2 percent annual cut from 2022 to 2030. By comparison, the Heritage Foundation *Blueprint for Balance* would reduce non-defense discretionary spending by $3.7 trillion from 2021 through 2029.[5]

  Nondefense discretionary spending reductions alone cannot balance the budget, but they will help to ensure that the federal government focuses on appropriate national needs.

- **Prioritize national defense.** The President's budget proposes $740.5 billion in national defense spending, consistent with the level provided by the Bipartisan Budget Act of 2019. This is a $2.5 billion (0.3 percent) increase compared to 2020. The budget realizes over $5 billion in savings within the operations of the Department of Defense, which the Administration reinvests in higher defense priorities such as nuclear modernization, missile defense, and increased readiness.[6]

  The security of Americans at home and abroad is perhaps the greatest responsibility of the federal government. Providing appropriate national defense funding should remain a top priority.

Entitlement Spending: Room for Improvement. To stabilize spending and debt growth, lawmakers must pursue bolder reforms. One area in which the President's budget falls short is in addressing the growth of entitlement spending. In January, the Congressional Budget Office projected that annual Medicare, Medicaid, and Social Security spending will nearly double in the next decade, consuming *59 percent* of federal revenues by 2030.[7] Medicare and Social Security are unsustainable—and both are on a path to insolvency.

The budget should propose fundamental reforms to these programs that will lower costs and return control over health care and retirement decisions to the American people. This proposal includes modest, commonsense reforms to health care programs and Social Security's disability insurance program. It will be impossible to reduce spending and stabilize debt over the long term without structurally transforming the major entitlement programs.[8]

President Trump's budget would resize the federal government and refocus it toward constitutional priorities, significantly reducing spending and balancing the budget in 15 years. Nevertheless, there is much more work to be done. The nation's long-term debt trajectory is unsustainable and will negatively impact current and future generations. The President's budget lays the groundwork to improve a bleak outlook. He must continue to lead Congress toward bigger and bolder reforms.

Balancing the Federal Budget in 10 Years?

At a time of trillion-dollar annual deficits, President Trump's budget proposal for FY 2021 moves in the right direction—and yet it leaves much to be desired. Moving toward budget balance in 15 years is better than growing deficits indefinitely, but it still falls short of where the GOP was just a few years ago. The last time the United States experienced deficits this high was in 2012, as the country was slowly climbing out of the Great Recession. We have no such excuse today.

Notably, public pressure and congressional fiscal hawks convinced then-Speaker of the House John Boehner (R–OH) to adopt a 10-year target to reach balance in the GOP budget proposal. Then-House Budget Committee Chairman Paul Ryan (R–WI) delivered said ambitious budget in April 2014, an election year, to rally conservatives around a powerful goal of stopping the bleeding.

That Ryan budget was never enacted, but the goal of balancing the budget in 10 years became the gold standard for budget proposals for many years. It lasted until President Trump abandoned the goal in his second budget proposal.

What happened?

For one, spending is higher now than it was back in 2014, and it is projected to grow higher still. Trump's budget deals with Democrats to trade higher defense spending for higher domestic spending have made the fiscal situation yet worse.

And despite revenues growing—even after the 2017 Tax Cuts and Job Act was adopted—spending growth continues unabated. According to the Congressional Budget Office, a 4 percent revenue increase was chasing an 8 percent spending increase, from 2018 to 2019. This cannot go on forever.

Without spending restraint, low taxes are in immediate danger of being reversed. High deficits and debt also threaten economic progress, dragging down growth and putting the country at risk of a future fiscal crisis during which interest rates would rise and the federal government would find it difficult to fund even core constitutional functions, such as providing for our nation's defense. Moreover, profligacy during economically strong times also means less fiscal space when the next major disaster strikes or recession hits. It is during booms when lawmakers should responsibly build up reserves to strengthen the nation's capacity to respond to a crisis.

Balancing the budget in 10 years has undoubtedly become harder to do, but abandoning this goal is the wrong approach. President Trump's budget moves in the right direction by eliminating and cutting federal programs that perform functions that should be left to the people, states, and localities. It also makes progress toward reducing the growth in mandatory spending with good governance reforms and a zero-tolerance policy for waste, fraud, and abuse. In addition, the President's regulatory agenda helps the budget by growing the economy and saving taxpayer dollars with better policies.

Yet much more is needed to drain the swamp and truly limit Washington's spending addiction. Returning to the goal of balancing the budget in 10 years or fewer should be high on the agenda.

President's Budget Includes 114 Heritage Policy Proposals

President Trump's FY 2021 budget includes hundreds of pages of analysis on ways to reduce wasteful, unnecessary, and inappropriate federal spending.[9] These reforms would save taxpayers trillions of dollars over the next decade.

In evaluating the President's budget, the Heritage Foundation's *Blueprint for Balance* serves as a useful comparison. The *Blueprint*, published in May 2019, contains hundreds of policy recommendations spanning all major aspects of federal activity. This includes ending dozens of subsidies in the tax code, making the Tax Cuts and Jobs Act permanent, focusing the safety net on those who truly need it, and putting benefit programs such as Social Security and Medicare on a more sustainable path.[10]

- Chapter two of the *Blueprint* addresses Social Security, Medicare, and Medicaid and the urgent need to reform these programs to secure the nation's long-term fiscal health. Of 22 policy proposals in this chapter, one is fully included in the President's budget; another five are partially included.

- Chapter four of the *Blueprint* contains a plan for further pro-growth tax reform. In total, there are 32 tax policy recommendations in this chapter, of which four are addressed in the President's budget.

- The largest *Blueprint* section, chapter six, is a collection of 175 savings proposals covering an array of federal agencies. This is where the President's budget is at its strongest—with 54 policies fully included and 50 partially included.

- In addition, there are policies in the *Blueprint* that the Administration is already seeking to implement, such as reforming eligibility for the food stamp program and suspending the failed multi-state health plan. These changes are not referenced in the President's budget, but the Administration is well on its way to implementing these changes.

In total, 114 out of 229 policy proposals with fiscal implications in the *Blueprint* appeared in the President's budget, for a policy agreement of 50 percent.[11] The appendix lists the policies. While the President's budget contains a great deal of pro-growth and limited-government policy reforms, future executive budgets should do more to restrain federal spending, especially regarding the long-term trajectories of Social Security, Medicare, and Medicaid.

Individual Tax Cuts Extended, Other Pro-Growth Reforms Left Out

Trump's budget proposal would keep taxes from automatically increasing on working Americans, as is currently scheduled for 2026. By extending the individual tax cuts from 2017, the budget would reduce revenues by $1.4 trillion. Keeping taxes low for individuals is rightly a key priority for a taxpayer-focused budget. However, the budget does not include similar protections for new business investments in American workers, which begin to phase out at the end of 2022.

First, the individual protections that the budget would extend: These are the same changes that cut taxes for 9 out of 10 taxpayers in 2018 and had significant benefits for Americans in every income group.[12] The average American received a $1,400 tax cut in 2018, or $2,900 for a family of four.[13] To keep these benefits from reversing, the budget would retain the federal income tax rates at the lower levels, the larger standard deduction, the doubled child tax credit, and the capped deductions for state and local taxes, among many other important reforms.

For businesses and their employees, the budget would maintain the permanently lower corporate tax rate at 21 percent, down from the 2017 global high of 35 percent. This stands in contrast to leading Democrats who want to increase the federal business tax rate as high as 42 percent—about 10 percentage points higher than any other major country.[14]

Paired with lower rates, the most pro-growth reform of the 2017 tax cuts allowed businesses to write off many new investments immediately.[15] The budget proposal leaves out these rules for immediate expensing. Without the protections of expensing, it would cost more for new businesses to open and for mature businesses to upgrade and expand operations—resulting in fewer jobs and slower wage gains. Making expensing permanent is a crucial component of meeting the Trump Administration's target of 3 percent growth.

As the Administration develops a formal proposal for tax cuts 2.0, reforms such as expensing and universal savings accounts are crucial components.

Optimistic Economic Projections

Fast economic growth and low interest rates are key assumptions that would help the President's budget proposal balance in 15 years. At the time of publication, the projections were certainly optimistic, but not inconceivable in an aggressively pro-growth policy environment. The assumed average growth rate of about 3 percent is not comparable to other projections, such as the January Congressional Budget Office (CBO) economic forecast of a 1.7 percent annual growth rate.[16]

The CBO assumes that things stay on their current trajectory, taxes increase in 2025, deregulation efforts stop, and federal programs keep growing out of control. The President's budget assumes many of the opposite policies—and thus can count on better economic conditions.

Before the coronavirus pandemic, the President's assumed growth rates were close to the upper bound of pro-growth optimism, but also represented a return to historical trends. As countries around the world are learning, sustained growth does not follow automatically from enacting good policy. Relying on strong growth to balance budgets presents real risks when many economic fundamentals are outside the control of policymakers.

Prudent budgeting and an aggressively pro-growth policy environment will be necessary components of the economic recovery following the pandemic. Returning to strong economic growth would be easier to achieve if the budget also included a concrete path to reduce tariffs, quiet trade uncertainty, and extend the business-expensing tax reforms set to expire at the end of FY 2022.[17]

A Flat Future for Defense

Since the Trump Administration came into office, it has made a concerted effort to prioritize resources for defense within the discretionary budget. From FY 2016 to FY 2020, defense spending increased by more than 20 percent compared to the nominal defense budget level (from $624 billion to $757 billion).[18]

However, that growth is scheduled to slow in FY 2021. The President's proposal would increase the defense budget by 0.3 percent from FY 2020 to FY 2021. The increase is determined by the Bipartisan Budget Act of 2019, which set the defense caps to $740.5 billion, of those, $69 billion under the Overseas Contingency Operations (OCO) account.[19] The cap for FY 2020 was $738 billion, of those, $71.5 billion under OCO.

Those budget limits fall short of the 3 percent to 5 percent real growth then-Secretary of Defense James Mattis,[20] current Secretary of Defense Mark Esper,[21] and the congressionally mandated bipartisan National Defense Strategy Commission stated as necessary to implement the national defense strategy.[22] The increased level of funding is necessary for the military services to recover from years of underinvestment and to accommodate a revised set of priorities, moving from counterinsurgency operations in Iraq and Afghanistan to a new era of great power competition.

The budget describes essentially a flat trajectory for defense spending in future years, as defense levels are projected to rise at only inflationary levels from FY 2021 to FY 2025, and then flatten out in Office of Management and Budget projections through FY 2030.[23] A clear disconnect exists between what senior Pentagon leaders have expressed as necessary and what the White House has outlined.[24] A flat budget for the Defense Department would mean that every year the Department will have to find around $14 billion in savings in order to maintain purchasing power at its current level.

The budget request describes some cuts that the Defense Department made as it sought to find savings in accounts such as health care or defense logistics.[25] This effort freed $5 billion to reinvest in higher priority items such as nuclear deterrence and cutting-edge technology research. Congress should support those changes. However, savings initiatives are no substitute for proper levels of funding.

Emphasis on Research and Development and Personnel. In very broad terms, defense dollars buy military assets today, tomorrow, or in the future. The Department of Defense always needs to find a balance in how to prioritize readiness (today), procurement (tomorrow), and research and development (the future). The FY 2021 defense budget request favors improving current readiness levels, supporting the current force structure, and investing in research and development over increasing current assets. By and large, the services reduced their procurement of contemporary military assets, such as the F-35 or the Joint Light Tactical Vehicle, to fund research and development projects.

In the department as a whole, the Research and Development, Testing, and Evaluation (RDTE) account is slated to grow by 2 percent, from $104.4 billion in 2020 to $106.5 billion in 2021. This increase is largely being dedicated to classified programs, accounting for $1.615 billion of new resources.[26] Every service's RDTE account is set to grow, with differences in the level of growth. The Army is slated to grow the least, increasing its RDTE budget by 1.8 percent, while the Navy would receive a 6.3 percent increase.

Further, military personnel accounts are slated to experience the largest increase, driven by a planned 3 percent pay raise, growing by 5.7 percent across the whole Department of Defense.[27] The Army's military personnel account is the one set to grow the least (4.6 percent), while the Navy and the Air Force personnel accounts would be increasing by 6.4 percent and 6.3 percent, respectively.

The accounts that are slated to decrease in order to pay for these increases are procurement accounts, across the board. In the whole Department, procurement is set to decrease by 4.8 percent.[28] The Navy will experience the largest decline, having its procurement budget reduced by 7.1 percent, while the Air Force by will reduce its procurement by 2 percent and the Army by 1.8 percent.

These choices are a reflection of the bias that this budget request has toward supporting the current force structure and investing in future technologies at the expense of expanding existing capabilities. This is a choice that Congress should investigate and assess whether it offers the best path forward for the nation's defense. There are always risks associated with biasing defense investment toward the immediate and the long term. Congress needs to understand how the Department of Defense weighs those risks in order to make an informed decision.

Government Should Not Administer Paid Family Leave

The President's budget calls for more government intervention in paid family leave, extending paid parental leave benefits to all new parents. The mechanism appears to be small grants to states to help them set up programs that work best for their workforce and economy—but state-level politicians and bureaucrats still are not better equipped than business owners and workers to know what works best for them. It turns out that employees value flexible work schedules by a margin of 6-to-1 over more paid parental leave. Including other means of granting more flexibility to workers, such as through telecommuting, increases the ratio to 11-to-1.[29]

Although paid parental and paid family leave are valuable, they are not without cost and consequence. Some of those costs and consequences are playing out with existing state-based programs of paid family leave. Both California's and New Jersey's programs increased the unemployment rate and the duration of unemployment for young women.[30] And in California, the program resulted in 7 percent lower employment and 8 percent lower annual earnings for mothers, as well as reduced fertility rates.[31]

These programs also are regressive, taxing everyone, but primarily benefiting middle- and upper-income earners. In California, workers in the highest income bracket file more than five times as many paid family leave claims as those in the lowest-income bracket.

A recent analysis from the CBO shows that Democrats' proposed Family and Medical Leave Act (FAMILY) Act would be yet another unfunded entitlement program: Without rationing, the new payroll taxes necessary to finance the program would have to more than double within just six years.[32] And although the taxes may start out low, they already have grown and will continue to grow over time. Economists estimate that a national paid family leave program would cost the average worker an extra $1,500 to $2,900 per year in additional taxes.[33]

With tremendous growth in the number of new and expanded employer-provided policies, now is not the time to sideswipe more flexible and accommodating policies with one-size-fits-all, rigid, and bureaucratic government programs. Most workers and families would prefer to be able to choose how to spend their money in ways that meet their particular needs than to have it taken from them and be told what types of government programs they are eligible to receive. It turns out that although paid parental leave is important to employees, there are better ways to help them balance work, family, and health needs.

The Working Families Flexibility Act would give lower-wage workers the option to accumulate paid time off.[34] Universal savings accounts would help families save for all kinds of life events.[35] Fewer regulations would free up business resources to help employers provide paid family leave. None of these would put workers and their families at the mercy of government programs and bureaucrats in order to meet their needs.

Protecting Private Union Pensions Without Taxpayer Dollars

The President's budget once again calls for protecting workers with multiemployer—or union—pensions by keeping the government entity that provides pension insurance, the Pension Benefit Guaranty Corporation (PBGC), solvent for at least the next 20 years. The PBGC's multiemployer program is expected to run out of funds to pay insured benefits in just five years, at which point workers could receive mere pennies on the dollar in promised benefits.[36]

At stake is a massive $638 billion shortfall between what private-sector employers and unions promised to their workers and what they actually set aside to pay them. Of the roughly 11 million workers with multiemployer pensions, more than 75 percent are in plans that are less than 50 percent funded.[37] The PBGC provides a backstop to pension losses, but its revenues are nowhere near sufficient to provided needed benefits.

The President's FY 2021 budget calls for an additional $26 billion in the PBGC's multiemployer program premiums, including adding a risk-based component to discourage plans from overpromising and underfunding pension benefits.

Notably, this is an additional $8 billion increase from last year's proposed $18 billion increase to accomplish the *same goal* of keeping the PBGC solvent for another 20 years. That increase came despite Congress's unprecedented bailout for the United Mine Workers of America's $6 billion in broken pension promises, a large portion of which otherwise would have been the PBGC's liability.[38]

This dramatic one-year increase emphasizes the high price of failing to enact commonsense multiemployer pension reforms.[39] The longer Congress waits, the higher the risks of another taxpayer bailout become.[40]

President's Budget Makes Immigration Enforcement a Priority

President Donald Trump's proposed budget for FY 2021 prioritizes immigration enforcement by increasing resources for Customs and Border Protection, Immigration and Customs Enforcement (ICE), and the Justice Department. The budget combats "sanctuary" policies through proposed statutory language that conditions certain grants on recipients cooperating with immigration enforcement activities and requests. The budget also calls explicitly for using immigration operations as deficit-reduction tools.

The FY 2021 spending blueprint is clear that national security and immigration are expressed constitutional functions of the federal government. "Border security is national security" is the opening line of the Department of Homeland Security's budget-in-brief funding priorities.[41]

First, the border wall: The budget seeks nearly $2 billion for construction of about 82 miles of new border wall systems—the wall, technology, lights, access roads—in FY 2021.[42] That is in addition to the $18 billion provided for wall systems from fiscal years 2017 through 2020 (including the Defense Department's military construction funds and the Treasury Department's criminal asset-forfeiture dollars). All of this will provide 1,000 miles of wall—some of which are replacement sections and some additions to where there was no previous wall.[43]

The $2 billion is less than the $5 billion sought by the President last year because the Administration is assessing where new wall is needed. The budget also seeks $161.2 million for hiring, training, and equipping 750 additional Border Patrol agents and 126 necessary support personnel.[44] The budget would create a new position for Border Patrol processing coordinators to receive and process incoming detainees, manage personal property, perform welfare checks, transport detainees, and coordinate logistical and travel requirements.

Last year, during the crisis on the southwest border, too many Border Patrol agents and field operations officers were pulled off their respective lines of duty to perform those functions. For that reason, the budget seeks $20 million to hire 300 coordinators so the agents can remain on the line.[45] To supplement Border Patrol technology, the budget requests $28 million to construct 30 more surveillance towers. With this funding, Customs and Border Protection intends to deploy a total of 200 such autonomous towers, which provide computerized surveillance in areas that are difficult for agents to patrol.[46]

Beyond the border, the Administration also strongly supports interior immigration enforcement with a $1.8 billion increase for Immigration and Customs Enforcement, including:

- $3.1 billion for 60,000 detention beds; 5,000 of them for family units. The beds would help discourage would-be immigrant families from illegally entering the U.S. by applying consequences, obviating the need for "catch and release," an undesirable tactic used during the border crisis and past administrations.

- $543.6 million for law enforcement hiring, including an additional 2,844 officers and 1,792 support personnel. The support employees include 293 more lawyers and 81 related staff for the increased workload associated with hiring immigration judges and expanding courtrooms to address a backlog.

- $603.5 million for transportation and removal costs, which include air charter flights, commercial flights, and ground transportation contracts.

- $126 million for the successful Migrant Protection Protocols, which include operations at immigration hearing facilities and transportation of migrants from points of entry to those facilities or other designated locations.

- $353.9 million for the Alternatives to Detention Program to monitor 120,000 participants. Instead of detention, the program supervises aliens through a combination of home or office visits, alert response, court tracking, and/or technology.[47]

The President's budget proposes $883 million for the Justice Department's Executive Office for Immigration Review, a 31 percent increase over FY 2020.[48] To tackle the unreasonably large backlog of cases, the budget provides funding for an additional 100 immigration judge teams and for the office's modernization of information technology.[49]

The Trump Administration has become fed up with the variety of tactics used by many states and localities to thwart immigration enforcement. These include releasing criminal aliens onto the streets after refusing to honor an ICE detainer, prohibiting ICE from using an international airport for alien removals, and refusing to share information with immigration enforcement agencies.

To remind states and localities that immigration is a federal function and that states and localities receive considerable federal funding in relation to homeland security, the budget proposes statutory language that would:

- clarify that a federal, state, or local law, entity, or official may not prohibit or restrict compliance with a civil immigration detainer, and

- explicitly authorize the Department of Homeland Security and the Justice Department to condition grants and cooperative agreements on the recipient's cooperation with federal immigration enforcement activities and requests.[50]

Finally, Trump's budget proposal includes two immigration-related, deficit-reduction proposals:

- A 10 percent surcharge to immigration filing fees. The Administration explains that those immigration applicants who relocate to the United States benefit significantly from opportunities in America. The surcharge would raise an estimated $4 billion over 10 years.

- A 35 percent increase in all civil and criminal worksite-enforcement penalties assessed against employers who violate the law by unlawfully employing aliens. The budget does not estimate the additional revenue from the increased penalties but says the revenue would be directed to deficit reduction.[51]

The Democrat-led House will oppose several of these budget items related to enforcing immigration law, particularly the ICE increases, more detention beds, and anti-sanctuary language. Because we are in a presidential election year, the debate over funding efforts to curb illegal immigration will be hyper-political in Congress.

We are unlikely to see a final Department of Homeland Security appropriations bill before the November election, however. Congress is in the practice of passing continuing resolutions to get past any political events, and the presidential election is the biggest political event of them all.

U.S. Should Not Rejoin U.N. "Tourism" Agency, Despite Budget Request

The Trump Administration is continuing its curious fixation with rejoining a United Nations "tourism" agency, amid numerous reasons why the move would not help the U.S. diplomatically or economically. The State Department's summary of its budget request for FY 2021, including the U.S. Agency for International Development, contains a bullet point that reads:

> **Engagement with International Organizations:** Promotes U.S. leadership, burden-sharing and institutional accountability in international organizations. This budget fully funds the organizations that are critical to our national security including those that limit the spread of nuclear weapons, combat violent extremism and forge solutions to global threats of armed conflict, hunger, poverty and disease. The budget proposes that the U.S. rejoin the UN World Tourism Organization (UNWTO) to exert U.S. influence and leadership at the organization and engage on UNWTO initiatives that align with U.S. interests.[52]

This budget item reflects an inexplicable Trump Administration interest in rejoining the United Nations World Tourism Organization that dates back to last summer. As we wrote last fall, there are numerous reasons for the United States not to rejoin the U.N. tourism agency.[53] To wit:

- **The U.S. previously concluded that the organization provided little benefit.** The U.S. decided to withdraw from the UNWTO in 1995 after conducting a "comprehensive interagency assessment of U.S.

membership in all of the international organizations to which it makes assessed contributions" and concluding that U.S. membership in the UNWTO was among three organizations in which U.S. membership was "least defensible."[54]

- **Other countries have withdrawn recently after concluding that the UNWTO is poor value for the money.** Australia, for instance, withdrew from the World Tourism Organization in 2015 after determining that the agency was unresponsive to its needs and increasingly expensive. The United Kingdom withdrew in 2009 after concluding that there were higher priorities for funds spent on the World Tourism Organization, and that international tourism objectives "could be best pursued through a range of other international and regional fora."[55]

- **The organization lacks oversight and accountability.** In 2009, the U.N. Joint Inspection Unit reported: "It should be noted that the Organization does not possess any internal audit, inspection, evaluation, investigation, or monitoring capabilities."[56] Moreover, unlike other U.N. organizations, the World Tourism Organization is not listed as being audited by current members of the Panel of External Auditors of the United Nations, the Specialized Agencies, or the International Atomic Energy Agency.

- **The UNWTO would not help U.S. tourism.** The stated reason for the U.S. to be considering rejoining the World Tourism Organization is the belief that it would benefit the U.S. tourism sector or generate U.S. jobs.[57] Unfortunately, there is very little evidence to support that conclusion. The World Tourism Organization focuses on publishing tourism statistics, tourism studies, and promoting various policy priorities, such as sustainable development and tourism, climate change and tourism, and gender and tourism.[58] It is not a travel agency, nor does it promote tourism to specific countries or destinations. Asking it to assume those tasks would involve a significant increase in budget and staff beyond its total revenues of roughly $20 million and 87 employees in 2017.[59]

- **The UNWTO does not support U.S. policy.** The World Tourism Organization has strongly condemned President Trump's visa policy and decision to restore travel restrictions on Cuba.[60] In contrast to the condemnations of U.S. policy, World Tourism Organization

> Secretary-General Zurab Pololikashvili stated during a 2018 visit to Iran that his goal was to "help Iran become more powerful" and reportedly vowed to "help boost Iran's tourism despite U.S. sanctions."[61]

Perhaps most curious is that the President's FY 2021 budget proposal proposes significant cuts to funding for international organizations.[62] It notes that the requested budget would "fully fund international organizations critical to our national security, but makes cuts or reductions to other organizations and programs whose results are unclear or whose work does not directly affect our national security interests."

This budgetary approach—adjusting U.S. contributions to maximize the benefits to the nation and U.S. interests—is laudable. This only serves to underscore the mystery of why the Administration wants to invest U.S. taxpayer dollars in an organization that provides poor value for money, has deficient oversight, will not directly benefit U.S. tourism—and sees Trump Administration policies as more worthy of criticism than those of Iran.

Education Spending Smartly Trimmed, But Pitfalls Remain

The Trump Administration has requested $66.6 billion for the Department of Education, which would be a 7.8 percent (or $5.6 billion) reduction from the $72.2 billion enacted for FY 2020. Although the proposed reductions are slightly lower than those proposed last year, the top line for the agency goes in the right direction. And overall, the budget would save $124 billion over 10 years through reductions in mandatory program spending at the department.

Moving in the Right Direction. In the K–12 space, the budget would establish the Elementary and Secondary Education for the Disadvantaged Block Grant, consolidating 29 existing programs into a single $19.4 billion formula-funded block grant. The budget includes limited details about the proposed block grant, but the funds would be distributed through the existing Title I formula; states and school districts could then decide how best to use those funds, directing them to any of the 29 areas listed in the block grant. For example, states could choose to use the funds in the block grant for magnet schools, charter schools, school safety activities, homeless student education, or any of the other 25 areas consolidated into the new Elementary and Secondary Education for the Disadvantaged Block Grant.

This approach mirrors that of the Academic Partnerships Lead Us to Success (APLUS) Act, a long-standing goal of conservatives.[63] The APLUS proposal, introduced by Representative Mark Walker (R–NC) and Senator Steve Daines (R–MT), would allow states to opt out of the existing, labyrinthine structure of Elementary and Secondary Education Act programs and put their federal K–12 dollars toward any lawful education purpose under state law.

The budget wisely calls for reductions in federal higher education subsidies, which have fueled increases in college costs. It would eliminate subsidized student loans (saving $18 billion from 2021 to 2030), and would eliminate Obama-era public service loan forgiveness (saving $52 billion from 2021 to 2030). It also would cap the Graduate PLUS loan program, saving $27.5 billion over 10 years, as well as the Parent PLUS loan program, which provides loans to parents for their child's undergraduate college costs.[64]

Importantly, the Administration would eliminate Public Service Loan Forgiveness—which passes the tab for public employees' student loans onto taxpayers after just 10 years. But it would also reduce from 20 years to 15 years the length of repayment for undergraduate students under the proposed Income Driven Repayment plan—a step in the wrong direction.

Profligate federal spending through subsidized student loans has fueled tuition inflation, driving up college costs and burdening families. Student loan forgiveness policies have exposed taxpayers to $1.6 trillion in outstanding student loan debt. This budget recognizes those realities and makes some important course corrections in the right direction. But it should go further in ensuring that no taxpayer should have to pay for someone else's loan—a loan that he or she did not agree to take out.

Policy Shortfalls. Although there is much to celebrate in the President's budget request, one major misstep is the proposed $5 billion Education Freedom Scholarships program, which would cost $45 billion from 2021 through 2030.

This new program would leverage the federal tax code to create a scholarship program for eligible students to attend a private school of choice.

The Administration's support of school choice is praiseworthy, but a federal tax credit scholarship program poses a threat to education choice in the states, and undermines the goal of a streamlined federal tax code.[65]

Moreover, the federal government does not have the constitutional authority to create such a program, which would establish massive new federal spending and would likely subject private schools to future regulations from an administration and Congress less friendly to education choice.

The budget also includes new spending in an area reserved to the states: vocational education. Although career and technical education is an important tool for climbing the ladder of upward economic mobility and pursuing careers in the trades, it is the job of local high schools to provide for vocational classes, not the federal government. Yet the proposed budget would increase spending by nearly $1 billion on career and technical education "to help ensure that every high school has a high-quality vocational program."[66] This is despite the fact that 98 percent of public school districts already offer career and technical education to high schools students.[67]

Finally, over at the Department of Health and Human Services, funding for the failed Head Start program is maintained, and the budget proposes a new $1 billion "investment for states to build the supply of care and stimulate employer investment is child care."[68] It is long past time for Congress and the Administration to restore revenue responsibility for Head Start to the states.

Higher Education Waste Cuts, But Taxpayers Still on the Hook

The President's budget takes meaningful steps in reducing or eliminating wasteful spending on higher education. Most notably, changes to the federal student loan program—such as eliminating Public Service Loan Forgiveness, ending subsidized loans, and placing caps on both the Parent and Graduate PLUS loan programs—meaningfully insulate taxpayers from risky loans made by the Department of Education.

The President's budget also calls for consolidation of loan repayment plans into one income-driven repayment plan. Although the overly complicated federal student loan repayment options are badly in need of simplification, the budget proposes reducing the number of years a student must pay off his or her loans from 20 years to 15 years for undergraduate students. The remaining balance after that time would be "forgiven"—and absorbed by taxpayers. This moves federal policy in the wrong direction. Instead, the budget should prioritize insulating taxpayers from the financial risk for students who are unable to pay off loans.

However, the budget's constraints on duplicative or ineffective higher education programs is praiseworthy. The budget puts guardrails in place to reduce improper payments in the Pell Grant program. Additionally, it calls for eliminating the redundant Federal Supplemental Education Opportunity Grants, as well as reducing funding for the federal TRIO and work-study programs. Such programs have little evidence of success—at significant cost to American taxpayers.

Defending Free Speech on Campus

The Administration's budget proposal draws national attention to the repeated shout-downs, disinvitations, and other forms of censorship on college campuses. The proposal says that colleges that receive federal research grants "must adhere to the requirements of the First Amendment to the Constitution"—a reminder for schools that allow students to shout down invited lecturers or chase the college president off a stage that such actions interfere with and may even violate individuals' freedom to listen and be heard.[69]

Last year, the President raised the profile of this issue with a broadly worded executive order. Similar to the language in the budget proposal, the order said colleges that receive federal grants should "promote free inquiry" and enforce the First Amendment.[70]

Although both the budget and the executive order appropriately emphasize that disruptive protests threaten expressive rights on campuses around the country, Washington should be careful with any additional actions. The Department of Education should not enlarge the federal footprint in higher education by assuming new investigative responsibilities.

Generally, state policymakers and university governing boards are responsible for public university systems. Policymakers around the country are taking action to protect speech when college administrators fail to do so. State officials in Alabama, Arizona, Georgia, North Carolina, and Wisconsin have adopted provisions that reinforce the rights of anyone lawfully present on a public college campus.[71] The provisions are based on the idea that individuals and groups should be allowed to protest or demonstrate in publicly accessible areas (such as on sidewalks or lawns).

Furthermore, public university leaders should be prepared to impose consequences on individuals—including students—who violate someone else's right to speak while closely adhering to due process protections for the accused. Such policies already are having their intended effect: In Wisconsin, one group of protesters said the university's new policies prevented them from shouting down a speaker in 2017.

The Justice Department should continue to defend free speech on campus through statements of interest in appropriate cases. In 2018, after the group Speech First filed a suit against the University of Michigan over the school's so-called Bias Response Team, the department issued a statement saying the university's policy "chills protected speech."[72] The U.S. Court of Appeals for the 6th Circuit issued a ruling with a similar statement, and the school settled with Speech First and revised its policies.[73]

The White House should emphasize that public colleges must protect the First Amendment, but officials should be aware of the potential for unintended consequences from federal administrative actions. State policymakers should guard expressive rights on campus and direct public college governing boards to adopt proposals that do the same.[74]

A Critical Reform to School Meals

The budget proposal would fix an egregious and likely unauthorized expansion of school meals to middle-class and wealthy families.

Nearly a century ago, federal lawmakers created the National School Lunch Program to help children in need who struggle to afford to buy food at school. Yet in 2010, Congress expanded eligibility for school meals through the Community Eligibility Provision, allowing some schools and districts to provide free meals to *all* students, not just those in need.

Worse, the Department of Agriculture then improperly interpreted the provision to allow even more schools to provide free meals to children who are not from low-income families. The Community Eligibility Provision allows schools or districts to offer "free" meals to all students if 40 percent or more of the students in the school or district are eligible for means-tested welfare programs such as food stamps.

The Agriculture Department has gone beyond the scope of the law and is allowing districts to group schools together in order to meet this 40-percent threshold. As a result, a district could group a school that has not enrolled a single student from a low-income family with another school that does have a high percentage of children living in poverty. If together these two schools meet the 40 percent threshold, the school *without a single low-income student* can provide free meals to all of its students.

The budget proposal clarifies that districts cannot group schools together in this way. Each school would have to meet the 40-percent figure to participate in the Community Eligibility Provision. If this change is made, children in need would still be able to access free and reduced-priced meals, but the federal government will begin the process of returning these school meals to the original purpose: helping children from low-income families.

Reforming Agricultural Subsidies

Once again, the Trump Administration should be commended for trying to bring commonsense reform to agricultural subsidies. The budget request explains: "The budget proposes to maintain a strong safety net for farmers while achieving savings by: eliminating subsidies to higher-income farmers; reducing overly generous crop insurance subsidies to producers and companies; and eliminating some programs that have no federal purpose or are duplicative."[75] Proposed reforms include:

- **Limiting the crop insurance premium subsidy for farmers to a reasonable and more defensible number.** Currently, taxpayers pay on average 62 percent of the federal crop insurance premiums for farmers. The budget would maintain a very generous subsidy but reduce it so that taxpayers would pay on average 48 percent of premiums. Congress should embrace this widely supported bipartisan reform.[76]

  The Government Accountability Office has recommended this reform, and the Congressional Budget Office listed reducing premium subsidies as one of its options to reduce the deficit.[77] (The CBO option would be more ambitious, lowering the subsidy to 40 percent).[78] This change would save about $21 billion over 10 years.

- **Limiting specific subsidies to agricultural producers with an adjusted gross income of less than $500,000.** This change still would allow subsidies to go to producers who are doing very well financially (as measured by adjusted gross income) but would bring some limits to the federal government's generosity with taxpayers' money.

  The budget proposes to eliminate premium subsidies, commodity payments, and conservation program eligibility for farmers with adjusted gross incomes (AGIs) over $500,000. It is hard to justify to taxpayers why the government should provide assistance to farmers with incomes over one-half million dollars. Doing so undermines the credibility and purpose of farm programs. In 2013 (a year of record-high farm income), only 2.1 percent of farmers had AGIs in excess of this amount.

Additional reforms in the budget proposal include tightening payment limits, eliminating loopholes, and ending excessive assistance to crop insurance companies.

Shrinking Energy Cronyism, Unleashing Energy Abundance

Similar to the Trump administration's previous budgets, the proposal for FY 2021 would shrink the federal government's unnecessary meddling in energy markets. The President's budget also proposes to repeal special tax credits for renewable energy technologies, which would eliminate a major source of government favoritism in energy markets and relieve taxpayers of covering a $16 billion burden over 10 years for politically favored energy technologies.[79]

The budget also would eliminate energy loan programs—in particular, the Title XVII loan guarantees for "advanced technologies" and the Advanced Technology Vehicles Manufacturing loans. These programs put taxpayers' money at risk, leading to notorious bankruptcies (such as Solyndra) and the current underwriting of the multibillion-dollar Vogtle nuclear reactors in Georgia.[80] These programs distort risk and private-sector investments to political ends and create barriers to entry for those energy technologies and companies that are not subsidized. The President's budget gets closer to the goal of removing the Department of Energy from the business of energy.[81]

The budget also would reduce spending in applied research and development energy programs. Whether the science is basic or applied, taxpayers should not foot the bill for activities best left to innovators and private investors.

The President's proposal would also sell off transmission assets of the Power Marketing Administrations—four quasi-federal electric utilities serving the South and West. Further, it would reduce their access to taxpayer-subsidized borrowing authority and require them to sell power at market rates. These are good stepping-stones to privatizing these assets—something the Reagan and Clinton Administrations both recommended and which was done successfully under President Clinton with the Alaska Power Administration.

Importantly, the Trump Administration would continue to right-size burdensome regulations that have tied up energy development in years of red tape. As the President's budget emphasizes:

> Energy companies across the world are ready to build in our nation, and permitting reform that cuts red tape shows that we welcome their investments. My administration continues to support growth in the energy sector by removing unnecessary regulations and unleashing America's vast natural and human resources.[82]

The Administration's commitment to open access to America's wealth of energy on federal lands is a welcome reversal from the previous Administration's keep-it-in-the-ground mentality.

Yucca Mountain: Complicated Invitation to Reopen Debate

Until now, President Trump's budgets have requested just enough funds to finish the licensing review of a repository for nuclear waste at Yucca Mountain in Nevada.[83] But for 10 years, Congress has failed either to pass legislation or appropriate funds so the Administration could follow the Nuclear Waste Policy Act, which designates Yucca Mountain as a national repository.

This negligence has cost constituents $8 billion in lawsuits already—exactly what the law was designed to prevent—and is on track to cost tens of billions more in the years to come. Thus, the President's frustration is deeply merited.

Unfortunately, the Administration's budget request does not include funds to finish the license review of a potential repository at Yucca Mountain.[84] Instead, it proposes $27.5 million to begin an Interim Storage and Nuclear Waste Fund Oversight program. Importantly, the Administration cannot strike out on its own to develop new policy; the Nuclear Waste Policy Act is clear that the Administration cannot pursue an interim storage program without progressing on a permanent waste repository. Federal courts rejected the previous Administration's attempt to disregard the law unless and until Congress changed it.[85]

Finishing the Yucca Mountain review is a relatively small step that would inform decisions, regardless of which long-term nuclear waste disposal options ultimately are pursued. It does not inescapably commit Congress to building the repository without further appropriations—something Congress has been quite adept at withholding. It also would let the voices of all Nevadans be heard. Most of the state's congressional delegation opposes a Yucca Mountain repository. Funding completion of the review, and review only, is consistent with their demands for a thorough process with state input, and for further adjudicating concerns in a formal setting that the Department of Energy must address.[86]

Despite this noticeable absence, the budget proposal also assumes the nuclear waste fee—an arbitrary fee on nuclear power plants set by the Department of Energy—will be reinstated in FY 2023. But this fee is one of the deep, fundamental flaws plaguing nuclear waste management policy that need to be reformed.[87]

Trump is right to want to look for solutions, and his budget provides an opportunity to reopen the conversation. Nuclear waste management policy and the roles of industry, states, and the federal government need to be reimagined. The first step is finishing the review of Yucca Mountain. Ultimately, a real solution comes from giving the nuclear industry responsibility and introducing market forces into waste management solutions.[88]

Wrong Way on Transportation

The President's budget envisions a significant increase in federal spending on infrastructure, proposing $1 trillion in funding over 10 years. This is the wrong way to improve the nation's roads, bridges, and other valuable physical assets.

Federal involvement makes infrastructure projects more expensive, more time-consuming, and more vulnerable to political manipulation. For example, federal spending on mass transit far exceeds its actual use by Americans when compared to highways.[89] However, congressional Democrats historically have demanded that transit receive a too-generous amount of funding as a percent of overall transportation spending.[90] Trump's budget does nothing to meaningfully change this politically driven calculation.

Although the Administration has made progress on regulatory reform, such as the One Federal Decision rule and streamlining the National Environmental Policy Act, this does not change the fact that the federal government is a cumbersome and inefficient partner for infrastructure projects. Red tape, such as the Davis–Bacon Act and project labor agreements, drive up costs by forcing state government contractors to pay union wage rates and use union-style work rules.[91] The process of submitting proposals for federal subsidies delays the start of projects that normally should be the sole responsibility of state and local governments. Just as important, more federal activity would crowd out private infrastructure activity. Private financing avoids many wasteful federal regulations and reduces the burden on taxpayers.

It is vital to understand that there are only two ways to pay for spending increases: more taxes or more debt.[92] The President's budget does not call for a gas tax increase or a new transportation revenue source, which means that the infrastructure proposal reduces the amount of deficit reduction in the budget.

Rather than increasing the federal infrastructure role, Congress and the Administration should go the opposite direction. A policy of reducing the federal gas tax, lowering infrastructure spending, and further eliminating red tape would enable more activity and value from state and local governments and the private sector, enhancing America's prosperity.[93]

Preserving the Health Care Safety Net

The President's budget highlights the need to preserve and protect the health care safety net for those who need it. The Medicaid program, which serves the most vulnerable in our society, is overstretched and overburdened. About one in five Americans uses Medicaid, and federal and state spending on the program is nearing $1 trillion. This creates significant pressure on federal and state budgets, squeezes other important priorities, and leaves those on the program at risk.

The budget builds on current Administrative actions and lays out additional reforms for the Medicaid program. Specifically, it highlights new efforts to provide states with additional flexibility to better care for and serve the unique needs of the vulnerable. It promotes pathways for independence, such as recommending community engagement requirements to help Americans move up and out of poverty. Finally, it ensures that Medicaid resources are protected against fraud, waste, and abuse by holding states accountable—including ensuring only those who are legitimately eligible for the program are enrolled.

These policies are headed in the right direction. The budget recognizes the importance of instituting changes that will improve the management and oversight of the program. It also recognizes, through its broader health reform vision, that more should be done to meet the needs of those who need help the most.

Reducing the Cost of Prescription Drugs

The President's budget rightly calls on Congress to address high prescription drug costs. Government policy contributed to this problem through flawed regulations and subsidies that drive up costs. The budget would address these flawed policies by supporting bipartisan congressional reforms to the successful Medicare prescription drug benefit. The Heritage Foundation has outlined a road map with details of such reforms, which would provide relief for patients and taxpayers.[94]

At the same time, policymakers must reject heavy-handed solutions, such as those proposed by House Speaker Nancy Pelosi, because they would limit access to lifesaving medicines and impede access to new cures. Lawmakers should focus on addressing the underlying problems in public programs rather than layering on additional administrative and regulatory schemes such as international reference pricing.[95]

Strengthening the Medicare Program

The President's budget would strengthen Medicare by providing for a more rational payment system, improving choices and care options for America's seniors, and combating the waste, fraud, and abuse that has historically plagued the program.

President Trump is proposing to change the way Medicare pays for medical benefits services and procedures. Currently, Medicare reimburses medical services performed at hospitals at a higher rate than the rate paid to physicians or clinics providing medical services outside the hospital setting. Under the President's proposal, the Medicare payment for several procedures or services would be the same regardless of the setting of the care delivery.

Long championed by The Heritage Foundation, this change to the "site-neutrality" payment system would not only reduce excessive costs, but also create a level playing field between hospitals and other care delivery systems. This would strengthen competition and increase physician independence while expanding choices and lowering costs for Medicare patients.

From 2021 to 2030, these site-neutrality proposals—for post-acute care, hospice care, and care in physicians' offices—are projected to save an estimated total of $270.3 billion. With these and other Medicare payment adjustments, the Administration estimates that the total set of Medicare changes would extend the life of the Medicare hospitalization trust fund for the next 25 years. Under current law, the Medicare hospitalization trust fund faces insolvency in 2026.

The President's budget also includes several proposals to expand the choices of Medicare patients. The proposed budget would allow Medicare beneficiaries with high-deductible health plans the right to make tax-free contributions to health savings accounts and medical savings accounts.

In accord with another long-standing Heritage Foundation policy recommendations, the President's budget also would allow Medicare beneficiaries, if they wish to do so, the right to choose a comprehensive private health plan instead of enrolling in the Medicare hospitalization program (Part A) without losing their Social Security benefits. Moreover, in an effort to strengthen cancer screening, Trump's budget would end co-insurance requirements for Medicare patients who undergo colonoscopies with polyp removal.

The President's budget also includes initiatives that he offered last year, including significant reforms of graduate medical education and uncompensated hospital care payments. To beef up the Administration's continuing campaign to combat waste, fraud, and abuse in the Medicare program, the budget would provide an additional $13.7 billion toward that effort over 10 years.

Differing Visions of the Importance of the Budget

The President's plan puts the federal budget on a path to balance over 15 years by reining in wasteful government spending while keeping taxes low and America's national defense strong. It continues pro-growth policies, while making progress on reducing the federal government's footprint and returning power to the people, their states, and localities to handle programs that are more local in nature. That is a promising path to not only save taxpayer money, but to ensure program recipients get better service.

Regretfully, Congress seems uninterested in adopting better fiscal policy.

The Constitution bestows the power of the federal purse on Congress. It is ultimately up to the legislature to pursue a budget resolution, pass it in both the House and Senate, and then create legislation to implement the congressional budget's goals. The responsible congressional committees, however, have other ideas.

According to Senate Budget Chairman Mike Enzi (R–WY), "Nobody has listened to the president in the 23 years that I've been here.... Congress doesn't pay attention to the president's budget exercise. I don't know why we put him through that."[96] Meanwhile, House Budget Chairman John Yarmuth (D–KY), who should be leading the congressional budget resolution process, has already announced that Congress is "unlikely" to produce a budget this year.[97]

What happened to transparency and accountability? The President putting out his budget enables the American people to see how his policies would affect the debt and the economy. Americans deserve to know what politicians' proposals will cost them. In President Trump's case, the budget would extend the individual tax cuts that are set to expire in 2025, preventing large tax increases on most Americans. Nine out of 10 Americans saw their taxes go down in 2018—with an average reduction of $2,900 in the tax burden for a family of four.

On health care, one of the biggest budget items that is also projected to grow the most, President Trump builds upon current administrative actions and lays out additional reforms. His budget recognizes the importance of instituting changes that will improve the management and oversight of the

Medicare and Medicaid programs. Among the changes are strengthening competition and increasing physician independence, while expanding choices and lowering costs for Medicare patients. For Medicaid, the budget provides states with additional flexibility to care for those with mental illnesses, ensuring only those eligible are enrolled, and extending work requirements for welfare—to continue to help Americans move up and out of poverty.

Major Concerns with Policies the Administration Should Reconsider

There are also some areas of concern where the Administration should reconsider current proposals. These include reducing the number of years undergraduate students must pay off their student loans from 20 years to 15 years, after which the remaining balance would be "forgiven" (read: paid for by taxpayers). Instead, the budget should protect taxpayers from being on the hook for other people's debts.

The budget also proposes more spending to help states set up paid family and medical leave programs and for infrastructure projects. Both of these should be left to states, localities, and the private sector, without unnecessary and troubling federal funding and regulatory encroachment.

Another major misstep is the proposed $5 billion Education Freedom Scholarships. The Administration's support of school choice is praiseworthy, but a federal tax credit scholarship program poses a threat to education choice in the states and would likely subject private schools to future regulations from an administration and Congress less friendly to education choice.

Now It Is Congress' Turn

Progressive politicians, meanwhile, have put forth proposals that could double or triple the amount of federal spending, while their tax proposals are limited in scope to collecting more from the so-called rich. Yet their exorbitant plans would most likely necessitate higher taxes on middle- and lower-income Americans. A European-style welfare state comes at a high cost to working families.

Without congressional Democrats in charge of the House Budget Committee putting those plans on paper—including their fiscal cost as part of a budget resolution that reflects their priorities—taxpayers are left in the dark about the stark choices they face. Perhaps Congress needs some extra motivation. Proposals like Mike Braun's No-Budget-No-Pay bill, which would withhold congressional pay until lawmakers followed required steps in the congressional budget process, might help focus lawmakers on getting their number-one job done.[98]

President Trump is once again leading the way on the budget. His proposals to focus federal spending on truly national priorities deserve Congress's full attention as the threats posed by COVID-19 serve as a painful reminder that the federal government has an important role to play in keeping Americans safe in responding to a pandemic public health crisis, and that an over-stretched federal government that meddles in affairs best left to the private sector, states, and localities distracts lawmakers from fulfilling their national responsibilities, leaving the nation unprepared when a national emergency strikes. President Trump and Congress should work together to prioritize federal spending toward meeting the federal government's constitutional responsibilities and to stabilize the national debt, to protect current and future generations from higher taxes and severe austerity as a result of a public debt crisis, and to ensure the nation is prepared to respond to national emergencies when they arise.

Appendix: A List of Heritage Foundation *Blueprint for Balance* Policies Shared by the President's Fiscal Year 2021 Budget

Social Security and Health Care Entitlement Reform

- **End direct payment of Social Security Disability Insurance (SSDI) representatives.** Fully included in the President's budget.

- **Improve program integrity for SSDI, and improve program efficiency for SSDI.** Partially included in the President's budget. The "Payment Integrity" section of the *Analytical Perspectives* volume of the budget features several of the recommended measures to improve integrity and efficiency, but not the complete set.

- **Correct unintended benefit payments in SSDI.** Partially included in the President's budget. The budget calls for ending double-dipping between SSDI and unemployment insurance but does not call for limiting retroactive benefits.

- **Put Medicaid on a predictable budget.** Partially included in the President's budget. The budget notes that its Health Reform Vision includes reforms to put Medicaid on a more sustainable pathway but does not provide sufficient details.

- **Repeal Obamacare financing structure and replace with block grants to states.** Partially included in the President's budget. The budget's Health Reform Vision is generally consistent with the recommendation but does not provide sufficient details.

Pro-Growth Tax Reform

- **Extend individual income tax provisions of the Tax Cuts and Jobs Act.** Included in the President's budget.

- **Extend estate and gift tax provisions of the Tax Cuts and Jobs Act.** Included in the President's budget.

- **Repeal tax credits for clean-burning vehicles and refueling property.** Partially included in the President's budget. The budget repeals the tax credit for qualified plug-in electric motor vehicles but does not repeal other similar tax credits.

- **Repeal the energy investment tax credit.** Included in the President's budget.

- **Repeal the tax credit for residential energy-efficient property.** Included in the President's budget.

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

- **Eliminate the USDA (U.S. Drug Administration) Conservation Technical Assistance Program.** Partially included in the President's budget, which reduces but does not eliminate spending.

- **Eliminate the USDA Rural Business Cooperative Service.** Partially included in the President's budget, which reduces but does not eliminate spending.

- **Include a work requirement for able-bodied adult food stamp recipients.** Included in the President's budget.

- **Eliminate the "heat and eat" loophole in food stamps.** Partially included in the President's budget. While the budget does not explicitly include the proposal, it would have a significant effect by cutting the Low-Income Home Energy Assistance Program.

- **Eliminate funding for the community eligibility provision (CEP).** Partially included in the President's budget. The budget closes a participation loophole in the CEP by limiting eligibility only to individual schools.

- **Reduce premium subsidies in the federal crop insurance program.** Included in the President's budget.

Commerce, Justice, Science, and Related Agencies

- **Eliminate the Justice Department's Office of Community Oriented Policing Services.** Partially included in the President's budget. The budget reduces spending as part of a merger with the Office of Justice.

- **Eliminate grants within the Justice Department's Office of Justice Programs.** Partially included in the President's budget, which reduces but does not eliminate spending.

- **Eliminate the Legal Services Corporation.** Included in the President's budget.

- **Eliminate the Justice Department's Community Relations Service.** Partially included in the President's budget.

- **Eliminate the Commerce Department's Hollings Manufacturing Extension Partnership.** Included in the President's budget.

- **Eliminate the Commerce Department's Economic Development Administration.** Included in the President's budget.

- **Eliminate the Commerce Department's Minority Business Development Agency.** Partially included in the President's budget, which reduces but does not eliminate spending.

- **Eliminate NASA's Office of STEM Engagement.** Included in the President's budget.

- **Eliminate NASA's WFIRST telescope.** Included in the President's budget.

- **Eliminate National Oceanic and Atmospheric Administration Grants and Education Programs.** Included in the President's budget.

Energy and Water Development

- **Return Funding for the DOE Office of Nuclear Physics to FY 2008 Levels.** Partially included in the President's budget, which reduces spending by a smaller amount.

- **Eliminate the DOE Advanced Research Projects Agency–Energy Program.** Included in the President's budget.

- **Eliminate the DOE Biological and Environmental Research Program.** Partially included in the President's budget, which reduces but does not eliminate spending.

- **Reduce funding for the DOE Basic Energy Sciences Program.** Included in the President's budget.

- **Eliminate the DOE Office of Energy Efficiency and Renewable Energy.** Partially included in the President's budget, which reduces but does not eliminate spending.

- **Eliminate the DOE Office of Fossil Energy.** Partially included in the President's budget, which reduces but does not eliminate spending.

- **Eliminate the DOE Office of Nuclear Energy.** Partially included in the President's budget, which reduces but does not eliminate spending.

- **Eliminate funding for DOE Small Business Innovation Research and Small Business Technology Transfer Programs.** Included in the President's budget.

- **Liquidate the Strategic Petroleum Reserve and the Northeastern Home Heating and Gasoline Supply Reserves.** Included in the President's budget.

- **Auction off the Tennessee Valley Authority.** Partially included in the President's budget, which takes steps toward privatization by selling transmission assets.

- **Auction off the four remaining Power Marketing Administrations.** Partially included in the President's budget, which takes steps toward privatization by selling transmission assets along with other reforms.

Financial Services and General Government

- **Reform the Securities and Exchange Commission.** Partially included in the President's budget, which proposes to eliminate the SEC's reserve fund in order to restore accountability but does not propose additional reforms.

- **Eliminate the Department of the Treasury's Community Development Financial Institutions (CDFI) Fund.** Partially included in the President's budget. The budget eliminates and winds down the CDFI grant program but extends the CDFI bond guarantee program.

Homeland Security

- **Eliminate Federal Emergency Management Agency Fire Grants.** Partially included in the President's budget, which reduces but does not eliminate spending.

- **Privatize Transportation Security Administration Screening Functions.** Partially included in the President's budget, which shifts responsibility for staffing exit points in secure areas of airports to airport operators.

Interior, Environment, and Related Agencies

- **Reduce funding for the Environmental Protection Agency's (EPA's) Atmospheric Protection Program.** Included in the President's budget.

- **Eliminate the EPA's Radon and Indoor Air Programs.** Included in the President's budget.

- **Eliminate Federal Vehicle and Fuels Standards and Certification.** Partially included in the President's budget, which reduces but does not eliminate spending.

- **Reduce funding for the EPA's Air and Energy Research Program.** Included in the President's budget.

- **Reduce funding for the EPA's Sustainable and Healthy Communities Research Program**. Included in the President's budget.

- **Eliminate the EPA's Stratospheric Ozone Multilateral Fund.** Included in the President's budget.

- **Reduce the EPA's Compliance Monitoring Program.** Included in the President's budget.

- **Eliminate the EPA's Environmental Justice Programs.** Partially included in the President's budget, which reduces but does not eliminate spending.

- **Eliminate the EPA's Geographic Programs.** Partially included in the President's budget, which reduces but does not eliminate spending.

- **Eliminate the EPA's Environmental Education Program.** Included in the President's budget.

- **Eliminate the EPA's Small Minority Business Assistance Program.** Partially included in the President's budget, which reduces but does not eliminate spending.

- **Eliminate the EPA's Children and Other Sensitive Populations Coordination Program.** Partially included in the President's budget, which reduces but does not eliminate spending.

- **Eliminate the EPA's Trade and Governance Program.** Included in the President's budget.

- **Eliminate the EPA's Waste Minimization and Recycling Program.** Partially included in the President's budget, which reduces but does not eliminate spending.

- **Eliminate the EPA's Beach and Fish Programs.** Included in the President's budget.
- **Reduce the EPA's Surface Water Protection Program.** Included in the President's budget.
- **Eliminate the National Endowment for the Humanities.** Included in the President's budget.
- **Eliminate the National Endowment for the Arts.** Included in the President's budget.
- **Eliminate funding for the Woodrow Wilson International Center for Scholars.** Included in the President's budget.

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

- **Eliminate the Job Corps.** Partially included in the President's budget, which reduces and reforms the program but does not eliminate spending.
- **Eliminate Workforce Innovation and Opportunity Act job training programs.** Partially included in the President's budget, which reduces but does not eliminate spending.
- **Let Trade Adjustment Assistance expire.** Included in the President's budget.
- **Eliminate Susan Harwood Training Grants.** Included in the President's budget.
- **Eliminate the Department of Labor's Women's Bureau.** Partially included in the President's budget, which reduces but does not eliminate spending.
- **Eliminate the Bureau of International Labor Affairs.** Partially included in the President's budget, which reduces but does not eliminate spending.

- **Bring retirement benefits in line with the private sector.** Partially included in the President's budget. The budget takes steps to equalize benefits through reforms to cost-of-living increases and employee contributions.

- **Eliminate the Special Retirement Supplement.** Included in the President's budget.

- **Eliminate the 25 percent Federal Employees Health Benefits premium requirement.** Included in the President's budget.

- **Safeguard private pension insurance and protect taxpayers from private pension bailouts.** Partially included in the President's budget, which includes reforms to PBGC premiums.

- **Improve Unemployment Insurance program integrity.** Included in the President's budget.

- **Allow the Social Security Administration to use commercial databases to verify real property in the Supplemental Security Income Program.** Included in the President's budget.

- **Increase the Old-Age, Survivors, and Disability Insurance overpayment collection threshold.** Included in the President's budget.

- **Reduce fraud and marriage penalties in the Earned Income Tax Credit (EITC) and Additional Child Tax Credit.** Partially included in the President's budget. The budget requires a valid Social Security number to claim the EITC or child tax credit.

- **Return control of and fiscal responsibility for low-income housing to the states.** Included in the President's budget.

- **Eliminate funding for the Social Services Block Grant.** Included in the President's budget.

- **Eliminate funding for the Community Services Block Grant.** Included in the President's budget.

- **Eliminate funding for the Low Income Home Energy Assistance Program.** Included in the President's budget.

- **Eliminate the Community Development Block Grant.** Included in the President's budget.

- **Eliminate competitive and project grant programs and reduce spending on formula grants.** Partially included in the President's budget, which combines programs but does not eliminate spending.

- **Eliminate the PLUS Loan Program and place strict lending caps on all federal aid programs.** Partially included in the President's budget, which applies a lending cap to the PLUS program.

- **Eliminate all time-based and occupation-based loan forgiveness.** Partially included in the President's budget. The budget eliminates some types of occupation-based loan forgiveness, but not all.

- **Eliminate funding for 21st Century Community Learning Centers.** Partially included in the President's budget, which combines programs but does not eliminate spending.

- **Eliminate Comprehensive Literacy Development grants.** Partially included in the President's budget, which combines programs but does not eliminate spending.

- **Eliminate Federal Supplemental Educational Opportunity grants.** Included in the President's budget.

- **Eliminate Gaining Early Awareness and Readiness for Undergraduate Programs (known as GEAR UP).** Included in the President's budget.

- **Eliminate Student Support and Academic Enrichment grants.** Partially included in the President's budget, which combines programs but does not eliminate spending.

- **Eliminate Supporting Effective Instruction State Grants.** Partially included in the President's budget, which combines programs but does not eliminate spending.

- **Eliminate Competitive Teaching Grant programs.** Partially included in the President's budget, which combines programs but does not eliminate spending.

- **Privatize the Corporation for Public Broadcasting.** Included in the President's budget.

- **Eliminate the Corporation for National and Community Service.** Included in the President's budget.

- **Eliminate funding for the Institute of Museum and Library Services.** Included in the President's budget.

- **Reform medical liability for federal health programs.** Included in the President's budget.

- **Consolidate and reform the financing of graduate medical education programs.** Included in the President's budget.

- **Modify Medicare and Medicaid payments to hospitals for uncompensated care.** Partially included in the President's budget. The budget outlines reforms for uncompensated care in the Medicare program.

- **Cap GI Bill flight-training benefits.** Included in the President's budget.

- **Extend the Federal Communications Commission spectrum auction authority.** Included in the President's budget.

- **Eliminate funding for the United Nations Population Fund.** Included in the President's budget.

- **Enforce the cap on United Nations peacekeeping assessments.** Included in the President's budget.

- **End U.S. funding for the United Nations Relief and Works Agency for Palestine Refugees.** Included in the President's budget.

- **Eliminate funding for the Global Environment Facility.** Included in the President's budget.

- **Partially withhold assessed U.S. payments to the Organization for Economic Co-operation and Development.** Included in the President's budget.

- **Eliminate the U.S. Trade and Development Agency.** Partially included in the President's budget, which reduces but does not eliminate spending.

- **Overhaul U.S. development assistance programs.** Included in the President's budget.

- **Eliminate the State Department's Assistance for Europe, Eurasia, and Central Asia account.** Included in the President's budget.

- **Eliminate the African Development Foundation and the Inter-American Foundation.** Partially included in the President's budget, which reduces but does not eliminate spending.

- **Eliminate the Transportation Department's Essential Air Service program.** Partially included in the President's budget, which reduces but does not eliminate spending.

- **Eliminate grants to the National Rail Passenger Service Corporation (Amtrak).** Partially included in the President's budget, which reduces but does not eliminate spending.

- **Close down the Transportation Department's Maritime Administration and Repeal the Maritime Jones Act.** Partially included in the President's budget, which reduces but does not eliminate spending.

- **Eliminate the Transportation Department's Capital Investment grants.** Partially included in the President's budget, which reduces but does not eliminate spending.

- **Eliminate the Transportation Department's Airport Improvement Program and reform airport funding.** Partially included in the President's budget, which reduces but does not eliminate spending.

- **Phase out the Transportation Department's Federal Transit Administration.** Partially included in the President's budget, which reduces but does not eliminate spending.

- **Eliminate allocations to the Housing Trust Fund and Capital Magnet Fund.** Included in the President's budget.

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