

Executive Summary Background

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March 10, 2004



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How to Get Federal Spending Under Control

Brian M. Riedl

Following a multi-year spending spree that pushed federal spending above \$20,000 per household and the budget deficit up to nearly \$500 billion, lawmakers are finally seeking ways to control federal spending. President George W. Bush's 2005 budget provides a positive first step by proposing to freeze most non-security discretionary spending at 2004 levels.

Reducing federal spending is extraordinarily difficult. Even the most wasteful programs are passionately supported by armies of recipients, administrators, and lobbyists. Yet avoiding these difficult decisions only makes the problem worse. The baby boomers will soon collide with Social Security and Medicare to produce a sea of red ink, leading to a near doubling of all taxes or the termination of most federal programs. Lawmakers need to get spending under control immediately while laying the groundwork for comprehensive Social Security and Medicare reforms.

Five Steps. If they are serious about controlling spending, lawmakers should take the following five steps:

1. **Stop digging.** Federal spending is growing at its fastest rate since the 1960s, but many of the same lawmakers that are calling for spending restraint also support legislation to expand highway spending by 72 percent, increase special education spending by 151 percent, and once again extend unemployment benefits. Each of these spending increases will dig the United States deeper into its financial hole and necessitate even more difficult choices later. Lawmakers should cut spending *now*.

2. **Balance the budget by 2014 without raising taxes.** Budget deficits are merely a symptom of two larger problems: a sluggish economy and runaway spending. Restoring economic growth requires low tax rates, and runaway spending is the most dangerous threat to pro-growth tax relief. Balancing the budget with spending cuts will improve the country's ability to deal with the massive Social Security and Medicare liabilities that will come due when the baby boomers retire.
3. **Freeze discretionary spending in 2005.** Discretionary spending leaped 39 percent between 2001 and 2004. Even after excluding defense and costs related to September 11, discretionary spending is rising 7 percent annually. Do these agencies need yet another spending increase this year? Congress and the President should do what millions of families do: set priorities and balance each high-priority spending increase with a low-priority spending cut.
4. **Reform entitlements.** Spending cannot be restrained without reforming entitlements, which comprise two-thirds of all federal spending and threaten the country's long-term finances. These programs are projected to grow by 6 percent annually for the next decade—a

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rate that would make it nearly impossible to balance the budget by 2014. Lawmakers seeking to rein in spending should put all entitlement spending on the table, including the 2003 Medicare drug bill and the 2002 farm bill.

5. **Fix the budget process.** Lawmakers still cling to a budget process created in 1974. Over the past 30 years, successive Congresses have punched this process full of holes, and federal spending has correspondingly tripled. The current budget process provides no workable tools to limit spending, no restrictions on passing massive costs onto future generations, and no incentive to bring all parties to the table early in the budget process to set a framework.

Common Traps. As lawmakers work to bring federal spending under control, they should avoid the following common traps:

- **Expecting an economic boom to balance the budget.** While recent tax cuts will likely aid economic growth and bring in new tax revenues, it is unrealistic to expect tax revenues to grow at the 9 percent annual rate necessary to balance the budget by 2014 under current spending trends. Balancing the budget requires spending restraint.
- **Increasing spending through accounting gimmicks.** Lawmakers tried to hide the 2004 spending increases by shifting budget authority between years, which is Congress's equivalent of backdating its checks. These accounting gimmicks could not cover up the 9 percent increase in projected discretionary outlays for 2004. Lawmakers are already discussing gimmicks to substantially increase spending this year, which would worsen the nation's fiscal situation.

- **Making only the easy spending cuts.** Lawmakers often reject any spending cut that could offend someone. Yet every dollar government spends—no matter how wasteful—is received by someone who would be angry to lose these benefits. Every spending cut will offend somebody, and any easy cuts surely would have been made by now. Lawmakers who are serious about cutting spending should focus on the millions of taxpayers—both current and future—who are forced to sacrifice their financial well-being in order to fund ineffective federal programs.

Priority Budgets. In 2004, national defense, homeland security, and entitlement challenges make spending reform more important than ever. It is time to step back and think about the role of government, the obligations of the private sector, and the delineation between federal and state responsibilities.

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Following a multi-year spending spree that pushed federal spending above \$20,000 per household and the budget deficit up to nearly \$500 billion, lawmakers are finally seeking ways to control federal spending. President George W. Bush's 2005 budget provides a positive first step by proposing to freeze most non-security discretionary spending at 2004 levels.

Reducing federal spending is extraordinarily difficult. Even the most wasteful programs are passionately supported by armies of recipients, administrators, and lobbyists. Yet avoiding these difficult decisions only makes the problem worse. The baby boomers will soon collide with Social Security and Medicare to produce a sea of red ink, leading to a near doubling of all taxes or the termination of most federal programs. Lawmakers need to get spending under control immediately while laying the groundwork for comprehensive Social Security and Medicare reforms.

If they are serious about controlling spending, lawmakers should take the following five steps:

1. **Stop digging.** Federal spending is growing at its fastest rate since the 1960s, but many of the same lawmakers that are calling for spending restraint also support legislation to expand highway spending by 72 percent, increase special education spending by 151 percent, and once again extend unemployment benefits. Each of these spending increases will dig the United States deeper into its financial hole and necessitate even more difficult choices later. Lawmakers should cut spending *now*.

Talking Points

- Steep increases in federal spending over the past few years threaten families' economic security. Higher spending eventually leads to higher taxes and lower economic growth rates.
- With the nation in a deep financial hole, lawmakers' first priority should be to stop digging. Current legislation to steeply increase highway, education, and unemployment spending would necessitate even more painful choices later.
- Lawmakers should freeze 2005 discretionary spending at its 2004 level and balance high-priority spending increases with low-priority program eliminations.
- Without reform, Medicare and Social Security costs will soon overwhelm the rest of the federal budget and force either massive tax increases or the elimination of most other federal programs.
- Bringing spending under control will require difficult decisions. All federal programs should be on the table.

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2. **Balance the budget by 2014 without raising taxes.**

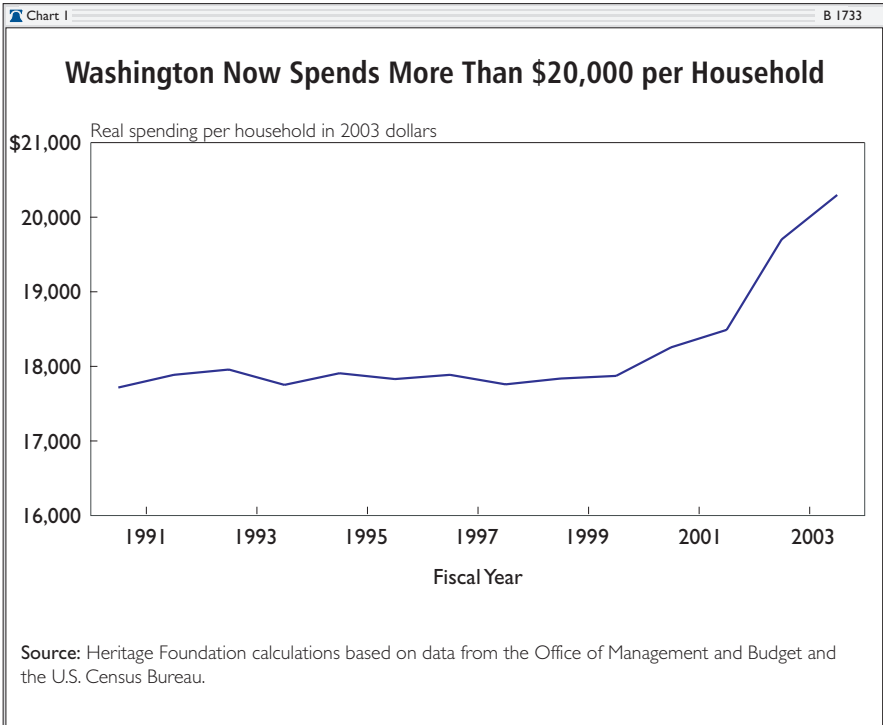
Budget deficits are merely a symptom of two larger problems: a sluggish economy and runaway spending. Restoring economic growth requires low tax rates, and runaway spending is the most dangerous threat to pro-growth tax relief. Balancing the budget with spending cuts will improve the country's ability to deal with the massive Social Security and Medicare liabilities that will come due when the baby boomers retire.

3. **Freeze discretionary spending in 2005.**

Discretionary spending leaped 39 percent between 2001 and 2004. Even after excluding defense and costs related to September 11, discretionary spending is rising 7 percent annually. Do these agencies need yet another spending increase this year? Congress and the President should do what millions of families do: set priorities and balance each high-priority spending increase with a low-priority spending cut.

4. **Reform entitlements.** Spending cannot be restrained without reforming entitlements, which comprise two-thirds of all federal spending and threaten the country's long-term finances. (See Chart 2.) These programs are projected to grow by 6 percent annually for the next decade. Table 1, which displays the spending restraint needed to balance the budget by 2014, shows that all scenarios to balance the budget by 2014 require reducing the 6 percent annual growth rate of mandatory spending. Lawmakers seeking to rein in spending should put all entitlement spending on the table, including the 2003 Medicare drug bill and the 2002 farm bill.

5. **Fix the budget process.** Lawmakers still cling to a budget process created in 1974. Over the past 30 years, successive Congresses have punched this process full of holes, and federal spending has correspondingly tripled. The current budget process provides no workable tools to limit spending, no restrictions on passing



massive costs onto future generations, and no incentive to bring all parties to the table early in the budget process to set a framework. The Family Budget Protection Act, authored by Representatives Jeb Hensarling (R-TX), Paul Ryan (R-WI), Chris Chocoma (R-IN), and Christopher Cox (R-CA), provides a comprehensive proposal for creating a budget process that reflects America's budget priorities and should be closely examined by anyone interested in budget reform.

As lawmakers work to bring federal spending under control, they should avoid the following common traps:

- **Expecting an economic boom to balance the budget.** While recent tax cuts will likely aid economic growth and bring in new tax revenues, it is unrealistic to expect tax revenues to grow at the 9 percent annual rate necessary to balance the budget by 2014 under current spending trends. Balancing the budget requires spending restraint.
- **Increasing spending through accounting gimmicks.** Lawmakers tried to hide the 2004 spending increases by shifting budget authority between years, which is Congress's equivalent of backdating its checks. These accounting gimmicks could

Table 1 B 1733

When the Budget Would Reach Balance

A) Assuming dynamic scoring of tax revenues

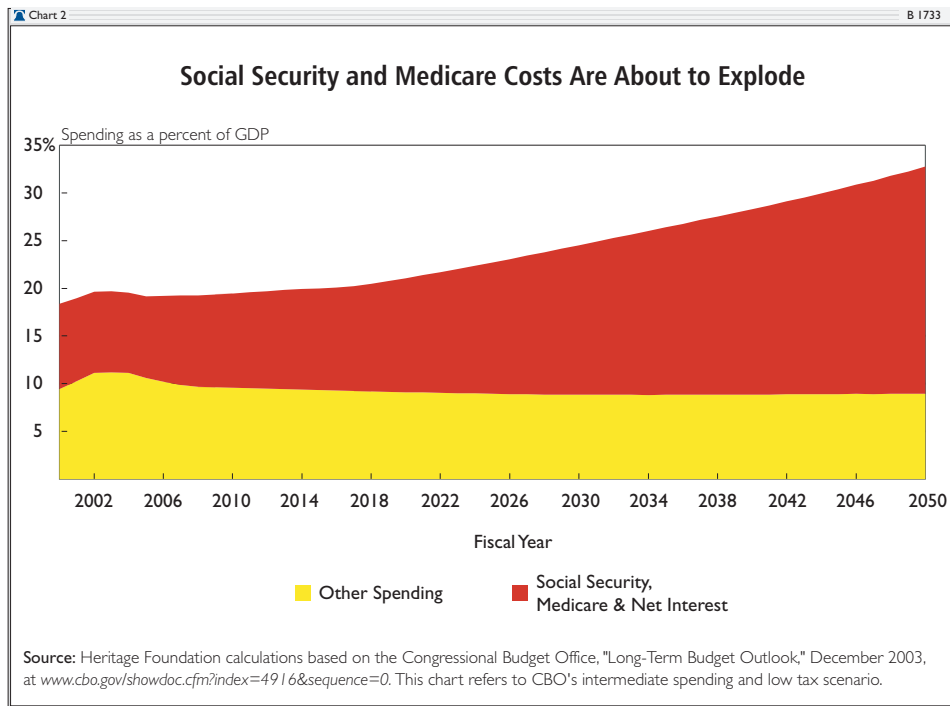
Annual mandatory spending increase	7%								
	6%								
	5%	2012	2013						
	4%	2011	2011	2012	2014				
	3%	2010	2011	2011	2012	2013			
	2%	2009	2010	2011	2011	2012	2012		
	1%	2009	2009	2010	2010	2011	2011	2012	
	0%	2008	2008	2009	2009	2010	2011	2012	2013
		0%	1%	2%	3%	4%	5%	6%	7%
		Annual discretionary spending increase							

B) Assuming static scoring of tax revenues

Annual mandatory spending increase	7%								
	6%								
	5%								
	4%	2012	2013						
	3%	2011	2012	2013	2014				
	2%	2010	2010	2011	2012	2014			
	1%	2009	2009	2010	2011	2012	2013		
	0%	2008	2008	2009	2010	2011	2012	2014	
		0%	1%	2%	3%	4%	5%	6%	7%
		Annual discretionary spending increase							

Note: Both scenarios assume enactment of the President's tax proposals, including Alternative Minimum Tax Reform, through 2014.

Source: See Brian M. Riedl, "Balancing the Budget Within 10 Years: A Menu of Options," Heritage Foundation Backgrounder No. 1726, February 13, 2004, at www.heritage.org/Research/Budget/bg1726.cfm.



not cover up the 9 percent increase in projected discretionary outlays for 2004. Lawmakers are already discussing an innovative gimmick to increase domestic spending in 2005: funding a large domestic spending increase by taking the money out of defense, knowing that an underfunded defense budget can be remedied later by substantially adding to the President's planned 2005 supplemental defense bill. If lawmakers insist on these gimmicks, spending could again grow rapidly.

- Making only the easy spending cuts.** Lawmakers often reject any spending cut that could offend someone. Yet every dollar government spends—no matter how wasteful—is received by someone who would be angry to lose these benefits. Every spending cut will offend somebody, and any easy cuts surely would have been made by now. Lawmakers who are serious about cutting spending should focus on the millions of taxpayers—both current and future—who are forced to sacrifice their financial well-being in order to fund ineffective federal programs.

Belt-Tightening Budgets Versus Priority Budgets

Following several “expansion budgets,” President Bush has moved the debate in a more responsible direction by proposing a “belt-tightening budget” that asks most agencies to accept a near-freeze in discretionary spending. But would most families trying to cut costs simply freeze each expenditure equally? Or would they fully fund priorities like food, the mortgage payment, and insurance while completely eliminating unaffordable luxuries such as vacations and entertainment?

Most families would choose this “priority budget” over a “belt-tightening budget,” and so should

Table 2 B 1733

Spending Is Increasing Across Government

Spending Category	Total Outlays		2001-2004 Increase		
	2001	2004	Amount	Percentage	Avg. Annual
Social Security	\$432,958	\$496,174	\$63,216	15%	4.6%
National Defense	305,500	453,684	148,184	49%	14.1%
Medicare	217,384	270,451	53,067	24%	7.5%
Various Income Security Programs	152,640	195,006	42,366	28%	8.5%
Medicaid	129,374	177,282	47,908	37%	11.1%
Federal Employee Retirement & Disability	80,972	89,295	8,323	10%	3.3%
Other Health Programs	42,896	66,219	23,323	54%	15.6%
Education	35,203	62,362	27,159	77%	21.0%
Veterans Benefits	45,039	60,454	15,415	34%	10.3%
Unemployment Benefits	30,242	48,287	18,045	60%	16.9%
Highways & Mass Transit	35,804	42,789	6,985	20%	6.1%
Justice Administration	30,205	41,603	11,398	38%	11.3%
International Affairs	16,493	34,236	17,743	108%	27.5%
General Government	14,259	25,424	11,165	78%	21.2%
Community & Regional Development	11,773	18,757	6,984	59%	16.8%
Other Spending and Undist. Offsetting Receipts	76,860	80,547	3,687	5%	1.6%
Net Interest	206,168	156,264	-49,904	-24%	-8.8%
Total Spending	1,863,770	2,318,834	455,064	24%	7.5%

Note: All amounts in millions of dollars.
Source: Heritage Foundation calculations based on data from the Office of Management and Budget.

government. A priority budget would ask lawmakers to fully fund a few top priorities, such as defense, homeland security, and a few domestic programs, and then terminate such unaffordable luxuries as the approximately \$60 billion in corporate welfare spending; the \$20 billion pork-project budget; \$100 billion (at least) in waste, fraud, and abuse; and hundreds of ineffective, outdated, and unnecessary programs.

Belt-tightening budgets are certainly preferable to the expansion budgets of the past few years. However, reducing a program's funding without correspondingly adjusting its structure, goals, and duties can lead to ineffective government. Better a few vital activities performed well than a multitude of activities performed poorly.

President Bush proposes terminating 65 programs at a savings of \$4.9 billion. (See Appendix 1.) Although a step in the right direction, these low-priority terminations represent only 0.2 percent of all federal spending. By contrast, a priority budget would:

- Fully fund a limited number of high-priority spending categories, such as defense and homeland security;

- Terminate entire categories of lower-priority programs, such as corporate welfare;
 - Institute a moratorium on pork projects;
 - Limit non-security spending increases to programs that pass their audits; and
 - Substantially reform programs growing at unsustainable rates, such as Social Security and Medicare.
- **Reduce** outdated and duplicative programs and use the savings to reduce income taxes across the board;
 - **Privatize** federal corporations by offering current public employees stock options at below-market prices;
 - **Commercialize** air traffic control duties and privatize airports, targeting the savings to airline security; and
 - **Devolve** programs to states while alleviating federal mandates and reducing federal taxes.

Time to be Bold

Congress last attempted to enact a priority budget in 1995 and 1996, when the 104th Congress terminated several programs whose irrelevance was proven by how quickly they were forgotten. But Congress then committed several strategic errors, such as overreaching and shutting down the federal government in 1995. After President Bill Clinton deftly exploited these mistakes, budget cutters overreacted to Clinton's tactics by completely abandoning the mission of smaller government. By 1998, federal spending was growing once again as a paralyzed Congress decided that budget confrontations with the Clinton White House could never be won and should be avoided at all costs.

In 2004, national defense, homeland security, and entitlement challenges make spending reform more important than ever. It is time to step back and think about the role of government, the obligations of the private sector, and the delineation between federal and state responsibilities. For those interested in lean, effective government with low taxes, the following are 10 guidelines for getting spending under control.

GUIDELINE #1: Build a constituency for limited government and lower taxes.

Interest groups are always ready to defend their special-interest subsidies. Taxpayers rarely fight wasteful spending because they do not believe they will ever see the savings. Policymakers can organize taxpayers in opposition to wasteful spending by linking specific reforms and spending reductions to specific tax cuts, such as legislation to:

- **Terminate** corporate welfare and use the savings for capital gains and business tax cuts;

Using the military base closing commission as a model, Congress should create an independent commission that would present Congress with a list of *all* duplicative, wasteful, outdated, and failed programs that should be eliminated, and earmark all savings to an immediate across-the-board income tax cut.¹ To prevent Members from preserving their own special-interest programs, the legislation should not be amendable. When faced with a clear decision between funding outdated government programs and reducing the tax burden, most taxpayers would encourage their representatives to let them keep more of their own money.

GUIDELINE #2: Turn local programs back to the states.

Only the federal government can handle national defense, international relations, and the administration of federal laws. But why should politicians in Washington decide which roads are built in Appleton, Wisconsin? Or which community development projects are funded in St. Louis, Missouri? Or how education dollars are spent in Cheyenne, Wyoming?

The federal government taxes families, subtracts a hefty administrative cost, and then sends the remaining tax revenues back to the state and local governments—with specific rules dictating how they may and may not spend the money. In that sense, the federal government is merely an expensive middleman, contributing little more than meddling mandates that constrain the flexibility that

1. During the 108th Congress, Senator Sam Brownback (R-KS) introduced S. 837 and Representative Todd Tiahrt (R-KS) introduced H.R. 3213 to establish such a commission.

state and local governments need to address their own issues creatively.

No distant bureaucrat in Washington, D.C., can know which policies are best for every state and locality. One-size-fits-all federal mandates rarely succeed as well as flexible programs designed by state and local officials who are closer to the people affected. Moreover, legislators have little incentive to design programs that work beyond their home constituencies.

State and local governments, which often consider federal grants “free money,” also lack sufficient incentives to spend this money well because they did not have to extract the taxes themselves. (Many seem to forget the high federal taxes that local residents paid for this “free money.”) Consequently, local officials rarely object to federal grants for unnecessary projects.

Few local governments, for example, would consider taxing their own residents to fund the following pork-barrel projects found in the 2004 federal budget:²

- \$725,000 for the Please Touch Museum in Philadelphia, Pennsylvania;
- \$200,000 for the Rock & Roll Hall of Fame in Cleveland, Ohio;
- \$150,000 for a single traffic light in Briarcliff Manor, New York;
- \$100,000 for the International Storytelling Center in Jonesborough, Tennessee;
- \$500,000 for the Montana Sheep Institute; and
- \$50 million to construct an indoor rainforest in Coralville, Iowa.

The federal government can promote accountability, flexibility, and local control by eliminating many of the mandates on how state and local governments address their own issues and letting them raise their own revenues and create their own programs without meddling Washington bureaucrats and politicians. Specifically, Congress should:

- **Turn back** the federal gas tax, as well as all federal highway and mass transit spending, to the states (2004 spending: \$37 billion, discretionary);³
- **Devolve** federal housing programs to state and local governments and cut federal strings on how the programs are operated (\$31 billion, discretionary);
- **Send** job training programs back to the states (\$5,600 million, discretionary);
- **Transfer** economic development programs (e.g., Community Development Block Grants, the Appalachian Regional Commission, the Denali Commission, and the Tennessee Valley Authority) back to the regions that best know how to address their local economies (\$5,952 million, discretionary);
- **Devolve** Bureau of Reclamation and Army Corps of Engineers projects to state and regional authorities (\$5,614 million, discretionary);
- **Allow** states flexibility and control over their own education programs;
- **Send** the Superfund program to the states and allow local flexibility in deciding how to clean contaminated sites (\$1,108 million, discretionary);
- **Turn back** law enforcement grant programs to the states (\$3,041 million, discretionary);

2. For more examples of pork-barrel spending, see Brian Riedl, “Another Omnibus Spending Bill Loaded with Pork,” Heritage Foundation *WebMemo* No. 377, December 2, 2003, at www.heritage.org/Research/Budget/wm377.cfm. See also Ronald Utt and Christopher Summers, “Can Congress Be Embarrassed into Ending Wasteful Pork-Barrel Spending?” Heritage Foundation *Background* No. 1527, March 15, 2002, at www.heritage.org/Research/Budget/BG1527.cfm.
3. Where applicable, the 2004 outlays and classification—mandatory or discretionary—are listed for each program recommended for reform. Discretionary programs, such as defense, are appropriated annually by Congress. For most mandatory programs, such as Social Security, lawmakers set eligibility and benefit levels, and the spending totals are determined by the number of participants. Note that implementing a given recommendation may not immediately save this outlay amount, as reforms may take a few years to work through the system. Furthermore, privatization savings may depend on asset sales or whether the government contracts with the private sector to perform the privatized activity. Some recommendations overlap, so adding up all savings in this paper may overstate the potential savings of these proposals.

- **Devolve** the Natural Resources Conservation Service to the states (\$3,046 million, discretionary);
- **Transfer** the Institute of Museum Services and Library Sciences to the states (\$262 million, discretionary);
- **Devolve** Youth Opportunity Grants to local governments (\$40 million, discretionary);
- **Send** the Neighborhood Reinvestment Corporation to the cities it affects (\$114 million, discretionary); and
- **Eliminate** the practice of earmarking federal funds for local projects.

GUIDELINE #3: Privatize activities that could be performed better by the private sector.

Over the past two decades, nations across the globe have reaped the benefits of privatization, which empowers the private sector to carry out functions that had been performed by government. In the 1980s, British Prime Minister Margaret Thatcher saved taxpayers billions of dollars and improved the British economy by privatizing utilities, telecommunications, and airports. More recently, the former Soviet republics and China have seen the promise of privatization. The United States, however, has been uncharacteristically timid in recent years.

There is little economic justification for the government to run businesses that the private sector can run itself. Even when there is a compelling reason for government to regulate or subsidize businesses, it can do so without seizing ownership of them. Government failures are often larger than market failures, and anyone who has dealt with the post office, lived in public housing, or visited a local department of motor vehicles understands how wasteful, inefficient, and unresponsive government can be.

Furthermore, government ownership crowds out private companies and encourages protected entities to take unnecessary risks. After promising profits, government-owned businesses frequently lose billions of dollars, leaving the taxpayers to foot the bill.

Entrenched opposition to privatization, which comes mostly from interest groups representing government monopolies, has been overcome elsewhere by (1) working with government unions and relevant interest groups to design privatization proposals, (2) offering low-cost stock options to current employees, and (3) ensuring a transparent, open bidding process.

Candidates for privatization are numerous.⁴ Congress should:

- **Sell** the remaining Power Marketing Administrations through a stock offering (2004 spending: \$155 million, discretionary);⁵
- **Require** that the Corporation for Public Broadcasting fund itself as all other television networks do (\$437 million, discretionary);
- **Privatize** the Saint Lawrence Seaway Development Corporation (\$14 million, discretionary);
- **Allow** government agencies to accept bids on government printing jobs instead of having to use the Government Printing Office (GPO) (\$130 million, discretionary);
- **Shift** the National Agricultural Statistics Service to the private sector (\$124 million, discretionary);
- **Sell** Amtrak through a stock offering (\$1,334 million, discretionary);
- **Privatize** the next-generation high-speed rail program (\$27 million, discretionary);
- **Turn over** the foreign market development program to the assisted industries (\$24 million, mandatory);
- **Privatize** ineffective applied research programs for energy conservation research, fossil fuels,

4. Many of these policy proposals, as well as others throughout this paper, were inspired by Scott Hodge and John Barry, "How Washington Wasted Your Money in the 1995 Appropriations Bills," Heritage Foundation *Background* No. 1008, October 28, 1994.

5. Unless otherwise noted, all amounts listed after each program refer to the estimated 2004 outlays. This is not necessarily the amount that would be immediately saved from enacting the recommendation. See footnote 3 for further details.

and solar and renewable energy (\$1,640 million, discretionary);

- **Sell** many of the federal government’s 1,200 civilian aircraft and 380,000 non-tactical, non-postal vehicles;
- **Shift** the Energy Information Agency’s duties to the private sector (\$78 million, discretionary);
- **Privatize** the Architect of the Capitol (\$534 million, discretionary); and
- **Privatize–commercialize** air traffic control operations and fully fund with user fees.

Government-owned enterprises are not the only candidates for privatization. In 2003, taxpayers were on the hook for the federal government’s \$249 billion in outstanding direct loans and \$1,184 billion in outstanding guaranteed loans. Government loans typically undercut the financial services industry, which has sufficient resources to provide loans to businesses and individuals.

Even worse, government often serves as a lender of last resort to organizations that private banks do not consider qualified for loans, and the low-cost nature of government loans encourages recipients to take unnecessary risks with their federal dollars. Consequently, a high percentage of federal loans are in default, and taxpayers were saddled with \$17 billion in direct loan write-offs and guaranteed loan terminations in 2003.⁶

Therefore, Congress should:

- **Begin** selling government direct loan programs and create new agency loan guarantees such as those of the Rural Utilities Service, Small Business Administration, Export–Import Bank, and Rural Housing Service.

Table 3 B 1733

Even Lower-Priority Programs Are Receiving Large Spending Increases

Program	Total Outlays*		Increase
	1999	2004	
Peanut Subsidies	\$0	\$277	N/A
Wool & Mohair Subsidies	0	14	N/A
Presidio Trust	-6	43	N/A
Small Business Administration	63	3978	6,181%
Office of Lead Hazard Control	2	127	5,615%
Enterprise Zones/Enterprise Communities	3	70	2,000%
National Technical Information Service	2	20	800%
Denali Commission	1	9	710%
Dairy Subsidies	223	1443	546%
Power Marketing Administration	24	155	534%
Federal Motor Carrier Safety Administration	97	502	419%
Amtrak	270	1334	394%
Maritime Administration	138	633	359%
Legislative Branch Boards & Commissions	11	51	359%
Architect of the Capitol	188	534	184%
Supreme Court of the United States	37	86	135%
Commerce Department Management	66	148	126%
Labor Department Management	242	536	121%
Rural Business—Cooperative Service	50	107	114%

*All amounts adjusted for inflation and set in millions of 2004 dollars.
Source: Heritage Foundation calculations based on data from the Office of Management and Budget.

GUIDELINE #4: Terminate failed, outdated, and irrelevant programs.

President Ronald Reagan once pointed out that “a government bureau is the closest thing to eternal life we’ll ever see on earth.” A large portion of the current federal bureaucracy was created during the 1900s, 1930s, and 1960s in attempts to solve the unique problems of those eras.

Instead of replacing the outdated programs of the past, however, each period of government activism has built new programs on top of them. Ford Motor Company would not waste money today by building outdated Model T’s alongside their current Mustangs and Explorers. However, in 2004, the federal government still refuses to close down old agencies such as the Rural Utilities Service (designed to bring phones to rural America) and the U.S. Geological Survey (created to explore and detail the nation’s geography).

6. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2005: Analytical Perspectives*, pp. 105–106.

Government must be made light and flexible, adaptable to the new challenges the country will face in the 21st century. Weeding out the failed and outdated bureaucracies of the past will free resources to modernize the government.

Status Quo Bias. Lawmakers often acknowledge that certain programs show no positive effects. Regrettably, they also refuse to terminate even the most irrelevant programs. The most obvious reason for this timidity is an aversion to fighting the special interests that refuse to let their pet programs end without a bloody fight.

A less obvious reason is that eliminating government programs seems reckless and bold to legislators who have never known a federal government without them. Although thousands of programs have come and gone in the nation's 228-year history, virtually all current programs were created before most lawmakers came to Washington. For legislators who are charged with budgeting and implementing the same familiar programs year after year, a sense of permanency sets in, and termination seems unfathomable.⁷ No one even *remembers* when a non-government entity addressed the problems.

The Department of Energy, for example, has existed for just one-tenth of the country's history, yet closing it down seems ridiculous to those who cannot remember the federal government before 1977 and for whom appropriating and overseeing the department has been an annual ritual for years. Lawmakers need a long-term perspective to assure them the sky does not fall when a program is terminated. For example, the Bureau of Mines and the

U.S. Travel and Tourism Administration, both closed in 1996, are barely remembered today.⁸

Instead of just assuming that whoever created the programs decades ago must have been filling some important need that probably exists today, lawmakers should focus on the future by asking themselves the following question: If this program did not exist, would I vote to create it? Because the answer for scores of programs would likely be "no," Congress should:

- **Close down failed or outdated agencies, programs, and facilities, including:**

1. The U.S. Geological Survey⁹ (2004 spending: \$841 million, discretionary);¹⁰
2. The Maritime Administration (\$633 million, discretionary);
3. The International Trade Commission (\$61 million, discretionary);
4. The Economic Development Administration (\$417 million, discretionary);
5. The Low-Income Home Energy Assistance Program (\$1,892 million, discretionary);
6. The Technology Opportunities Program (\$12 million, discretionary);
7. Obsolete military bases;
8. The Appalachian Regional Commission (\$94 million, discretionary);
9. Obsolete Veterans Affairs facilities;
10. The Rural Utilities Service (-\$1,493 million,¹¹ mandatory); and

7. Daniel Kahneman, a winner of the 2002 Nobel Prize for Economics, refers to the tendency to value what we possess much more than what we do not possess as the "endowment effect." For example, people may be indifferent to what mug they purchase but, once owning it, will not be willing to sell that mug for any less than several times the price paid for it. The endowment effect explains why people will not part with personal items that they know they will never use. It also helps explain why people who are indifferent to creating a government program will nonetheless fight to preserve it later. The stress of giving up something (or terminating a program) is much greater than the joy of acquiring it (or creating a program). See Daniel Kahneman, Jack Knetsch, and Richard Thaler, "The Endowment Effect, Loss Aversion, and Status Quo Bias: Anomalies," *Journal of Economic Perspectives*, Vol. 5, No. 1 (1991), pp. 193–206.

8. For other terminated programs long since forgotten, see Ronald D. Utt, "A Progress Report on Closing Unneeded and Obsolete Independent Federal Agencies," Heritage Foundation *Background* No. 1072, March 13, 1996, at www.heritage.org/Research/GovernmentReform/BG1072.cfm.

9. The U.S. Geological Survey research functions could be transferred to the National Science Foundation.

10. Unless otherwise noted, all amounts listed after each program refer to the estimated 2004 outlays. This is not necessarily the amount that would be immediately saved from enacting the recommendation. See footnote 3 for further details.

11. Repeal Public Law 480's non-emergency international food programs (\$127 million, discretionary).
- **End low-priority programs that should never have been created in the first place, including:**
 1. The Denali Commission (2004 spending: \$56 million, discretionary);¹²
 2. The Conservation Reserve Program (\$1,879 million, mandatory);¹³
 3. The Commission of Fine Arts (\$8 million, discretionary);
 4. The Historic Whaling and Trading Partners Exchange Program (\$9 million, discretionary);
 5. The Office of Navajo and Hopi Relocation (\$14 million, discretionary);
 6. AmeriCorps (\$324 million, discretionary);
 7. The National Endowment for the Humanities (\$131 million, discretionary);
 8. Farm subsidies for wool, mohair, lentils, and chickpeas (\$28 million, mandatory);
 9. The Marine Mammal Commission (\$3 million, discretionary);
 10. The East–West Center (\$20 million, discretionary);
 11. The Legal Services Corporation (\$341 million, discretionary);
 12. The protectionist programs of the International Trade Administration (\$364 million, discretionary);
 13. The Bureau of International Labor Affairs (\$105 million, discretionary);
 14. The National Commission on Libraries and Information Science (\$1 million, discretionary);
 15. The U.S. Institute of Peace (\$17 million, discretionary);
 16. The Agriculture Department's wood utilization research (\$6 million, discretionary);
 17. The National Endowment for the Arts (\$112 million, discretionary); and
 18. Most of the 945 federal advisory committees and commissions scattered across 52 agencies.¹⁴
- **Streamline the federal government by:**
 1. Cutting the non-security workforce by 10 percent;
 2. Reducing the number of consultants employed by the federal government by 150,000;
 3. Suspending acquisition of new federal office space;
 4. Trimming the federal vehicle budget by 5 percent; and
 5. Freezing the federal travel budget at \$8 billion¹⁵ (Total annual savings: \$11 billion).
- **Implement some additional housekeeping items, including:**
 1. Taking back grants to state and local governments that have not been spent within the past three years;

11. Programs that collect revenues (such as loan repayments, fees, or money from product sales) can occasionally make a profit, or have "negative spending levels." These negative spending levels are often rare occurrences and do not mask that program's long-term cost.

12. Unless otherwise noted, all amounts listed after each program refer to the estimated 2004 outlays. This is not necessarily the amount that would be immediately saved from enacting the recommendation. See footnote 3 for further details.

13. At a minimum, Congress should end new enrollments in the program and not renew expiring contracts.

14. For the frequently updated numbers of federal advisory committees and commissions, see General Services Administration, Federal Advisory Committee Act database, at fido.gov/facdatabase/rptgovtstats.asp.

15. See Paul Weinstein Jr., "A Return to Fiscal Responsibility: A Progressive Plan to Slash the Deficit," Progressive Policy Institute, February 4, 2004, pp. 8–9, at www.pponline.org/documents/deficit_plan_0104.pdf.

2. Rescinding any remaining appropriated funds to promote the new \$20 bill (2004 spending: up to \$53 million, discretionary); and
3. Consolidating the dozens of small, irrelevant education programs that divert money from more effective education programs (\$200 million, discretionary).

GUIDELINE #5: Improve financial management and reform wasteful programs.

Congress must provide stronger financial management oversight for federal programs, which are losing billions of dollars every year from mismanagement. The following examples of inexcusable waste make a convincing case for reform:

- The federal government cannot account for **\$24.5 billion** spent in 2003.¹⁶
- The U.S. General Accounting Office **refuses to certify** the federal government's own accounting books because the bookkeeping is so poor.
- Of the 26 departments and major agencies, 18 received the lowest possible rating for their financial management, meaning that **auditors cannot even express an opinion** on their financial statements.¹⁷
- The Medicare program pays as much as **eight times** the cost that other federal agencies pay for the same drugs and medical supplies.¹⁸
- The federal government made **\$20 billion** in overpayments in 2001.
- The Department of Housing and Urban Development's **\$3.3 billion** in overpayments in 2001 accounted for over 10 percent of the department's total budget.¹⁹
- Recently, the Department of Agriculture was unable to account for **\$5 billion** in receipts and expenditures;
- The Internal Revenue Service **does not even know** how much it collects in payroll taxes.²⁰
- Congressional investigators were able to receive **\$55,000** in federal student loan funding for a fictional college they created to test the Department of Education.²¹

Time to Modernize? A Sample of the Oldest Federal Agencies

- Army Corps of Engineers: 1802
- U.S. Department of the Interior: 1849
- Government Printing Office: 1860
- U.S. Department of Agriculture: 1862
- U.S. Geological Survey: 1879
- Cooperative State Research Service: 1888
- Bureau of Reclamation: 1902
- U.S. Department of Commerce: 1903
- Naval Petroleum Reserves: 1912
- U.S. Department of Labor: 1913
- Agricultural Extension Service: 1914
- U.S. Coast Guard: 1915
- National Park Service: 1916
- Davis-Bacon Act: 1931
- Tennessee Valley Authority: 1933
- Export-Import Bank: 1934
- Natural Resource Conservation Service: 1935 (as Soil Conservation Service)
- Rural Utilities Service: 1935 (as Rural Electrification Administration)
- Social Security: 1935
- Power Marketing Administrations: 1937

16. The federal government calls this spending "unreconciled transactions." See U.S. Department of the Treasury, *2003 Financial Report of the United States Government*, p. 126, at www.fms.treas.gov/fr.
17. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2005*, p. 51.
18. Janet Rehnquist, Inspector General, U.S. Department Health and Human Services, testimony before the Subcommittee on Labor, Health and Human Services, and Education, Committee on Appropriations, U.S. Senate, June 12, 2002, at oig.hhs.gov/testimony/docs/2002/020611fin.pdf.
19. "OMB Says U.S. Overpaid \$20 Billion to Health Providers, Others, in 2002," Bureau of National Affairs *Daily Report for Executives*, June 3, 2002.
20. Committee on Governmental Affairs, U.S. Senate, *Government at the Brink: Urgent Federal Government Management Problems Facing the Bush Administration*, June 2001, p. 26.

- The Army Corps of Engineers has been accused of **illegally manipulating data** to justify expensive but unnecessary public works projects.²²
- A recent audit revealed that employees of the Department of Agriculture (USDA) diverted as much as **3 percent of the USDA budget** to personal purchases through their government-issued credit cards.²³
- Over one recent 18-month period, Air Force and Navy personnel used government-funded credit cards to charge at least **\$102,400** for admission to entertainment events, **\$48,250** for gambling, **\$69,300** for cruises, and **\$73,950** for exotic dance clubs and prostitutes.²⁴
- **Collect** \$3 billion in outstanding debt owed to the Department of Veterans Affairs;
- **Stop** Medicare overpayments (\$12.3 billion, mandatory);
- **Reform** Medicare so that it no longer overpays for prescription drugs and medical supplies (\$2,900 million, mandatory);
- **Recover** the \$7 billion owed by Medicare contractors; and
- **Reform** the Earned Income Tax Credit (EITC) to stop overpayments (\$9 billion, mandatory).

The government's own auditors, as well as outside watchdog groups, have recommended specific reforms to:

- **Reduce** food stamp overpayments (annual net losses: \$600 million, mandatory);²⁵
- **Verify** parent incomes for school lunches (up to \$120 million, mandatory);
- **Improve** eligibility verification and tracking of student loan recipients (at least \$1 billion, mandatory);
- **Prevent** states from using accounting tricks to secure extra Medicaid funds (several billion dollars, mandatory);
- **Combat** fuel tax fraud (\$1 billion, discretionary);
- **Stop** veterans program overpayments (\$800 million, mandatory/ discretionary);

GUIDELINE #6: Terminate corporate welfare and other mistargeted programs.

There is no justification for taxing waitresses and welders to subsidize *Fortune* 500 companies. Mistargeted programs, such as approximately \$60 billion in annual corporate welfare spending, come in many forms—direct payments, low-cost loans or insurance, and subsidized services—but they all provide services to which special interests are not entitled and that they do not need.

These programs harm the economy. Operating subsidies and loans to private businesses overtax productive sectors of the economy and redistribute that money to less productive sectors, based on the fallacy that it will somehow create jobs. Programs subsidizing start-up companies represent a misguided attempt by government to pick the market's winners and losers.

In addition, research subsidies for profit-seeking businesses, which already have an incentive to fund their own profitable research, merely displace private

21. Associated Press, "GAO Sting Targets Tax Student Loan Oversight," January 21, 2003.

22. Michael Grunwald, "How Corps Turned Doubt into a Lock," *The Washington Post*, September 13, 2002.

23. The 300 employees randomly sampled had charged \$5.8 million in personal purchases over six months in late 2001 and early 2002. Applying that sample to all 55,000 USDA credit card holders over a full year calculates to \$2.1 billion, or 3 percent of the USDA's 2002 budget. U.S. Department of Justice, Office of Inspector General, *Adequacy of Internal Controls over the Individually Billed Travel Card Program*, Report No. 50601-05-HQ, June 19, 2003, at www.usda.gov/oig/webdocs/50601-05-HQ.pdf.

24. U.S. General Accounting Office, *Travel Cards: Air Force Management Focus Has Reduced Delinquencies, But Improvements in Controls Are Needed*, GAO-03-298, December 20, 2002, p. 4, and *Travel Cards: Control Weaknesses Leave Navy Vulnerable to Fraud and Abuse*, testimony before Committee on Government Reform, U.S. House of Representatives, GAO-03-148T, October 8, 2002, p. 8.

25. Amounts in this section refer to the annual net losses from the waste. See Brian M. Riedl, "How Congress Can Achieve Savings of 1 Percent by Targeting Waste, Fraud, and Abuse," Heritage Foundation *Backgrounder* No. 1681, August 28, 2003, at www.heritage.org/Research/Budget/BG1681.cfm.

research funding with taxpayer funds. Emergency grant and loan programs encourage businesses to take irrational risks with the assurance that taxpayers will cover any losses.

Congress therefore should:

- **Eliminate direct corporate welfare payments by:**

1. Closing down the Minority Business Development Agency (2004 spending: \$22 million, discretionary);²⁶
2. Disqualifying high-income farmers and agribusinesses from farm subsidies (\$8,000 million, mandatory);²⁷
3. Eliminating the Small Business Administration (\$3,978 million, discretionary);
4. Terminating the Overseas Private Investment Corporation (–\$157 million, discretionary);
5. Shutting down the Trade and Development Agency (\$62 million, discretionary);
6. Eliminating the Market Access Program (\$119 million, mandatory);
7. Closing down the Export–Import Bank (–\$1,582 million, mandatory);
8. Repealing the Davis–Bacon and Service Contract Acts; and
9. Terminating the Essential Air Service Program (\$57 million, discretionary).

- **Stop funding research that directly benefits private industry, by ending or shutting down:**

1. The Advanced Technology Program (2004 spending: \$195 million, discretionary);
2. The Manufacturing Extension Partnerships (\$40 million, discretionary);
3. The Cooperative State Research, Education and Extension Service (\$1,082 million, discretionary);

4. The Agricultural Research Service (\$1,179 million, discretionary); and
5. The Department of Energy research grants that displace private funding.

- **Enact user fees that recover all the costs of programs with identifiable users, such as:**

1. Requiring agribusinesses and farmers to assume the full cost of their crop insurance coverage (2004 spending: \$3,965 million, mandatory); and
2. Imposing user fees on commodity futures and options contract transactions to help finance the Commodity Futures Trading Commission (\$91 million, discretionary).

- **Reform other programs targeted to the wrong recipients by:**

1. Restricting federal housing assistance to those with the greatest need and requiring able-bodied, non-elderly recipients to engage in work-related activities;
2. No longer providing substantially more federal aid to Howard University than is provided to other private universities;
3. Limiting Congress's franking privilege to non-election years to prevent taxpayer funding of campaign mailings; and
4. Enforcing current laws limiting School Lunch program eligibility to low-income families.

GUIDELINE #7: Consolidate duplicative and contradictory programs.

Government's layering of new programs on top of old ones inherently creates duplication. Having several agencies perform similar duties is wasteful and confuses program beneficiaries who must navigate each program's distinct rules and requirements.

Some overlap is inevitable because some agencies are defined by *whom* they serve (e.g., veterans, Native

26. Unless otherwise noted, all amounts listed after each program refer to the estimated 2004 outlays. This is not necessarily the amount that would be immediately saved from enacting the recommendation. See footnote 3 for further details.

27. Data from the Environmental Working Group (www.ewg.org) show that two-thirds of farm subsidies are granted to the largest 10 percent of agribusinesses and farmers. The \$8 billion reflects two-thirds of the estimated total 2004 farm subsidies.

Americans, urbanites, and rural families), while others are defined by *what* they provide (e.g., housing, education, health care, and economic development). When these agencies' constituencies overlap, as in veterans housing or rural economic development, each relevant

agency will often have its own program. With 342 separate economic development programs, the federal government needs to make consolidation a priority.

Consolidating duplicative programs will save money and improve government service. Merging related block grants will give states more flexibility to target their funds. The new Department of Homeland Security provides one example of a successful consolidation of separate agencies and programs. A recently announced consolidation of the 22 different federal payroll systems into just two will save \$1.2 billion over the next decade. At the state level, governors such as Virginia's Mark Warner (D) are proposing consolidations that will save hundreds of millions of dollars.

Except for those that should be eliminated altogether, Congress should consolidate the following sets²⁸ of programs:

- 342 economic development programs;
- 130 programs serving the disabled;
- 130 programs serving at-risk youth;
- 90 early childhood development programs;
- 75 programs funding international education, cultural, and training exchange activities;
- 72 federal programs dedicated to assuring safe water;
- 50 homeless assistance programs;
- 45 federal agencies conducting federal criminal investigations;

2004 Federal Spending: Just How Much Is \$2.3 Trillion?

More than the annual gross domestic product of South America;
 More than the federal government spent in its first 179 years combined, from 1789 to 1967;
 Washington spends more per second (\$73,535) than most households earn over an entire year;
 \$7,974 per American;
 \$21,673 per household;
 \$762,076,898 per county;
 \$45,470,588,235 per state; and
 In \$1 bills, it would stack halfway to the moon, weigh 10 times as much as the Sears Tower, and blanket the entire state of New Jersey.

- 40 separate employment and training programs;
- 28 rural development programs;
- 27 teen pregnancy programs;
- 26 small, extraneous K–12 school grant programs;
- 23 agencies providing aid to the former Soviet republics;
- 19 programs fighting substance abuse;
- 17 rural water and waste-water programs in eight agencies;
- 17 trade agencies monitoring 400 international trade agreements;
- 12 food safety agencies;
- 11 principal statistics agencies; and
- 4 overlapping land management agencies.

GUIDELINE #8: Convert several remaining programs into vouchers.

Government programs should not be bloated bureaucracies that shepherd recipients into one-size-fits-all programs. Voucher programs, which allow individuals to purchase goods and services on the open market rather than receiving them from the government, have two distinct advantages:

- **Choice.** Instead of forcing program recipients to take what a bureaucracy provides, vouchers allow them to shop around and find the goods and services that fit their needs.

28. Examples are from Committee on Governmental Affairs, U.S. Senate, *Government at the Brink*, and U.S. General Accounting Office, *Managing for Results: Using the Results Act to Address Mission Fragmentation and Program Overlap*, GAO/AIMD-97-146, August 1997.

- **Efficiency.** Providing health insurance or housing vouchers is much less costly to government than the construction and maintenance of government-owned hospitals or housing. Competition among private firms for vouchers would bring about lower prices than government monopolies.

Some policymakers believe that low-income individuals cannot be trusted to make intelligent economic decisions with their vouchers, condescendingly implying that government employees know best how to run the lives of poor families. Those worrying that private markets could not accommodate the influx of voucher-wielding families fail to recognize that vouchers *create* markets by strengthening demand and thereby inducing new supply.

Food stamps provide the model for a successful voucher program.²⁹ Instead of building a bureaucracy to grow and distribute government food to low-income families, the program simply provides families with vouchers to purchase food themselves. Housing vouchers that subsidize private rent costs have proven better for low-income families than dilapidated, dangerous public housing. Most child-care programs subsidize the private facilities that parents choose instead of forcing them into government-run facilities. Federal student loan programs exist as a type of education vouchers.

Vouchers can provide choice without bureaucracy in many other areas. Medicare and Medicaid could be made more like the Federal Employees Health Benefits Program (FEHBP), in which federal employees choose between competing private health plans with the federal government subsidizing the premium. More public housing programs can be replaced with rent vouchers.

GUIDELINE #9: Terminate programs rather than trimming them or phasing them out.

Budget cutters often commit the tactical error of settling for small reductions or lengthy phaseouts of obsolete programs instead of immediately terminat-

ing them. They mistakenly believe that securing small program reductions now will allow them to come back and cut the program more next time.

But leaving obsolete programs in place simply creates an opportunity for future Congresses to restore funding. Furthermore, retaining the programs leaves the bureaucracy in place and allows it to enlist interest groups in a counteroffensive against spending reductions. The old line that “those attacking the throne had better kill the king on the first shot” applies to government programs as well.

In the 1980s, President Reagan successfully terminated only 12 of the 94 programs he proposed be eliminated. Congress would often block the terminations by negotiating slight reductions and lengthy phaseouts, waiting a few years for the President’s focus to shift elsewhere and then restoring the programs to their original funding.³⁰ Similarly, Members of the 104th Congress who proposed ending federal subsidies to programs such as AmeriCorps and the Corporation for Public Broadcasting were persuaded to settle for slight spending reductions and a promise to cut more later, and the budgets of those programs have since rebounded to all-time highs.

One must never assume that spending reductions today will be followed up with additional reductions later. Retaining a program means retaining a bureaucracy dedicated to self-preservation, interest groups dedicated to aiding the bureaucracy, and a budget line item to which Congress can easily attach a larger number next year.

GUIDELINE #10: Utilize the “ideas industry” for specific proposals.

Those seeking specific proposals to reduce wasteful spending have several options available:

- The Congressional Budget Office (CBO) periodically releases a *Budget Options* book containing more than 200 specific reforms that would reduce more than \$100 billion in wasteful spending, complete with justifications and savings estimates. (See Appendix 3.)

29. Although food stamp overpayments are a problem, the program still provides more choice and efficiency than it would if it were providing government-grown food.

30. See Scott Hodge and John Barry, “The 10 Percent ‘Revolution’: House Spending Bills Fall Short of Overhauling Government,” Heritage Foundation *Background* No. 1053, September 14, 1995.

- The General Accounting Office (GAO) conducts hundreds of studies each year on wasteful and underperforming federal programs. The GAO also often releases a *Budgetary Implications of Selected GAO Work* for the current fiscal year, which is a book similar to CBO's *Budget Options*, detailing hundreds of specific, implementable ways to reduce waste.
- The Government Performance and Results Act (GPRA) requires agencies to lay out specific multi-year goals to improve performance and reduce waste and report regularly on their progress toward these goals. Together with Inspector General (IG) reports, GPRA reports show which programs are failing in their missions.
- Think tanks such as The Heritage Foundation, the Cato Institute, and Citizens Against Government Waste release hundreds of studies each year showing how to save taxpayer dollars.

The President should try to eliminate wasteful programs in his budget. Legislators should also examine every line item in the President's budget appendix and terminate programs that lack sufficient explanations or justifications.

Conclusion

Difficult times present opportunities for leaders to chart a new course. During World War II, President Franklin Roosevelt reduced non-defense spending by 36 percent to save resources. Policymakers funded the Korean War by immediately reducing non-defense spending by 25 percent. Those spending cuts required difficult choices, and lawmakers rose to the challenge.

In 2004, bold steps are again needed to rein in spending. The choices will be as difficult as those of the past, but that is what budgets are about—setting priorities. Congress and the President should seize this opportunity to refocus the federal government on the programs that matter most. Otherwise, the American people will face higher taxes, fewer jobs, less economic growth, and less effective government.

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Appendix 1a

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Appendix 1 Largest Spending Reductions Proposed in President Bush's FY 2005 Budget

Department/ Agency	Program	Budget Authority (\$millions)			
		2001	2004	2005 Proposal	2005 Growth
Agriculture	Agricultural Research Service, Salaries and Expenses	\$899	\$1,082	\$988	-9%
Agriculture	CCC Bioenergy Program	41	150	100	-33%
Agriculture	CSREES: Research and Education Grants	543	629	516	-18%
Agriculture	Forest Service Forest Land Enhancement Program	0	10	-40	-500%
Agriculture	Natural Resource Conservation Service, Conservation Operations	713	848	710	-16%
Agriculture	NRCS, Conservation Security Program	0	41	209	410%
Agriculture	NRCS: Environmental Quality Incentives Program	200	975	1,000	3%
Agriculture	Rural Business Service (RBS) Value Added Marketing Grants	0	-40	-80	-100%
Agriculture	RBS Rural Business Investment Program	0	-95	-65	32%
Agriculture	Rural Housing Service Rural Firefighter Training Grants	0	-20	-30	-50%
Agriculture	Rural Utilities Service (RUS) Electric Loan Program	33	0	5	-100%
Agriculture	RUS Broadband Loan Program (Mandatory)	0	-20	-40	-100%
Agriculture	RUS LOCAL TV Loan Program	0	0	-44	-100%
Agriculture	RUS Water and Wastewater (RWW) Grants	590	564	346	-39%
Commerce	Advanced Technology Program (ATP)	145	171	0	-100%
Commerce	Technology Opportunities Program (TOP)	45	14	0	-100%
Commerce	Repeal of Continued Dumping and Subsidy Offset Act	247	293	0	-100%
Commerce	Public Telecomm Facilities, Planning, & Construction Program	43	20	3	-85%
Education	Assistive Technology (AT)	41	26	15	-42%
Education	Vocational Education State Grants	1,100	1,195	1,012	-15%
Education	Alcohol Abuse Reduction	0	30	0	-100%
Education	Arts in Education	28	35	0	-100%
Education	B.J. Stupak Olympic Scholarships	1	1	0	-100%
Education	Close Up Fellowships	2	1	0	-100%
Education	Community Technology Centers	65	10	0	-100%
Education	Comprehensive School Reform	210	234	0	-100%
Education	Demonstration Projects to Ensure Quality Higher Education for Students with Disabilities	6	7	0	-100%
Education	Dropout Prevention Programs	0	5	0	-100%
Education	Eisenhower National Clearinghouse for Math and Science Education	5	-5	0	n/a
Education	Eisenhower Regional Math and Science Education Consortia	15	15	0	-100%
Education	Elementary and Secondary School Counseling	30	34	0	-100%
Education	Even Start	250	247	0	-100%
Education	Excellence in Economic Education	0	1	0	-100%
Education	Exchanges with Historic Whaling and Trading Partners	0	9	0	-100%
Education	Federal Perkins Loans: Capital Contributions	100	99	0	-100%
Education	Foreign Language Assistance	14	17	0	-100%
Education	Javits Gifted and Talented Education	8	11	0	-100%
Education	Leveraging Educational Assistance Partnerships	55	66	0	-100%
Education	Literacy Programs for Prisoners	5	5	0	-100%
Education	Migrant and Seasonal Farmworkers	2	2	0	-100%
Education	National Writing Project	10	18	0	-100%
Education	Occupational and Employment Information	9	9	0	-100%
Education	Parental Information and Resource Centers	38	42	0	-100%
Education	Projects With Industry	22	22	0	-100%
Education	Ready to Teach	8	14	0	-100%
Education	Recreational Programs	3	3	0	-100%
Education	Regional Educational Laboratories	65	67	0	-100%
Education	Regional Technology in Education Consortia	10	10	0	-100%
Education	School Leadership	0	12	0	-100%
Education	Smaller Learning Communities	125	174	0	-100%
Education	Star Schools	60	20	0	-100%
Education	State Grants for Incarcerated Youth Offenders	17	20	0	-100%
Education	Supported Employment State Grants	38	38	0	-100%
Education	Tech-Prep Demonstration	5	5	0	-100%
Education	Tech-Prep Education State Grants	106	107	0	-100%
Education	Underground Railroad Program	2	2	0	-100%
Education	Vocational Education National Programs	18	12	0	-100%
Education	Women's Educational Equity	3	3	0	-100%
HHS	ACF: Community Food and Nutrition	6	7	0	-100%
HHS	ACF: Community Services Block Grant	600	642	495	-23%
HHS	ACF: Early Learning Opportunities Fund	20	34	0	-100%
HHS	ACF: National Youth Sports	16	18	0	-100%
HHS	ACF: Rural Community Facilities	5	7	0	-100%
HHS	CDC and HRSA: State/Local/Hospital Bioterrorism Grants	67	1,449	1,305	-10%
HHS	CDC: Global Fund	0	149	100	-33%
HHS	CDC: Buildings and Facilities	175	260	82	-68%
HHS	CDC: Youth Media Campaign	125	36	5	-86%

		Budget Authority (\$millions)			
Department/ Agency	Program	2001	2004	2005 Proposal	2005 Growth
HHS	HRSA: Healthy Community Access Program	125	104	10	-90%
HHS	HRSA: Health Professions Training Grants	353	409	126	-69%
HHS	HRSA: Rural Health	148	147	56	-62%
HHS	Medicaid: Program Integrity	n/a	n/a	-1,542	n/a
Homeland Security	First Responders	n/a	4,365	3,361	-23%
Homeland Security	Metropolitan Medical Response System (MMRS)	17	50	0	-100%
HUD	Brownfields Redevelopment	25	25	0	-100%
HUD	Community Development Loan Guarantees (Section 108)	30	7	0	-100%
HUD	Community Development Stock Grant Earmarks	401	334	0	-100%
HUD	Empowerment Zones	185	15	0	-100%
HUD	HOPE VI Revitalization of Severely Distressed Public Housing	574	149	0	-100%
HUD	Lead Hazard Reduction	100	174	139	-20%
HUD	Public Housing Capital Fund	2,993	2,696	2,674	-1%
HUD	Public Housing Drug Elimination Program	309	0	0	n/a
HUD	Rural Housing and Economic Development	25	25	0	-100%
Interior	Bureau of Indian Affairs (BIA) School Construction	292	295	229	-22%
Interior	National Park Service (NPS) Statutory Aid	14	13	0	-100%
Interior	NPS Heritage Area grants	14	14	3	-79%
Justice	COPS Hiring Grants	408	119	0	-100%
Justice	COPS Interoperable Communications Technology Grants	0	84	0	-100%
Justice	COPS Law Enforcement Technology Grants	140	157	0	-100%
Justice	Edward Byrne Memorial Grant Program	568	704	0	-100%
Justice	Federal Prison System	4,274	4,759	4,709	-1%
Justice	Juvenile Accountability Incentive Block Grants Grants	249	59	0	-100%
Justice	Juvenile Justice Title II Part E Demonstration Programs	0	79	7	-91%
Justice	Juvenile Justice Title V Delinquency Prevention Program	95	78	44	-44%
Justice	Local Law Enforcement Block Grant (LLEBG)	522	223	0	-100%
Justice	Methamphetamine Enforcement and Clean-up	48	53	20	-62%
Justice	Prison Rape and Prevention	0	37	8	-78%
Justice	State Criminal Alien Assistance Program (SCAPP)	564	297	0	-100%
Labor	H-1B Training Grants (mandatory; fee-financed)	0	0	-100	n/a
Labor	Dislocated Worker Assistance	1,590	1,448	1,383	-4%
Labor	Pilot and Demonstration programs	97	58	30	-48%
Labor	Employment Service State Grants	797	787	696	-12%
Labor	Bureau of International Labor Affairs	148	110	30	-73%
Labor	Migrant and Seasonal Farmworker Training	77	77	0	-100%
Transportation	FAA Capital Modernization	2,651	2,893	2,500	-14%
Transportation	Amtrak	520	1,218	900	-26%
Transportation	Federal Railroad Administration: Next Generation Highspeed Rail	25	37	10	-73%
Treasury	RS Business Systems Modernization	166	388	285	-27%
Veterans Affairs	Medical and Prosthetic Research	706	818	770	-6%
Corps of Engineers	Construction projects funded in various programs and accounts	n/a	0	-100	n/a
Corps of Engineers	Storm Damage Reduction Program	121	106	52	-51%
EPA	Clean Water State Revolving Fund	1,347	1,342	850	-37%
EPA	STAR Grants	93	100	64	-36%
EPA	Unrequested Project Funding	494	511	0	-100%
Intl. Affairs	Assistance for Eastern Europe and the Baltic States (SEED)	542	442	410	-7%
Intl. Affairs	Assistance for the Ind. States of the Former Soviet Union (FSA)	559	584	550	-6%
Intl. Affairs	Child Survival and Disease Programs	851	1,824	1,420	-22%
Intl. Affairs	Sustainable Development Assistance	1,273	1,356	1,308	-4%
NASA	Aeronautics	975	1,034	919	-11%
NASA	Earth Science	1,762	1,613	1,485	-8%
NASA	Education	133	226	169	-25%
NASA	Physical Sciences Research	n/a	357	300	-16%
NASA	Space Launch Initiative	n/a	967	261	-73%
NSF	Math and Science Partnerships	n/a	139	80	-42%
SBA	Microloan Program	22	17	0	-100%
U.S. Postal Service	Forgone Revenue for Reduced Rate Mail	29	29	0	-100%
Ind. Agencies	Denali Commission	41	59	6	-90%
Ind. Agencies	Election Assistance Commission	n/a	1,492	65	-96%
Total		34,481	45,350	30,779	-32%

Source: Office of Management and Budget.

Appendix 2 Candidates for Cuts Troubled Programs in the President's 2005 Program Assessment Rating Tool (PART) Reviews

Department/ Agency	D/M*	Program	Budget Authority (\$millions)				PART Critique**
			2001	2004	2005 Proposal	2005 Growth	
Agriculture	M	Direct Crop Payments	\$4,151	\$5,375	\$5,284	-2%	Flawed purpose & design
Agriculture	D	National Forest Improvement and Maintenance	548	559	505	-10%	Marginally adequate
Agriculture	M	Pesticide Data/Microbiological Data Programs	22	21	21	0%	Marginally adequate
Commerce	D	Advanced Technology Program	179	171	0	-100%	Flawed purpose & design
Commerce	D	Commerce Small Business Innovation Research (SBIR) Program	8	4	0	-100%	Flawed purpose & design
Commerce	D	Manufacturing Extension Partnership	106	39	39	0%	Flawed purpose & design
Commerce	D	National Marine Fisheries Service	754	676	662	-2%	Marginally adequate
Commerce	M	US and Foreign Commercial Service (USFCS)	206	202	212	5%	Marginally adequate
Defense	D	Chemical Demilitarization	1,449	1,650	1,457	-12%	Ineffective
Defense	M	Facilities Sustainment, Restoration, Modernization, and Demolition	6,620	6,424	6,643	3%	Marginally adequate
Education	D	21st Century Community Learning Centers	993	999	999	0%	Marginally adequate
Education	D	Comprehensive School Reform	233	234	0	-100%	Marginally adequate
Education	D	Even Start	248	247	0	-100%	Ineffective
Education	D	Federal Family Education Loans	3,432	2,880	7,050	145%	Marginally adequate
Education	D	Federal Perkins Loans	99	99	0	-100%	Flawed purpose & design
Education	D	Federal Perkins Loans (Capital Payments)	99	99	0	-100%	Ineffective
Education	D	GEAR UP	293	298	298	0%	Marginally adequate
Education	D	IDEA Preschool Grants	387	388	388	0%	Flawed purpose & design
Education	D	Safe and Drug Free Schools State Grants	469	441	441	0%	Ineffective
Education	D	Student Aid Administration	900	912	935	3%	Marginally adequate
Education	D	TRIO Upward Bound	279	282	281	0%	Ineffective
Education	D	Troops-to-Teachers	29	15	15	0%	Marginally adequate
Education	D	Vocational Education State Grants	1,192	1,195	1,012	-15%	Ineffective; flawed purpose & design
Education	D	Vocational Rehabilitation State Grants	2,533	2,584	2,636	2%	Marginally adequate
Education	D	William D. Ford Direct Student Loans	4,225	2,381	-492	-121%	Marginally adequate
Energy	D	Building Technologies	67	60	58	-3%	Marginally adequate
Energy	D	Clean Coal Research Initiative	345	378	447	18%	Marginally adequate
Energy	D	Natural Gas Technologies	47	43	26	-40%	Ineffective; flawed purpose & design
Energy	D	Oil Technology	42	35	15	-57%	Ineffective
Energy	D	Safeguards and Security	529	553	667	21%	Marginally adequate
HHS	D	Children's Hospitals Graduate Medical Education Payment Program	290	303	303	0%	Marginally adequate; flawed purpose & design
HHS	D	Chronic Disease - Breast and Cervical Cancer	199	210	220	5%	Marginally adequate
HHS	D	Chronic Disease - Diabetes	63	67	67	0%	Marginally adequate
HHS	D	Community Mental Health Services Block Grant	437	435	436	0%	Marginally adequate
HHS	D	Foster Care	4,451	4,706	4,871	4%	Marginally adequate
HHS	D	Health Professions	401	409	126	-69%	Ineffective
HHS	D	Nursing Education Loan Repayment and Scholarship Program	20	27	32	19%	Marginally adequate
HHS	D	Substance Abuse Prevention and Treatment Block Grant	1,754	1,779	1,832	3%	Ineffective
HHS	D	Substance Abuse Treatment Programs of Regional and National Significance	317	419	517	23%	Marginally adequate
HHS	D	Translating Research into Practice	10	8	5	-38%	Marginally adequate
HHS	D	Urban Indian Health Program	31	32	32	0%	Flawed purpose & design
Homeland Security	D	Assistance to Firefighters Grant Program	745	746	500	-33%	Flawed purpose & design
HUD	D	Community Development Block Grant (Formula)	4,340	4,331	4,331	0%	Ineffective; flawed purpose & design
HUD	D	HOPEVI	570	149	0	-100%	Ineffective; flawed purpose & design
HUD	D	Housing for Persons with Disabilities	249	250	249	0%	Flawed purpose & design
HUD	D	Housing for the Elderly	778	774	773	0%	Flawed purpose & design
HUD	D	Project-Based Rental Assistance	4,766	4,769	5,102	7%	Ineffective; flawed purpose & design
Interior	M	Energy and Minerals Management	106	108	108	0%	Marginally adequate
Interior	M	Indian School Operations	513	522	522	0%	Marginally adequate
Interior	M	Tribal Courts	17	18	18	0%	Flawed purpose & design
Justice	D	Community Oriented Policing Services	978	742	44	-94%	Flawed purpose & design
Justice	M	Drug Enforcement Administration	1,802	1,677	1,797	7%	Marginally adequate
Justice	D	Juvenile Accountability Block Grants	189	59	0	-100%	Ineffective
Justice	D	State Criminal Alien Assistance Program	248	297	0	-100%	Flawed purpose & design
Labor	M	Community Service Employment for Older Americans	442	439	440	0%	Ineffective; flawed purpose & design
Labor	D	Dislocated Worker Assistance	1,150	1,173	1,106	-6%	Marginally adequate
Labor	D	Migrant and Seasonal Farmworkers	77	77	0	-100%	Ineffective; flawed purpose & design
Labor	D	Mine Safety and Health Administration	273	269	276	3%	Marginally adequate
Labor	M	Trade Adjustment Assistance	972	1,338	1,057	-21%	Ineffective
Labor	D	Youth Activities	994	995	1,001	1%	Ineffective; flawed purpose & design
Treasury	D	Bank Enterprise Award	18	9	5	-44%	Flawed purpose & design
Treasury	M	Earned Income Tax Credit (EITC) Compliance	145	201	176	-12%	Ineffective
Treasury	D	International Development Association	844	977	1,068	9%	Marginally adequate
Veterans Affairs	M	Disability Compensation	25,385	27,712	32,266	16%	Flawed purpose & design
EPA	D	RCRA Corrective Action	35	39	39	0%	Marginally adequate
EPA	D	Brownfields	167	170	210	24%	Marginally adequate
EPA	D	Tribal General Assistance	57	62	62	0%	Marginally adequate
SBA	M	Business Information Centers	14	14	0	-100%	Flawed purpose & design
USAID	D	USAID Climate Change	214	175	155	-11%	Marginally adequate
Totals			84,545	85,731	89,345	4.2%	

* Discretionary/Mandatory Spending

**** Definitions:**

Ineffective: PART review demonstrates results with an overall score below 50%.

Marginally Adequate: PART review demonstrates results with an overall score between 50% and 60%.

Flawed Purpose & Design: "Program Purpose and Design" score below 50%.

Source: Office of Management and Budget.

Appendix 3a		B 1733							
Appendix 3			Savings (\$millions)						
Option Number	Discretionary Programs	BA/O*	2004	2005	2006	2007	2008	2004-2008	2004-2013
050-01	Cancel Remaining Purchases of the Javelin Missile	BA	\$174	\$142	\$9	\$116	\$1	\$441	\$441
		O	50	107	92	78	60	387	439
050-02	Reverse Organizational Changes that Have Increased the Army's Support Tail Without Increasing its Combat Tooth	BA	231	478	493	507	522	2,231	5,016
		O	196	433	480	501	517	2,126	4,949
050-03	Reduce the Number of Army Stryker Brigade Conversions	BA	542	623	880	754	220	3,019	3,321
		O	157	380	592	714	597	2,438	3,180
050-04	Delay the Fielding Date of the Future Combat System from 2008	BA	0	1,255	1,054	2,614	1,161	6,084	6,675
		O	0	569	781	1,474	1,170	3,995	6,493
050-05	Cancel the Army's Comanche Helicopter Program	BA	1,100	1,198	1,531	2,274	1,584	7,687	14,109
		O	589	1,040	1,140	1,426	1,752	5,946	12,736
050-06	Reduce the Procurement of VA-class Subs and Transfer Six More Subs to Guam	BA	-240	-40	750	1,190	4,200	5,860	21,340
		O	-130	-250	-60	240	720	520	12,380
050-07	Cancel the DDX Program and Buy New Frigates Instead	BA	870	1,270	3,060	2,580	2,900	10,680	19,670
		O	518	1,040	1,100	1,070	1,300	5,020	17,170
050-08	Eliminate Research and Development Funding for the Second Future Carrier	BA	10	11	12	17	7	57	998
		O	6	10	11	15	11	53	880
050-09	Cancel Production of the V-22 Aircraft	BA	1,451	1,870	1,791	1,722	801	7,636	9,716
		O	388	980	1,501	1,723	1,551	6,142	8,889
050-10	Reduce Purchases of the Air Force's F/A-22 Fighter	BA	0	8	1,044	3,190	3,974	8,217	18,724
		O	0	2	264	1,275	2,673	4,214	18,355
050-11	Slow the Schedule of the F-35 Joint Strike Fighter Program	BA	0	134	1,759	2,328	2,552	6,773	18,420
		O	0	29	388	1,080	1,531	3,028	17,006
050-12	Substitute Unmanned Combat Air Vehicles for Manned Aircraft	BA	0	0	0	0	14	14	3,587
		O	0	0	0	0	4	4	2,481
050-13	Accelerate Replacement of the C-5's Engines	BA	-556	3,376	3,176	1,211	-1,070	6,137	5,709
		O	-188	635	2,332	2,446	1,106	6,332	4,802
050-14	Reduce Nuclear Delivery Platforms to Achieve the Moscow Treaty's Limits on Operational Nuclear Warheads	BA	100	360	820	830	470	2,580	5,500
		O	50	270	640	850	630	2,440	5,070
050-15	Reduce the Trident Submarine Force to 12 and Buy 48 Fewer D5 Missiles	BA	110	170	330	220	200	1,030	2,840
		O	60	160	270	270	180	940	2,440
050-17	Target Pay to Meet Military Requirements	BA	751	1,651	2,735	3,091	3,296	11,525	30,230
		O	714	1,606	2,681	3,073	3,286	11,360	30,028
050-18	Reduce Military Personnel in Overseas Headquarters Positions	BA	115	237	371	384	397	1,503	3,711
		O	114	236	371	383	396	1,501	3,705
050-19	Replace Military Personnel in Some Support Positions with Civilian Employees of the Department of Defense	BA	201	417	649	894	924	3,086	8,194
		O	191	406	637	882	922	3,040	8,140
050-20	Increase the Use of Warrant Officers to Attract and Retain Personnel	BA	214	189	159	124	81	767	1,318
		O	203	190	161	125	83	763	1,312
050-21	Reduce Recruiting Budgets	BA	135	275	462	536	609	2,017	6,259
		O	128	247	421	518	598	1,910	6,092
050-22	Have the Departments of Defense and Veterans Affairs Purchase Drugs Jointly	BA	44	114	144	157	173	632	1,773
		O	38	104	138	154	170	604	1,723
050-23	Introduce a "Cafeteria Plan" for the Health Benefits of Family Members of Active-Duty Military Personnel	BA	18	76	188	207	216	705	1,931
		O	14	64	164	199	212	653	1,861
050-24	Create Incentives for Military Families to Save Energy	BA	4	21	42	52	53	173	460
		O	3	16	35	48	52	154	437
050-25	Consolidate and Encourage Efficiencies in Military Exchanges	BA	73	129	186	191	195	774	1,828
		O	53	109	166	184	192	704	1,745
050-26	Consolidate the Department of Defense's Retail Activities and Provide a Grocery Allowance to Service Members	BA	326	410	497	537	579	2,350	5,471
		O	231	342	435	494	542	2,044	5,081
050-27	Eliminate the Department of Defense's Elementary and Secondary Schools	BA	-20	-3	26	49	67	118	754
		O	-16	-6	19	43	63	103	718
050-28	Price Military Housing According to Market Rates	BA	0	1,785	1,459	1,156	1,032	5,432	9,427
		O	0	53	461	823	849	2,186	5,541
050-29	Change Depots' Pricing Structure for Repairs	BA	42	88	135	138	142	546	1,312
		O	31	73	118	133	139	495	1,252
150-01	Eliminate the Export-Import Bank, the Overseas Private Investment Corporation, and the Trade and Development Agency	BA	586	609	644	684	713	3,236	7,057
		O	72	261	437	541	605	1,916	5,307
150-02	End the United States' Capital Subscriptions to the European Bank for Reconstruction and Development	BA	0	0	38	39	40	117	329
		O	0	0	20	25	30	75	277
270-01	Eliminate the Department of Energy's Applied Research for Fossil Fuels	BA	505	644	659	674	690	3,172	6,875
		O	151	370	549	619	665	2,354	5,954

*Budget Authority/Outlays.

Appendix 3b

B 1733

Appendix 3 (continued)

Option Number	Discretionary Programs	BA/O*	Savings (\$millions)						2004-2008	2004-2013
			2004	2005	2006	2007	2008			
270-02	Eliminate the Department of Energy's Applied Research for Energy Conservation	BA	521	665	680	695	711	3,272	7,082	
		O	235	482	617	676	698	2,708	6,449	
270-03	Eliminate the Department of Energy's Applied Research for Solar and Renewable Energy Sources	BA	315	401	411	420	430	1,977	4,282	
		O	142	291	373	409	422	1,637	3,899	
270-04	Eliminate Grant Programs that Support Energy Conservation	BA	224	286	292	299	306	1,407	3,044	
		O	101	207	265	291	300	1,164	2,772	
270-07	Eliminate Federal Funding for the FreedomCAR Partnership	BA	122	156	159	162	166	765	1,648	
		O	55	113	145	158	163	634	1,503	
300-01	Increase Net Receipts from National Timber Sales	BA	78	80	83	86	89	416	909	
		O	76	80	82	85	88	411	899	
300-02	Eliminate Federal Grants for Water Infrastructure	BA	1,082	1,654	2,816	2,874	2,938	11,364	27,055	
		O	54	245	712	1,387	2,081	4,480	18,477	
300-06	Impose Fees on Users of the Inland Waterway System	BA	88	175	360	371	381	1,376	3,456	
		O	88	175	360	371	381	1,376	3,456	
300-09	Terminate Economic Assistance Payments under the South Pacific Fisheries Treaty	BA	14	15	15	15	15	74	157	
		O	14	15	15	15	15	74	157	
300-10	Eliminate Federal Funding of Beach Replenishment Projects	BA	96	98	100	103	105	502	1,090	
		O	34	98	100	102	104	438	1,030	
300-11	Eliminate the Environmental Protection Agency's Energy-Efficiency Partnership	BA	59	60	61	63	65	308	655	
		O	59	60	61	62	64	306	655	
370-01	End the Credit Subsidy for the Small Business Administration's Major Business Loan Guarantee programs	BA	73	75	76	78	80	382	807	
		O	38	70	72	74	76	330	735	
370-02	Eliminate the International Trade Administration's Trade Promotion Activities or Charge the Beneficiaries	BA	217	279	288	297	306	1,387	3,076	
		O	163	244	278	294	303	1,282	2,953	
370-03	Eliminate the Advanced Technology Program	BA	150	192	196	201	206	945	2,052	
		O	24	83	151	183	197	638	1,705	
370-04	Eliminate the Manufacturing Extension Partnership and the National Quality Program	BA	91	116	119	123	126	575	1,250	
		O	17	66	98	115	122	418	1,073	
400-01	Reduce Federal Subsidies for Amtrak	BA	278	287	296	306	317	1,484	3,241	
		O	278	287	296	306	317	1,484	3,241	
400-09	Increase Fees for Transportation Security	BA	2,611	2,709	2,815	2,930	3,048	14,113	31,372	
		O	2,611	2,709	2,815	2,930	3,048	14,113	31,372	
500-01	Reduce Funding to School Districts for Impact Aid	BA	127	129	132	135	138	661	1,397	
		O	119	125	130	134	137	646	1,379	
500-02	Repeal the Safe and Drug-Free Schools and Communities Act	BA	480	489	500	510	522	2,501	5,287	
		O	246	429	491	509	520	2,195	4,701	
500-08	End New Federal Funding for Perkins Loans	BA	102	104	106	108	111	530	1,120	
		O	10	99	104	106	108	427	1,006	
500-09	Eliminate Administrative Fees Paid to Schools in the Campus-Based Student Aid and Pell Grant Programs	BA	191	195	199	203	208	996	2,104	
		O	22	186	195	199	204	806	1,893	
500-10	Eliminate the Leveraging Educational Assistance Partnership Program	BA	68	69	71	72	74	355	750	
		O	14	68	70	71	73	296	684	
500-11	Eliminate the Senior Community Service Employment Program	BA	450	459	468	478	489	2,344	4,954	
		O	76	433	460	470	480	1,919	4,481	
550-09	Reduce Subsidies for Health Professions Education	BA	195	200	200	205	210	1,010	2,140	
		O	70	150	185	200	205	810	1,910	
600-01	Increase Payments by Tenants in Federally Assisted Housing	BA	394	810	1,250	1,714	2,203	6,371	18,382	
		O	173	627	1,056	1,509	1,988	5,354	17,217	
600-02	Reduce Rent Subsidies for Certain One-Person Households	BA	54	108	160	212	263	797	2,860	
		O	24	79	133	186	238	659	2,616	
600-10	Restructure the Government's Matching Contributions to the Thrift Savings Plan	BA	375	400	430	460	495	2,160	5,250	
		O	375	400	430	460	495	2,160	5,250	
800-01	Eliminate General Fiscal Assistance to the District of Columbia	BA	61	62	64	65	66	318	672	
		O	61	62	64	65	66	318	672	
800-03	Eliminate Federal Antidrug Advertising	BA	183	187	191	195	199	955	2,016	
		O	55	148	187	191	195	776	1,817	
920-02	Raise the Threshold for Coverage under the Davis-Bacon Act	BA	130	135	140	140	145	690	1,465	
		O	50	125	170	195	210	750	1,900	
920-04	Eliminate Cargo Preference	BA	288	370	456	464	473	2,051	4,548	
		O	243	347	434	458	469	1,950	4,431	
Total Discretionary Savings		BA	15,903	28,462	38,237	42,450	41,628	166,685	367,116	
		O	9,150	17,979	26,893	33,617	36,373	124,006	326,776	

Appendix 3c		Appendix 3 (continued)		Savings (\$millions)					
Option Number	Mandatory Programs	BA/O*	2004	2005	2006	2007	2008	2004-2008	2004-2013
270-05	Restructure the Power Marketing Administrations to Charge Higher Rates	○	0	160	160	160	160	640	1,140
270-06	Sell the Southeastern Power Administration and Related Power Generation Equipment	○	0	0	1,900	-112	-115	1,673	1,060
270-08	Reduce the Size of the Strategic Petroleum Reserve	○	367	376	386	395	405	1,929	1,929
270-09	Require the Tennessee Valley Authority to Impose a Transmission Surcharge on Future Electricity Sales	○	0	270	270	270	270	1,080	2,430
300-03	Reauthorize Holding and Location Fees and Charge Royalties for Hardrock Mining on Federal Lands	○	25	25	25	25	25	125	250
300-07	Open the Coastal Plain of the Arctic National Wildlife Refuge to Leasing	○	0	0	1,700	0	400	2,100	2,150
350-01	Eliminate the Foreign Market Development Program	○	24	31	35	35	35	160	335
350-02	Eliminate the Market Access Program	○	6	101	140	188	200	635	1,635
350-03	Reduce the Reimbursement Rate Paid to Private Insurance Companies in the Department of Agriculture's Crop Insurance Program	○	48	52	54	55	56	265	565
350-04	Impose New Limits on Farm Program Payments to Producers of Certain Agricultural Commodities	○	156	180	187	180	180	883	1,654
370-05	Charge All Banks and Thrifts Deposit Insurance Premiums	○	1,400	1,600	900	500	400	4,800	6,600
400-02	Eliminate the Essential Air Service Program	○	81	113	115	118	119	547	1,168
500-03	Eliminate Interest Subsidies on Loans to Graduate Students	○	625	950	985	1,010	1,030	4,600	10,005
500-04	Raise Interest Rates on Federal Student Loans	○	240	360	515	735	815	2,665	7,090
500-05	Increase Up-Front Fees on Unsubsidized Loans to Dependent Students and Their parents	○	75	85	50	20	20	250	350
500-06	Restrict Eligibility for Subsidized Student Loans by Including Home Equity in the Determination of Financial Need	○	60	90	95	95	95	435	910
500-07	Eliminate the Floor on Lenders' Yields from Federally Guaranteed Student Loans	○	340	545	880	1,280	1,425	4,470	12,135
550-01	Reduce the Enhanced Federal Matching Rates for Certain Administrative Functions in Medicaid	○	970	1,180	1,520	1,620	1,740	7,030	18,000
550-02	Restrict the Allocation of Common Administrative Costs to Medicaid	○	280	320	390	390	390	1,770	3,720
550-03	Reduce Spending for Medicaid Administration	○	2,150	2,560	2,980	3,410	3,880	14,980	43,580
550-04	Convert Medicaid Payments for Acute Care Services into a Block Grant	○	3,170	6,380	11,940	17,860	24,680	64,030	318,070
550-05	Convert Medicaid Disproportionate Share Hospital Payments into a Block Grant	○	680	760	850	930	1,000	4,220	10,480
550-06	Require All States to Comply with New Rules About Medicaid's Upper payment Limit 2004	○	2,770	1,940	1,170	890	560	7,330	7,330
550-07	Reform the Process for Listing Drug Patents in the FDA's Orange Book	○	10	30	80	180	300	590	4,410
550-08	Eliminate the 30-Month Stay for Late-Listed Patents	○	2	7	18	31	46	104	719
550-10	Finance the Food Safety Inspection Service Through User Fees	○	350	720	750	780	800	3,400	7,900
550-12	Base Retirees' Health Benefits on Length of Federal Service	○	80	170	270	380	510	1,410	6,390
570-01	Reduce Medicare's Payments for the Indirect Costs of Patient Care That Are Related to Hospitals' Teaching Programs	○	2,600	3,000	3,200	3,500	3,700	16,000	38,500
570-02	Reduce Medicare's Direct Payments for Medical Education	○	800	1,000	1,000	1,000	1,000	4,800	10,500
570-03	Eliminate Additional Capital-Related Payments for Hospitals with Residency Programs	○	200	200	200	200	200	1,000	2,500
570-04	Convert Medicare Payments for Graduate Medical Education into a Block Grant and Slow Their Growth	○	400	700	900	1,200	1,600	4,800	18,400
570-05	Convert Medicare Disproportionate Share Hospital Payments into a Block Grant	○	730	1,120	1,460	1,810	2,190	7,320	25,030
570-06	Expand Global Payments for Hospitals' and Physicians' Services Provided During an Inpatient Stay	○	100	100	100	100	100	500	1,500
570-07	Further Reduce the Medicare Prospective Payment System Update Factor for Hospitals' Inpatient Operating Costs	○	900	2,000	3,200	4,500	6,000	16,600	75,700
570-08	Further Reduce Medicare's Payments for Hospitals' Inpatient Capital-Related Costs	○	500	600	600	700	700	3,100	6,900
570-09	Increase the Number of Post Acute Care Discharges Treated as Hospital Transfers Under Medicare	○	300	400	400	400	500	2,000	4,800
570-10	Reduce Medicare Payments for Currently Covered Prescription Drugs	○	450	700	710	790	920	3,580	10,890
570-11	Require Competitive Bidding for High-Volume Items of Durable Medical Equipment	○	0	20	60	110	160	360	1,480
570-12	Increase Medicare's Premium for Supplementary Medical Insurance to 30 Percent of Benefit Costs	○	3,520	5,380	6,050	6,610	7,130	28,680	75,370
570-13	Tie Medicare's Premium for Supplementary Medical Insurance to Enrollees' Income	○	1,310	2,030	2,460	2,920	3,360	12,080	39,800
570-14	Index Medicare's Deductible for Supplementary Medical Insurance Services	○	100	200	300	400	600	1,600	8,300
570-15	Simplify and Limit Medicare's Cost-Sharing Requirements	○	970	1,480	2,290	2,730	3,130	10,610	36,580
570-16	Restrict Medigap Coverage of Medicare's Cost Sharing	○	1,860	2,830	3,030	3,220	3,440	14,390	36,510
570-17	Combine Medicare Cost-Sharing Changes with Medigap Restrictions	○	2,980	4,530	5,540	6,190	6,820	26,070	75,530
570-18	Collect Deductible and Coinsurance Amounts for Clinical Laboratory Services Under Medicare	○	670	1,040	1,120	1,200	1,290	5,330	13,440
570-19	Reduce Medicare Payments for Home Health Care	○	280	790	1,400	2,160	2,560	7,200	25,420
570-20	Impose a Co-payment Requirement on Home Health Episodes Covered by Medicare	○	1,000	1,600	1,800	2,000	2,300	8,700	24,900

Appendix 3 (continued)

Option Number	Mandatory Programs	BA/O*	Savings (\$millions)						
			2004	2005	2006	2007	2008	2004-2008	2004-2013
600-03	Eliminate Small Food Stamp Benefits	O	90	90	90	90	95	455	950
600-04	Target the Subsidy for Certain Meals in Child Nutrition Programs	O	85	555	655	670	680	2,650	6,125
600-05	Reduce the \$20 Exclusion for Unearned Income Under the Supplemental Security Income Program	O	90	135	125	115	130	595	1,260
600-06	Create a Sliding Scale for Children's SSI Benefits Based on the Number of Recipients in a Family	O	0	70	135	130	150	485	1,345
600-07	Reduce the Federal Matching Rate for Administrative and Training Costs in the Foster Care and Adoption Assistance Programs	O	125	155	160	160	165	765	1,615
600-08	Limit Some Cost-of-Living Adjustments for Federal Retirees	O	200	490	790	1,120	1,470	4,070	17,550
600-09	Modify the Formula Used to Set Federal Pensions	O	70	130	185	235	295	915	3,485
700-01	Narrow the Eligibility for Veterans' Disability Compensation to Include Only Veterans with High-Rated Disabilities	O	73	140	209	250	281	953	3,395
700-02	Narrow the Eligibility for Veterans' Disability Compensation to Veterans Whose Disabilities Are Related to Their Military Duties	O	18	62	97	118	154	449	1,645
700-03	Increase Beneficiaries' Cost Sharing for Care at Nursing Facilities Operated by the Department of Veterans Affairs	O	214	221	229	236	241	1,141	2,476
700-04	Establish a Realignment and Closure Commission for Department of Veterans Affairs Facilities	O	0	-15	-35	-54	-53	-157	1,642
700-05	Reduce Veterans' Disability Compensation to Account for Social Security Disability Insurance Payments	O	1,175	1,221	1,255	1,292	1,331	6,273	13,645
800-02	Require the Internal Revenue Service to Deposit Fees from Installment Agreements in the Treasury as Miscellaneous Receipts	O	83	84	85	86	87	425	875
920-01	Charge Federal Employees Commercial Rates for Parking	O	140	140	140	150	150	720	1,540
920-03	Impose a Fee on the Investment Portfolios of Government Sponsored Enterprises	O	1,480	1,554	1,631	1,713	1,798	8,175	18,610
	Total Mandatory Savings	O	37,422	53,757	69,936	79,476	94,100	334,755	1,080,213
	Mixed/Other Programs								
400-03	Eliminate Grants to Large and Medium-Sized Hub Airports	BA	1,360	1,360	1,360	1,360	1,360	6,800	13,600
		O	251	811	1,116	1,271	1,364	4,813	12,375
400-07	Eliminate Funding for "High Priority" Highway Projects	BA	1,778	1,778	1,778	1,778	1,778	8,890	17,780
		O	190	653	1,076	1,338	1,477	4,736	13,044
400-08	Eliminate Funding for the "New Starts" Transit Program	BA	1,593	1,624	1,659	1,693	1,731	8,300	17,540
		O	239	721	1,054	1,315	1,534	4,863	13,628
550-11	Adopt a Voucher Plan for the Federal Employees Health Benefits Program	O	700	1,700	2,500	3,300	4,300	12,500	49,500
300-04	Set Grazing Fees for Federal Lands on the Basis of State Formulas	O	5	10	20	22	23	86	159
300-05	Recover Costs Associated with the Issuance of Permits by the Army Corps of Engineers	O	10	20	21	21	22	94	217
300-08	Impose a New Harbor Maintenance Fee	O	150	229	208	191	172	950	1,569
400-04	Increase Fees for Certificates and Registrations Issued by the Federal Aviation Administration	O	5	5	5	5	5	25	50
400-05	Establish Fees Based on Costs for Air Traffic Control Services	O	2,000	2,000	2,000	2,000	2,000	10,000	20,000
400-06	Impose a User Fee to Cover the Costs of the Federal Railroad Administration's Rail Safety Activities	O	0	45	92	93	95	325	827
	Total Mixed/Other Savings	BA	4,731	4,762	4,797	4,831	4,869	23,990	48,920
		O	3,550	6,194	8,092	9,556	10,992	38,392	111,369

Note: Some options overlap, which mean total savings from implementing all options would be less than the listed totals. For an explanation of the options, see CBO's "Budget Options," at www.cbo.gov/showdoc.cfm?index=4066&sequence=0.