The Heritage Foundation Committee Brief

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A Special Report to the Appropriations Committees

No. 2 2/10/95

A STRATEGY TO CUT INTERIOR AND RELATED AGENCY SPENDING

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As many in Washington are now discovering, there is no end to the lists being presented of ways to cut government spending. Indeed, for over twenty years now, The Heritage Foundation has contributed its share of studies and reports on ways of downsizing the federal government. Recommendations from Heritage scholars have focused on strategies for transferring federal functions down to the appropriate state or local level of government, transferring federal functions to the private sector, or eliminating outmoded, inefficient, obsolete, or duplicative programs.[2]

Other organizations, including the Congressional Budget Office, also have made many spending cut recommendations over the years. In fact, the task facing Congress and this committee would be far easier today had Members implemented these ideas years ago. Unfortunately, many of the reforms developed by CBO nearly fifteen years ago, when it was headed by current OMB Director Alice Rivlin, are as relevant today as they were then.

Some of the programs under this committee's jurisdiction which were suggested for reform by CBO during the early 1980s include:

- ✓ **Privatizing** the Strategic Petroleum Reserves by selling shares to investors.
- ✓ **Eliminating** the states' share of the Land and Water Conservation Fund.
- ✓ **Eliminating** Urban Park Grants.

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1 This is his testimony before the Interior Subcommittee, House Committee on Appropriations, January 11, 1995.

2 See, for example, Scott A. Hodge,ed., *A Prosperity Plan for America - Fiscal 1993* (Washington, D.C.: The Heritage Foundation, 1992); Charles L. Heatherly and Burton Yale Pines, eds., *Mandate for Leadership III: Policy Strategies for the 1990s* (Washington, D.C.: The Heritage Foundation, 1989); Stephen Moore, ed., *Slashing the Deficit: Fiscal 1990* (Washington, D.C.: The Heritage Foundation, 1989); Stuart M. Butler and Stephen Moore, eds., *Privatization: A Strategy for Taming the Federal Budget* (Washington, D.C.: The Heritage Foundation, 1987); Stuart M. Butler, Michael Sanera, and W. Bruce Weinrod, eds., *Mandate for Leadership II: Continuing the Conservative Revolution* (Washington, D.C.: The Heritage Foundation, 1984); Charles L. Heatherly, ed., *Mandate for Leadership: Policy Management in a Conservative Administration* (Washington, D.C.: The Heritage Foundation, 1981).

- ✓ **Increasing** fees for outdoor recreation and topographic maps.
- ✓ **Increasing** entry fees for outdoor recreation areas.
- ✓ **Reducing** funding for energy technology research.
- ✓ **Reducing** subsidies for the Arts and Humanities.

But implementing long lists of spending cuts will be difficult and will appear arbitrary. What is needed is a strategy or business plan that will give these cuts coherence and a purpose. You must face the challenge as any business would in the face of hard financial times. Indeed, the combined resources of the agencies within this committee's jurisdiction would certainly amount to those of a *Fortune* 500 corporation. So the task at hand is not all that different from the major corporate restructurings that have taken place over the past ten years or so. What is needed is a tough short-term strategy, followed by a thoughtful but aggressive long-term strategy.

SHORT-TERM STRATEGIES

The first step companies take is to stop the bleeding. This means taking measures to cut your losses, putting a halt to all new projects or expansions, and placing yourself in a position to make the long-term reforms needed to make the organization solvent.

The short-term strategy for this committee should contain at least seven steps:

❶ **Halt funding for all new land purchases approved for fiscal 1995 and impose a five-year moratorium on all future land acquisitions.** The rationale for this measure is that if we do not have the resources to adequately manage the land the government now owns, why should we add to this burden?

❷ **Halt funding for all new construction projects approved for fiscal 1995 and impose a moratorium on all future new projects.** Vice President Al Gore's National Performance Review reports a backlog of maintenance funding in the National Park System that will cost $5 billion to clean up. The General Accounting Office reports that the Forest Service will need $644 million to meet its maintenance backlog. Until these priorities are met no new projects should be initiated.

❸ **Halt funding for the National Biological Survey.** This program has not been authorized, so no funds should be appropriated. The Congressional Research Service reports the Biological Survey is still trying to define its mission. Until that is done, Congress should not fund the Survey.

❹ **Halt funding for the Bureau of Land Management until it is authorized and its mission modernized.**

❺ **Halt funding for any project which was not authorized or which was earmarked in the House, the Senate, or conference committees.**

❻ **Halt funding for any new project of a purely local nature, with no national significance.**

❼ **Repeal any committee instructions to agencies which force those agencies to spend money they would not otherwise have spent.** According to the National Performance Review, "The Interior Department found that language in its 1992 House, Senate, and conference committee reports included some 2,150 directives, earmarks, instructions, and prohibitions."[3]

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3 *The National Performance Review: Creating a Government that Works Better and Costs Less* (Washington, D.C.: U.S. Government Printing Office, September 7, 1993), p. 13.

Long-Term Strategies

The key to a long-term strategy is asking the question: What is our core "business" and what activities should we quit doing? After answering this question, a good CEO moves quickly to shed all enterprises not related to the company's core business. Assets are sold to raise the cash needed for debt reduction or to finance capital improvements. Unproductive or extraneous divisions are sold or spun off through employee stock ownership plans. Outmoded or unsalvageable functions are simply closed. Managers are given greater authority to implement cost-saving measures within their own departments and allowed to run their operation in an entrepreneurial manner.

In government, there are three key questions that need to be asked in order to get back to basics:

❶ Is this a function or activity that is more appropriately the domain of state and local governments?

❷ Is this activity more appropriately left to the private sector? Or, if it is determined that there is a public purpose for this activity, can private institutions carry out this program either directly or under contract to government?

❸ Does this program no longer work? Has it become outmoded or obsolete? Does it duplicate other programs?

Using these questions as the guide, the committee's bolder, long-term strategy should build upon the proposals put forth in last year's Republican Budget Alternative, also known as the Kasich budget. The spending cuts recommended in the Republican budget relevant to this committee include the following:

✓ **Impose** a five-year moratorium on federal land purchases.
SAVINGS: $1.066 billion over five years.

✓ **Restructure** the Department of the Interior by consolidating major land functions into a single land management agency.
SAVINGS: $3.226 billion over five years.

✓ **Make** the Forest Service more efficient to bring management costs in line with the costs achieved by state programs.
SAVINGS: $155 million over five years.

✓ **Abolish** the Bureau of Mines.
SAVINGS: $872 million over five years.

✓ **Privatize** the Helium Reserves.
SAVINGS: $9 million over five years.

✓ **Abolish** the Geological Survey.
SAVINGS: $3.261 billion over five years.

✓ **Abolish** the National Biological Survey.
SAVINGS: $139 million over five years.

✓ **Downsize** the Minerals Management Service.
SAVINGS: $465 million over five years.

✓ **Expand** authority to collect park entrance and recreation user fees commensurate with the costs of operations.
NEW REVENUES: $600 million over five years.

✓ **Reorganize** the Bureau of Indian Affairs transferring greater management authority to the tribes, while block granting assistance.
SAVINGS: $215 million over five years.

- ✓ **Restructure** the Naval Petroleum Reserves.
  SAVINGS: $143 million over five years.
- ✓ **Terminate** the Clean Coal Program.
  SAVINGS: $19 million over five years.
- ✓ **Halt** acquisition of new crude oil for the Strategic Petroleum Reserves.
  SAVINGS: $362 million over five years.
- ✓ **Eliminate** federal funding for the John F. Kennedy Center for the Performing Arts.
  SAVINGS: $102 million over five years.
- ✓ **Reduce** funding for the Arts and Humanities (including the Smithsonian).
  SAVINGS: $531 million over five years.

While these recommendations may have seemed very bold when they were introduced last year, they are not bold enough for today's more radical climate and the savings needed to balance the budget. The spending cuts and fee increases for the Interior and related agencies in the Kasich budget last year totaled more than $11 billion in deficit reduction over five years. This represents less than a 20 percent cumulative cut in the committee's funding over five years. This year, the committee should look to cut total spending by at least half.

For the sake of time I will not go over each of the Kasich recommendations individually. It would make good sense to abolish the Bureau of Mines, privatize the Helium Reserves, abolish the Geological Survey, abolish the National Biological Survey, and eliminate funding for the Kennedy Center. But I would like to address the areas in which I think the committee can be bolder and in keeping with the principles of shedding non-federal functions to state governments and the private sector, and eliminating programs that we can no longer afford. Of course, some of my suggestions will require the cooperation of the appropriate authorizing committees.

LAND AND RESOURCE MANAGEMENT

Last year the Republican budget recommended restructuring the Department of the Interior, making the Forest Service more efficient, and giving the Park Service greater authority to raise user fees. While these are solid recommendations, they do not go far enough. I think it is time that land and resource management move in the same direction this nation is moving on welfare reform. This means consolidating dozens of programs into a single block grant and giving broad responsibility for running and managing the programs to the states.

What this strategy would mean for land and resource management programs is consolidating the four major agencies—the Bureau of Land Management, the U.S. Fish and Wildlife Service, the National Park Service, and the U.S. Forest Service— into a single natural resources agency. Congress should then begin a five- to seven-year effort to give most of the land controlled by this agency back to the states. The federal government would keep only those parks and wilderness areas deemed of national significance. These would of course include the "Crown Jewels" (Yellowstone, Yosemite, the Grand Canyon, etc.), and those that cross multiple state boundaries.

The states would be given full title to the federal land along with full authority to manage the resources according to the values of the citizens of each state. In some cases, this land transfer would, of course, mean a loss of revenue for the federal government. But this loss would be more than offset by the reduced costs of managing and maintaining these resources.

After these resources have been transferred to the appropriate level of government, Congress and this committee can focus greater attention on bringing entrepreneurial management to the remaining national resources. The first step must be for Congress to remove the barriers that keep local managers from using entrepreneurial techniques such as privatization. In the past, Congress has stood in the way of raising the entrance fees for National Parks and has prevented Park managers from contracting out basic functions such as garbage collection.

Managers should be given reasonable freedom to set entrance fees that reflect users' demand on the resource in addition to the cost of maintaining and improving these facilities. The model for such reforms should be other national treasures such as Mount Vernon and Williamsburg. Both have been privately operated for decades. Both charge realistic entrance fees that cover the cost of maintaining these high-quality facilities. But the level of these fees seems not to deter millions of tourists from visiting each year.

While the savings from this recommendation are hard to calculate, it is safe to say that they will be many times the $3.5 billion in savings the Kasich budget achieved from these same programs.

Department of Energy Research

The Kasich budget last year recommended terminating the Clean Coal Technology program and reducing non-renewable energy research spending by 25 percent over five years. This year, the committee should terminate federal funding for this research and take steps toward moving the research projects and facilities into the private sector.

Naval Petroleum Reserves

The Republican budget recommended improving the management of the Elk Hills, California, oil field through the increased use of private management. The committee should go further. These fields, along with the Teapot Dome field and the Oil Shale reserves, should be sold to the private sector within the next three years. The Clinton Administration projects that the sale of the Elk Hills field alone will generate net proceeds of $1.6 billion.

Strategic Petroleum Reserves

The Republican budget rightly suggests halting the acquisition of new crude for the Strategic Petroleum Reserves. Indeed, the committee appropriated no new money for this purpose. However, these facilities will now require millions of dollars to upgrade and repair. Perhaps a new approach is needed to meet the nation's strategic oil needs.

One approach worth considering was suggested by the Congressional Budget Office in 1981. This strategy would effectively privatize the SPR by selling shares or interest to investors who would then be free to trade these shares in the open market. This recommendation would turn the SPR into a "futures" market trading real reserves rather than future options. In 1981, CBO estimated that this recommendation would save or generate some $20 billion over five years. This figure could be considerably higher today.

Smithsonian Institution and the National Gallery of Art

Last year's Republican Budget recommended reduced funding for the Smithsonian and the National Gallery. As an alternative to this proposal, I would suggest that Congress lift the ban on the ability of these institutions to charge entrance fees that truly reflect the cost of providing this valuable resource. Given the millions of visitors each year to these museums, the entrance fee would not have to be set very high to meet the costs. Thus, it would not be a barrier to low-income visitors.

National Foundation on the Arts and Humanities

The Republican budget recommended modest reductions in arts and humanities funding. This year the committee should zero out spending for the National Foundation on the Arts and Humanities. After 25 years of existence, it is time for the National Endowments to become the "United

Way" of the arts and humanities: that is, fully private institutions that must raise charitable contributions in order to fund the projects valued by the donors. This will remove the politics from arts and humanities funding, and insure that funding is targeted to projects approved of by donors. All federal funding for the Foundation should be terminated immediately. The Endowments should then be established as independent, non-profit organizations.

Commission of Fine Arts

Congress already possesses the long-standing office of the Architect of the Capitol, whose skills, resources, and capabilities render him and his staff more than suitable to provide such advisory services directly, or through referral, in the event that Members of Congress, the President, or any of the Cabinet heads have a need for expert guidance and advice on the fine arts. The Commission should be abolished.

Advisory Council on Historic Preservation

Historic preservation, including the development of appropriate policies, should be a local responsibility and activity, except in instances where the landmark is of national significance. These latter cases are handled quite satisfactorily by the U. S. National Park Service and its Division of Cultural Resources. The Council is redundant and should be abolished.

Franklin Delano Roosevelt Memorial Commission

Before his death, President Roosevelt requested that any memorial for him be simple, no larger than his desk, and placed near the National Archives. Although this request was fulfilled many years ago, Congress has persisted in trying to erect something grander, and earth-movers are at work today. President Roosevelt should be honored by this Congress by honoring his request. Federal funding for the Commission should end.

National Capital Planning Commission

Washington, D.C., is unique among U.S. cities in having a federally funded planning commission to help guide its development. Despite whatever expertise this Commission brings to bear on its subject city, the economic and social environment of Washington, D.C., continues to deteriorate. Crime is endemic, business and residents continue to flee, poverty remains unrelieved, and federal-local relationships remain strained. The Commission should be terminated to give the new Congress and the mayor the opportunity to establish a fresh approach to the relationship unhindered by the attitudes, prejudices, and ineffective institutions of the past.

Pennsylvania Avenue Development Corporation

Since 1964 the Corporation has invested millions of taxpayer dollars on this one-mile stretch of road, best known to Americans as the route of the inaugural parade, turning the once-decrepit strip of deteriorated buildings into an attractive urban showpiece by the mid-1980s. Although the task has been fulfilled, the Corporation continues to exist and draw substantial public funds—an estimated $184 million in FY 1995—to engage in commercial real estate development activities best left to the private sector. The Corporation has achieved its initial goal and should now be terminated.

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This committee has a tough task ahead of itself in finding its share of spending cuts to help balance the federal budget. But it can go a long way toward that goal while also achieving major reforms in the programs under its jurisdiction if it takes a bold, businesslike approach to cutting spending.