CITIZENS AGAINST GOVERNMENT WASTE

THE WASTE TAX, 1993

How To Save Taxpayers More Than A Trillion Dollars By Cutting Spending in Washington

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America is more than $4.2 trillion in debt. The federal budget deficit is almost $320 billion. And each day, while Washington dawdles and dickers over the nuances of deficit reduction, the nation slips nearly a billion dollars closer to bankruptcy.

Taxes already consume nearly 40% of our pay, but insatiable Washington wants more. Citizens are lured into the acceptance of higher taxes with promises of deficit reduction -- a "bargain" Washington has broken before. Each time taxes have risen, spending has grown even more. And what kind of return do taxpayers get on their investment? Waste, inefficiency and mismangement remain pervasive in the federal government, claiming nearly thirty-four cents of every individual income tax dollar.

For a nation facing such realities, symbolism and shell-game accounting won't cut it anymore. With America's economic future at stake, the time for posturing and paper cuts has passed. The people are demanding dramatic, tangible action to restore America's fiscal well-being.

As in 1992, Citizens Against Government Waste (CAGW) has compiled the most comprehensive catalogue of private and public-sector reform recommendations available anywhere, which we call "The Waste Tax." CAGW estimates that this year the federal government will squander $170.4 billion on pork, bureaucratic bloat, and programs that are poorly managed, have failed or outlived their usefulness, duplicate other programs, encroach on state and local responsibilities, enrich special interests at the expense of families, or are simply extravagant.

This $170.4 billion equals 34% of the estimated $501 billion that individuals and families will pay to the federal government in income taxes this year. For a median-income, two-earner family of four, waste consumes $2,108 out of a $6,201 federal income tax bill.

That $2,108, the Waste Tax for a typical family, could supply: six months' worth of groceries; or two house payments; or the down payment on a new car; or most of a year's medical insurance premiums.

Interest payments on the public debt, estimated at $294.7 billion for Fiscal Year (FY) 1993, consume another 58.8% or $3,647 of this family's federal income taxes. Waste and debt interest combined absorb $5,755 of this family's income taxes, leaving only $446 for government services.

To determine the Waste Tax, CAGW examined waste-cutting recommendations from government sources such as the Congressional Budget Office and the Office of Management and Budget as well as private-sector sources such as the Grace Commission and the Heritage Foundation, and totalled the non-duplicative savings.

Until the 514 recommendations outlined in this document are implemented, taxpayers should not be asked to fork over another cent. These waste cuts can reduce the deficit and save taxpayers almost $1.2 trillion over five years.

Citizens Against Government Waste is a nonprofit, nonpartisan organization with 535,000 members nationwide. Nothing written here is to be construed as necessarily reflecting the views of CAGW or as an attempt to aid or hinder the passage of any bill before Congress.

THE WASTE TAX, 1993

Savings By Source

		One-Year Savings	Five-Year Savings
		(Millions of Dollars)	
	PUBLIC SOURCES:		
1)	Congressional Budget Office	38,295	403,165
2)	President Clinton, Vision of Change	3,263	44,860
3)	Office of Management and Budget, FY 1993	3,616	16,584
4)	Current Congressional Proposals	30,403	194,001
5)	Office of Inspector General: Department of Health and Human Services	15,277	75,971
	PRIVATE SOURCES:		
6)	Unimplemented Grace Commission recommendations	21,642	79,277
7)	Citizens Against Government Waste	27,800	168,200
8)	Cato Institute	900	4,000
9)	Heritage Foundation	16,401	146,674
10)	Martin Gross, Government Racket	12,626	55,128
11)	Donald Lambro, Fat City	162	808
	TOTAL	**170,385**	**1,188,668**

NOTE:

Shaded recommendations in the following tables are either identical or substantially similar to proposals in President Bill Clinton's "A Vision For Change."

THE WASTE TAX, 1993

How To Save Taxpayers More Than A Trillion Dollars By Cutting Spending in Washington

ISSUE #	RECOMMENDATION	One-Year Savings (Millions of Dollars)	Five-Year Savings
	CONGRESSIONAL BUDGET OFFICE *Reducing the Deficit: Spending and Revenue Options, February 1993*		
DEF 30	Eliminate payments for independent research and development, an indirect and inefficient way to generate defense-related research; substitute $7.5 billion in direct R&D grants for basic DOD research.	1,590	14,740
DEF 31	Cancel the National Aerospace plane, which has encountered cost overruns and technical difficulties and which a 1990 NASA advisory committee argued did not merit "high schedule urgency."	80	650
DEF 35	Use early retirement to reduce the number of military personnel.	550	2,850
DEF 36	Cut Reserve strength to 920,000 by 1997.	200	5,530
DEF 38	Restructure Reserve compensation by: 1) redefining and reducing drill pay; 2) eliminating dual compensation for Reservists employed by the federal government; and 3) eliminating Reserve retirement for those entering after FY 1993.	270	1,090
DEF 39	Reduce drills for noncombat Reserve units.	90	450
DEF 40	Deny unemployment compensation to military service members who voluntarily leave.	320	1,400
DEF 41	Reduce per-capita use of hospital services by dependents of active-duty personnel to rates more characteristic of the civilian sector.	310	2,070
DEF 42	Increase charges for direct military health-care services to curb excessive use.	200	1,230
DEF 43	Charge retired military personnel premiums for taxpayer-supported health insurance.	480	2,480
DEF 45	Revamp military family housing by expanding use of cash allowances and charging rent for DOD housing.	160	2,380
DEF 46	Reduce operating tempo and unit training costs.	290	1,790
DEF 47	Reduce and reshape DOD's civilian workforce to the level of the 1980s as part of an aggressive effort to implement management reforms.	270	11,420

ISSUE #	RECOMMENDATION	One-Year Savings (Millions of Dollars)	Five-Year Savings (Millions of Dollars)
DEF 48	Downsize the recruiting establishment: consolidate active and Reserve commands; increase sharing of recruitment support (vehicles, etc.); reduce the number of supervisory and overhead offices; and improve allocation of resources.	90	1,250
DEF 51	Assign additional base-support duties to military personnel in peacetime.	260	1,760
DEF 52	Adopt short, unaccompanied tours for Europe.	230	1,810
DEF 53	Increase support of U.S. forces by host nations, such as Italy, Germany, the United Kingdom and South Korea.	0	8,710
DEF 54	Increase the states' share of spending for the Army National Guard to 10% of operating costs.	440	2,450
DEF 56	Reduce State Department funding, eliminate redundant foreign affairs activities, and improve the department's overall efficiency.	150	1,550
DEF 57	Reduce AID development assistance by targeting aid to lower-income countries with economic policies designed to encourage growth through free markets and trade.	40	1,820
DEF 58	Eliminate PL 480 Title I sales and Title III grants, an inefficient means of delivering development assistance, and focus PL 480 on strictly humanitarian relief and assistance.	500	3,000
DEF 59	Reduce Export-Import Bank credit assistance to foreign buyers of U.S. goods: it neither creates American jobs nor enhances the competitiveness of industries fighting foreign-subsidized companies.	30	900
DOM 01	Cancel the Earth Observing System that promises limited benefits at high costs.	140	1,250
DOM 02	Cancel the Space Station, which no longer furthers the goals of U.S. space policy, serves no significant national security purpose, and is scientifically unnecessary.	1,400	10,400
DOM 03	Cancel NASA's Advanced Solid Rocket Motor, a costly substitute for Space Shuttle boosters.	170	1,650
DOM 04	Cancel the Super Conducting Supercollider, which consumes a disproportionate share of U.S. science dollars, continues to face cost-overruns and management problems, and survives largely because Members of Congress see "pork" written all over it.	200	2,300
DOM 05	Reduce Department of Energy funding for energy technology development efforts, which have produced mixed results; concentrate DOE resources on basic and applied research.	100	2,550
DOM 06	Eliminate funding for the Clean Coal Technology program, which has spent nearly $2 billion to fund research that private businesses already have an economic incentive to undertake.	5	300
DOM 07	Halt acquisitions for the Strategic Petroleum Reserves (SPR), which would still leave SPR with more than 580 million barrels by the end of 1998 -- enough for energy emergencies.	230	1,050
DOM 08	Eliminate below-cost timber sales from national forests, a subsidy for destructive logging on public lands.	15	230

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
		(Millions of Dollars)	
DOM 10	Eliminate Environmental Protection Agency wastewater construction grants, which have outlived their usefulness, actually delayed clean-ups by states and localities, and become a 20-year pork-barrel program.	110	6,250
DOM 11	De-emphasize permanence in Superfund cleanups; emphasize alternative approaches, such as land-use controls and containment methods; reduce remediation costs by 40% without sacrificing health or environmental protection.	95	1,250
DOM 12	Make the "polluter pay:" substitute private financing for government financing of the Superfund program to the maximum extent possible.	95	1,100
DOM 14	Reduce USDA spending on the Foreign Agriculture Service and the Organization for International Cooperation and Development, which spend tax dollars to subsidize private brand-name advertising without significantly aiding U.S. exports.	10	65
DOM 15	Streamline the Agricultural Stabilization and Conservation Service and Soil Conservation Service by integrating field offices to improve use of administrative resources, facilities, personnel, equipment, and services.	20	500
DOM 17	End Small Business Administration direct loans and loan guarantees, which have the highest default rates of any government lending program, mainly benefit lawyers and other highly-paid professionals, and go to only .2% of all small businesses.	390	2,900
DOM 19	Scale back the Rural Rental Housing Assistance Program, a huge subsidy to developers costing twice as much as direct subsidies for existing housing.	40	1,400
DOM 22	Eliminate International Trade Administration trade promotion activities, an inefficient means of helping some American industries to the detriment of others.	120	820
DOM 23	Reduce federal capital grants for mass transit systems with low ridership; eliminate operating subsidies, which encourage inefficiency and waste.	530	6,250
DOM 24	Eliminate the Airport Grants-In-Aid Program, which is now little more than a big pork barrel.	330	6,650
DOM 25	Close the Interstate Commerce Commission, obsolete since the deregulation of the rail and trucking industries, and transfer its remaining functions to other agencies.	25	145
DOM 26	Eliminate funding for highway demonstration projects, which are unauthorized, non-competitively awarded pork-barrel items.	180	4,300
DOM 27	Eliminate Rural Development Administration grants, loans, and loan guarantees, which are not well-targeted toward low-income or distressed communities and of little national benefit.	20	1,380
DOM 28	End funding for the Economic Development Administration, which no longer targets economically distressed areas but responds to political muscle in Congress.	50	870
DOM 29	Transfer to the states the functions of the Appalachian Regional Commission, which duplicates 14 other federal rural aid programs.	10	530

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
		(Millions of Dollars)	
DOM 32	Eliminate the Consumer and Homemaking Education Programs, which train youths and adults to be homemakers; states and localities should fund these programs.	5	140
DOM 33	Eliminate education programs that have largely achieved their purposes, e.g., Public Library Construction, Follow Through, Law-Related Education, Law School Clinical Experience.	5	170
DOM 35	Eliminate Impact Aid, which is based on the false premise that military bases and other federal facilities produce a net "cost" to local communities.	620	3,850
DOM 36	Eliminate untargeted funding for mathematics and science education.	35	1,150
DOM 38	Eliminate federal funding for campus-based student aid, which subsidizes university administrative costs rather than prepares students for post-graduate employment; redirect half the savings to Pell Grants.	0	2,900
DOM 41	Consolidate social service programs, e.g. Social Services Block Grant, Community Services Block Grant, Child Care Development Block Grant, Title IV-A "At Risk" Child Care, and reduce funding 5%.	0	1,080
DOM 43	Reduce National Institutes of Health research funding by 10%, cutting overhead in particular.	460	4,900
DOM 46	Freeze the number of rental assistance commitments.	40	5,700
DOM 47	Replace new public housing construction with vouchers, which deliver assistance more quickly, are less costly, and give low-income households more choice in where to live.	0	610
DOM 49	Eliminate "special purpose" (non-authorized, non-competitively awarded) HUD grants, which violate the open and fair distribution provisions of the 1989 HUD Reform Act.	25	990
DOM 50	Modify the fee structure for local and state agencies that administer federal housing programs to reflect the actual costs of administration.	190	1,000
DOM 51	Use IRS income data to identify unreported income of households receiving rent subsidies.	-5	1,650
DOM 52	Scale back by 50% Low-Income Home Energy Assistance Program subsidies; falling energy prices since the 1970s have made this program less urgently needed if not obsolete.	780	5,150
DOM 53	Close or convert inefficient or underused Veterans Administration (VA) facilities.	65	1,100
DOM 54	Promote more efficient management and delivery of health care for veterans by adopting a prospective payment system similar to Medicare's.	0	2,250
DOM 55	Prohibit major VA health-care facility construction when care can be purchased from existing facilities.	0	95
DOM 61	Change vacation leave and overtime practices for certain managers and supervisors.	90	540
ENT 01	Raise Department of Energy rates for federal hydroelectric power to speed debt repayment by regional Power Marketing Administrations.	0	970

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
		(Millions of Dollars)	
ENT 03	Change revenue-sharing formula from a gross- to net-receipt basis for commercial activities on federal lands.	130	870
ENT 04	Index nuclear waste disposal fees for inflation to prevent shortfalls in Nuclear Waste Fund.	15	250
ENT 06	Lower target prices for subsidized crops by 3% annually; in addition to reducing the deficit, this would encourage farmers to respond to market prices, rather than to government benefits, in making their production decisions.	400	11,200
ENT 07	Eliminate the 0/92 and 50/92 programs, which pay farmers to leave land idle, to reduce surpluses caused by federal commodity subsidies.	130	1,450
ENT 08	Raise from 15% to 25% each farmer's base acreage ineligible for deficiency payments.	370	3,900
ENT 09	Limit farm price support payments to $40,000 per person.	120	1,250
ENT 10	Reduce USDA export credit loan guarantees and eliminate loans to risky borrowers.	-520	1,600
ENT 11	Eliminate the Export Enhancement subsidy program, which has not clearly improved U.S. grain sales and has depressed world commodity prices.	640	3,150
ENT 12	Eliminate the Market Promotion Program that subsidizes foreign advertising for U.S. agribusinesses.	100	900
ENT 13	Reduce dairy price support costs by requiring producer contributions.	130	1,200
ENT 14	Replace the Federal Crop Insurance Program with standing authority for disaster assistance.	230	2,400
ENT 15	Reform milk marketing orders to reduce milk price support outlays.	130	1,050
ENT 16	Require cash repayment of USDA commodity loans and allow program administrators to set local repayment rates closer to prevailing market prices so the federal government no longer covers additional, unnecessary costs.	0	320
ENT 17	Eliminate the obsolete wool, mohair, and honey price support programs.	30	820
ENT 18	Auction licenses to use the radio spectrum.	1,700	3,500
ENT 19	Impose a royalty on radio spectrum users who earn revenues from generating or relaying a signal.	1,850	10,300
ENT 21	Charge for Federal Deposit Insurance Corporation examinations of state-chartered banks.	200	1,380
ENT 25	Recover through user fees full Army Corps of Engineers' costs to operate and maintain inland waterway systems.	280	2,150
ENT 26	Reduce interest subsidies for Stafford Loans.	1,520	11,050
ENT 28	Require post-secondary institutions to apply a sliding annual fee relative to Stafford Loan defaults.	85	580
ENT 32	Tighten Medicaid's estate recovery processes and rules for long-term care.	100	1,750
ENT 33	Reduce the 50% floor on the federal share of Medicaid and AFDC payments to 45% for high-income states.	5,750	36,200

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
		(Millions of Dollars)	
ENT 37	End Federal Employees Health Benefits program's pay-as-you-go policy and prefund federal retirees' health insurance to improve management and provide a better view of government operating costs.	0	11,600
ENT 38	Reform Federal Employees Health Benefits Program by adopting a prospective payment system.	0	7,700
ENT 41	Reduce Medicare's direct payments for medical education.	180	980
ENT 45	Freeze Medicare's prospective payment system rates for one year.	2,050	15,250
ENT 47	Continue Medicare's transition to prospective rates for facility costs in hospital outpatient departments.	240	4,900
ENT 48	Charge a fee for Supplementary Medical Insurance claims not billed electronically.	150	550
ENT 50	Increase Medicare's deductible for physician's services from $100 to $150 and index for inflation.	710	9,280
ENT 52	Reimpose 20% coinsurance on clinical laboratory services under Medicare Part B.	770	7,850
ENT 54	Eliminate payments to hospitals for Medicare beneficiaries' bad debts; this would provide hospitals with a financial incentive to expand their collection efforts.	300	2,050
ENT 56	Raise the premium for physicians' services under Medicare to cover 50% of costs for individuals with incomes exceeding $60,000 and for couples with incomes exceeding $80,000.	390	18,500
ENT 58	Bring federal employee retirement benefits in line with private practices: defer COLAs until age 62, limit some COLAs below inflation, modify salary base used to set pensions, and restrict agency match on Thrift Plan Contribution to 50%.	1,010	14,000
ENT 59	End Trade Adjustment Assistance, which encourages firms to continue imprudent plant investment and workers to delay seeking new employment.	130	840
ENT 73	Raise the loan fee for housing loans guaranteed by the Department of Veterans Affairs to raise borrowers' costs closer to those prevailing in the private market.	320	1,400
ENT 75	Extend through 1997 provisions of the 1990 Omnibus Budget Reconciliation Act that: (1) authorize IRS to help verify incomes reported by veterans, (2) authorize VA to recover costs from third-party insurers, and (3) impose a copayment for pharmaceuticals.	30	1,210
	Total Savings from CBO, 1993:	**32,815**	**353,015**

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
		(Millions of Dollars)	
	CONGRESSIONAL BUDGET OFFICE *Reducing the Deficit, February 1992*		
DOM 02	Reduce the overhead rate on federally-sponsored university research by capping the administrative portion at 20% of modified direct costs and indirect costs at 15%.	330	3,400
DEF 21	Streamline the National Defense Stockpile.	150	750
* ENT 30	Combine funding to the states for the administrative costs of Aid to Families with Dependent Children (AFDC), Medicaid, and Food Stamps into a single indexed grant.	500	6,150
	Total Savings from CBO, 1992:	**980**	**10,300**
	CONGRESSIONAL BUDGET OFFICE *Reducing the Deficit, February 1990*		
NDD 11	Increase fees to cover the direct costs of visitor and recreational services on National Park Service land.	150	800
NDD 12	Increase the diligence requirement from $100 to $1,000 for hardrock mining claims to reflect inflationary price increases since 1872.	0	300
NDD 23	Establish the FAA as a private corporation.	2,950	21,550
NDD 26	Recover 100% of Coast Guard services provided to commercial and pleasure boats.	710	3,800
NDD 27	Limit federal highway spending to the amount brought in by motor vehicle fuel taxes.	320	8,550
NDD 30	Eliminate untargeted portion of vocational education funding.	50	1,600
NDD 46	Modify the Davis-Bacon Act by allowing unrestricted use of helpers and raising the contract threshold.	190	2,500
NDD 47	Modify the Service Contract Act by eliminating the successor provision and raising the threshold.	130	750
	Total Savings from CBO, 1990:	4,500	39,850
	TOTAL SAVINGS FROM CBO:	**38,295**	**403,165**

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
		(Millions of Dollars)	

PRESIDENT BILL CLINTON

A Vision of Change for America, February 1993

FEE 02	Charge user fees for Federal Grain Inspection Service, Agricultural Marketing Service, and Agricultural Cooperative Service to recover costs for federal services provided to specific groups.	16	59
FEE 03	Require all slaughterhouses and processing plants with overtime shifts to reimburse the government for the full cost of federal meat and poultry inspections.	104	520
FEE 04	Charge identifiable beneficiaries a fee for certifying the safety and efficacy of drugs and medical devices.	167	1,400
FEE 05	Establish a Bureau of Alcohol, Tobacco, and Firearms user fee to cover some of the cost of approving beverage labels and performing laboratory tests to ensure compliance with beverage content standards.	5	25
FEE 16	Permanently extend 50% sharing by the states of the federal costs of administering the mineral receipts program.	40	217
FEE 27	Require the U.S. Postal Service to reimburse the Office of Personnel Management for costs associated with managing postal health and retirement benefits.	0	1,000
FEE 28	Extend 50% of Patent/Trademark fee increase enacted by OBRA 1990 and allow the standard fee to increase with annual adjustments to the CPI.	0	174
FEE 30	Charge fees for federal administration of state Supplemental Security Income payments.	50	710
FEE 32	Permanently extend U.S. Customs user fees to cover costs of processing merchandise and passengers.	0	2,400
GM 10	Phase out one operating diffusion plant, lower federal costs for power purchased for federal uranium enrichment operations, and speed up the purchase of highly enriched uranium from the republics of the former Soviet Union.	137	1,149
GM 28	Require GNMA to guarantee prompt payment to all investors in Real Estate Mortgage Investment Conduits to decrease interest rates charged for FHA and VA home buyers.	146	730
GM 29	Restore FHA insurance programs for an actuarially sound financial condition.	28	336
GM 33	Require veterans who have paid off their original loans to pay a 2.5% fee and make a 10% downpayment for a second and subsequent VA mortgage guarantee.	44	196
GM 40	Restore 1:9 ratio for GI Bill benefits by reducing the federal contribution to the post-secondary education fund.	78	444

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
		(Millions of Dollars)	
GM 6	Spend previously appropriated prison construction funds before appropriating new amounts.	7	580
H 04	Eliminate the add-on payment that hospital-based home health agencies recieve in addition to payment under the Medicare cost limits.	170	1,150
H 12	Ban physician self-referrals.	0	350
H 13	Set erythropietin at non-U.S. market rates.	28	243
H 15	Pay hospitals (not physicians) for radiology, anesthesia, and pathology inpatient services.	0	576
H 16	Establish a single fee for surgery so that physicians cannot increase reimbursements simply by hiring more assistants.	50	510
H 17	Adjust fee schedules for durable medical equipment in line with market prices.	72	651
H 19	Set laboratory rates at market levels: reduce reimbursements to 76% of the median of all fees from the current 88%.	294	3,632
H 21	Simplify HHS administrative procedures by updating Medicare payments to hospitals for inpatient care on a calendar year basis.	1,100	6,760
H 23	Extend the current law practice of updating prospective payment system hospital reimbursement schedules at slightly less than the hospital market basket index,	550	5,740
H 27	Allow states to limit Medicaid coverage for prescription drugs to the generic drug price.	15	225
H 28	Eliminate mandatory Medicaid personal care.	0	4,170
REF 04	Terminate the State Justice Institute, which serves no clear federal purpose.	3	68
REF 13	Terminate funding in FY 1995 for the Community Investment Program, which has never been authorized.	0	1,507
SC 04	End the lump-sum retirement option that allows retiring federal civilian employees to withdraw benefits roughly equal to the sum of their previous contributions.	0	8,330
	TOTAL SAVINGS FROM PRESIDENT CLINTON (Some numbers updated by CBO):	**3,263**	**44,860**

OFFICE OF MANAGEMENT AND BUDGET

Budget of the United States, Fiscal Year 1993

INT	Eliminate unnecessary Interior Department programs, projects, and expenditures, including Rural Abandoned Mines Program, Bureau of Mines Mineral Institutes, and National Park Service Urban Park Grants.	433	433

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
		(Millions of Dollars)	
IRS	Apply to all taxpayers the 45-day processing rule.	310	1,819
PBGC	Increase company-sponsored contributions to the Pension Benefit Guarantee Corporation; freeze the guarantee for unfunded plans; amend bankruptcy laws to improve PBGC recoveries; and adopt measures to show budgetary costs as they accrue.	2,500	13,100
USDA	Accelerate repayments for Farm Credit System Financial Assistance Corporation bailout.	212	212
VA	Extend authority to recover costs from health insurers of veterans for non-service connected conditions.	161	1,020
	TOTAL SAVINGS FROM OMB 1993:	**3,616**	**16,584**
	LEGISLATIVE SOURCES: MEMBERS, HOUSE OF REPRESENTATIVES *103rd Congress, First Sesstion, 1993*		
HR 163	Prevent the federal government from competing with private industry by requiring agencies to purchase certain goods and services from the private sector unless in-house provision is required for security purposes.	100	600
HR 214	Garnish the wages of federal employees delinquent in paying federal debts.	300	300
HR 502	Prohibit federal expenditures on metric system highway signing.	150	150
HR 513	Limit the duration of payments of expenses for former Speakers of the House of Representatives.	1	2
HR 1026	Limit departing Members' discounted purchases of office equipment and furniture from their district offices.	1	1
* HR 1079-80	Prohibit direct federal financial assistance, excluding certain Medicare benefits, to illegal aliens; issue tamper-proof identification cards to legal aliens.	5,400	27,000
HR 1167	Amend the Higher Education Act of 1965 to preclude institutions from the Pell Grant program if ineligible for participation in the Stafford Loan Program due to high default rates.	50	50
HR 1129	Transfer all real property, facilities and equipment of the Tennessee Valley Authority to private-sector and state and local entities.	2,400	12,000

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
		(Millions of Dollars)	
HR 1392	Spending Priority Reform Act: Eliminate 747 pork-barrel items in FY 1993 appropriation bills. *(Savings reduced by $180 million to avoid duplication with CBO recommendation DOM 26.)*	1,783	1,783
	Total Savings From Members, House Of Representatives:	**10,185**	**41,886**
	SENATOR HANK BROWN (R-CO) *Deficit Reduction Plan, March 1993*		
GOV 01	End National Institute of Standards and Technology grants for individuals with annual net taxable income above $120,000 and corporations with annual net taxable income above $5 million.	39	199
GOV 02	Cut 25% of the White House budget.	43	250
GOV 03	Cut 25% of Legislative Branch budget.	600	3,610
SUB 01	End federal farm subsidies for individuals with annual net taxable income of more than $120,000 and corporations with annual net taxable income of more than $5 million.	225	1,040
SUB 02	Eliminate tax subsidies for political parties.	2	123
* SUB 03	Allow advertising on public broadcasting, with 50% of the revenue to be devoted to enhancing programming and 50% to reduction of federal broadcasting funding.	50	250
	Total Savings From Senator Hank Brown's Deficit Reduction Plan:	**959**	**5,472**
	REPUBLICAN MEMBERS, HOUSE BUDGET COMMITTEE *Cutting Spending First, March 1993*		
GM-1-1	Reduce federal overhead spending and restrain growth to 1.5% below inflation.	7,100	48,700
GM-1-2	Reduce through attrition the federal civilian workforce by 162,000 positions over 5 years (approximately the number of people who leave the workforce annually).	1,600	19,300
GM-1-3	Freeze federal civilian pay in 1994; restrain the Economic Cost Index to 1.5% in 1995-97, and 0.5% in 1998.	2,900	29,000
GM-2-4	Replace dollar bills with dollar coins.	0	722
GM-3-5	Enact a regulatory budget showing the costs of federal regulation on the private sector; require costs of new regulation to be offset by regulatory savings, or institute process by which regulatory authority would be appropriated and then capped.	0	0
GM-3-6	Prohibit federal imposition of unfunded new mandates on state and local governments.	0	0

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
		(Millions of Dollars)	
GM-5-1	Extend nuclear regulatory fees to defray some of the cost of licensing nuclear facilities.	0	840
GM-8-2	Eliminate the U.S. Travel and Tourism Administration, which duplicates the work of airlines, tourist agencies, and states in promoting tourism to the U.S.	120	830
H-1-4	Repeal recently-passed federal mandates that increase state costs of administering nursing homes.	174	1,200
H-1-5	Reduce use of emergency rooms as primary care facilities by allowing states to establish managed care for Medicaid similar to Arizona's program.	0	10,000
H-2-4	Require Medicare beneficiaries with retirement adjusted gross income of $100,000 and above to pay the first $2,000 of hospitalization costs; such beneficiaries currently pay the first $697 of hospitalization.	100	1,000
H-3-8	Institute malpractice limits and hold supplementary medical insurance rates at 93% except primary care.	1,200	14,900
H-3-9	Collect a 10% copayment from those receiving home health-care services.	1,200	11,015
* HE-1-3	Phase in a 50% reduction for the arts and humanities, which tend to benefit higher-income Americans, and allow the loss in federal funds to be made up by private contributions.	60	1,130
NS-1-2	Make technical changes in the U.S. Moscow embassy.	290	487
NS-3-2	Withhold replenishment of the International Development Association, which generally makes loans to nations with wasteful economic policies, and deny any proposed increase.	148	2,327
PC-1-3	Reduce funding for Bureau of the Census after completion of 1990 census activities.	24	41
PC-2-2	Eliminate separate funding for Amtrak's Northeast Corridor Improvement Program, which should be financed through user charges and Amtrak's regular capital program.	42	850
	Total Savings From Republican Members, House Budget Committee:	**14,958**	**142,342**

CONGRESSMAN HARRIS FAWELL (R-IL)

Fiscal Year 1993 Defense Appropriations Not Requested by DOD

DEF	V-22 Osprey	1,540	1,540
DEF	Seawolf Submarine (SSN-21)	1,161	1,161
DEF	Army Helicopter Improvement Program	133	133
DEF	Converting M-2 Tanks to M-1A2 Configuration	225	225

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
		(Millions of Dollars)	
DEF	Mk-19 grenade launcher	18	18
DEF	Standoff land attack missile (SLAM)	130	130
DEF	General purpose bombs	4	4
DEF	Very Long Baseline Interferometry Antenna	10	10
DEF	Fixed Distribution System support equipment	4	4
DEF	Defense Nuclear Agency material	2	2
DEF	Mobile assault bridge	7	7
DEF	C-26 aircraft	21	21
DEF	C-130H aircraft	799	799
DEF	KC-130T	67	67
DEF	C-12F	9	9
DEF	HH-60H	45	45
DEF	Mobile Inshore Underwater Vans	15	15
DEF	P-3 Upgrades	20	20
DEF	C-23	60	60
DEF	AH-1 Modifications for C-Nite	15	15
DEF	Classified Programs	4	4
DEF	Edwards Air Force Base	3	3
DEF	C3I classified programs	3	3
DEF	Laser-based X-Ray	6	6
	Total Savings From Congressman Harris Fawell:	**4,301**	**4,301**
	TOTAL SAVINGS FROM LEGISLATIVE SOURCES:	**30,403**	**194,001**

DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) INSPECTOR GENERAL

Cost-Saver Handbook, 1993

AFC-A1	Modify the federal medical assistance formula for AFDC, Foster Care, and Adoption Assistance to reflect state per-capita income.	1,100	5,500
AFC-B1	Require states to develop criteria and implement procedures for assuring that foster care agencies refer appropriate cases to state child support agencies.	11	55
AFC-C1	Limit federal participation in states' costs for administering the Foster Care Program.	247	1,793
AFC-C2	Recover overpayments from the Illinois Foster Care Agency.	5	5

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
		(Millions of Dollars)	
AFC-D1	Limit emergency assistance benefits to a single period of 30 consecutive days or less in a 12 consecutive month period.	22	110
* GDM-A1	Simplify the system by which states charge indirect and administrative costs to federal programs; the current system "has degenerated into a highly technical accounting and allocation maze."	50	250
GDM-A2	Revise OMB Circular A-87 so that the federal government is not liable for state and local government pension plans that are not actuarially sound.	100	500
GDM-A3	Revise Circular A-87 to disallow state agencies charging federal programs for state sales tax.	54	270
GDM-A4	Tighten standards under which states can charge self-insurance funds to federal programs.	76	76
GDM-B1	Require recipients of federal funds to deposit payroll taxes on the same day payroll funds are disbursed.	103	517
GDM-C1	Revise Circular A-21 to ensure that universities engaged in federally-funded medical research treat the cost of liability insurance in a consistent manner.	6	28
HCFA-A1	Gradually increase the Medicare entitlement age to 67, as in Social Security, to help protect Medicare solvency.	4,700	23,500
HCFA-A2	Tighten reviews of Medicare coverage for non-invasive ultrasound tests of lower limbs.	5	25
HCFA-A3	Modify Medicare reimbursement for rented hospital beds used at home to reflect the actual useful life of such beds.	10	49
HCFA-A4	Allow payment for nonemergency advanced life support ambulance services only when medically necessary.	16	80
HCFA-A5	Apply the 190-day lifetime limit and 60-day annual limit for Medicare inpatient psychiatric care to general hospitals with psychiatric units.	48	238
HCFA-A6	Reduce payments for unnecessary and poor quality upper GI endoscopies and colonoscopies.	55	274
HCFA-A7	Reduce payments for unnecessary and poor quality cataract surgeries and associated tests.	51	257
HCFA-A8	Reduce payments for monitored local anesthesia, now often covered at the same rate as general anesthesia even though the latter is more costly.	28	140
HCFA-A10	Increase fair hearing threshold from $100 to $400 to preclude hearings for negligible dollar amounts.	6	31
HCFA-B1	Recover Medicare Secondary Payment (MSP) overpayments.	961	961
HCFA-B2	Require employers to report group health plan coverage on W-2 forms to avoid future MSP overpayments.	900	4,500

ISSUE #	RECOMMENDATION	One-Year Savings (Millions of Dollars)	Five-Year Savings (Millions of Dollars)
HCFA-B3	Extend beyond 18 months MSP provisions for end-stage-renal-disease beneficiaries; make Medicare secondary payer for retirees of currently exempt state and local government agencies.	2,070	10,765
HCFA-C1	Adjust for inflated base-year costs when updating prospective payment system rates for hospital reimbursement.	610	610
HCFA-C2	Continue beyond FY 1995 mandated reductions in Medicare reimbursement of hospital capital expenditures.	800	4,000
HCFA-C3	Reduce Medicare payments for indirect medical education to the level supported by HCFA's empirical cost data.	1,045	5,225
HCFA-C4	Deny Medicare reimbursement for patients who receive substandard medical care.	110	550
HCFA-C6	Cover hospital admissions without an overnight stay as outpatient services.	210	1,050
HCFA-C7	Bring outpatient-services payments in line with ambulatory service center approved payments.	90	645
HCFA-C9	Recover Medicare payments made for beneficiaries eligible for other government health insurance.	40	40
HCFA-C10	Recover unallowable hospital general and administrative costs.	2	2
HCFA-D3	Require Medicare carriers to adjust or deny payment for separate procedures billed with another procedure.	12	60
HCFA-D4	Control lab test spending growth by including laboratory services provided in outpatient and office settings in physician office visit charges.	160	6,000
HCFA-E1	Reduce Medicare payment rates for outpatient dialysis treatments to reflect efficiencies and economies in the marketplace.	22	110
HCFA-F4	Revise diagnostic reimbursement rates so physicians using low-cost instruments are not reimbursed at the same rate as those using more sophisticated and precise equipment.	4	30
HCFA-G1	Reduce to legally authorized levels Medicaid payments to institutions for the mentally retarded.	683	3,415
HCFA-G3	Recover or adjust Medicaid credit balances in nursing facility accounts.	32	32
PHS-A1	Extend user fees to various Food and Drug Administration functions, including premarket review and approval devices and inspections of additional manufacturing facilities and food processors and establishments.	200	1,000
PHS-C1	Improve the planning of and justification for the construction of Indian Health Service staff housing.	18.3	18.3
PHS-C2	Reduce unneeded health care under Urban Health programs.	5.6	28

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
		(Millions of Dollars)	
PHS-D1	Recover grants awarded for inadequate construction of Community Mental Health Centers.	7	7
SSA-A1	Report admissions of Supplemental Security Income recipients to nursing homes on a timely basis to eliminate overpayment of benefits.	22	110
SSA-A2	Use income tax offsets to recover Supplemental Security Income overpayments.	58.5	89
SSA-A3	Deny waivers of overpayments to beneficiaries under 59 years of age.	9	45
SSA-A4	Recover Supplemental Security Income (SSI) overpayments through offsetting reductions in Social Security payments.	36	120
SSA-B1	Issue Social Security numbers for noncitizens to eliminate fraud and reduce processing costs.	8.2	41
SSA-C3	Assess penalties and interest to recover past-due debt and losses in the Social Security Trust Funds.	112	560
SSA-C5	Establish a consistent eligibility date for all early retirement payments as the first month in which the individual is the required age (60, 62, or 65).	40	890
SSA-C6	Reduce Social Security disability payments to individuals receiving state workers' compensation benefits.	14.8	164
SSA-D1	Expand federal/state information exchanges to improve reporting of workers' compensation payments made by the states.	81.9	129
SSA-D2	Develop a wire-to-wire electronic hook-up with the states to obtain information useful in making eligibility and benefit determinations for AFDC, Medicaid, and Food Stamps.	18.9	95
* SSA-D3	Use SSA's automated systems to identify nonresident aliens delinquent in paying federal taxes.	7.7	8
SSA-D4	Initiate an automated marriage data exchange with the states to update the SSA's enumeration file and issue updated Social Security cards.	5.5	28
SSA-D5	Develop early indicators of death, such as consecutively returned bank statements; require banks to notify SSA of possible beneficiary death to reduce overpayments.	5.5	28
	Total Savings from Health & Human Services Inspector General, 1993:	**15,270**	**75,934**

ISSUE #	RECOMMENDATION	One-Year Savings (Millions of Dollars)	Five-Year Savings
	HHS INSPECTOR GENERAL *Cost-Saver Handbook, 1992*		
HCFA-B6	Compare reimbursement prices for multiple-source prescription drugs in the U.S. and Canada to ensure that drugs are properly priced on HCFA's "upper limit" drug list.	2	11
PHS-A2	Evaluate cost-effectiveness of contracting-out inpatient care at low utilization Indian Health Services hospitals.	0	1
SSA-B8	Recover administrative costs involved in processing attorney fee payments in successful appellate cases.	5	25
	Total Savings from Health & Human Services Inspector General, 1992:	**7**	**37**
	TOTAL SAVINGS, HEALTH & HUMAN SERVICES INSPECTOR GENERAL:	**15,277**	**75,971**
	PRESIDENT'S PRIVATE SECTOR SURVEY ON COST CONTROL (GRACE COMMISSION) *January, 1984*		
ADP 01	Create Office of Federal Information Resources Management; develop government-wide information technology policy.	na	na
ADP 07	Improve ADP personnel recruitment and management.	na	na
ADP 17B	Accelerate IRS acquisition of latest ADP technologies.	na	na
ADP 18	Adopt other ADP recommendations, such as developing systems to curtail abuse of federal employment compensation and improving DOD inventory management.	na	na
ARMY 04	Reduce permanent change of station moves authorized for advanced officer training through greater use of correspondence courses.	20	65
ARMY 06	Modify the "up or out" system to reduce outlays for recruitment and training of new officers.	118	387
ARMY 09	Cancel the Learning Resource Center program, which provides non-essential training to DOD civilian and military employees at taxpayer expense.	10	34
ASSET 03D	Establish revolving debit/credit accounts for customs brokers so that no grace period is allowed for payment of import duties.	378	458

ISSUE #	RECOMMENDATION	One-Year Savings (Millions of Dollars)	Five-Year Savings (Millions of Dollars)
ASSET 05A	Expedite disposal of Commodity Credit Corporation inventory by eliminating the de facto veto power that the State Department, USDA and AID each exercise over the humanitarian assistance program (PL-480).	134	521
ASSET 06	Make greater use of direct deposit/electronic funds transfer to pay federal benefits and salaries.	284	344
ASSET 08	Provide agencies with financial incentives to improve cash management and cash flow forecasting.	na	na
ASSET 17	Require all new credit programs to contain sunset provisions whereby the program would automatically expire at the end of five years.	na	na
ASSET 22	Phase out the Federal Housing Administration (FHA) 203(b) mortgage insurance program, which competes with private-sector activity.	na	na
BANK 07	Reduce Export-Import Bank exposure to interest rate fluctuations by better matching the maturities of its fixed-rate assets and liabilities.	na	na
BANK 15	Eliminate Railroad Retirement Board (RRB) field offices and transfer management of the benefit program to the Social Security Administration (SSA).	8	26
BANK 17	Eliminate divided authority in RRB management by establishing a single chief executive with operating responsibility for the agency.	1	3
BANK 19	Charge user fees for Federal Home Loan Bank Board (FHLBB) borrowings to offset the implicit interest subsidy it receives from the Treasury.	0	297
BANK 20	Reduce the number of FHLBB district banks and relocate the banks to match the geographic distribution of members.	6	20
BANK 24	Dissolve the National Credit Union Administration's (NCUA) Central Liquidity Facility (CLF) and encourage credit unions to use the Federal Reserve System as their central bank.	1	5
BANK 27	Consolidate the bank regulatory functions of the Office of the Comptroller of the Currency (OCC), FDIC, FRS, FHLBB, and NCUA into a single new agency, the Federal Banking Commission.	17	58
BANK 28	Reduce regulatory examination costs 3.33% annually by requiring certified public audits and accrual accounting, improving computerized monitoring, and other measures.	7	24
BANK 29	Transfer Federal Reserve examination and supervisory functions to the OCC.	2	7
BANK 31	Establish a common service organization responsible for the automated data processing operations of the OCC and FDIC.	1	3
BANK 38	Remove certain tax exemptions from the farm credit system.	196	648

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
		(Millions of Dollars)	
CCE 02A	Close unneeded Coast Guard stations.	31	103
CCE 03A	Consolidate Bureau of Indian Affairs offices.	16	53
CCE 05A	Close underutilized black lung offices.	na	na
CCE 06A	Close unneeded and obsolete weather stations.	4	13
CCE 07	Eliminate Customs Inspectors not requested by the Treasury. *(Savings estimate has been zeroed to avoid duplication with Republican House Budget Committee Recommendation GM-1-2.)*	na	na
CCE 08B	Close unneeded offices of the Food Safety Inspection Service.	3	8
CCE 11	Repeal congressionally mandated EPA personnel levels. *(Savings estimate has been zeroed to avoid duplication with Republican House Budget Committee Recommendation GM-1-2.)*	na	na
CCE 16	Repeal minimum personnel ceilings in appropriate agencies.	na	na
COM 07	Lower Patent and Trademark Office hiring goals while reducing average processing time from 24 months to 18 months.	0	9
COM 10	Privatize conversion of raw LANDSAT data into maps and charts.	103	298
CONST 02	Revise Council on Environmental Quality regulations for Environmental Impact Statements by deleting the requirement that the lead agency or applicant evaluate alternatives not within its jurisdiction.	10	33
CONST 05	Monitor federal construction project mitigation outlays to ensure they are not excessive and are used solely to offset environmental damage, not to improve pre-existing environmental quality.	300	993
CONST 08	Eliminate duplicative historic preservation reservations.	40	132
CONST 09	Repeal section 4(f) of the Department of Transportation Act of 1966, which requires consultation with the Secretaries of Interior, HUD, and USDA before the FHWA can approve the use of publicly owned land for highway construction.	8	25
CONST 10	Eliminate duplicative floodplain requirements for federal construction.	6	14
CONST 11	Amend the Safe Drinking Water Act to eliminate Environmental Protection Agency's veto power over projects and programs and rely instead on the National Environmental Policy Act process to address water quality issues.	0	2
CONST 13	Use technological innovations to reduce highway noise barrier costs while maintaining adequate noise reduction.	261	703
CONST 14	Revise policies, regulations, and guidelines governing the disposal of dredged material in open waters (including the oceans) to achieve a better balance between environmental protection and project costs.	424	574

ISSUE #	RECOMMENDATION	One-Year Savings (Millions of Dollars)	Five-Year Savings (Millions of Dollars)
CONST 15	Amend section 404 of the Clean Water Act to eliminate duplication and delays in the issuance of construction permits for federal and federal-aid projects.	34	114
CONST 16	Amend Wild and Scenic Rivers Act to cover only actions that would "significantly impact" rivers already designated as part of the National Wild and Scenic Rivers system.	0	2
CPSC 01A	Eliminate overlapping responsibilities and reduce administrative positions in the Consumer Product Safety Commission (CPSC). *(Savings estimate has been zeroed to avoid duplication with Republican House Budget Committee recommendation GM-1-2.)*	na	na
CPSC 03B	Require the CPSC to establish its own data processing capability.	na	na
DOE 06	Improve administration and close-out of federal energy grants.	na	na
DOE 07E	Exempt Strategic Petroleum Reserve oil from Cargo Preference Act requirements, which increase the government's cost of importing foreign oil.	38	213
DOE 18	Improve the effectiveness of DOE security while reducing administrative costs by using the government-wide Defense Industrial Security Program rather than DOE's independent clearance system.	15	50
DOE 20F	Cease regulation of oil pipeline rates.	4	13
DOT 04A	Reduce number of DOT regions.	8	27
DOT 04C	Reduce the Maritime Administration's budget and fiscal service staff.	0	2
DOT 08	Consolidate Federal Highway Administration (FHWA) with the Urban Mass Transit Administration (UMTA) to form a single Surface Transportation Administration.	19	71
DOT 09B	Develop a cost-tracking procedure for the requirements state and local authorities must meet to qualify for UMTA grants.	na	na
DOT 10B	Offer broad-based railroad system safety assessments for a fee; require mandatory inspections and fines for violations for railroads that elect not to have the assessment.	1	16
DOT 11	Merge the major safety functions of the National Highway Traffic Safety Administration (NHTSA), FHWA, UMTA, and the Research and Special Programs Administration into a consolidated Land Modal Administration.	3	15
DOT 14	Cancel NHTSA's uniform tire quality grading program, which raises consumer and administrative costs without enhancing tire quality or safety.	1	3
DOT 22A	Charge tuition for a significant percentage of U.S. Merchant Marine Academy students.	6	19

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
		(Millions of Dollars)	
EPA 03	Consolidate EPA categorical grants into a single grant and reduce federal funding by 25% to encourage efficiency and innovation in state environmental programs.	2	2
EPA 04D	Discontinue National Pollutant Discharge Elimination System grants to unqualified states.	5	16
EPA 06	Close and merge duplicative regional laboratories.	21	22
EPA 08	Close Ada, OK research lab and Grosse Isle, MI field station.	4	7
EX 06	Introduce competition in the Section 8(a) program, which awards government contracts to minority and socially-disadvantaged businesses; eliminate Small Business Administration (SBA) as middleman.	254	838
EX 07	Incorporate private-sector practices in U.S. Government foreign exchange transactions.	146	438
EX 08	Eliminate cargo preference provisions of the Merchant Marine Act for all PL 480 ("Food for Peace") shipments.	118	392
EX 11	Pay military trainees with government traveler's checks rather than cash to decrease government borrowing requirements and save interest.	0	1
FEMA 02	Increase disaster insurance premiums in direct proportion to the amount of coverage purchased and eliminate disaster assistance grants to states, local governments, and individuals for insurable items.	23	276
FEMA 03	Phase out U.S. Fire Administration grant programs, which cannot be properly evaluated due to the diversity of local fire hazard conditions and lack of measurable program objectives.	3	10
FF 01	Establish uniform federal feeding policy, cost accounting, and management information systems to achieve government-wide economies and eliminate duplication of services and payments.	na	na
FMFG 01	Include off-budget entities to reflect the true level of federal obligations and activities.	na	na
FMFG 01	Establish a separate Office of Federal Management within the Executive Office of the President to replace the Office of Management and Budget.	na	na
FMS 05	Improve planning and budgeting for capital expenditures and assets (e.g., land, buildings, facilities, equipment, vehicles, R&D, and education & training).	na	na
FRS 01B	Increase federal military retirement age from the current provision of 20 years of service at any age to age 62.	1,500	4,525

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
		(Millions of Dollars)	
FRS 03B	Combine military and civil service disability retirement programs into a single, government-wide disability program, separate and distinct from retirement programs and patterned after private-sector practices.	na	na
FRS 08B	Improve investment policy of Military Retirement System (MRS) by placing 25% of total assets in top-rated corporate bonds.	na	na
FRS 09B	Change MRS from a defined benefits plan (final average salary and years of service determine benefit payments) to a defined contributions plan (employee/employer contributions and accumulated investment earnings determine benefit payments).	na	na
FSP 01	Improve targeting of means-tested benefits by requiring federal, state, and local agencies to issue a form similar to a W-2 form, showing the subsidy payment for each beneficiary, with a copy going to the IRS.	6,500	19,500
HOSP 08	Phase out VA's medical supply depots and reduce DOD's; meet hospital requirements through individual hospital orders billed against nationally negotiated contracts with medical suppliers.	141	477
HOSP 10	Improve DOD procedures for recovering cost of medical care from third parties by providing promotional and monetary incentives for effective cost recovery and establishing an independent unit responsible for claims recovery.	21	69
HOSP 12B	Use fiscal intermediaries to process veterans' medical benefit claims to eliminate most excessive and duplicate payments and reduce VA staffing requirements.	341	1,131
INS 09	Limit growth of federal mortgage insurance.	na	na
INS 10	Phase out Federal Housing Administration's mutual mortgage fund.	3	23
INT 01A	Implement asset management program to increase sales of unneeded federal land and place proceeds in the general fund.	0	1,046
INT 05A	Improve concessionaire competition in national parks by eliminating the right of preferential renewal of concessionaire contracts.	0	12
INT 08	Reduce Fish and Wildlife Service regional administrative costs through block grants.	0	10
INT 02A	Privatize public rangelands through sale or lease to reduce cost and improve rangeland management.	82	184

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
		(Millions of Dollars)	
JUST 04	Increase the federal government's use of paralegals in legal research, litigation support, and other activities not requiring the expertise of a lawyer.	1	13
JUST 07	Collect profits in Federal Prison Industries in excess of capital costs, inmate training costs, and other strategic requirements as allowed by federal law.	10	41
LAND 03	Revise disposition schedules (retention periods) to ensure that records are not kept beyond their useful reference life.	8	55
LBR 01B	Establish criteria to identify questionable Federal Employment Compensation disability claims.	31	95
LBR 05	Consolidate Department of Labor (DOL) regional offices.	8	29
LBR 11	Centralize all DOL procurement activities in the Office of the Assistant Secretary for Administration and Management.	na	na
LISAB 02B	Eliminate the Emergency Assistance program, which duplicates state programs already in place, and eliminate fund transfers from the Energy Assistance program to other assistance programs.	157	290
LISAB 03	Consolidate federal weatherization programs serving needy households.	na	na
LISAB 07	Modify Supplemental Security Income program to target benefits according to standard living expense needs, not to available cash income.	241	798
NAVY 11A	Require flight teams to develop their own independent maintenance and logistics capabilities, as in the commercial aviation industry.	0	120
NAVY 16	Improve career management by better planning of which billets to fill and by extending tours of high-potential personnel to increase depth of knowledge and reduce costs associated with land/shore rotations.	0	25
OSD 01	Modify DOD acquisition regulations to increase competition among petroleum suppliers.	155	513
OSD 09	Realign or close redundant or unneeded military bases.	3,100	15,500
OSD 10	Centralize within a single agency the surface and air traffic management functions currently vested in the Military Sealift Command, the Military Airlift Command, and the MilitaryTraffic Management Command.	38	84
OSD 11	Procure ocean container transportation separately from inland transportation services.	8	25
OSD 13	Integrate the Cargo Data Interchange System, an electronic cargo tracking and documentation system, into DOD's existing program.	5	5

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
		(Millions of Dollars)	
OSD 16	Consolidate OSD contract administration functions under the direction of a senior OSD acquisition executive.	90	298
OSD 25	Integrate Military Retirement and Social Security systems: Offset military retirement pay by 1.25% of Social Security primary benefits for each year of military service after September 15, 1940.	40	274
OSD 27	Defer the commencement of retirement pay by the number of days of unused leave to ensure that retirees don't receive retirement pay while they are still receiving active duty compensation.	27	126
OSD 28	Discontinue reimbursement via the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) for inpatient or outpatient treatment at private medical facilities except for emergency care and certain psychiatric care.	256	1,177
OSD 29	Consolidate management of DOD's four health care systems -- Army Medical Department, Navy Medical Department, Air Force Medical Department, and CHAMPUS -- under a single Defense Health Agency.	285	943
OSD 31	Discontinue Uniformed Services University of the Health Sciences because it cannot be justified as a cost-effective source of physicians for the military.	20	290
OSD 34	Restrict Selective Reenlistment Bonus Program payments to skill areas manned at less than 100% of desired levels.	189	626
OSD 35	Limit payments under the Aviation Center Career Incentive Pay program to officers serving on regular and frequent flight duty assignments.	79	261
OSD 36	Establish a public audit committee to conduct thorough and independent reviews of DOD internal audit practices, procedures, and controls.	na	na
OSHRC 01	Consolidate Occupational Safety and Health Review Commission (OSHRC) and Federal Mine Safety and Health Review Commission.	na	na
OSHRC 02	Reduce OSHRC paper flow and case processing time.	0	1
PERS 06F	Expand General Schedule classifications to more than 15 basic pay levels to achieve more realistic pay comparability with private-sector jobs.	na	na
PERS 11B	Modify reductions-in-force procedures to allow clerical employees in different organizational units within the same commuting area to compete to retain their jobs.	na	na
PHS 05	Consolidate federal toxicology testing facilities and staff.	41	169

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
		(Millions of Dollars)	
PHS 08A	Close National Institutes of Health Rocky Mountain Laboratory.	3	14
PRIVAT 02	Establish agency user fees for publications.	80	265
PRIVAT 05	Facilitate privatization/contracting out of DOD commissaries.	290	4,200
PROC 02A	Raise ceilings for simplified small purchase orders.	0	636
PROC 05	Reduce program stretch-outs and facilitate termination of low-priority acquisition programs through improved priority setting.	na	na
PROC 12	Implement "wall-to-wall" inventory taking on a periodic basis to help avoid purchase of unneeded material, prevent theft, and identify obsolete items.	na	na
PROC 14	Separate policy and service functions of General Services Administration (GSA), and direct all government agencies to use GSA for non-defense procurement, subject to certain exceptions, to achieve economies of scale.	na	na
PROC 15	Streamline GSA's Federal Supply Service by consolidating responsibility for commodity management.	10	74
PROC 16	Consolidate DOD contract administration activities within a single organization and reduce staff.	10	185
PROC 20	Increase civilian agency procurement of "common use" items.	0	312
PROP 03B	Facilitate sale of surplus government properties by giving agencies incentives to identify such properties and report them to GSA.	na	na
PROP 05A	Allow real property managers to decide not to conduct A-76 studies in specified high-skill situations where they recognize contracting out to be either impractical or not cost-effective.	0	68
PROP 08E	Adopt local fire safety standards for GSA leasing whenever possible.	0	21
PROP 09	Relax congressional authorization requirements governing GSA leasing of office space for federal agencies.	20	66
SBA 04	Discontinue SBA disaster loans to businesses and individuals for insurable flood-related losses.	9	33
SBA 12A	Combine SBA regions; close selected branch offices.	0	3
SBA 12B	Review efficiency of SBA geographic service area assignments.	na	na
SSA 07	Close smaller Social Security Administration offices and reduce staff accordingly.	87	287

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
		(Millions of Dollars)	
SSA 10A	Simplify and streamline review procedures.	0	17
SSA 10B	Implement streamlined appeals process.	1,102	3,647
STATE 02	Modify criteria of Foreign Service disability and retirement.	36	114
STATE 05B	Develop a computerized tracking system to increase repayment of refugee transportation loans.	na	na
STATE 09	Eliminate cargo preference requirement for AID-sponsored shipments.	36	119
TREAS 06	Establish a corps of volunteer professionals made up of retired IRS personnel, retired CPAs, and other retired professionals to provide tax preparation assistance.	na	na
TREAS 08	Develop comprehensive border management policy; consolidate inspection functions currently performed at ports of entry into one agency.	0	14
TREAS 09	Transfer criminal enforcement responsibilities from the Bureau of Alcohol, Tobacco, and Firearms (BATF) to the Secret Service (for firearms and explosives) and to Customs (for alcohol and tobacco).	16	57
TREAS 20	Enhance Bureau of the Mint organization control by consolidating its Washington, DC headquarters operation with the Philadelphia mint.	4	13
USAF 01	Improve management reporting and control by adopting accrual accounting system in keeping with generally accepted accounting principles and PL 84-863.	350	1,159
USAF 03	Consolidate Air Force program and budget reviews to reduce paperwork and staff time.	2	8
USAF 06	Use full-time equivalent employment ceilings throughout the fiscal year rather than year-end workforce "strength" ceilings, which cause labor imbalances and invite creative accounting.	29	96
USAF 07	Reduce severance pay for nonpromotion discharges of officers to match private sector practices.	5	18
USAF 12	Require non-DOD agencies with significant international travel to contract with the Military Airlift Command to procure airline tickets at rates below commercial fares.	6	20
USDA 01	Reduce Farmers Home Administration (FmHA) loan obligations by matching each new loan refinanced from the private sector with the "graduation" of an existing FmHA loan.	141	768
USDA 03	Reduce FmHA loan delinquencies and processing costs by shifting from direct loans to guarantees issued by Certified Private Lenders and by using fixed amount, rather than percentage, guarantees.	135	548
USDA 05	Eliminate FmHA lending to non-farm businesses and SBA lending to farms.	296	913

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
		(Millions of Dollars)	
USDA 09	Update Food Stamp program annually to reflect changes in the average participant household's size and composition.	1,039	3,439
USDA 10	Modify economies-of-scale adjustment factors to reflect actual differences in purchasing cost based on family size.	252	835
USDA 11	Eliminate Food Stamp $10 minimum monthly benefit for households whose calculated benefit is zero; reduce to $6 the monthly benefit for households whose calculated benefit is between $1 and $9.	70	350
USDA 14	Include School Breakfast, Child Care Food, and Summer Food Services benefits as unearned income when determining eligibility for the Food Stamp program.	162	536
USDA 18	Eliminate "triplification" of dairy plant inspections by the USDA, the Food and Drug Administration (FDA), and the states.	2	5
USDA 19	Replace prior approval of meat and poultry labels with a system similar to FDA's method of ensuring proper marking and labeling under the Food, Drug, and Cosmetic Act.	1	4
USDA 22	Eliminate Commodity Credit Corporation (CCC) food donations to other agencies; require agencies to use appropriated funds to purchase CCC commodities.	404	1,205
USDA 31	Reduce the large, costly pool of U.S. nationals used as Foreign Agricultural Service secretaries in foreign countries.	0	1
USDA 32	Reorganize the Agricultural Attache Service to improve monitoring and evaluation of the work and productivity of the attaches.	na	na
USDA 51	Create National Board of Agriculture to develop national goals and missions for federally-funded agricultural research.	76	252
USDA 53	Transfer Agricultural Research Service (ARS) human nutrition research programs to HHS.	15	95
USDA 54	Eliminate funding for 20 low-priority Cooperative State Research Service programs.	11	35
USER 09	Charge a fee for National Cooperative Survey books to recover part of the cost of providing these publications to identifiable beneficiaries.	8	27
USER 10	Consolidate Foreign Military Sales (FMS) functions under the DOD Comptroller; recover 100% of FMS product and administrative costs.	100	331
USER 17	Recover the cost of responding to FOIA requests, which are increasingly used by businesses to obtain information that is of economic benefit to them.	70	232
USPS 01	Allow U.S. Postal Service to sell obligations to the public debt market as well as to the Federal Financing Bank so that USPS can obtain the best financing terms available.	1	7

ISSUE #	RECOMMENDATION	One-Year Savings (Millions of Dollars)	Five-Year Savings (Millions of Dollars)
USPS 02	Allow USPS management to choose Treasury obligations or high-grade commercial instruments as a short-term investment.	51	169
USPS 05	Allow USPS to negotiate check-processing costs with Treasury and to obtain checking services from the commercial banking community if Treasury is unable to offer competitive rates.	18	60
USPS 17	Replace rural post offices that provide minimal or no delivery service with lower-cost delivery alternatives.	40	272
USPS 19	Organize the responsibility for all USPS procurement activity under one purchasing authority.	na	na
USPS 20	Increase early participation of USPS procurement management in the design and specification development stage of capital equipment purchases.	20	66
USPS 26	Transfer review of the Postal Rate Commission 's (PRC) budget from USPS to OMB so that the regulator's budget is reviewed by an independent body, not by the agency it regulates.	na	na
USPS 30	Require employees with grievances to use either the Equal Employment Opportunity Commission (EEOC) complaint system or the contract grievance and arbitration system, but not both.	18	61
USPS 32	Develop a human resources planning capability to allow significant workforce reductions through attrition without impairing service.	na	na
USPS 37	Adopt GAO recommendations to reduce absenteeism and investigate use of private-sector techniques to control sick leave costs.	na	na
USPS 38	Improve the fairness and efficiency of EEO procedures: Treat USPS like a private-sector company by giving EEOC initial review as well as appellate authority in discrimination cases.	77	254
VA 04	Eliminate Veterans Administration (VA) acquisition of properties at foreclosure sales except when it is the best interest of taxpayers.	68	225
	TOTAL SAVINGS FROM GRACE COMMISSION:	**21,642**	**79,277**

CITIZENS AGAINST GOVERNMENT WASTE, 1993

FAID	Return to the Treasury any foreign economic assistance funds that have not been expended in three years after they have been obligated unless the President waives this requirement	2,000	5,000

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
		(Millions of Dollars)	
GOV	Reduce federal budget Direct Object Class 20 overhead spending by 6.3%. *(This is roughly twice the reduction proposed by the Republican members of theHouse Budget Committee and saves an additional $7 billion in the first year.)*	7,000	48,700
HHS	Reduce tax-subsidized prepayment for non-catastrophic medical expenses; establish medical IRA program allowing individuals and families to self-insure for small and routine medical expenses.	10,000	50,000
PROC	Reduce Pentagon waste: eliminate unnecessary procurement regulations; require defense contractors to share cost overruns with the government; link DOD salaries and promotions to a manager's ability to complete programs on schedule, within budget.	7,000	49,000
TREAS	Prevent future taxpayer bailouts: limit deposit insurance to $100,000 per depositor per bank; limit coverage to the original principal investment; establish risk-based premiums; measure losses as they accrue; allow interstate banking and branching.	1,800	15,500
	TOTAL SAVINGS FROM CITIZENS AGAINST GOVERNMENT WASTE:	**27,800**	**168,200**

CATO INSTITUTE

Market Liberalism: A Paradigm for the 21st Century, 1993

COM	Cut by 50% funding for the Department of Commerce. The U.S. Trade Representative now handles most trade negotiation functions. With the exception of census taking, few of Commerce's duties serve any overriding national interest.	200	1,500
FAID	End additional U.S. financial support for the International Monetary Fund and the World Bank, which have consistently failed to promote economic development through their lending programs.	500	1,000
REG	Cut regulatory agency budgets by 25% to help eliminate unnecessary and capricious regulation.	200	1,500
	TOTAL SAVINGS FROM CATO INSTITUTE:	**900**	**4,000**

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
		(Millions of Dollars)	
	HERITAGE FOUNDATION *Real Deficit Reduction Demands Real Spending Cuts, August 1992*		
271	Sell the Naval Petroleum Reserves (NPR) to the private sector; the Strategic Petroleum Reserves make the 80-year old NPR irrelevant.	100	2,400
271	Phase out Rural Electrification Administration (REA) subsidies and direct loans; REA's mission (assist rural America obtain electricity and telephone service) has long been accomplished.	45	660
274	Appropriate no new funds for the Strategic Petroleum Reserves; fund additional reserves out of the $800 million DOE has set aside for this purpose.	400	2,000
301	End all new Bureau of Reclamation water projects and investigations of future projects; begin to shift operations and maintenance of existing projects to the private sector.	100	2,224
302	Place a 5-year moratorium on Department of Interior and Forest Service land acquisitions; the federal government already owns more than one-third of the country's land mass.	330	1,740
302	Eliminate the Conservation Reserve Program, which pays farmers to leave land idle to reduce environmental damage encouraged by other subsidy programs.	365	5,740
304	Consolidate funding for more than 60 environmental programs into a single block grant; allow each state to use the funds in a manner best suited to its environmental needs.	200	6,000
306	Eliminate National Coastal Zone Management Grants and the Sea Grant College program, which have achieved their objectives.	50	250
306	Close the National Helium Reserves and sell it to a joint venture comprised of current employees and other private investors.	128	692
306	Privatize the National Oceanic and Atmospheric Administration (NOAA) research fleet, which GAO has criticized as being too expensive to maintain and operate.	50	250
306	Reduce expenditures for NOAA programs that are state or local concerns or benefit only small, specific groups.	44	236
352	Limit USDA foreign loan guarantees to $4.5 billion and eliminate loans to risky foreign borrowers.	-45	1,650
352	Eliminate the Agricultural Credit Insurance Fund farm loan programs, which have excessively high default rates.	101	704
371	Improve the Federal Housing Administration's "Title 1" debt collection system.	20	100

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
		(Millions of Dollars)	
371	Eliminate FmHA's Section 502 Home Loan Program, which duplicates other HUD lending programs.	500	3,560
401	Privatize AMTRAK, which has already received about $15 billion in taxpayer subsidies even though it provides less than 1% of the nation's total intercity rail mileage. *(The savings estimate has been reduced to avoid duplication with Republican House Budget Committee - PC-2-2.)*	408	1,770
402	Eliminate the Essential Air Service Program, which subsidizes air travel to vacation resorts and dozens of small cities that are within driving distance of regularly scheduled commercial flights.	39	195
403	End the Maritime Administration's Operating Differential Subsidy Program and the Ocean Freight Differential Program, which protect U.S. shippers from foreign competition.	284	1,344
452	Transfer all Farmers Home Administration (FmHA) rural development activities to the states and use a portion of these savings to fund increased federal enterprise zone tax abatement.	20	1,310
501	End State Student Incentive matching grants, which have accomplished the goal of encouraging the states to provide more student aid.	35	355
502	Reduce Pell Grant funding by tightening the definition of independent student.	70	1,550
502	End the Supplemental Educational Opportunity Grant program, which duplicates Pell Grants.	135	2,115
504	Merge 12 employment and training programs into a single block grant and phase in a 50% reduction in total funding over five years.	480	7,764
506	Phase out ACTION as a tax-supported program over the next five years.	40	660
553	Eliminate health professionals education subsidies except for disadvantaged and minority students.	120	990
570	Increase Medicare oversight, or "safeguard," funding to the 82 companies that process Medicare claims. GAO finds that every $1 expended on safeguard funding produces $11 in savings or refunds.	1,100	5,720
600	Standardize the Federal-State Unemployment Insurance (UI) programs by requiring a two-week waiting period for unemployment benefits.	0	4,600
604	Switch to a Random Digit Dialing System in calculating fair market rents for the Section 8 rental assistance program; this is standard practice in the private sector.	610	5,335

ISSUE #	RECOMMENDATION	One-Year Savings (Millions of Dollars)	Five-Year Savings (Millions of Dollars)
604	Tighten performance funding occupancy standards for federal subsidies to local public housing authorities; local authorities now receive subsidies for an estimated 100,000 vacant rental housing units.	50	1,350
604	Partially replace new construction for the elderly (Section 202) with vouchers.	0	270
604	End HUD's Utility Adjustment Payment program, duplicative of other assistance programs.	25	145
604	Require competitive bidding in HUD's Comprehensive Improvement Assistance Program (CIAP) procurements and create performance-based rather than needs-based criteria for further CIAP awards.	300	2,000
604	Convert $300 million of the Section 221 (d)(3) and Section 236 prepayments (under the Low-Income Housing Preservation Act) into portable vouchers for tenants.	320	2,350
604	Freeze housing slots at 4.6 million for 5 years to take advantage of the natural turnover process; this would still allow the program to assist newly eligible households.	70	3,450
604	Include the value of food stamps when calculating income eligibility for Section 8 and other public housing benefits.	1,080	6,150
605	Require states to reimburse the federal government for all food stamp overpayment errors caused by state administrators.	500	5,600
605	Restrict child nutrition and school lunch subsidies to families below 185% of the poverty threshhold; the poor would be better served if the program were specifically targeted to them and not the middle class.	1,000	5,700
605	Require all non-elderly able-bodied food stamp recipients to engage in a workfare or job search effort for at least 25 hours per week to encourage households to become independent and reduce program costs.	50	600
609	Limit the housing allowance for AFDC families in subsidized public housing so that their benefits do not exceed those of AFDC families who do not live in subsidized housing.	500	3,000
920	Sell gradually increasing portions of the government's direct loan portfolio to the private sector.	2,000	30,000
920	Terminate the American Battle Monuments Commission, the Commission for the Preservation of America's Heritage Abroad, the Christopher Columbus Quincentenary Jubilee Commission, the Delaware River Basin Commission and the FDR Memorial Commission.	142	645
	Total Savings from Heritage Foundation, August 1992:	**11,766**	**123,174**

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
		(Millions of Dollars)	
	HERITAGE FOUNDATION *A Prosperity Plan for America: To Strengthen Family Finances, Revive the Economy and Balance the Budget, March 1992*		
502	Discontinue federal funding of the Perkins Loan Program, which can easily sustain itself through its own revolving funds.	200	1,000
604	Eliminate funding for Section 8 rental housing vouchers on dwellings not meeting HUD's housing quality standards.	100	500
754	End federal funding for Justice Assistance Programs (Crime Victim Assistance, Crime Victim Compensation, Drug Control and System Improvement grants).	575	3,200
	Total Savings from Heritage, March 1992:	**875**	**4,700**
	HERITAGE FOUNDATION *Slashing The Deficit, Fiscal Year 1990*		
0	Transfer Department of Energy's nuclear weapons testing and development to the Pentagon; consolidate remaining DOE functions with Department of Interior to create a Department of Natural Resources.	2,000	10,000
302	Sell federal land lacking environmental significance in urbanized areas through competitive auctions.	1,700	8,500
304	Use independent, certified, private environmental auditors to monitor industry compliance with federal environmental standards.	60	300
	Total Savings from Heritage Foundation, Fiscal year 1990:	**3,760**	**18,800**
	TOTAL SAVINGS FROM HERITAGE FOUNDATION:	**16,401**	**146,674**

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
		(Millions of Dollars)	

MARTIN GROSS

The Government Racket: Washington Waste from A to Z, July 1992

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
LBR	Abolish the Job Training Partnership Act program, which has a poor record of training and placing its clients in good-paying jobs, and which has a high incidence of waste, fraud, and abuse, according to Labor Department IGs.	1,000	5,000
GOV	Sell most of Uncle Sam's 1,200 civilian aircraft; the costs to own, operate, and service the aircraft exceed what the government would spend if it used commercial carriers.	2,000	6,000
GOV	Sell most of Uncle Sam's 340,000 non-tactical, non-postal vehicles, since it would be cheaper to rent cars, take taxis or subways, or have federal employees use their own cars and reimburse them on a mileage basis.	2,650	9,250
GOV	Place a 5-year freeze on new construction of federal buildings; there is about 15 million feet of vacant space in existing federal buildings.	1,000	5,000
GOV	Cut by 50% federal spending on furniture and decorations.	1,000	5,000
GOV	Prohibit the use of outside consultants, who have become an unaccountable "shadow" government.	4,900	24,500
GPO	Contract-out to private-sector firms work now done by the Government Printing Office, an agency whose "monopoly-like status contributes to inefficiency and ineffectiveness," according to GAO.	75	375
LEG	Abolish the House and Senate Chaplains; taxpayers should not have to subsidize the religious activities of Members of Congress.	0	3
	TOTAL SAVINGS FROM MARTIN GROSS:	**12,626**	**55,128**

DONALD LAMBRO

Fat City: How Washington Wastes Your Taxes, 1980

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings
20	Eliminate the Federal Information Center, which provides information about the federal government that is readily available from other sources.	11	56
27	Eliminate Consumer Information Center, which provides consumer information that is readily available from other sources.	6	28

ISSUE #	RECOMMENDATION	One-Year Savings	Five-Year Savings (Millions of Dollars)
32	Eliminate Economic Research Service, which supplies market research to large agribusiness concerns at taxpyaer expense.	58	292
33	Privatize the Alaska Railroad.	4	17
53	Eliminate Minority Business Development Agency. What minority businesses need most is not federal counseling but tax and regulatory relief to expand their access to investment capital.	49	244
55	Privatize Institute of Museum Services.	28	139
61	Eliminate Japan-U.S. Friendship Commission, which duplicates other exchange programs provided by both government and private sector.	2	9
68	Eliminate Office of Consumer Affairs, which duplicates consumer protection functions of the Food and Drug Administration, the Department of Agriculture, and the Justice Department.	2	11
71	Eliminate the Advisory Commission on Intergovernmental Relations, which has studied federal-state frictions since 1959, duplicating the work of various Executive Branch and state government entities.	1	7
85	Eliminate the Foreign Claims Settlement Commission, whose remaining tasks could be absorbed by the State Department.	1	5
	TOTAL SAVINGS FROM DONALD LAMBRO:	**162**	**808**
	TOTAL SAVINGS FROM ALL SOURCES:	**170,385**	**1,188,668**

GLOSSARY

CONGRESSIONAL BUDGET OFFICE

DEF:	Defense
DOM:	Domestic
ENT:	Entitlements
NDD:	Non-Defense Discretionary Spending

PRESIDENT CLINTON

FEE:	User Fee
GM:	Government Management
H:	Health
REF:	Reform
SC:	Shared Contribution

OFFICE OF MANAGEMENT AND BUDGET

IRS:	Internal Revenue Service
PBGC:	Pension Benefit Guaranty Corporation
USDA:	Department of Agriculture
VA:	Department of Veterans Affairs

MEMBERS, HOUSE OF REPRESENTATIVES

HR:	House Bill

SENATOR HANK BROWN

GOV:	General Government
SUB:	Subsidies

REPUBLICAN MEMBERS, HOUSE BUDGET COMMITTEE

GM:	Government Management
H:	Health
HE:	Human Empowerment
NS:	National Security
PC:	Physical Capital

CONGRESSMAN HARRIS FAWELL

DEF:	Defense

HEALTH AND HUMAN SERVICES INSPECTOR GENERAL

AFC:	Administration for Families and Children
GDM:	General Department Management
HCFA:	Health Care Financing Administration
PHS:	Public Health Service
SSA:	Social Security Administration

PRESIDENT'S PRIVATE SECTOR SURVEY ON COST CONTROL (GRACE COMMISSION)

ADP:	Automated Data Processing/Office Automation
ARMY:	Department of the Army
ASSET:	Financial Asset Management
BANK:	Boards/Commissions-Banking
CCE:	Management Office Selected Issues (MGT OF) Volume VIII--The Cost of Congressional Encroachment
COM:	Department of Commerce
CONST:	Federal Construction Management
CPSC:	Boards/Commissions-Business I (Consumer Product Safety Commission)
DOE:	Department of Energy
DOT:	Department of Transportation
EPA:	The Environmental Protection Agency/Small Business Administration/The Federal Emergency Management Agency (EPA/SBA/FEMA)
EX:	MGT OF Volume X--Opportunities beyond the Grace Commission
FEMA:	EPA/SBA/FEMA
FF:	Federal Feeding
FMFG:	MGT OF Volume III--Financial Management in the Federal Government
FMS:	Federal Management Systems
FRS:	Federal Retirement Systems
HOSP:	Federal Hospital Management
HUD:	Department of Housing and Urban Development
INS:	Boards/Commissions-Business I (Insurance)
INT:	Department of the Interior
JUST:	Department of Justice
LAND:	Land/Facilities/Personal Property Management
LBR:	partment of Labor

LISAB:	Low Income Standards and Benefits
NAVY:	Department of the Navy
OSD:	Office of the Secretary of Defense
OSHRC:	Boards/Commissions - Business I (Occupational Safety and Health Review Commission)
PERS:	Personnel Management
PHS:	Department of Health and Human Services--Public/Health Service
PRIVAT:	Privatization
PROC:	Procurement/Contracts/Inventory Management
PROP:	Real Property Management
SBA:	EPA/SBA/FEMA
SSA:	Health and Human Services--Social Security Administration
STATE:	Department of State
TREAS:	Department of the Treasury
USAF:	Department of the Air Force
USDA:	Department of Agriculture
USER:	User Charges
USPS:	Boards/Commissions-Business II (U.S. Postal Service)
VA:	Department of Veterans Administration

CITIZENS AGAINST GOVERNMENT WASTE, 1993

FAID:	Foreign Aid
GOV:	Government
HHS:	Health and Human Services
PROC:	Procurement
TREAS:	Treasury

CATO INSTITUTE

COM:	Commerce
FAID:	Foreign Aid
REG:	Regulations

HERITAGE FOUNDATION

By Budget Function:

0:	General Government Management
270:	Energy
300:	Natural Resources
350:	Agriculture
370:	Commerce and Housing Credit
400:	Transportation
450:	Community and Regional Development
500:	Education and Training
550:	Medicaid
570:	Medicare
600:	Income Security
920:	Allowances

MARTIN GROSS

LBR:	Department of Labor
GOV:	General Government
GPO:	Government Printing Office
LEG:	Legislative Branch

DONALD LAMBRO

By Program Number in the book, Fat City: How Washington Wastes Your Taxes, 1980

Policy Analysis

No. 194 April 22, 1993

Routing

HOW TO BALANCE THE BUDGET BY REDUCING SPENDING

File: Spending Cuts

by William A. Niskanen and Stephen Moore

Executive Summary

The federal budget can and should be balanced by the end of the decade without any increase in taxes. The Clinton budget, however, which includes increases in taxes and fees that are several times the proposed spending cuts, still leaves a projected deficit of about $300 billion in fiscal year 2000.

In the past decade, we should have learned that the federal deficit leads to some combination of reduced U.S. investment and increased borrowing from other nations, in effect increasing the tax burden on future generations; economic growth will not be sufficient to reduce the deficit without a major change in current federal fiscal policies; an increase in taxes is likely to be counterproductive because it would reduce economic growth and invite an increase in federal spending; and major changes in the main federal programs are necessary to reduce the growth of federal spending.

President Clinton is correct to challenge critics of his proposed budget to identify an effective alternative. This paper summarizes an alternative budget that would be balanced by the end of the decade without any increase in taxes. The major elements of this budget include a substantial reduction of U.S. military forces and the defense budget, two reforms to stabilize the Social Security system without reducing the real benefits of current retirees, several alternative reforms of medical care programs to reduce the increase in the relative prices of and expenditures for medical care, and 50 specific reductions in discretionary domestic programs. A serious effort to balance the budget must sort out our fiscal priorities and constrain federal spending to a level that is broadly supported.

William A. Niskanen is chairman of the Cato Institute. Stephen Moore, Cato's director of fiscal policy studies, is on leave to the minority staff of the Joint Economic Committee of Congress.

CATO INSTITUTE
224 Second Street S.E.
Washington, D.C. 20003

C O U N C I L   F O R

CITIZENS AGAINST GOVERNMENT WASTE

Thomas A. Schatz
President

February 10, 1993

Mr. Bruce Reed
Deputy Assistant
Domestic Policy Council
The White House
Old Executive Office Building
Washington, D.C. 20500

Dear Mr. Reed,

We applaud President Clinton's initial efforts to eliminate government waste and agree that average Americans should not be the first to sacrifice. Cuts in White House staff and unnecessary commissions are a good start.

The Council for Citizens Against Government Waste (CCAGW) urges you to review the enclosed list of 537 items contained in the "waste tax" and incorporate as many of these proposals as possible in the President's economic plan next week, as well as the President's fiscal year 1994 budget, due out on March 17.

The "waste tax," with one-year savings of $167 billion, and five-year savings of $922 billion, was compiled from existing sources of spending reductions. We determined that the one-year figure amounts to 34.8 percent of all of the individual income taxes collected by the Internal Revenue Service last year. These are the kinds of spending reductions that must be made before taxpayers are asked to send more of their hard-earned money to Washington.

CCAGW is a veteran in the ongoing war against entrenched interests and bureaucratic inertia. I would appreciate the opportunity to meet with you. Our 535,000 members are a major force for the changes necessary to eliminate government waste.

Sincerely,

Tom Schatz

enclosure

1301 Connecticut Ave., NW
Suite 400
Washington, DC 20036
202-467-5300

CITIZENS AGAINST GOVERNMENT WASTE

THE WASTE TAX BY SOURCE

	(1) SOURCE	(2) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(3) FIVE-YEAR
	PUBLIC SOURCES:		
1)	Congressional Budget Office	$22,805	$230,610
2)	Office of Management and Budget	8,098	50,014
3)	Current Waste-cutting legislation	9,523	48,479
4)	The Office of the Inspector General: Department of Health and Human Services	23,007.3	82,836.8
	PRIVATE SOURCES:		
5)	Unimplemented Grace Commission recommendations	27,578.2	98,528.1
6)	Heritage Foundation	$63,493	$350,740
7)	Donald Lambro "Fat City"	2,064.5	10,324.9
8)	Other pro-taxpayer proposals (Not including potential savings due to a pro-growth tax policy)	10,000	50,000
	TOTAL WASTE TAX:	$166,569	$921,532.8

CITIZENS AGAINST GOVERNMENT WASTE

HOW TO GIVE TAXPAYERS A WASTE DIVIDEND

I. CONGRESSIONAL BUDGET OFFICE

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
A.	REDUCING THE DEFICIT: SPENDING AND REVENUE OPTIONS, FEBRUARY 1992			
(1)	DEF 21	Streamline the National Defense Stockpile.	$150	$750
(2)	DEF 23	Delay development and production of new weapons for one year.	250	170
(3)	DEF 25	Cancel the National Aerospace plane.	100	510
(4)	DEF 30	Deny unemployment compensation to service members who voluntarily leave military service.	240	1,200
(5)	DEF 33	Reduce drills for noncombat reserve units.	120	660
(6)	DEF 34	Employ private-sector methods to reduce per capita use of hospital services by dependents of active-duty personnel to rates more characteristic of the civilian sector.	365	2,300
(7)	DEF 35	Increase charges for direct military health care services to curb excessive use.	210	1,240
(8)	DEF 38	Adopt short, unaccompanied tours for Europe.	260	1,970
(9)	DEF 39	Reduce operating tempo and unit training costs.	720	4,390
(10)	DEF 41	Continue partial civilian hiring freeze through 1997.	300	8,850
(11)	DEF 46	Reduce Export-Import Bank credits.	30	620
(12)	DOM 01	Cancel the Earth Observing System.	100	890
(13)	DOM 02	Reduce the overhead rate on federally-sponsored university research by capping the administrative portion at 20 percent of modified direct costs and indirect costs at 15 percent.	330	3,400
(14)	DOM 03	Cancel the National Aeronautics and Space Administration (NASA) development program for the Advanced Solid Rocket Motor.	250	2,200
(15)	DOM 04	Cancel the Super Conducting Supercollider.	200	2,200

(1) ISSUE NUMBER		(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(16)	DOM 06	Cancel the Space Station.	$1,050	$9,700
(17)	DOM 07	Eliminate further funding for the Clean Coal Technology program.	0	270
(18)	DOM 08	Reduce crude oil acquisitions for the Strategic Petroleum Reserves.	70	820
(19)	DOM 09	Eliminate below-cost timber sales from national forests.	20	230
(20)	DOM 10	Eliminate Environmental Protection Agency (EPA) wastewater construction grants.	90	5,900
(21)	DOM 16	Streamline operation of Agricultural Stabilization and Conservation Service (ASCS) and Soil Conservation Service (SCS) field offices.	25	450
(22)	DOM 17	End all Small Business Administration (SBA) direct loans and loan guarantees.	450	3,000
(23)	DOM 19	Stop expansion of the Rural Rental Housing (Sec. 515) program and increase developers' interest rates to 5 percent.	40	1,520
(24)	DOM 20	Reduce by half new lending for Farmers Home Administration (FmHA) Section 502 Home Loan Program and increase borrower payments to 30 percent of income.	380	2,800
(25)	DOM 22	Eliminate trade promotion activities of International Trade Administration (ITA).	110	860
(26)	DOM 23	Eliminate federal operating assistance funding for mass transit and reduce the federal share of mass transit capital projects to 50 percent.	530	5,900
(27)	DOM 24	Eliminate airport grants-in-aid.	300	6,550
(28)	DOM 25	Close the Interstate Commerce Commission.	20	125
(29)	DOM 27	End funding for the Economic Development Administration.	50	930
(30)	DOM 28	Transfer the functions of the Appalachian Regional Commission to the states.	10	540

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(31)	DOM 30	Transfer Tennessee Valley Authority economic development activities to the states and eliminate commercial research programs.	$40	$600
(32)	DOM 31	Eliminate Consumer and Homemaking Education Program.	5	150
(33)	DOM 32	Eliminate education programs that have largely achieved their purposes (e.g., Public Library Construction, Follow Through, Law-Related Education, Law School Clinical Experience).	5	150
(34)	DOM 39	Consolidate social service programs and reduce funding 5 percent.	0	1,050
(35)	DOM 41	Reduce National Institutes of Health research funding by 10 percent overall, aiming in particular to cut overhead costs by 50 percent.	370	4,000
(36)	DOM 43	Freeze current number of housing assistance commitments.	70	3,450
(37)	DOM 44	Replace new public housing construction with vouchers.	0	870
(38)	DOM 46	Eliminate from the Department of Housing and Urban Development (HUD) budget earmarked pork-barrel projects that serve only local interests.	0	430
(39)	DOM 48	Scale back by 50 percent Low-Income Home Energy Assistance Program (LIHEAP) subsidies.	730	4,100
(40)	DOM 49	Close or convert inefficient or underused Veterans Administration (VA) facilities.	65	1,100
(41)	DOM 50	Require VA to allocate resources using a prospective payment system, while increasing VA authority to allocate resources.	0	2,050
(42)	ENT 02	Require the Department of Energy (DOE) to raise rates for federal hydroelectric power to speed debt repayment by regional Power Marketing Administrations (PMAs).	0	970
(43)	ENT 04	Change revenue-sharing formula from a gross- to a net-receipt basis for commercial activities on federal lands.	190	1,050
(44)	ENT 06	Lower target prices for subsidized crops by 3 percent annually.	440	13,250
(45)	ENT 10	Restrict eligibility for benefits from price support programs and reduce the payment limitation.	130	1,300

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(46)	ENT 11	Eliminate the price support for wool and mohair.	$0	$760
(47)	ENT 12	Eliminate the Honey Program.	20	35
(48)	ENT 14	Eliminate the Export Enhancement subsidy program.	310	2,950
(49)	ENT 15	Eliminate the Market Promotion Program that subsidizes foreign advertising for U.S. agribusinesses.	100	900
(50)	ENT 17	Reduce costs for the dairy price support program by requiring producer contributions.	140	1,150
(51)	ENT 16	End the Federal Crop Insurance Program and replace with standing authority for disaster assistance.	270	2,850
(52)	ENT 18	Auction licenses to use the radio spectrum.	1,700	3,500
(53)	ENT 23	Recover, through user fees, the full Army Corps of Engineers' costs of operating and maintaining inland waterway systems.	350	1,900
(54)	ENT 24	Eliminate Stafford Loan interest subsidies after students leave school; accrue interest during the after-school grace period; and reduce lenders' subsidies by 1 percentage point.	370	3,000
(55)	ENT 25	Require post-secondary institutions to pay a sliding annual fee related to the percentage of defaults on Stafford loans.	140	800
(56)	ENT 28	Limit to 10 percent per annum the growth of administrative costs in the Foster Care program.	65	1,300
(57)	ENT 29	Tighten Medicaid's estate recovery processes and rules for long term care.	75	1,350
(58)	ENT 30	Combine funding to states for the administrative costs of Aid to Families with Dependent Children (AFDC), Medicaid, and Food Stamps into a single indexed grant.	500	6,150
(59)	ENT 32	Reform Federal Employees Health Benefits Program by adopting a prospective payment system.	0	1,700
(60)	ENT 35	Reduce Medicare's direct payments for medical education.	160	930

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(61)	ENT 38	Freeze Medicare's prospective payment system rates for one year.	$1,600	$11,600
(62)	ENT 39	Continue Medicare's transition to prospective rates for facility costs in hospital outpatient departments	180	3,550
(63)	ENT 40	Charge a fee for Supplementary Insurance Medical Insurance (SMI) claims that are not billed electronically.	230	980
(64)	ENT 45	Increase Medicare's deductible for physicians' services from $100 to $150 and index for inflation	900	11,850
(65)	ENT 46	Reimpose the 20 percent coinsurance for clinical laboratory services under Medicare Part B that was dropped in 1984	600	5,650
(66)	ENT 51	Bring federal employee retirement benefits in line with private sector practices.	890	14,150
(67)	ENT 52	End Trade Adjustment Assistance.	220	1,050
(68)	ENT 53	Increase targeting of child nutrition programs to end subsidies to middle-income families.	340	4,300
(69)	ENT 65	Raise the loan fee for housing loans guaranteed by the Department of Veterans Affairs.	260	1,400
(70)	ENT 66	Extend through 1997 provisions of the 1990 Omnibus Budget Reconciliation Act (OBRA-90) that: (1) authorize the IRS to help verify incomes reported by veterans, (2) authorize the VA to recover costs from third-party insurers, and (3) impose a $2 copayment for pharmaceuticals providedby the VA to veterans with low-rated disabilities.	70	1,490
	TOTAL CBO 1992 SAVINGS:		$18,305	$190,760

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
B.	REDUCING THE DEFICIT: SPENDING AND REVENUE OPTIONS, FEBRUARY 1990			
(71)	NDD 11	Charge fees to cover the direct costs of visitor and recreational services on National Park Service land.	$150	$800
(72)	NDD 11	Increase the diligence requirement from $100 to $1,000 for hardrock mining claims to reflect inflationary price increases since 1872.	0	300
(73)	NND 23	Establish the FAA as a private corporation.	2,950	21,550
(74)	NDD 26	Recover 100 percent of Coast Guard services provided to commercial and pleasure boats.	710	3,800
(75)	NDD 27	Limit federal highway spending to the amount brought in by motor vehicle fuel taxes.	320	8,550
(76)	NDD 30	Eliminate untargeted portion of vocational education funding.	50	1,600
(77)	NDD 46	Modify the Davis-Bacon Act by allowing unrestricted use of helpers and raising the contract threshold.	190	2,500
(78)	NDD 47	Modify the Service Contract Act by eliminating the successor provision and raising the threshold.	130	750
	TOTAL CBO 1990 SAVINGS:		4,500	39,850
	TOTAL CBO SAVINGS:		$22,805	$230,610

II. BUDGET OF THE UNITED STATES GOVERNMENT, FISCAL YEAR 1993
OFFICE OF MANAGEMENT AND BUDGET

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
A.	MANDATORY OUTLAY PROPOSALS			
(79)	USDA	Reduce Commodity Credit Corporation (CCC) subsidies to those with off-farm income over $100,000.	$65	$665
(80)	USDA	Establish user fees for Agriculture Marketing Service.	7	47
(81)	USDA	Eliminate Morrill-Nelson funds.	3	15
(82)	COMM	Extend Patent and Trademark Office user fee surcharges.	0	214
(83)	ED	Extend current law eliminating statute of limitations on collecting defaulted student loans.	266	266
(84)	DOE	Realize pay-as-you-go effect of Alaska Power Administration asset sale.	0	42
(85)	HHS	Improve child support enforcement system.	134	814
(86)	HHS	Place Medicare hospital update on calendar year basis.	630	5,380
(87)	HHS	Limit federal subsidy to 25 percent of Medicare's Supplementary Medical Insurance (SMI) program costs for high income persons ($100K single/$125K couple).	313	3,040
(88)	HHS	Recover Supplementary Security Income (SSI) overpayments by withholding other Social Security payments.	34	129
(89)	IRS	Apply to all taxpayers the 45-day processing rule.	310	1,819
(90)	VA	Home loans: Consider government losses on resale when deciding whether to purchase foreclosed property or pay lenders the guaranteed claim, and require veterans who are second and subsequent users a 2.5 percent fee and 10 percent downpayment.	660	1,163

(1) ISSUE NUMBER		(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(91)	VA	Extend sunset on authority to recover costs from health insurers of veterans for non-service connected conditions.	$161	$1,020
(92)	VA	Provide eligibility for vocational rehabilitation to veterans rated 30 percent disabled or greater, and restore 9:1 service members' benefit/contribution ratio for contributions to the GI bill.	43	267
(93)	USDA	Accelerate repayments for Farm Credit System Financial Assistance Corporation bailout.	212	212
(94)	OPM	Civil Service Retirement: Permanently extend elimination of the lump-sum option.	0	5,070
(95)	OPM	Apply Medicare Part B payment limits to all Federal Employee Health Benefit Program (FEHBP) enrollees age 65 and older, not just FEHBP/Medicare dual enrollees.	85	380
(96)	TREAS	Authorize interstate banking and branching; allow banks to offer diversified financial services; reduce taxpayer exposure by limiting deposit insurance for individuals to two $100,000 insured accounts per institution; establish risk-based premiums set by the market; and measure costs of deposit insurance as they accrue, rather than when the institutions are closed.	1,800	15,500
(97)	PBGC	Increase company sponsor contributions to the Pension Benefit Guarantee Corporation (PBGC); freeze the guarantee for plans that remain underfunded; amend bankruptcy laws to improve PBGC recoveries; and adopt measures to show the budgetary costs of pension guarantees as they accrue.	2,500	13,100
B.	DOMESTIC DISCRETIONARY PROGRAM TERMINATIONS			
(98)	CCE	Tourism Disaster Grants	2	2*
(99)	HHS	Mental Health Protection and Advocacy	2	2
(100)	HHS	State Formula Planning Grants for Dependent Care	3	3

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(101)	HHS	Mental Health Clinical Training	$10	$10
(102)	HHS	Demonstration Emergency Medical Services	4	4
(103)	HUD	Flexible Subsidy Fund	54	54
(104)	INT	Rural Abandoned Mine Program	1	1
(105)	INT	Bureau of Indian Affairs Business Development Grants	5	5
(106)	INT	Bureau of Mines Mineral Institutes	4	4
(107)	INT	National Park Service Urban Park Grants	9	9
(108)	INT	Navajo Rehabilitation Trust Fund	4	4
(109)	INT	Bureau of Indian Affairs Direct Loans	3	3
(110)	DOL	Bureau of Labor Statistics Mass Layoff	6	6
(111)	DOL	Mine Safety and Health Administration State Grants	6	6
(112)	DOL	Bureau of Labor Management Relations Cooperative Program	2	2
(113)	DOL	National Veterans Training Institute	2	2
(114)	EPA	Asbestos Abatement Loans and Grants	22	22
(115)	EPA	Miscellaneous Low-Priority Projects	3	3
(116)	EPA	Non-competitively-selected water projects	3	3
(117)	NASA	Comet Rendezvous/Asteroid Flyby	5	5
(118)	SBA	Tree Planting	16	16
(119)	MISC	District of Columbia Special Projects	17	17
(120)	MISC	State Justice Institute	1	1
(121)	MISC	Commission on Bicentennial of the U.S. Constitution	2	2
C.	MAJOR REDUCTIONS IN DOMESTIC DISCRETIONARY PROGRAMS			
(122)	USDA	Watershed/River Basin Programs	86	86*
(123)	CCE	Decennial Census	56	56
(124)	DOE	Fossil Research and Development	49	49
(125)	DOE	Conservation Grants	22	22
(126)	INT	National Park Service/Fish Wildlife Service Construction	155	155

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(127)	INT	Bureau of Reclamation Construction	$252	$252
(128)	DOJ	Juvenile Justice Grants	20	20
(129)	DOJ	Cooperative Agreement Program	5	5
(130)	DOJ	Regional Information Sharing System	19	19
(131)	DOL	Various Job Training Partnership Act Programs	7	7
(132)	TREAS	Customs Service: Operations and Maintenance Air and Marine Program	4	4
(133)	EPA	Non-Point Source Grants	14	14
		TOTAL OMB SAVINGS:	$8,098	$50,014

* (Five-year domestic discretionary savings are conservatively estimated to be the identical to one-year savings.)

III. CURRENT WASTE-CUTTING LEGISLATION

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(134)	HR 327	Make ineligible for Pell Grant program institutions with high default rates.	$446	$2,230
(135)	HR 504	Prohibit witness fees to be paid to persons in prison.	10	100
(136)	HR 643	Garnish wages of federal employees who are delinquent in paying debts to the federal government.	300	300
(137)	HR 1245	Implement a U.S. one dollar coin.	73	365
(138)	HR 1704	Negotiate with foreign countries to provide for incarceration in those countries of illegal aliens imprisoned in the U.S. for federal offenses.	272	1,360
(139)	HR 2452	Provide additional energy conservation measures at federal agencies.	-100	1,900
(140)	HR 2643	Spending Priority Reform Act: Eliminate pork-barrel items in FY 1992 appropriation bills.	1069	1,069
(141)	HR 2876	Abolish the Presidential Election Campaign Fund.	45	225
(142)	HR 2890	Establish limits on the prices of drugs procured by the Department of Veterans Affairs.	60	300
(143)	HR 3137	Amend McCarran-Ferguson Act and Employee Retirement Income Security Act to make Medicaid payer of last resort.	1,000	5,000
(144)	HR 3441	Prohibit direct federal financial benefits and unemployment benefits for illegal aliens.	5,400	27,000
(145)	HR 4600	Eliminate the tobacco price-support program.	133	665

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(146)	S 99	Reduce pay for members of Congress and Executive officers.	$25	$125
(147)	S 171	Implement federal employees optional early retirement.	620	3,100
(148)	S 2057	Reorganize Department of Defense acquisition.	170	4,740
		TOTAL LEGISLATIVE PROPOSALS:	$9,523	$48,479

IV. THE OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF HEALTH AND HUMAN SERVICES
COST-SAVER HANDBOOK
1992

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
A.	HEALTH CARE FINANCING ADMINISTRATION			
(149)	HCFA/A-1	Require Medicare coverage of all state and local government employees or make Medicare the secondary payer	$1,235	$8,098
(150)	HCFA/A-2	Extend the Medicare second-payer provision for end stage renal disease patients covered under an employer group health plan.	429	2,648
(151)	HCFA/A-3	Require insurance companies, underwriters, and third-party administrators to periodically submit employer group health plan (EPGH) data to HCFA to improve identification and recovery of secondary payer claims.	900	4,500
(152)	HCFA/A-4	Recover Medicare's share of pension asset reversions from the 83 hospitals that terminated their pension plans between October 1, 1983 and December 31, 1988.	92	92
(153)	HCFA/A-5	Recover Medicare's share of pension asset reversions that materialized when two national hospital chains terminated their pension plans.	27.6	27.6
(154)	HCFA/A-7	Discontinue use of a separate carrier to process Medicare claims for Railroad Retirement beneficiaries.	9.1	45.5
(155)	HCFA/A-9	Improve implementation of the Medicare secondary payer provisions of Omnibus Budget Reconciliation Acts of 1989 and 1990.	2.2	2.2
(156)	HCFA/A-10	Review selected Part B Medicare secondary payer activities at Blue Shield of Florida to recover mistaken payments and prevent future improper payments.	18.8	18.8

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(157)	HCFA/A-11	Review Aetna Life Insurance Company's compliance with the Working Aged provisions of Medicare's secondary payer program.	$13.6	$13.6
(158)	HCFA/A-12	Prevent Medicare program losses due to unidentified primary insurers.	637	637
(159)	HCFA/A-13	Raise the threshold for impartial review of disputed Medicare claims from $100 to $225, to adjust for inflation.	4	20
(160)	HCFA/A-14	Require Medicare contractors to coordinate their health insurance data with Medicare files to identify secondary payers.	143.7	718.5
(161)	HCFA/B-3	Apply a late enrollment surcharge to the premiums of buy-in-enrollees comparable to the surcharge applied to the premiums of other Part B beneficiaries.	7.5	40
(162)	HCFA/B-4	Halt Medicaid payments for less-than-effective drugs, as required by Title XIX of the Social Security Act	16	16
(163)	HCFA/B-5	Compare reimbursement prices for multiple-source prescription drugs in the United States and Canada to ensure that drugs are properly priced on HCFA's "upper limit" drugs list.	2.2	11
(164)	HCFA/C-1	Reduce Medicare indirect medical education payments to teaching hospitals to the level supported by HCFA's historical data.	1,390	6,900
(165)	HCFA/C-2	Terminate Medicare disproportionate share adjustments	800	4,000
(166)	HCFA/C-3	Modify HCFA's payment policy for Medicare bad debts so hospitals have more incentive to collect unpaid deductible and coinsurance amounts.	400	2,000

(1) ISSUE NUMBER		(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(167)	HCFA/C-5	Limit Medicare reimbursements for 1-day hospital admissions not requiring an overnight stay	$210	$1,050
(168)	HCFA/C-6	Review admissions of 1-3-day hospital stays for specific diagnosis-related groups (DRGs) to reduce unnecessary admissions.	183	915
(169)	HCFA/C-7	Deny Medicare reimbursement for substandard medical care	110	550
(170)	HCFA/D-1	Develop and apply quality-of-care criteria for bypass surgery providers and adopt private-sector cost-cutting practices.	192	960
(171)	HCFA/D-2	Reduce Medicare outpatient services payments in line with payments for the same services performed in an ambulatory service center.	90	645
(172)	HCFA/E-1	Expand the limitation on Medicare reimbursements for physician overhead expenses to cover inpatient hospital services, and incorporate a high volume criterion into the definition of "routinely performed" services.	176.9	884.5
(173)	HCFA/E-2	Change Medicare payment schedules for clinical laboratory tests to reflect what physicians are paying laboratories.	426	2,130
(174)	HCFA/E-3	Establish Medicare and Medicaid prepayment edit screens to limit manipulation and abuse of reimbursement billing codes.	12.9	12.9
(175)	HCFA/E-4	Incorporate the reimbursement for laboratory services into the charge for physician office visits.	1,100	12,000

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(176)	HCFA/E-5	Revise reimbursement rates for low-cost ultrasound tests.	$4	$20
(177)	HCFA/E-6	Discourage medical suppliers from "shopping" among carriers to locate the one with the highest reimbursement rates by requiring suppliers to submit bills to a carrier in the patient's locale.	22	110
(178)	HCFA/E-7	Reduce Medicare payments for monitored anesthesia care by strengthening guidelines and adopting private-sector payment standards.	28	140
(179)	HCFA/E-8	Reduce payments for unnecessary and poor-quality cataract surgeries and associated tests.	51.3	256.5
(180)	HCFA/E-9	Reduce payments for unnecessary and poor-quality upper GI endoscopies and colonoscopies.	54.8	274
(181)	HFCA/G-1	Exclude Medicare coverage of conventional eye wear for beneficiaries with an intraocular lens (IOL) implant since conventional eyeglasses are not a generally-covered benefit.	72	360
(182)	HCFA/G-2	Reduce payments for intraocular lenses to $150 to bring Medicare payments in line with international market prices.	100	500
(183)	HCFA/I-1	Recover Medicare payments made for beneficiaries eligible for other government health insurance.	50	50
B.	PUBLIC HEALTH SERVICE			
(184)	PHS/A-1	Eliminate or reduce direct health care services in areas where they duplicate other services or where utilization rates do not establish need for for such services.	5.6	28
(185)	PHS/A-2	Evaluate cost-effectiveness of contracting-out inpatient care at low utilization Indian Health Service hospitals.	.2	1

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(186)	PHS/C-2	Recover grants awarded for the construction of Community Mental Health Centers from grantees not providing essential and below-cost or free services.	$7	$7
C.	SOCIAL SECURITY ADMINISTRATION			
(187)	SSA/A-1	Establish a consistent eligibility date for all age-based Title II payments.	40	890
(188)	SSA/A-2	Extend the mandatory tip-reporting requirements to include other businesses where tipping is common practice.	134	720
(189)	SSA/B-1	Repay loans early on 3 SSA buildings to save on interest payments.	48	48
(190)	SSA/B-2	Do not pay states for the cost of medical appointments broken by applicants for disability payments.	1.5	7.5
(191)	SSA/B-3	Modify the Title II earnings enforcement operation to include late-posted earnings reports, suspended reinstatements, and earnings adjustments and corrections to ensure that the annual earnings test is accurate.	10	50
(192)	SSA/B-4	Initiate an automated marriage data exchange with the states.	5.5	27.5
(193)	SSA/B-5	Acquire commercial zip code software.	5	25
(194)	SSA/B-6	Revise current Treasury procedures to require large employers to deposit income and FICA taxes one banking day after the disbursement of wages.	10,127	15,501
(195)	SSA/B-7	The SSA should use third-class bulk mailing instead of first-class postage rates.	2.5	12.5

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(196)	SSA/B-8	Determine the administrative costs for the attorney fee payment process and assess attorneys the applicable user fee in accordance with OMB Circular A-25.	$5	$25
(197)	SSA/B-9	Expedite current SSA negotiations to expand information-exchange agreements with state governments to prevent overpayments for workers' compensation.	81.9	128.7
(198)	SSA/B-10	Develop the Beneficiary and Earnings Data Exchange System (BENDEX) into a mechanism that can regularly be used during the application process for AFDC, Medicaid, and Food Stamp programs by expanding the electronic hook-up between state agencies and the SSA central office.	18.9	94.5
(199)	SSA/C-1	Grant audit granted to beneficiaries with significant subsequent earnings.	9	45
(200)	SSA/C-2	Use SSA's automated systems to identify retroactive alien taxes due and develop procedures to facilitate collection.	7.7	7.7
(201)	SSA/C-3	Determine the Social Security Numbers (SSNs) of overpaid former auxiliary beneficiaries for whom SSNs are unknown, and institute recovery if current benefits are being paid or offset these debts in future income tax refunds.	32.1	42.5
(202)	SSA/C-6	Improve recovery of payments made by checks with unauthorized endorsements.	10.5	10.5
(203)	SSA/C-7	Improve procedures for recovering incorrect Title II Social Security payments.	7.7	7.7
(204)	SSA/D-1	Pursue cross-program adjustment to collect outstanding debts owed by former Supplemental Security Income (SSI) recipients who are current Retirement and Survivors Disability Insurance (RSDI) beneficiaries.	43.3	156.5
(205)	SSA/D-2	Require nursing homes to report to SSA admissions of SSI recipients within one day to prevent overpayments.	22	110
(206)	SSA/E-1	Issue original SSNs for non-citizens based on an electronic transfer of data collected by the Immigration and Naturalization Service (INS).	8.2	41

(1) ISSUE NUMBER		(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
D.	ADMINISTRATION FOR CHILDREN AND FAMILIES			
(207)	ACF/A-1	Modify Federal Medical Assistance percentage used for the AFDC, Foster Care, and Adoption Assistance Programs.	$1,100	$5,700
(208)	ACF/A-2	Improve Connecticut's overpayment processing systems to monitor and control the recovery of AFDC program overpayments.	5.3	5.3
(209)	AFC/B-1	Identify absent parents in the federal work force to improve collections for child support.	330.6	517
(210)	ACF/B-3	As a condition of receiving federal matching funds for foster care under Title IV-E, require states to assure that foster care agencies refer appropriate cases to IV-D child support agencies.	11	55
(211)	ACF/D-4	Review Foster Care Maintenance Payments made by the Philadelphia County Department of Human Services.	6.8	6.8
(212)	ACF/D-5	Department of Human Services in the District of Columbia should make certain procedural improvements, and refund to the Federal Government about $2.8 million and coordinate with the Department of Health and Human Services (HHS) operating division to return $4.8 million in expenses improperly billed to the federal government.	7.3	7.3
(213)	ACF/F-1	Revise current Emergency Assistance regulations to limit benefits for one period of 30 consecutive days or less in 12 consecutive months.	22	110
(214)	ACF/F-2	Eliminate ineligible claims for cash and medical assistance under the Refugee Resettlement Program.	1.9	1.9
(215)	ACF/F-3	Disallow New Jersey's overstated public assistance administration costs.	2	2

(1) ISSUE NUMBER		(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(216)	ACF/F-5	Finalize Administration for Children and Families (ACF) corrective action plan to institute necessary policies and duties relating to the administration of grant programs.	$2.3	$2.3
(217)	ACF/F-6	Amend the Low Income Home Energy Assistance Program (LIHEAP) to eliminate duplication of home energy assistance through other federal and state programs.	14.4	14.4
E.	GENERAL DEPARTMENTAL MANAGEMENT			
(218)	GDM/A-1	Revise Circular A-87 to disallow interest charges on unfunded actuarial liabilities of government pension plans.	1,300	6,500
(219)	GDM/A-2	Disallow state sales tax charged to federal programs.	54	270
(220)	GDM/A-3	States should: refund the federal share of excess reserves in self-insurance funds; avoid future excesses; and account for self-insurance funds in future statewide cost allocation plans.	19.5	19.5
(221)	GDM/B-1	Accelerate federal grantees' deposits of payroll taxes.	463.4	877
(222)	GDM/C-1	Recover federal interest when multipurpose senior centers are no longer used for program purposes.	23	115
	TOTAL HHS IG SAVINGS:		$23,006.7	$82,836.8

V. UNIMPLEMENTED GRACE COMMISSION RECOMENDATIONS

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(223)	ADP 01	Create Office of Federal Information Resources Management; develop government-wide information technology policy.	$na	$na
(224)	ADP 07	Improve ADP personnel recruitment and management.	na	na
(225)	ADP 17B	Accelerate IRS acquisition of latest ADP technologies.	na	na
(226)	ADP 18	Adopt all other ADP recommendations.	2,500.1	10,369.1
(227)	ARMY 02	Reestablish the tour length for first-term enlistees in long tours at 18 months.	48.0	160.9
(228)	ARMY 03	Explore options to make 2-year unaccompied and 5-year accompanied tours of duty more attractive.	68.4	226.4
(229)	ARMY 04	Reduce permanent change of station (PCS) moves authorized for advanced officer training.	19.5	64.5
(230)	ARMY 05	Consider options for minimum PCS moves in design of regimented manning system.	40	132.4
(231)	ARMY 06	Study options for modifying "up or out" system.	117	387.3
(232)	ARMY 09	Cancel the Learning Resource Center program.	10.2	33.7
(233)	ASSET 03C	Establish revolving accounts for import duty collections.	378.4	457.8
(234)	ASSET 03D	Use Federal Tax Deposit system; enhance collection of receipts.	517	626
(235)	ASSET 05	Expedite disposal of Commodity Credit Corporation (CCC) inventory through humanitarian foreign assistance (PL 480) and food stamps.	467	565
(236)	ASSET 06	Establish direct deposit/electronic funds transfer incentives.	284	344
(237)	ASSET 08	Charge agencies for interest expenses.	na	na

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(238)	ASSET 17	Establish termination dates for direct loan programs when legislation is implemented.	$na	$na
(239)	ASSET 22	Eliminate Federal Housing Administration's involvement in new unsubsidized mortgage insurance 203(b), except for current obligations.	na	na
(240)	BANK 06	Shift Export-Import (Ex-Im) Bank export credit activities to private sector.	na	6
(241)	BANK 07	Review Ex-Im interest rate fluctuations.	na	na
(242)	BANK 15	Eliminate Railroad Retirement Board (RRB) field offices.	7.9	26.2
(243)	BANK 17	Restructure RRB management organization.	1	3.3
(244)	BANK 19	Charge user fees for Federal Home Loan Bank Board (FHLBB) borrowings.	na	296.7
(245)	BANK 20	Reorganize FHLBB district banks	6	20
(246)	BANK 24	Dissolve liquidity facility.	1	5
(247)	BANK 27	Reorganize banking regulatory agencies.	17.4	57.6
(248)	BANK 28	Streamline federal regulatory examination process.	7.3	24.3
(249)	BANK 29	Transfer Federal Reserve System (FRS) regulatory functions to the Office of the Comptroller of the Currency (OCC).	2.2	7.2
(250)	BANK 31	Merge ADP facilities for OCC and Federal Deposit Insurance Corporation (FDIC).	1	3.3
(251)	BANK 38	Tax the farm credit system.	195.8	648.1
(252)	CCE 02A	Close 15 unneeded Coast Guard stations.	31	102.6
(253)	CCE 02B	Repealing mandate requiring operation of the Cardinal train.	2.2	7.3
(254)	CCE 03A	Consolidate the Office of Bureau of Indian Affairs.	16	53
(255)	CCE 05A	Close 20 underutilized Black Lung offices.	.1	.3
(256)	CCE 05B	Reduce personnel in Veterans Employment Service (DOL).	1	3.3
(257)	CCE 06A	Close 63 unneeded and obsolete weather stations.	3.8	12.6

(1) ISSUE NUMBER		(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(258)	CCE 08B	Close 27 offices of Food Safety Inspection Service and a training center.	$2.5	$8.2
(259)	CCE 07	Eliminate unrequested Customs inspectors.	5.6	16.6
(260)	CCE 11	Repeal mandated personnel levels of EPA.	34.5	114.2
(261)	CCE 13B	Bring wages of GPO employees in line with federal government counterparts.	19	62.9
(262)	CCE 16	Repeal minimum personnel ceilings in appropriate agencies.	na	na
(263)	COMM 01	Restructure International Trade Administration (ITA) and reduce staff by 800.	10	68.3
(264)	COMM 07	Reduce Patent and Trademark Office hiring goals.		9.4
(265)	COMM 10	NOAA: Stop converting raw LANDSAT data; sell "right" to price data.	103	298
(266)	CONST 02	Revise Council on Environmental Quality (CEQ) regulations for Environmental Impact Statements (EIS).	10	33.1
(267)	CONST 05	Eliminate unreasonable mitigation outlays.	300	993
(268)	CONST 06	Modify treatment of wetlands.	7.5	24.9
(269)	CONST 08	Eliminate duplicative historic preservation regulations	40	132.4
(270)	CONST 09	Repeal section 4(f) of the Department of Transportation Act, which requires consultation with the Secretaries of the Departments of Interior, Housing and Urban Development, and Agriculture before the Federal Highway Administration (FHWA) can approve the use of publicly owned land for highway construction.	7.6	25.2
(271)	CONST 10	Revise floodplain requirements.	5.6	13.6
(272)	CONST 11	Amend Safe Drinking Water Act.	.5	1.6

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(273)	CONST 13	Use innovative methods to mitigate highway noise.	$260.6	$703.3
(274)	CONST 14	Change dredged material disposal policies.	424	574.2
(275)	CONST 15	Amend section 404 of the Clean Water Act to eliminate duplication and delays in the issuance of construction permits for federal and federal-aid projects.	34.4	113.8
(276)	CONST 16	Amend Wild and Scenic Rivers Act to negate actions that would significantly impact rivers already designated as part of the National Wild and Scenic Rivers system.	.6	2
(277)	CONST 22	Encourage privatization of wastewater treatment facilities.	na	na
(278)	CPSC 01A	Eliminate overlapping administrator responsibility.	.4	2.3
(279)	CPSC 03B	Require the Consumer Product Safety Commission to establish its own data processing capability.	.5	.5
(280)	DOE 06	Improve grant funds management and close-outs.	na	na
(281)	DOE 07B	Exempt Strategic Petroleum Reserve (SPR) oil from Cargo Preference Act requirements.	37.5	213.4
(282)	DOE 18	Use defense industrial security program vs. more expensive current procedures.	15	49.6
(283)	DOE 20F	Cease regulation of oil pipeline rates.	4	13.2
(284)	DOT 04A	Consolidate regions; reduce Urban Mass Transit Administration (UMTA) and National Highway Traffic Safety Administration (NHTSA) staffs.	8.1	27
(285)	DOT 04C	Reduce personnel and training staff.	.5	1.8
(286)	DOT 08	Consolidate Federal Highway Administration (FHWA) with UMTA.	19.2	71.2
(287)	DOT 09B	Develop cost-tracking and requirements management procedures.	na	na

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(288)	DOT 10B	Develop broad-based R&D system safety assessment with user fees.	$1	$16
(289)	DOT 11	Consolidate Land Modal Administration safety functions.	2.8	14.9
(290)	DOT 14	Review the uniform tire quality grading system.	1	3.3
(291)	DOT 22A	Charge tuition for a significant percentage of U.S. Merchant Marine Academy (USMMA) students.	5.7	19.4
(292)	ED 01	Merge the National Direct Student Loan Program (NDSL) and the Federally Insured Student Loan Program (FISL) into the Guaranteed Student Loan Program (GSL).	319	1,185.9
(293)	EPA 03	Consolidate EPA categorical state grants.	2	2.16
(294)	EPA 04D	Discontinue National Pollutant Discharge Elimination System (NPDES) grants to unqualified states.	4.7	15.6
(295)	EPA 06	Close and merge 8 regional laboratories.	21.1	21.5
(296)	EPA 08	Close Ada, Oaklahoma research lab; close Grosse Isle, Michigan field station.	3.9	6.9
(297)	EX 06	Introduce competition in the Section 8(a) program.	253.8	838.2
(298)	EX 07	Improve foreign currency purchase program.	146	438.1
(299)	EX 08	Eliminate cargo preference.	118.3	391.6
(300)	EX 09	Eliminate paying federal employee full salary and reserve duty pay.	100	331
(301)	EX 11	Pay military trainees with government travellers checks instead of cash.	.2	1.4
(302)	FEMA 02	Increase insurance policy base, eliminate disaster assistance grants for insurables.	22.6	276
(303)	FEMA 03	Phase out the U.S. Fire Administration (USFA).	3.1	10.3

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(304)	FEMA 04	Improve strategic stockpile management.	$na	$na
(305)	FF 01	Establish uniform federal feeding program.	na	na
(306)	FF 06	Compendium of selected federal feeding issues.	3,540	11,369.6
(307)	FMFG 01	Include off-budget entities to reflect the true level of federal obligations and activities.	na	na
(308)	FMS 01	Establish a separate Office of Federal Management within the Executive Office of the President.	na	na
(309)	FMS 05	Improve planning and budgeting for capital expenditures and assets.	na	na
(310)	FRS 01B	Increase federal military retirement age.	1,500	4,525
(311)	FRS 03B	Combine military and civil service disability retirement programs.	na	na
(312)	FRS 04B	Revise military benefit formulas in line with private sector.	na	32.3
(313)	FRS 08B	Improve investment policy of Military Retirement System (MRS).	na	na
(314)	FRS 09B	Change MRS from defined benefits to defined contributions.	na	na
(315)	FSP 01	Improve targeting of means-tested benefits by requiring federal agencies to issue a form, similar to a W-2 form, showing the subsidy payment for each beneficiary, with a copy going to the IRS.	5,000	23,100
(316)	HCFA 07	Change the Health Care Financing Administration (HCFA) from a regulatory administrative agency to a Health Care Financing Commission to reduce regulatory burdens and promote competition.	na	na
(317)	HOSP 01	Freeze construction for underused hospitals.	43.9	131.7
(318)	HOSP 08	Phase out medical supply depots and reduce DOD supply levels to $100m.	141.2	477.3

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(319)	HOSP 10	Improve DOD procedures for recovering cost of medical care from third parties	$20.7	$68.5
(320)	HOSP 12B	VA: Use fiscal intermediaries.	341	1,131.1
(321)	HUD 06	Sell HUD-owned mortgages.	33	109.2
(322)	HUD 09	Implement cost-benefit analysis and monitor lump sum accounts.	na	na
(323)	INS 09	Limit growth of federal mortgage insurance.	na	na
(324)	INS 10	Phase out Federal Housing Administration (FHA) mutual mortgage fund.	2.6	22.7
(325)	INT 01A	Implement asset management program to increase land sales for General Fund.	na	1,046
(326)	INT 2A	Improve management of public rangelands.	81.5	184
(327)	INT 05A	Improve concessioneer competition.	.4	11.9
(328)	INT 08	Reduce regional administration cost in Fish and Wildlife Service through block grants.	na	9.6
(329)	JUST 04	Increase use of paralegals.	1.4	13.4
(330)	JUST 07	Collect excess profits in Federal Prison Industries.	9.5	40.8
(331)	JUST 10	Establish a government-wide IG coordinator office.	na	na
(332)	LABOR 01B	Establish criteria to identify questionable disability claims.	31	95
(333)	LABOR 05	Consolidate 6 regional offices into 3.	7.5	28.8
(334)	LABOR 06B	Centralize ADP management and procurement.	na	2
(335)	LABOR 11	Restructure procurement and contracting activities.	.2	.6
(336)	LAND 03	Establish retention period for federal records.	8	54.6
(337)	LISAB 02B	Revise Energy and Emergency Assistance.	156.8	290.3
(338)	LISAB 03	Merge Federal weatherization activities.	na	na

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(339)	LISAG 07	Modify Supplemental Income Security program to target benefits according to standard living expense needs, not to available cash income.	$241	$797.7
(340)	NAVY 11A	Make type commanders responsible for aviation maintenance.	na	120
(341)	NAVY 16	Improve career management by more efficient rotation.	na	25
(342)	OSHRC 01	Consolidate Occupational Safety and Health Review Commission (OSHRC) and Federal Mine Safety and Health Review Commission (MSHRC).	.8	3.1
(343)	OSHRC 02	Reduce OSHRC paper flow and case processing time.	.2	1.1
(344)	OSHRC 03	Increase productivity of Administrative Law Judges (ALJ).	.2	1.1
(345)	OSD 01	Procure DOD petroleum products by competitive bid.	155	513
(346)	OSD 09	Realign or close all redundant or unneeded military bases.	400	2,732
(347)	OSD 10	Centralize traffic management functions.	38	84.2
(348)	OSD 11	Procure ocean container transportation separately from inland services.	7.5	24.8
(349)	OSD 13	Integrate cargo data interchange system into DOD program.	5	5
(350)	OSD 15	Modernize weapons acquisition process.	na	na
(351)	OSD 16	Consolidate OSD contract administration functions.	90	297.9
(352)	OSD 18	Eliminate complex regulatory requirements associated with recovery of independent research and development expenses.	100	331
(353)	OSD 25	Integrate military retirement pay with Social Security benefits.	40.1	273.9

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(354)	OSD 27	Defer the commencement of retirement pay until all accumulated leave has been used.	$27	$125.6
(355)	OSD 28	Restrict use of CHAMPUS by beneficiaries who reside in catchment areas.	355.7	1,177.3
(356)	OSD 29	Consolidate management of DOD health care resources under Defense Health Agency.	285	943.3
(357)	OSD 31	Discontinue Uniformed Services University of the Health Sciences (USUHS) because it cannot be justified as a cost-effective source of physicians for the military.	34.6	114.6
(358)	OSD 34	Restrict Selective Reenlistment Bonus Program payments.	189	625.6
(359)	OSD 35	Aviation career incentive pay initiatives.	78.9	261.2
(360)	OSD 36	Establish a public audit committee.	na	na
(361)	PERS 02B	Limit HMOs; limit enrollment in emp assn plans; vary premiums by area.	na	na
(362)	PERS 6B	Expand the General Schedule to more than 15 basic pay levels.	na	na
(363)	PERS 11B	Modify reductions-in-force (RIF) procedures to facilitate competition among clerical personnel across organizational components and within commuting areas.	na	na
(364)	PERS 18B	Obtain private-sector expertise to develop federal workforce planning framework.	na	na
(365)	PHS 05	Consolidate federal toxicology testing programs.	40.5	168.7
(366)	PHS 08A	Close National Institutes of Health (NIH) Rocky Mountain Laboratory.	2.9	14.1
(367)	PPAV 02	Establish agency user fees for publications.	80	264.8
(368)	PRIVAT 03	Expand National Space Transporation System (NSTS) legislation to allow private sector investment in space shuttles.	460	1,522.6

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(369)	PRIVAT 05	Facilitate privatization/contracting out of DOD commissaries.	$923.6	$2,447.2
(370)	PROC 02A	Reduce burden of socio-economic programs on procurement process.	na	635.5
(371)	PROC 05	Improve priority setting among weapons acquisition programs.	na	na
(372)	PROC 12	Improve techniques for taking physical inventory.	na	na
(373)	PROC 14	Separate policy and service functions of General Services Administration (GSA), and direct all government agencies to use GSA procurement to achieve economies of scale.	na	na
(374)	PROC 15	Streamline and contract out Federal Supply Service review.	10	74
(375)	PROC 16	Consolidate DOD contract administration.	10	185
(376)	PROC 20	Increase centralization.	-.1	312
(377)	PROP 10	Moratorium on military housing construction in US urban areas.	66	209.4
(378)	PROP 03B	Give agencies incentives to cooperate fully with the surplus property disposal program.	na	na
(379)	PROP 05A	Revise A-76 guidelines.	na	67.5
(380)	PROP 08E	Adopt local fire safety standards for GSA leasing whenever possible.	na	21
(381)	PROP 09	Revive "prospectus" requirements in advance of GSA property action.	20	66.2
(382)	SBA 03B	Discontinue Small Business Administration (SBA) farm loans and transfer farm portfolio to Farmers Home Administration (FmHA).	na	na
(383)	SBA 04	Discontinue disaster loans for insurable flood-related losses.	9	32.5

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(384)	SBA 12A	Combine regional offices; close selected branch offices.	$.5	$3
(385)	SBA 12B	Review efficiency of SBA geographic service area assignments.	na	na
(386)	SSA 07	Consolidate SSA offices.	86.6	286.7
(387)	SSA 10A	Simplify and streamline review procedures.		16.9
(388)	SSA 10B	Implement streamlined appeals process.	1,101.9	3,647.3
(389)	STATE 05B	Develop refugee loan collection tracking data base.	na	na
(390)	STATE 09	Eliminate cargo preference requirement for AID-sponsored shipments.	35.8	118.5
(391)	STATE 02	Modify criteria of Foreign Service disability and retirement.	36.3	114.1
(392)	STATE 06C	Move to AID biennial budgeting.	na	6
(393)	TREAS 03	Decentralize appellate tax court board.	88.7	645.6
(394)	TREAS 06	Enhance taxpayer service.	na	na
(395)	TREAS 08	Reform border management; consolidate inspection functions.	.6	13.5
(396)	TREAS 09	Reorganize the Bureau of Alcohol, Tobacco, and Firearms (BATF) to transfer responsibility for criminal enforcement to the Secret Service.	16.4	56.5
(397)	TREAS 17	Produce $1 notes at a lower cost through offset printing.		3.9
(398)	TREAS 19	Establish a satellite production facility.	na	na
(399)	TREAS 20	Enhance Bureau of the Mint organizational control by consolidating its Washington, D.C. headquarters operation with the Philadelphia mint.	3.6	12.8
(400)	TVA 02	Reduce costs of TVA's financing program.	3.3	22.2
(401)	TVA 04	Revise senior management pay plan.	na	na
(402)	USAF 01	Improve management reporting and control.	350	1,158.5
(403)	USAF 03	Consolidate program and budgeting reviews.	2.4	7.9

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(404)	USAF 06	Eliminate year-end ceilings.	$29	$96
(405)	USAF 07	Alter severance pay plan.	5.3	17.5
(406)	USAF 12	Contract travel by Military Airlift Command.	6	19.9
(407)	USDA 01	Promote loan graduation for each new FmHA loan booked.	141	767.9
(408)	USDA 03	Shift from direct FmHA lending to 75% private loan guarantee.	135.3	548
(409)	USDA 05	Eliminate FmHA duplication with SBA.	296.2	913
(410)	USDA 09	Update Food Stamp program annually to reflect changes in participant population nutrition requirements.	1,039	3,439.1
(411)	USDA 10	Modify economies-of-scale adjustment factors to reflect actual differences in purchasing cost based on family size.	252.3	835.1
(412)	USDA 11	Eliminate $10 minimum monthly benefit in the Food Stamp Program.	41.8	138.3
(413)	USDA 14	Include benefits received from the School Breakfast, Child Care Food, and the Summer Food Services Programs as unearned income when determining eligibility for the Food Stamp program.	162	536.2
(414)	USDA 16	Reduce poultry slaughter inspection.	93	307.8
(415)	USDA 18	Eliminate USDA/FDA/States triplication of dairy plant inspection.	1.6	5.3
(416)	USDA 19	Replace prior approval of meat and poultry labels with a system similar to the Food and Drug Administration's method of ensuring proper marking and labeling of foods under the Food, Drug, and Cosmetic Act.	1.2	4
(417)	USDA 22	Eliminate donations to other agencies.	404.4	1,204.8
(418)	USDA 24	Phase out Foreign Agricultural Service cooperation funding.	6.1	24.5
(419)	USDA 31	Reduce use of US nationals as secretaries overseas.	.4	1.4
(420)	USDA 32	Reorganize Foreign Agricultural Affairs Division.	na	na
(421)	USDA 39	Consolidate Soil Conservation Service (SCS) administration staffs.	2.4	15.6
(422)	USDA 51	Create National Board of Agriculture to develop national goals and missions for federally-funded agricultural research.	76	251.5
(423)	USDA 53	Transfer human nutrition research programs to HHS.	15	95

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(424)	USDA 54	Eliminate funding for 20 low-priority Cooperative State Research Service programs.	$10.7	$35.4
(425)	USDA 58	Reduce USDA headquarters staff and regulation.	340	432.4
(426)	USPS 01	Allow U.S. Postal Service (USPS) to sell obligations to the public market.	1	6.8
(427)	USPS 02	Allow purchase of Treasury obligations.	51	168.8
(428)	USPS 05	Allow USPS to negotiate check-processing costs.	18.1	60.1
(429)	USPS 17	Replace rural post offices with alternative services.	39.8	272
(430)	USPS 18	Reduce to 5 the number of delivery days.	na	na
(431)	USPS 19	Establish central procurement authority.	na	na
(432)	USPS 20	Improve capital equipment procurement process.	20	66.2
(433)	USPS 26	Allow OMB to review the Postal Rate Commission (PRC) budget.	na	na
(434)	USPS 27	Review rate setting procedures.	na	na
(435)	USPS 30	Eliminate submission of dual filing by grievants.	18.4	61
(436)	USPS 32	Develop human resource forecasting model.	na	na
(437)	USPS 37	Study employee absence practices.	na	na
(438)	USPS 38	Study whether USPS would be better treated as a private organization for the purpose of Equal Employment Opportunity Commission (EEOC) hearings.	76.6	253.6
(439)	USER 09	Recover publication costs of the Soil Conservation Service.	8.3	27.4
(440)	USER 10	Recover full cost for foreign military sales.	100	331
(441)	USER 11	Update the fee schedule of the Agricultural Marketing Service.	8.9	29.4
(442)	USER 17	Recover the cost of responding to FOIA requests.	70	231.7
(443)	USER 21	Establish management information systems and maintain current pricing in Federal Highway Administration.	600	1,896

(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(444) VA 04	Eliminate property acquisition at foreclosure sales on guaranteed loans.	$68	$225.1
(445) VA 06	Recover administrative costs of insurance program from premiums/dividends.	25.6	84.7
	TOTAL GRACE COMMISSION RECOMMENDATIONS:	$27,578.8	$98,528.1

VI. THE HERITAGE FOUNDATION

(1) ISSUE NUMBER		(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
A.		A PROSPERITY PLAN FOR AMERICA: TO STRENTHEN FAMILY FINANCES, REVIVE THE ECONOMY AND BALANCE THE BUDGET, FISCAL 1993		
(446)	(271)	Phase out Rural Electrification Administration direct loans; phase out all REA loan activity to non-rural areas, raise interest rates on REA guaranteed loans to the Treasury bill rate; and sell REA loans to the private sector.	$500	$3,000
(447)	(301)	End all new Bureau of Reclamation water projects and investigations of future projects. Shift O&M of existing projects to the private sector. Eliminate federal water subsidies.	1,300	7,440
(448)	(302)	Place a three year moratorium on new Department of Interior and National Forest Service land acquisitions.	340	1,500
(449)	(302)	Eliminate the Conservation Reserve Farm Subsidy Program.	1,600	9,200
(450)	(306)	Eliminate National Coastal Zone Management Grants and the Sea Grant College program.	55	345
(451)	(306)	Sell the National Helium Reserves to a joint venture comprised of current employees and other private investors.	120	700
(452)	(306)	Impose user fees for special weather services.	50	250
(453)	(306)	Privatize the National Oceanic and Atmosphere Administration (NOAA) research fleet.	100	500
(454)	(306)	Eliminate funding for NOAA programs that are either state or local concerns or that benefit only small, specific groups.	164	500

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(455)	(352)	Eliminate the Agricultural Credit Insurance Fund (ACIF) farm loans since they duplicate other federal assistance programs.	$600	$3,300
(456)	(352)	Merge the Agricultural Research Service, the Cooperative State Research Service, and the Extension Service, then reduce total funding by 50 percent.	700	3,950
(457)	(371)	Reduce Federal Housing Administration (FHA) program losses through improved underwriting, monitoring, and enforcement efforts to increase recoveries from corrupt HUD contractors. Allow increased sales of defaulted property.	564	4,780
(458)	(371)	Tighten standards on new FmHA single family loans, and speed collections on delinquent loans.	100	1,500
(459)	(371)	Phase out over 5 years the Government National Mortgage Association (GNMA); let the private sector assume insurance needs.	100	2,000
(460)	(371)	Improve FHA Title I debt collection.	350	1,000
(461)	(401)	Terminate all highway "Demonstration Projects."	550	5,200
(462)	(401)	End federal subsidies to AMTRAK.	450	2,660
(463)	(402)	Eliminate the Essential Air Service Subsidy Program.	25	180
(464)	(403)	Eliminate Operating Differential Subsidies and the Ocean Freight Differential subsidy program.	300	1,500
(465)	(452)	Transfer all activities within the Rural Development Insurance Fund to the states. Use a portion of the savings to fund increased federal enterprise zone tax abatement.	530	3,000

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(466)	(502)	Eliminate federal funding for the College Work Study Program and redirect 50 percent of the savings to Pell Grants.	$400	$2,200
(467)	(503)	Cut funding by 50 percent for the National Endowment for the Arts and the National Endowment for the Humanities, and require non-federal matching funds.	160	930
(468)	(503)	Discontinue federal funding for the Corporation for Public Broadcasting.	300	1,600
(469)	(506)	Phase out ACTION as a tax-supported program over the next five years.	40	660
(470)	(553)	Eliminate Public Health Service subsidy programs for health professions education except for those targeted to minority and economically disadvantaged students.	180	970
(471)	(570)	Increase Medicare safeguard funding (net savings).	1,110	5,400
(472)	(604)	Switch to a Random Digit Dialing System in calculating fair market rents for the Section 8 rental assistance program.	1,450	7,250
(473)	(604)	Tighten occupancy standards under the Performance Funding System for federal operating subsidies to local public housing authorities.	65	325
(474)	(604)	Replace a portion of Section 202 funds for construction for the elderly and handicapped and replace with vouchers.	100	800
(475)	(604)	Convert $300 million of Section 221(d) (3) and Section 236 prepayments (under the Low-Income Housing Preservation Act) into portable vouchers for tenants.	320	2,000

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(476)	(604)	Eliminate the Utility Adjustment Payment program which duplicates other federal assistance.	$150	$850
(477)	(604)	Require competitive bidding in all Comprehensive Improvement Assistance Programs (CIAP) procurements and tighten standards.	300	2,050
(478)	(605)	Require states to reimburse the federal government for all overpayment errors caused by state administrators in the Food Stamp program.	1,000	5,600
(479)	(752)	Reduce by 50 percent funding for Legal Services Corporation by eliminating all programs that do not provide direct legal assistance to the poor.	170	900
(480)	(800)	Cut by half Congressional staff, eliminate the "franking" privilege, and privatize the Government Printing Office.	325	2,000
(481)	(999)	Increase productivity in civilian non-defense agencies while holding the total increase of personnel costs at the inflation rate. Allow greater flexibility for managers.	2,200	11,900
(482)	(999)	Lower by 15 percent the travel budgets of non-postal civilian agencies, then cap future growth at the inflation rate.	380	2,000
(483)	(274)	Replace appropriated funds for filling the Strategic Petroleum Reserves with the profits from selling the Naval Petroleum Reserves to the private sector.	400	2,000
(484)	(451)	End funding for Community Development Block Grants.	100	10,800
(485)	(501)	Eliminate Impact Aid.	800	4,300

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(486)	(502)	Eliminate Supplemental Education Opportunity Grant program which duplicates benefits provided by the Pell Grant program.	$550	$3,100
(487)	(502)	Discontinue federal funding of the Perkins Loan Program, which can easily sustain itself through its own revolving funds.	200	1,000
(488)	(506)	Reduce by 50 percent funding for Social Services Block Grants.	1,400	7,000
(489)	(550)	Limit the housing allowance for AFDC families who live in subsidized public housing.	500	3,000
(490)	(604)	Eliminate new Section 202 construction.	200	1,600
(491)	(604)	Eliminate the funding for Section 8 rental housing vouchers on dwellings not meeting HUD's housing quality standards.	100	500
(492)	(605)	Require all able-bodied Food Stamp recipients to engage in a workfare or job search effort for at least 25 hours per week.	80	500
(493)	(754)	Shift Justice Assistance Programs to the states.	575	3,200
(494)	(999)	Lower by 10 percent per annum the projected growth rate of non-postal civilian agency overhead costs -- excluding employee travel.	11,600	64,600
		TOTAL "PROSPERITY PLAN" SAVINGS:	$33,653	$201,504

(1) ISSUE NUMBER		(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
B.		SLASHING THE DEFICIT, FISCAL 1990*		
(495)	(000)	Require reinsurance on federal loan guarantees.	$3,000	$15,000
(496)	(000)	Merge Departments of Interior and Energy.	2,000	10,000
(497)	(000)	Merge HUD and HHS.	2,000	10,000
(498)	(050)	Rescind defense pork.	6,000*	30,000
(599)	(051)	Restructure incentives in defense procurement system.	4,000	20,000
(500)	(151)	Eliminate "Food for Peace" funding except for temporary food shipments in emergencies like earthquakes, droughts and famines.	1,000	5,000
(501)	(151)	Cut Agency for International Development (A.I.D.) funding by 20 percent, and channel assistance as much as possible through local, private financial institutions.	380*	1,900
(502)	(271)	Sell U.S. Uranium Enrichment facilities to the private sector through a public stock offering, modeled after the federal government's 1987 sale of Conrail.	1,180	5,900
(503)	(271)	Require private sector cost sharing for all federal energy research and development expenditures with commercial applications.	1,600*	8,000
(504)	(302)	End moratoriums on exploration and leasing of the Outer Continental Shelf.	800	4,000
(505)	(302)	Allow oil exploration and drilling on selected areas of the Arctic National Wildlife Refuge coastal plane under strict environmental safeguards.	1,000	5,000

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(506)	(302)	Transfer to western states portions of land now managed by the Bureau of Land Management.	$200	$1,000
(507)	(302)	Privatize grazing allotments on federal lands by issuing 50-year leases to current owners.	40	200
(508)	(302)	Sell federal lands lacking environmental significance in urbanized areas through competitive auctions.	1,700	8,500
(509)	(302)	Sell federally-owned coal in the Powder River Basin that lies under privately-owned surface land.	2,000	10,000
(510)	(304)	Auction EPA pollution permits and allow firms to trade pollution credits to other industries located in the same state or urban area.	100	500
(511)	(304)	Use independent, certified, private environmental auditors to monitor industry compliance with federal environmental standards.	60	300
(512)	(306)	Close the Bureau of Mines and merge its data-gathering activities with other research agencies within the Department of Interior.	140*	700
(513)	(351)	Abolish cotton price supports and loan programs.	2,540	12,700
(514)	(753)	Begin to privatize administration of "special need" prison facilities for juveniles, women, protective custody prisoners, mental patients, and illegal immigrants, and explore alternative sentencing.	100	500
		TOTAL "SLASHING THE DEFICIT" SAVINGS:	$29,840	$149,200

* (These estimates have been updated to reflect more recent budget data.)

TOTAL HERITAGE FOUNDATION SAVINGS:	$63,493	$350,740

VII. FAT CITY: HOW WASHINGTON WASTES YOUR YOUR TAXES
(South Bend, Ind.: Regnery/Gateway, 1980)
BY DONALD LAMBRO

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(515)	12	Eliminate U.S. Travel Service.	$18.7*	$93.6
(516)	15	Eliminate Women's Bureau.	2.5	12.5
(517)	20	Eliminate Federal Information Center.	11.2*	56.2
(518)	27	Eliminate Consumer Information Center.	5.6*	28.1
(519)	29-30	Privatize House and Senate Gymnasium.	.2	1.1
(520)	32	Eliminate Economic Research Service.	58.3*	291.7
(521)	33	Privatize Alaska Railroad.	3.5*	17.4
(522)	43	Restrict the use of chauffered limosines.	4.8	24
(523)	45	Eliminate government lobbyists used to lobby other government officials.	24	120
(524)	53	Eliminate Minority Business Development Agency.	48.5*	243.6
(525)	55	Privatize Institute of Museum Services.	27.7*	138.8
(526)	59	Restrict and review the use of permanent government consultants.	1,000	5,000
(527)	61	Eliminate Japan-U.S. Friendship Commission.	1.7*	8.5
(528)	65	Cut back unnecessary government advertising.	30	150
(529)	68	Eliminate Office of Consumer Affairs.	2.1*	10.5
(530)	71	Eliminate Advisory Commission on Intergovernmental Relations.	1.4*	7
(531)	73	Close the International Development Association.	88.3*	441.7
(532)	85	Eliminate the Foreign Claims Settlement Commission.	.9*	4.5
(533)	86	End Educational and Cultural Exchange Grants.	197.1*	985.6
(534)	87	Close American Battle Monuments Commission.	18.3*	91.7

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(535)	91	Shut down Franklin Delano Roosevelt Memorial Commission.	.1*	.2
(536)	92	Close Commission of Fine Arts.	.8*	3.9
(537)	97	Close Maritime Administration.	518.8*	2,594.3
		TOTAL SAVINGS IDENTIFIED BY DONALD LAMBRO:	$2,064.5	$10,324.9

* (These estimates have been updated using the Budget of the United States Government, Fiscal Year 1993. Total savings over 5 years were estimated by multiplying one-year savings by 5.)

VIII. OTHER PRO-TAXPAYER PROPOSALS:

	(1) ISSUE NUMBER	(2) RECOMMENDATION	(3) SAVINGS IN MILLIONS OF DOLLARS ONE-YEAR	(4) FIVE-YEAR
(538)	(1)	Grant the President enhanced recission/Line Item Veto authority.	$10,000	$50,000
(539)	(2)	Enact pro-growth tax policies such as the Economic Growth and Family Freedom Act.	8,000	255,000
	TOTAL SAVINGS:		$18,000	$305,000

SOURCES:

(1) "Line Item Veto: Estimating Potential Saving", GAO, January 1992 (AFMD-92-72)

(2) CBO estimates that if pro-growth tax policies had been implemented last year, and the rate of economic growth increased by just 1 percent, the federal deficit could have been reduced by the following amounts: $8 billion 1992, $26 billion in 1993, $48 billion in 1994, $72 billion in 1995, $101 billion in 1996, and $133 billion in 1997.

TOTAL WASTE TAX:	$166,569*	$921,532.8*

* (Savings generated by pro-growth tax cuts have not been included in the Total Waste Tax estimate.)

The Heritage Foundation Backgrounder

No. 931 The Heritage Foundation 214 Massachusetts Avenue N.E. Washington, D.C. 20002 (202) 546-440

The Thomas A. Roe Institute for Economic Policy Studies

March 5, 1993

THE CLINTON CHALLENGE ANSWERED

INTRODUCTION

President Bill Clinton has issued a challenge to critics of his economic plan. He is asking those who believe that the package is weighted too heavily toward new taxes and too lightly toward reducing spending to put forward their own list of spending cut options. Put up, Clinton says in effect, or shut up.

Upon closer examination, however, the Clinton challenge rings hollow. Many of the "150 specific cuts" Clinton claims are in his own budget really are vague references to "streamlining" government, accounting gimmicks, and tax increases masquerading as spending cuts. Clinton himself failed to make the tough choices he now challenges others to make. And curiously, his plan omits dozens of sound spending cut recommendations previously promoted by his own advisors, Office of Management and Budget (OMB) Director Leon Panetta and Deputy Director Alice Rivlin, and others which have been on the shelf for years. Indeed, many of these ideas have been developed by Congress's own research arms, only to be ignored by lawmakers.

Heritage Foundation scholars have accepted Clinton's challenge and developed a list of 151 possible ways of cutting federal spending. The total value of the spending cuts presented here is some $609 billion over five years—fiscal 1994 through 1998. This list is composed entirely of non-defense spending, but excludes Social Security spending.

"Off-the-Shelf" Cuts. The Heritage list is drawn largely from "off-the-shelf" spending cuts already developed by the Congressional Budget Office (CBO) and the General Accounting Office (GAO), which are research arms of Congress, and by the Office of Management and Budget (OMB). In some cases, the list also draws from proposals previously put forward by Heritage scholars, as well as proposals by OMB Director Panetta (in a deficit reduction plan he developed while Chairman of the House Budget Committee). Others are taken from Bill Clinton's new economic package, *A Vision of Change for America*. The source of each recommendation is identified where possible.

The Heritage list includes many sound ideas for cutting federal spending that have been proposed for over a decade and have yet to receive a proper public hearing from Congress. For example, in February 1981, the Congressional Budget Office—then under the leadership of Alice M. Rivlin, currently Deputy OMB Director—published the first of its annual reports on spending cuts and revenue-raising options for reducing the deficit.[1] Many of the spending cut options suggested by CBO then are still valid today because Congress has ignored them.

Indeed, while still Chairman of the House Budget Committee, OMB Director Leon Panetta also put forward many of the same recommendations in a deficit reduction plan he proposed last year.[2] The spending cuts recommended by Rivlin and Panetta before they joined the Clinton team include:

- ✂ **Reduce funding on highways;**
- ✂ **Eliminate Essential Air Service subsidies;**
- ✂ **Cut Urban Mass Transit subsidies;**
- ✂ **Eliminate Rural Development loans;**
- ✂ **Eliminate farm deficiency payments;**
- ✂ **Reduce funding for Amtrak;**
- ✂ **Repeal the 1931 Davis-Bacon Act;**
- ✂ **Eliminate maritime industry subsidies;**
- ✂ **Eliminate the Market Promotion Program;**
- ✂ **Eliminate the Appalachian Regional Commission;**
- ✂ **Use block grant funding for AFDC and Medicare administrative costs; and**
- ✂ **End the Airport Grants-in-Aid program.**

Curiously, only a few of these programs are scheduled for reductions in the Clinton plan. For example, the $200 million per year Market Promotion Program and the $100 million Appalachian Regional Commission are not actually cut, but only frozen at fiscal 1993 levels. Others, incredibly, are scheduled for significant increases in funding. For instance, Amtrak, which will receive some $500 million in subsidies this year, will get $159 million more in the Clinton plan. And Urban Mass Transit subsidies, which now total some $1.5 billion annually, will be boosted by another $2 billion over the next five years by the Clinton plan.

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1 Congressional Budget Office, *Reducing the Federal Budget: Strategies and Examples, Fiscal Years 1982 - 1986*, February 1981.

2 Leon E. Panetta, *Balanced Budget Amendment Options*, Committee on the Budget, U.S. House of Representatives, May 26, 1992.

Congress also has paid little attention to the recommendations of GAO, the government's own auditing agency. The GAO was established by the Budget and Accounting Act of 1921 to perform accurate audits and evaluations of federal programs. Yet when GAO in 1979 recommended the repeal of the Davis-Bacon wage-setting law, on the grounds that the law raises the cost of federal construction projects and makes it more difficult for blacks and other minorities to get jobs in the construction industry, Congress refused to take action. Some Members of Congress savagely attacked GAO for even daring to raise the issue.

Perhaps Congress's most significant case of turning a blind eye was its reaction to the November 1989 release of GAO's fourth annual report on the Federal Manager's Financial Integrity Act of 1982. This act was intended to control waste in Federal Financial Management Systems. GAO found over $150 billion in program waste, fraud, and financial mismanagement. Commenting on this staggering sum, GAO Comptroller General Charles A. Bowsher declared on November 29, 1989, before the Senate Governmental Affairs Committee: "The problems that exist are not limited to a few agencies or a few programs; rather, all of the major agencies have serious problems."[3]

Congress has yet to make any substantive moves to correct these problems. As a result, tens of billions of taxpayer dollars continue to be wasted throughout the federal bureaucracy.

Among the other GAO recommendations so far ignored by Congress:

- ✘ **Elimination of honey, wool, and mohair subsidies;**
- ✘ **Repeal of the Service Contract wage-setting law;**
- ✘ **Correcting massive loan defaults in the Farmers Home Administration (FmHA); and**
- ✘ **Privatizing the Government Printing Office.**

Despite its reputation for draconian cuts, even the Reagan Administration could not convince Congress to eliminate wasteful programs. According to a Congressional Research Service report, 94 programs were recommended for termination during the Reagan Administration. Of these (many of which appeared repeatedly in the eight Reagan budgets), Congress eliminated only twelve. And all but one of these, Urban Development Action Grants (UDAGs) were terminated in Reagan's first term. Another terminated program, the Comprehensive Education and Training Act (CETA), subsequently was replaced by the far more expensive Job Training Partnership Act (JTPA).

3 Judith Havemann, "OMB's 'High Risk List' Details Vulnerable Programs," *The Washington Post*, December 6, 1989. See also: the General Accounting Office, *Financial Integrity Act: Inadequate Controls Result in Ineffective Federal Programs and Billion in Losses* (GAO/AFMD-90-10), November 29, 1989.

TWO TIERS OF CUTS

The Heritage list is divided into two tiers of spending cuts: "low-option" cuts and "high-option" cuts.

Low-Option Cuts. This level of spending cuts poses the lower level of political pain of the two options. The total value of the cuts in this list is $355 billion. Adding interest savings of $54 billion brings the total savings to $409 billion over five years.

High-Option Cuts. This level of spending cuts would be more politically difficult, for two reasons. First, the cuts include reductions in Medicare benefits, as the result of an increase in coinsurance contributions and deductibles. Second, a few of the cuts do challenge the current budget rules and congressional prohibitions preventing the "profits" from government asset sales being used for deficit reduction or for tax relief. Heritage experts believe these rules are fiscally irresponsible and should be eliminated.

These options taken alone would save nearly $175 billion over five years. When these cuts are added to the first-tier savings, the total of the entire list rises to $609 billion over five years.

The Heritage spending cut list focuses solely on non-defense programs. There are two principal reasons for excluding defense cuts from this list. First, non-defense spending, in particular domestic spending, is projected to grow at nearly twice the rate of inflation over the next five years. It is this high growth rate that is the root cause of the government's current deficit spending problem. Unless this trend is changed, it will be impossible to gain effective control over total federal spending. Yet, the Clinton plan actually proposes to pump an additional $171 billion into domestic spending during the next five years.[4]

Second, defense spending has not been a cause of the current deficit problem. The defense budget has fallen in inflation-adjusted terms over the past four years, a trend which has had a moderating effect on the deficit. The defense budget will continue to fall over the next five years, due to Bush Administration policies, and may fall even further under Clinton's proposal to trim an additional $112 billion beyond the Bush levels. Heritage scholars believe, however, that America's security is the first obligation of the federal government. Thus defense cuts should be considered in the context of world events, and the threat to America's interests, and not in the context of meeting deficit reduction goals.

4 Steve Robinson, "Clinton's Phoney Spending Cuts," Republican Study Committee, U.S. House of Representatives, March 3, 1993

CONCLUSION

Bill Clinton has issued a phoney challenge to critics of his economic plan. Despite his claim that he made tough choices on cutting federal spending, his plan conspicuously omits dozens of sound proposals developed by congressional research staff and Clinton's own advisors.

In the spirit of answering Clinton's challenge, Heritage scholars have compiled the list of 151 spending cuts found in the Appendix. These cuts are drawn largely from the sources Clinton ignored. The cuts provide a solid foundation for a much more comprehensive investigation of ways to reduce the cost of government.

Scott A. Hodge
Grover M. Hermann Fellow
in Federal Budgetary Affairs

APPENDIX

The spending cuts that follow were derived from the following sources:

Scott A. Hodge, ed., *A Prosperity Plan for America: How to Strengthen Family Finances, Revive the Economy and Balance the Budget* (Washington, D.C.: The Heritage Foundation, 1992).

Office of Management and Budget, *A Vision of Change for America* (Washington, D.C.: U.S. Government Printing Office, February 17, 1993).

Congressional Budget Office, *Reducing the Deficit: Spending and Revenue Options*, A Report to the Senate and House Committees on the Budget (Washington, D.C.: U.S. Government Printing Office, February 1993).

U.S. General Accounting Office, *Budget Deficit: Appendixes on Outlook, Implications, and Choices* (GAO/OCG-90-5A) (Washington, D.C.: U.S. Government Printing Office, September 1990).

Leon E. Panetta, *Balanced Budget Amendment Options*, Committee on the Budget, U.S. House of Representatives, May 26, 1992.

Scott A. Hodge, "Real Deficit Reduction Demands Real Spending Cuts," Heritage Foundation *Backgrounder* No. 913, August 28, 1992.

LOW-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
		(Savings in $ Millions)					
	Non-Defense Discretionary						
150	Reduce State Department Funding & Eliminate Redundant Activities (CBO)	$150.0	$230.0	$310.0	$390.0	$470.0	$1,550.0
150	Reduce Development Assistance in AID (CBO)	$40.0	$290.0	$430.0	$500.0	$560.0	$1,820.0
150	Eliminate P.L. 480 Title I Sales & Title III Grants (CBO)	$500.0	$680.0	$700.0	$720.0	$740.0	$3,340.0
150	Reduce Export-Import Bank's Credit Assistance (CBO)	$30.0	$140.0	$200.0	$250.0	$280.0	$900.0
150	Eliminate Overseas Broadcasting and Reduce Exchange Programs (CBO)	($70.0)	$310.0	$660.0	$750.0	$750.0	$2,400.0
250	Cancel the Advanced Rocket Motor (CBO)	$170.0	$320.0	$360.0	$380.0	$400.0	$1,630.0
250	Cancel the Space Station (CBO)	$1,400.0	$2,100.0	$2,250.0	$2,300.0	$2,350.0	$10,400.0
250	Cancel New Spacecraft Development (CBO)	$140.0	$250.0	$270.0	$280.0	$290.0	$1,230.0
250	Cancel the Superconducting Super Collider (CBO)	$210.0	$430.0	$540.0	$560.0	$570.0	$2,310.0
270	Eliminate Further Clean Coal Research (CBO)	$5.0	$10.0	$50.0	$70.0	$160.0	$295.0
270	Reduce Energy R&D Funding (CBO)	$100.0	$270.0	$480.0	$780.0	$940.0	$2,570.0
270	Halt New Strategic Petroleum Reserve Funding (CBO)	$230.0	$270.0	$270.0	$140.0	$140.0	$1,050.0

LOW-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
270	Reduce Rural Electric Subsidies (CBO)	$45.0	$95.0	$140.0	$180.0	$200.0	$660.0
300	Eliminate Below-cost Timber Sales (CBO)	$15.0	$35.0	$45.0	$60.0	$75.0	$230.0
300	Eliminate Wastewater Treatment Grants (CBO)	$110.0	$570.0	$1,350.0	$1,950.0	$2,250.0	$6,230.0
300	Contain Superfund Costs Through Land-use Methods (CBO)	$95.0	$210.0	$320.0	$290.0	$310.0	$1,225.0
300	Improve Private Financing of Superfund (CBO)	$95.0	$190.0	$310.0	$250.0	$260.0	$1,105.0
300	Place 5-year Moratorium on New Federal Land Purchases (Heritage)	$330.0	$340.0	$345.0	$356.0	$364.0	$1,735.0
300	Phase Out Conservation Reserve Farm Subsidy Program (Heritage)	$365.0	$738.0	$1,136.0	$1,568.0	$1,905.0	$5,712.0
300	Merge 60 Environmental Programs & Block Grant Funds to States (GAO)	$200.0	$400.0	$1,000.0	$1,900.0	$2,500.0	$6,000.0
300	Eliminate NCZM, Sea College Grants (Heritage/GAO)	$50.0	$50.0	$50.0	$50.0	$50.0	$250.0
300	Privatize NOAA Fleet (Panetta)	$50.0	$50.0	$50.0	$50.0	$50.0	$250.0
300	Terminate NOAA Demonstration Projects (Clinton)	$30.0	$55.0	$65.0	$70.0	$73.0	$293.0
300	Reduce Corps of Engineers Low Priority Water Projects (Clinton)	$85.0	$70.0	$30.0	$50.0	$15.0	$250.0
300	Eliminate Low Priority Interior Water Projects (Clinton)	$18.0	$40.0	$63.0	$42.0	$23.0	$186.0
300	Close or Privatize Federal Helium Reserves (Heritage)	$128.0	$133.0	$138.0	$143.0	$150.0	$692.0

LOW-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
350	Streamline USDA Field Offices (CBO)	$20.0	$70.0	$130.0	$140.0	$140.0	$500.0
350	Reform Foreign Agriculture Service (CBO)	$10.0	$15.0	$15.0	$15.0	$15.0	$70.0
350	Reduce Farm Ownership & Operations Loans (CBO)	$100.0	$100.0	$100.0	$100.0	$110.0	$510.0
350	Reduce Agriculture Research & Extension Service Funding (CBO)	$110.0	$150.0	$160.0	$160.0	$170.0	$750.0
370	Eliminate Trade Promotion Activities & Travel/Tourism Activities (CBO)	$120.0	$160.0	$180.0	$180.0	$190.0	$830.0
370	End SBA Earmarked Grants (Clinton)	$44.0	$71.0	$90.0	$110.0	$116.0	$431.0
370	Eliminate SBA Business Loans (Except for Minority & Disaster) (CBO)	$210.0	$310.0	$350.0	$350.0	$360.0	$1,580.0
370	Reduce Export Administration by 25% (CBO)	$11.0	$11.0	$11.0	$11.0	$11.0	$55.0
370	Increase Borrower's Share to 30% on Rural Homeownership Loans (CBO)	$1,750.0	$270.0	$280.0	$280.0	$280.0	$2,860.0
370	Stop Expansion of Rural Rental Housing Program (CBO)	$40.0	$260.0	$330.0	$370.0	$400.0	$1,400.0
400	Eliminate Highway Demonstration Projects (CBO)	$180.0	$760.0	$1,000.0	$1,150.0	$1,210.0	$4,300.0
400	Cut Earmarked Highway Demonstrations (Panetta)	$111.0	$384.0	$480.0	$524.0	$558.0	$2,057.0
400	Eliminate Airport Grants-in-Aid (CBO)	$330.0	$1,100.0	$1,550.0	$1,750.0	$1,920.0	$6,650.0
400	Abolish the Interstate Commerce Commission (CBO)	$25.0	$30.0	$30.0	$30.0	$30.0	$145.0

LOW-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
400	Eliminate Essential Air Service Subsidies (Panetta)	$39.0	$39.0	$39.0	$39.0	$39.0	$195.0
400	Reduce Urban Mass Transit Subsidies (CBO)	$530.0	$950.0	$1,300.0	$1,600.0	$1,870.0	$6,250.0
400	Eliminate Amtrak Subsidies (Panetta)	$450.0	$500.0	$525.0	$550.0	$595.0	$2,620.0
450	Eliminate TVA Non-power Programs (CBO)	$35.0	$110.0	$130.0	$150.0	$150.0	$575.0
450	Restrict Eligibility for Community Development Block Grants (CBO)	$25.0	$260.0	$500.0	$590.0	$600.0	$1,975.0
450	Eliminate the Economic Development Administration (CBO)	$50.0	$120.0	$190.0	$245.0	$265.0	$870.0
450	Eliminate the Appalachian Regional Commission (CBO)	$10.0	$60.0	$120.0	$160.0	$180.0	$530.0
450	Eliminate Rural Development Loans & Grants (CBO)	$20.0	$125.0	$280.0	$425.0	$530.0	$1,380.0
500	Eliminate Campus-based Aid & Direct Half to Pell Grants (CBO)	$0.0	$680.0	$720.0	$740.0	$760.0	$2,900.0
500	Eliminate Untargeted Portion of Math & Science Funding (CBO)	$35.0	$230.0	$280.0	$300.0	$300.0	$1,145.0
500	Eliminate State Student Incentive Grants (CBO)	$5.0	$75.0	$75.0	$80.0	$80.0	$315.0
500	Eliminate All But Half of Impact Aid for "a" Children (CBO)	$380.0	$470.0	$480.0	$470.0	$450.0	$2,250.0
500	Eliminate Consumer/ Homemaking Grants (CBO)	$5.0	$30.0	$35.0	$35.0	$40.0	$145.0

LOW-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
500	Eliminate Law-related Education Grants (CBO)	$0.0	$5.0	$5.0	$5.0	$5.0	$20.0
500	Eliminate Community-based Vocation Grants (CBO)	$0.0	$10.0	$10.0	$15.0	$15.0	$50.0
500	Eliminate Law School Clinical Experience Grants (CBO)	$0.0	$10.0	$10.0	$10.0	$10.0	$40.0
500	Eliminate Follow-Through (CBO)	$0.0	$5.0	$10.0	$10.0	$10.0	$35.0
500	Reduce by 50% funding for the National Endowments for the Arts and Humanities (CBO)	$380.0	$500.0	$540.0	$570.0	$590.0	$2,580.0
500	Consolidate Social Service Programs & Lower Funding 5% (CBO)	$0.0	$200.0	$260.0	$270.0	$280.0	$1,010.0
550	Reduce Funding for the National Institutes of Health by 10% (CBO)	$460.0	$1,000.0	$1,100.0	$1,150.0	$1,150.0	$4,860.0
550	Eliminate Most Heath Training Subsidies (Panetta)	$121.0	$187.0	$219.0	$226.0	$234.0	$987.0
600	Eliminate Special HUD Grants (Panetta/Clinton)	$5.0	$73.0	$209.0	$278.0	$288.0	$853.0
600	Freeze Rental Assistance Commitments at Current Levels (CBO)	$40.0	$470.0	$1,100.0	$1,700.0	$2,450.0	$5,760.0
600	Use IRS Income Data to Lower Excess Rent Subsidies (CBO)	($5.0)	$20.0	$320.0	$630.0	$680.0	$1,645.0
600	Modify Fees for Local Housing Agencies (CBO)	$190.0	$210.0	$230.0	$260.0	$280.0	$1,170.0
600	Reduce HUD Utility Payments (Heritage)	$25.0	$25.0	$30.0	$30.0	$35.0	$145.0

LOW-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
600	Shift Housing Assistance from New Construction to Vouchers (CBO)	$0.0	($35.0)	$90.0	$285.0	$640.0	$980.0
600	Scale Back Low-Income Home Energy Assistance (CBO)	$780.0	$1,150.0	$1,050.0	$1,050.0	$1,120.0	$5,150.0
700	Cut New VA Construction & Use Existing Facilities (CBO)	$0.0	$10.0	$20.0	$30.0	$40.0	$100.0
700	Improve Management of VA Hospitals (CBO)	$0.0	$190.0	$430.0	$690.0	$960.0	$2,270.0
700	Close or Convert Outmoded VA Hospitals (CBO)	$65.0	$150.0	$230.0	$320.0	$340.0	$1,105.0
750	End Funding for Legal Services Corporation (CBO)	$320.0	$380.0	$390.0	$390.0	$420.0	$1,900.0
800	Cut Congressional Budget Overall by 25% (Heritage)	$540.0	$630.0	$687.0	$767.0	$850.0	$3,474.0
920	Improve Measurement of the Consumer Price Index to Adjust for Improvements in Product & Service Quality (Heritage)	$1,510.0	$3,470.0	$5,830.0	$8,520.0	$11,630.0	$30,960.0
920	Terminate Most Commissions (Panetta)	$142.0	$241.0	$251.0	$261.0	$272.0	$1,167.0
920	Cut Federal Travel Costs by 1% during FY '94-98 (Panetta)	$6.0	$18.0	$30.0	$42.0	$56.0	$152.0
920	Cut Civilian Agency Overhead Costs 1% FY '94-98 (Panetta)	$354.0	$966.0	$1,618.0	$2,310.0	$3,055.0	$8,303.0
920	No Federal Pay Raise CY1994, ECI-Based Raise Minus 1% CY '95-97. (Clinton)	$1,361.0	$1,963.0	$2,281.0	$2,741.0	$2,965.0	$11,311.0

LOW-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
920	Cut 100,000 Federal Employees (Clinton)	$932.0	$2,180.0	$2,306.0	$2,509.0	$2,591.0	$10,518.0
920	Reduce Overhead Rate on University R & D Grants (Clinton/CBO)	$156.0	$330.0	$369.0	$383.0	$396.0	$1,634.0
920	Reform Blue Collar Pay (Heritage)	$500.0	$600.0	$700.0	$800.0	$1,000.0	$3,600.0
920	Disallow Pension Interest from Federal Grants to Local Governments (Insp. General)	$820.0	$1,025.0	$1,280.0	$1,600.0	$2,000.0	$6,725.0
920	Modify Service Contract Act (CBO)	$160.0	$180.0	$180.0	$190.0	$190.0	$900.0
920	Repeal Davis-Bacon Act (CBO)	$312.0	$882.0	$1,218.0	$1,394.0	$1,523.0	$5,329.0
		$17,690.0	$31,011.0	$41,645.0	$51,459.0	$60,519.0	$202,324.0

Mandatory Programs

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
270	Power Marketing Administration Debt Repayment Reform (CBO)	$0.0	$260.0	$250.0	$240.0	$220.0	$970.0
300	Eliminate Subsidies for Federal Water (CBO)	$15.0	$15.0	$15.0	$15.0	$15.0	$75.0
300	Charge Royalties & Holding Fees for Hardrock Mining Claims (CBO)	$50.0	$130.0	$130.0	$130.0	$130.0	$570.0
300	Raise Recreation Fees at Federal Facilities (CBO)	$160.0	$170.0	$180.0	$190.0	$190.0	$890.0

LOW-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
300	Change Royalty Payments to States to Net from Gross Receipts (CBO)	$130.0	$170.0	$180.0	$190.0	$200.0	$870.0
350	Eliminate Wool and Mohair Programs (CBO)	$0.0	$190.0	$190.0	$190.0	$190.0	$760.0
350	Eliminate Honey Program (CBO)	$30.0	$15.0	$5.0	$5.0	$5.0	$60.0
350	Eliminate Market Promotion Program (Heritage)	$100.0	$200.0	$200.0	$200.0	$200.0	$900.0
350	Lower Agriculture Target Prices 3% per year (CBO)	$400.0	$1,300.0	$2,250.0	$3,200.0	$4,050.0	$11,200.0
350	Reform Dairy Subsidy Program (CBO)	$130.0	$200.0	$240.0	$250.0	$240.0	$1,060.0
350	Require Repayment of Commodity Loans in Marketing Loan Program (CBO)	$0.0	$170.0	$50.0	$50.0	$50.0	$320.0
350	Replace Crop Insurance with Disaster Assistance (CBO)	$230.0	$510.0	$530.0	$560.0	$580.0	$2,410.0
350	Reduce Export Credit Program Loan Guarantees & Eliminate Loans for High-Risk Borrowers (CBO)	($520.0)	$590.0	$510.0	$510.0	$510.0	$1,600.0
350	Eliminate the Export Enhancement Program (CBO)	$320.0	$790.0	$690.0	$680.0	$640.0	$3,120.0
370	Improve FHA Title I Debt Collection (Panetta)	$20.0	$20.0	$20.0	$20.0	$20.0	$100.0
370	Tighten FmHA Loan Standards (Panetta)	$40.0	$40.0	$40.0	$40.0	$40.0	$200.0
370	Enact FHA Management Reforms (Panetta/Heritage)	$200.0	$200.0	$200.0	$200.0	$200.0	$1,000.0
300	Raise Inland Waterway User Fees (CBO)	$280.0	$440.0	$470.0	$480.0	$490.0	$2,160.0

LOW-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
400	Eliminate Maritime Operating Subsidies (Panetta)	$245.0	$239.0	$238.0	$226.0	$194.0	$1,142.0
400	Eliminate Freight Subsidies (Panetta)	$39.0	$39.0	$40.0	$41.0	$43.0	$202.0
400	Establish User Fees for Air Traffic Control Services (CBO)	$680.0	$1,400.0	$1,500.0	$1,550.0	$1,600.0	$6,730.0
400	Enact User Fees for Airport Landing Slots (CBO)	$300.0	$300.0	$300.0	$300.0	$300.0	$1,500.0
400	Raise Coast Guard Fees to Cover 100% of Costs (Panetta)	$700.0	$700.0	$750.0	$750.0	$800.0	$3,700.0
500	Limit Foster Care Administrative Cost Growth to 10% Per Year (CBO)	$30.0	$60.0	$80.0	$100.0	$110.0	$380.0
500	Reduce Lenders' Yields on Student Loans (CBO)	$220.0	$330.0	$330.0	$320.0	$320.0	$1,520.0
500	Require Institutions to Share Default Risk on Stafford Loans (CBO)	$30.0	$50.0	$50.0	$50.0	$50.0	$230.0
500	Require Students to Pay In-School Interest on Loans (CBO)	$1,300.0	$1,950.0	$2,050.0	$2,100.0	$2,150.0	$9,550.0
550	Increase Medicaid Estate-Recovery for Long-Term Care (CBO)	$100.0	$200.0	$350.0	$500.0	$600.0	$1,750.0
550	Reduce Match on Medicaid/AFDC/Food Stamp Administrative Costs to 50% (CBO)	$390.0	$450.0	$510.0	$560.0	$620.0	$2,530.0
570	Reduce Growth Rate of Disproportionate Share Payments to Hospitals (CBO)	$0.0	$160.0	$560.0	$2,250.0	$1,900.0	$4,870.0
570	Lower Indirect Payments to Teaching Hospitals -6% (CBO)	$580.0	$720.0	$780.0	$840.0	$970.0	$3,890.0

LOW-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
570	Eliminate Return-on-Equity for Proprietary Skilled Nursing Facilities (CBO)	$90.0	$100.0	$110.0	$120.0	$130.0	$550.0
570	Reduce Direct Payments to Teaching Hospitals (CBO)	$180.0	$190.0	$200.0	$200.0	$210.0	$980.0
570	Gradually Eliminate the Disproportionate Share Adjustment (CBO)	$470.0	$1,100.0	$1,800.0	$2,600.0	$3,500.0	$9,470.0
570	Continue Transition to Prospective Rates for Outpatient Departments (CBO)	$240.0	$790.0	$1,100.0	$1,300.0	$1,500.0	$4,930.0
570	Reimpose 20% Coinsurance on Clinical Laboratory Services (CBO)	$770.0	$1,350.0	$1,600.0	$1,900.0	$2,240.0	$7,860.0
570	Charge a Fee for SMI Claims not Billed Electronically (CBO)	$150.0	$120.0	$90.0	$90.0	$100.0	$550.0
570	Increase Payment Safeguards (Panetta)	$1,100.0	$1,120.0	$1,140.0	$1,160.0	$1,200.0	$5,720.0
570	Extend Expiring Provisions for Medicare as Secondary Provider (CBO)	$0.0	$0.0	$960.0	$1,400.0	$1,540.0	$3,900.0
600	Increase Employee Contribution for CSRS (CBO)	$423.0	$957.0	$1,068.0	$1,043.0	$10.2	$3,501.2
600	Impose Two-Week Wait to Collect Unemployment Insurance (CBO/Heritage)	$0.0	$1,000.0	$1,000.0	$1,200.0	$1,400.0	$4,600.0
600	Extend Ban on Lump-Sum Benefit for Civil Service Retirement (Clinton)	$0.0	$0.0	$1,145.0	$3,870.0	$6,560.0	$11,575.0

LOW-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
600	Use Last 4 Years to Compute Civil Service & Military Pensions (CBO)	$50.0	$120.0	$200.0	$290.0	$400.0	$1,060.0
600	Restrict Agency Match for Civil Service Thrift Plan to 50% (CBO)	$370.0	$440.0	$500.0	$570.0	$640.0	$2,520.0
600	Section 8 Housing Reforms (Heritage)	$610.0	$765.0	$930.0	$1,320.0	$1,710.0	$5,335.0
600	Replace New Elderly Construction with Vouchers (CBO/Heritage)	$0.0	($60.0)	$5.0	$70.0	$260.0	$275.0
600	End HUD Utility Payments (Heritage)	$25.0	$25.0	$30.0	$30.0	$35.0	$145.0
600	Reform HUD Comprehensive Improvement Assistance Program (CIAP) (Heritage)	$300.0	$350.0	$400.0	$450.0	$500.0	$2,000.0
600	Include Food Stamp Value in Computing Income for Public Housing Benefits (Heritage)	$1,080.0	$1,180.0	$1,240.0	$1,300.0	$1,350.0	$6,150.0
600	Re-Target Child Nutrition Programs to Below 185% of Poverty Level (CBO)	$210.0	$550.0	$670.0	$720.0	$760.0	$2,910.0
600	Require Workfare for Food Stamp Recipients (Heritage)	$50.0	$75.0	$125.0	$150.0	$200.0	$600.0
600	Limit AFDC Housing Allowance for Public Housing Residents (Heritage)	$500.0	$500.0	$500.0	$700.0	$800.0	$3,000.0
600	Require States to Reimburse for Food Stamp Errors (CBO)	$0.0	$0.0	$0.0	$20.0	$110.0	$130.0
600	Eliminate Trade Adjustment Assistance (CBO)	$130.0	$180.0	$180.0	$180.0	$170.0	$840.0
700	Raise VA Housing Loan fees to 3% (CBO)	$320.0	$260.0	$270.0	$280.0	$280.0	$1,410.0

LOW-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
700	Increase Third Party Payer Reimbursement for VA Medical (CBO)	$30.0	$210.0	$240.0	$250.0	$270.0	$1,000.0
700	Verify Income Reported for Pension Purposes (CBO)	$0.0	$0.0	$0.0	$0.0	$140.0	$140.0
700	Increase VA Housing Downpayment (Panetta)	$39.0	$34.0	$35.0	$35.0	$35.0	$178.0
700	Reduce Resale Losses on VA Loans (Panetta)	$406.0	$87.0	$88.0	$89.0	$90.0	$760.0
950	Auction the Electromagnetic Spectrum (Clinton)	$0.0	$374.0	$1,623.0	$2,083.0	$340.0	$4,420.0
	Total Mandatory Programs	$13,742.0	$23,825.0	$30,937.0	$40,157.0	$44,107.2	$152,768.2
	Sub-Total: Discretionary & Mandatory Savings	$31,432.0	$54,836.0	$72,582.0	$91,616.0	$104,626.2	$355,092.2
	Plus Interest Savings	$1,006.9	$4,049.5	$9,006.7	$15,734.6	$24,026.6	$53,824.3
	Total Low-Option Savings	$32,438.9	$58,885.5	$81,588.7	$107,350.6	$128,652.7	$408,916.5

HIGH-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
	High-Option Discretionary Cuts (Net Additional Savings)						
150	Reduce by 50% the Economic Support Fund (ESF) (Heritage)	$345.0	$687.0	$1,045.0	$1,445.0	$1,850.0	$5,372.0
370	End SBA Credit Programs (CBO)	$180.0	$270.0	$270.0	$290.0	$300.0	$1,310.0
450	Eliminate Community Development Block Grants (CBO)	$135.0	$1,590.0	$3,100.0	$3,660.0	$3,750.0	$12,235.0
500	Phase Out Corporation for Public Broadcasting (Heritage/CBO)	$64.0	$110.0	$170.0	$235.0	$304.0	$883.0
500	Merge 12 Education/Training Programs & Reduce Funding (Heritage/GAO)	$480.0	$980.0	$1,520.0	$2,090.0	$2,695.0	$7,765.0
500	Eliminate All Impact Aid (CBO)	$240.0	$300.0	$330.0	$360.0	$410.0	$1,640.0
500	Phase Out Funding for National Endowments for Arts & Humanities (CBO)	$760.0	$1,000.0	$1,100.0	$1,150.0	$1,200.0	$5,210.0
500	Consolidate Social Service Programs & Lower Funding 25% (CBO)	$0.0	$850.0	$1,040.0	$1,080.0	$1,070.0	$4,040.0
600	Eliminate Low-Income Home Energy Assistance (LIHEAP) (CBO)	$770.0	$1,150.0	$1,050.0	$1,100.0	$1,100.0	$5,170.0
	Total Added Discretionary	$2,629.0	$6,250.0	$8,580.0	$9,965.0	$10,829.0	$38,253.0

HIGH-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
	High-Option Mandatory Cuts (Net Additional Savings)						
350	Reduce Costs for Dairy Price Support Program by Requiring Producer Contributions (CBO)	$130.0	$250.0	$260.0	$280.0	$300.0	$1,220.0
550	Roll Back Recent Mandated Medicaid Expansions & Make Optional for States (Heritage)	$4,620.0	$4,740.0	$4,870.0	$5,000.0	$5,140.0	$24,370.0
570	Immediately Eliminate Disproportionate Share Adjustment in Prospective System (CBO)	$1,880.0	$1,800.0	$1,350.0	$750.0	$100.0	$5,880.0
570	Lower Indirect Payments to Teaching Hospitals to 3% (CBO)	$1,070.0	$1,280.0	$1,420.0	$1,510.0	$1,780.0	$7,060.0
570	Increase & Index Medicare's Deductible for Physician's Services (CBO)	$710.0	$1,410.0	$1,880.0	$2,360.0	$2,910.0	$9,270.0
570	Collect 20% Coinsurance on All Home Health & Skilled Nursing Services (CBO)	$2,300.0	$3,860.0	$4,520.0	$5,010.0	$5,450.0	$21,140.0
950	Auction Broader Portion of Electromagnetic Spectrum (Personal Communications Services) (Heritage)	$0.0	$0.0	$2,400.0	$3,300.0	$10,000.0	$15,700.0
950	Sell Off Increasing Amounts of Government's $205 Billion Direct Loan Portfolio (Heritage)	$2,000.0	$5,000.0	$10,000.0	$15,000.0	$20,000.0	$52,000.0
	Total High-Option Mandatory Savings	$12,710.0	$18,340.0	$26,700.0	$33,210.0	$45,680.0	$136,640.0

M E M O R A N D U M

TO: Rahm Emanuel
FROM: Bart Gordon
RE: Budget Cuts/Management Reform Initiative
DATE: February 25, 1993

NEW CUTS

1) **Better Postage Management**

Better use of existing equipment and postal services and eliminating unwanted and low-priority mailings would conservatively save $30 million a year.

Last year, a review by the House Budget Committee suggested that federal agencies could save between $42 million and $73 million annually by using more third class mail. The GAO has suggested that federal agencies could save millions each year by using more third class mail.

As just one small example, the U. S. Mint cut its mail expenses 29 percent, saving $2.4 million a year, simply by sending its promotional materials third class.

Although the Budget Committee numbers are not unreasonable, we have taken a more conservative approach in our savings projection to provide a realistic target with hopes of even greater actual savings.

In our own office this year, we have cut postage costs by 30 percent, saving an estimated $25,000 simply by bundling our mail and sending it third class sorted by zip plus four. We have experienced no significant delay in mail arrival.

This technique is particularly useful in responding to called or written requests where there is little concern that the address is incorrect. By using the Postal Service's address update services, even promotional mailings can be safeguarded against costs associated with address corrections.

The savings will be substantial in federal offices in Washington when you consider that almost every agency sends a large part of its mail first class. But the savings will be just as substantial at field offices.

For example, the Nashville District office of the Social Security Administration mails approximately 3,700 pieces of first class mail a day. That's 740,000 pieces of mail a year based on 200 working days. If half that mail was sent third class, the savings would be $37,000 a year at this one office, even if no special sorting is done.

At smaller offices, such as the one in Gallatin, Tennessee, which generates approximately 88 first class letters a day, mail could be bundled together every three days to meet the postal service requirement of a 200-letter minimum for third class.

By Executive Order the President could mandate that all federal agencies develop an efficient postage system within two weeks.

<u>SAVINGS: Conservatively $30 million 1st year; $120 million over four years</u>

2) **Eliminate Unnecessary Mailings**

The federal government sends millions of pieces of promotional mail each year. Many items are mailed to people who either don't use them or need them. Just one example is the 'Social Security Courier,' a monthly set of clips mailed to a variety of outlets, including Congressional offices and the media.

Four years ago, the Department of Energy mailed (first class) hundreds of 26-pound boxes containing reports on the Superconducting Supercollider to people who did not want them. Consumer Information Catalogues are another example.

The President should order a 25 percent reduction in all unnecessary and non-essential promotional mailings. In many cases, these reductions would be simple to achieve. Sending a card asking 'Courier' recipients whether they wish to receive the material would eliminate thousands of mailings. Reducing the mailings to once every two months is another possibility.

The savings mentioned do not include reduced printing and distribution expenses associated with these products.

<u>SAVINGS: Tens of Millions 1st year, Hundreds of millions over four years</u>

3) **Ensure Proper Distribution of Pell Grant Funds**

Schools that already have been removed from the federal student loan program because of high default rates should also be cut from the Pell Grant program. If we don't trust these schools to handle loan dollars responsibly, it doesn't make sense to let them keep handling grant funds, especially since we have even less control over what happens to those grants.

Last year, irresponsible schools that had been removed from the federal student loan program for mishandling loan funds still were able to receive more than $400 million in taxpayer dollars through Pell grants.

The savings depends on how completely the program is funded by the FY 1994 Labor-HHS-Education appropriations bill. In 1994, the loan program default rate cutoff falls to 25 percent for other than historically black colleges. A $2,400 maximum grant -- this year's appropriation -- would save $70 million per year. A $3,700 maximum grant -- the full 1993-1994 authorization -- would save $100 million per year. A $4,650 maximum grant would save $250 million per year.

SAVINGS: $70-$250 million first year, $400 million over four years

4) **Eliminate Funding of Pell Grants for Prisoners**

Last year, the House voted 351 to 39 for an amendment I authored to stop Pell Grants from going to prisoners. The problem is that thousands of students from middle income families are left out of the program or can't get as much money as they might need and deserve because prisoners, who have no income, qualify for grants first.

Currently, at least $20 million and as much as $70 million a year of federal Pell dollars are going to inmates. Rehabilitating prisoners is important -- but it should not be done through Title IV programs which are aimed at the working class.

States have also used this program to supplement or even replace their own prisoner education programs, on which we are already spending almost $100 million per year.

Finally the for-profit, proprietary trade school industry has turned this eligibility into just one more way to take advantage of both students and the system by not delivering the education promised. At one school in Tennessee, prisoners were being given class credit for working in the prison kitchen, something they would have been doing anyway.

If this legislative change is made, the amount of new money the Administration has dedicated to the Pell Grant program could actually be decreased, offering more savings.

SAVINGS: $20-$70 million first year, $80-$280 million over four years

5) **No More "Double Dipping" into Federal Funds**

Each year, the U.S. Army Corps of Engineers leases approximately 400,000 acres of land owned by the Department of Defense to farmers at a rate of five to eight dollars an acre. Many of these farmers are, in turn, enrolled in federal agricultural subsidy programs that pay them between $35 and $40 an acre to limit the production of crops on this government-owned land.

Between the Department of Defense, the Bureau of Land Management and the Forest Service, the federal government potentially leases millions of acres that are "double dipped" in this way. Government agencies simply must create lease agreements that prohibit these dual subsidies.

The annual savings in this case cannot be estimated presently because the Department of Agriculture is unable to say how much federal land is enrolled in crop subsidy programs. When asked, the Department's estimate was 78 acres across the country. The actual number was 400,000 acres.

Consider this example: one farmer in my district rents 221 acres of federal land for approximately $1,600 per year. Meanwhile, he takes in $5,900 per year for enrolling in the crop subsidy program.

Obviously, something is very wrong with the management of these programs, and substantial savings are possible in FY 1994 if we act to change this.

SAVINGS: Millions of dollars first year, tens of millions, possibly hundreds of millions, over four years

6) **Improve Fine and Debt Collection**

Even with the federal government's antiquated computer systems and recordkeeping, billions of dollars can be collected above and beyond what's already being done in the President's proposal for the IRS. And, it can be done relatively quickly and without much additional costs.

But, we MUST make it a priority. Three things will happen. Debts will be collected, the public will have confidence that government is serious, and private sector jobs will be created. For more discussion of this issue, please see the management section.

SAVINGS: Even at a 10 percent collection rate, first year savings would be in the billions of dollars.

7) **Eliminate the Rural Abandoned Mine Program**

This $4 million program, which funds small-scale rural mine land reclamation projects through the Department of Agriculture, duplicates the already existing state reclamation projects under the Interior Department's Abandoned Mine Land (AML) program.

SAVINGS: $4 million first year, $16 million over four years

8) **Eliminate the Bureau of Mines Mineral Institutes**

This program was established in the 1970s to encourage universities and graduate programs to develop mineral-related research. This program was successful -- the states developed and are currently managing similar programs. The goals requiring these funds have been met.

SAVINGS: $11 million 1st year, $45 million over 4 years

9) **Cancel the Advanced Solid Rocket Motor (ASRM) Program**

According to NASA's Aerospace Safety Advisory Panel, the redesigned rocket booster is sufficient and working as expected. Plus, the availability of an anticipated alternative propulsion system will render ASRM obsolete.

SAVINGS: $2 billion

10) **Establish a Consistent "First Month Eligibility" Definition for Social Security Benefits**

The Social Security Act was amended in 1981 to delay the eligibility of reduced retirement benefits. The results of this reform included holding a recipient's first retirement check until one month after turning age 62. The loss of this month caused a miscalculation in the reduction formula, which now awards 2-3 percent more in benefits than previous law.

Those applying for retirement benefits at age 65 and reduced survivor benefits at age 60 get their first checks the month they reach the proper age. This is inconsistent policy.

The IG at HHS recommends uniformly enforcing a policy of payment in the first full-month of turning the eligible age. In real terms, this means retirees will have to wait a few more weeks to receive their first check. It will, however, make the eligibility criteria consistent with other government and private retirement programs.

SAVINGS: $40 million 1st year, $550 million over 4 years

11) **Eliminate the Morrill-Nelson Research Grant**

The Morrill-Nelson research grant is part of the USDA's Cooperative State Research Service (CSRS). As part of the Morrill-Nelson Act, these funds are a permanent appropriation to the states and territories to higher education research. It is appropriated in addition to the funds already set aside for USDA higher education.

SAVINGS: $2.85 million 1st year, $8 million over 4 years

The four items below are examples of programs that are lost in the bureaucratic shuffle, feeding on themselves each year while funds and staff efforts are being duplicated in several departments. There are scores of examples throughout the federal government, such as the 27 different vocational education grant. A review of these kinds of programs, an analysis of their goals and intent, and a consolidation of of similar grant programs would save millions, if not billions, while getting more for each taxpayer dollar.

12) Consolidate all State Library Grants

There are currently 10 state library federal grant programs which are valued at a minimum of $70 million and are administered by no less than forty people. Many of these grants offer overlapping services. For example, the Library Services State Grant Program, the Interlibrary Cooperation and Resource Sharing State Grant Program and the Strengthening Research Library Resources State Grant Program all provide funds to enhance and coordinate library resource collections. A consolidation of these 10 programs into fewer, more organized funding sources with unique functions could provide a needed savings. Administrative staff could be cut one-third, and the grants could also be cut $20 million a year.

SAVINGS: $20 million 1st year, $80 million over 4 years

13) Cut the Federal Grants that Benefit Law Schools

There are currently grants made available for the specific purpose of promoting the field of law and others that provide grants to law schools. One example is the $4 million Assistance for Training in the Legal Profession grant offers students from economically disadvantaged backgrounds the opportunity to train in the legal profession. Another is the $7.5 million Law School Clinical Experience Program which helps accredited law schools subsidize up to 90% of their cost of expanding clinical law programs for students. These and similar grants should be analyzed for elimination or consolidation with more of the burden placed on the law schools to develop programs where there is an actual demand instead of programs simply for the sake of having programs.

SAVINGS: $7.5 million 1st year, $30 million over 4 years

14) Reduce the Consumer Homemaker Grant

The Consumer Homemaking Grant allocates $34 million a year to states but the program administrator could not offer an exact description of the grant's designated purpose.

SAVINGS: Up to $34 million 1st year, $136 million over four years

15) **Eliminate the World Agricultural Outlook Board and the Office of International Cooperation and Development**

The efforts of the World Agriculture Outlook Board and the Office of Cooperation and Development are now duplicated by the Foreign Agricultural Service (FAS). Eliminating these two programs would save $9.6 million a year.

SAVINGS: $9.6 million 1st year, $38 million over 4 years

GETTING MORE FROM CUTS ALREADY ON THE LIST

I compared President Clinton's 1994-1997 figures to the House Budget Committee's 1994-1997 figures. I believe ten to twenty percent in additional savings are possible within the itemized 150 cuts already released. I recommend going through his programs point by point to find where his reductions and freezes can go even further. As examples, I have included the programs with the most obvious discrepancies. These warrant a careful second look for more savings.

1) **Wool and Mohair Subsidy**

FY 1993 Appropriation: $180 million

Clinton's 4-year Savings: $212 million
Budget Committee 4-year Savings: $580 million

President Clinton lowered the income support payments for the wool and mohair subsidies, and that is a start. However, this is a subsidy that can be eliminated. Wool has not been deemed a "strategic material" in decades. The Budget Committee proposed its elimination -- ultimately saving over $350 million more for the same time frame. I also recommend a phased-out elimination of these unneeded subsidies.

2) **Termination of Commissions**

Clinton's 4-year Savings: $41 million
Budget Committee's 4-year Savings: $373 million

I recommend investigating the additional commissions, councils and advisory boards targeted by the Budget Committee for elimination. There is clearly more territory here.

3) **SEC Registration Fees**

Estimated amount raised in fees FY 1992: $230-$311 million

Clinton's 4-year Savings: $203 million
Budget Committee's 4-year Savings: $392 million

Charge 10% more in fees to accumulate $20 million more in savings in four years.

4) **Market Promotion Program**

FY 1993 Appropriation: $147.7 million

Clinton's 4-year Savings: $208 million
Budget Committee 4-year Savings: $700 million

President Clinton's plan is to freeze the program to give the Foreign Agricultural Service (FAS) time to designate the truly needy programs. I recommend freezing it for one year and then implementing annual 20% reductions, saving $270 million in four years. He may find that even more than 20% can be cut if enough industries -- especially the private, for-profit corporations -- are eliminated.

STRETCHING THE STIMULUS

Some of the President's stimulus proposals are items that are good policy but do not provide immediate -- 1993 or 1994 -- substantial job creation to stimulate the economy. In order to meet the goal of deficit reduction it may be advisable to "stretch" spending on some of these non-job-creating proposals into later years. This would reduce the ratio of revenue increases to spending cuts during the first two years of the President's plan.

It is important to change our thinking in keeping with the spirit of change outside the Beltway. Some argue "spend now" to take up the of room left under last year's budget caps, but savings under the Budget Agreement caps are not available funds in the federal Treasury. The government will have to borrow every cent of this "savings," in order to spend it, and it is our duty to limit that borrowing.

Inclusion of programs in the list to be stretched does not mean they are worth less, only that their value is longer-term so that spending on them can also be longer term.

For example, it is proposed to accelerate the modernization of the National Weather Service's weather prediction capabilities. This could be further back-loaded, with more expenditures in the latter part of the four-year period. Another example is funding of disability insurance processing at the Social Security Administration. This is a necessary upgrade, but it may make more sense to delay for a year or two.

The Federal Coordinating Council for Science, Engineering and Technology initiatives represent substantial amounts of federal spending. It may make economic sense to delay the borrowing necessary to finance these programs.

Full funding for Head Start has been a long-term goal. But it may make more sense to phase up the program more slowly than is proposed in the President's plan, especially given the management problems reportedly present in the program.

	1993 outlays	1994 outlays
Social Security Administration: Disability Insurance processing	302	0
National Science Foundation Research and Development	85	75
Smart cars/smart highways (part of highway obligations)	70	85
Weather service modernization (NOAA)	84	86
Federal Coordinating Council for Science, Engineering, and Technology	100	266
Head Start	932	1,886
National Service	98	1,042

REINVENTING GOVERNMENT

Federal Management

Making specific spending cuts is a priority. But unless we address the underlying problem of abysmal management in the federal government we will not ever be able to rein in the deficit.

These management problems are structural, they are pervasive, and they are perpetuated by an entrenched bureaucracy which sees the President's agenda for change as something that can be "waited out."

The federal government needs to do what General Motors did with its new Saturn plant: throw out the old rules and start from scratch. This "Saturnizing" process could start by targeting a new program or an existing agency. It would involve speeding up the implementation of Total Quality Management (TQM) in every government entity, flattening administrative structures and improving accountability.

This is obviously a long-term challenge. But if you look at the Postal Service, you'll see that management changes can be implemented in the short term as well.

Looking at the Post Office Model

Upon assuming the position of Postmaster General, Marvin Runyon found himself at the helm of a bloated organization with the potential for runaway deficits. Simply put, there were too many managers for the number of frontline workers. Runyon wasted no time in implementing his plan to streamline the Postal Service.

In order to get rid of layers of bureaucracy, Runyon offered early-out retirement options to workers, resulting in the departure of approximately 50,000 employees.

Runyon divided the Post Office into two categories: mail processing and customer service. Employees directly involved with the mail were virtually unaffected by structural changes. Supervisory positions were targeted for cuts.

After surpassing his goals for employee cuts in three months, Runyon was able to assure workers that no lay-offs would occur.

Despite doom and gloom predictions, mail service has not suffered a loss of efficiency. In fact, in some areas efficiency has actually increased. The changes will also erase the $2 billion Postal Service deficit projected for FY 93. Traditionally, the Postal Service files for a rate increase every three years; thus far, Marvin Runyon has succeeded in breaking that cycle.

Improving Government Management: Macro Reforms

While each agency has its own individual problems, there are some management failures which cut across the federal bureaucracy. Two of the most significant: **management of government assets and handling of agency debt.**

1) **Managing Government Assets: A National Garage Sale**

It's time for a national garage sale. Billions of dollars could be generated by selling excess, unneeded assets in current Federal agency inventories.

The Federal government owns, acquires and seizes billions of dollars worth of property and real estate each year. The General Accounting Office, the Inspectors General, and the House of Representatives Government Operations and Armed Services Committees have conducted thorough investigations into the problem of excess assets and inventories and poor inventory management.

The GAO has criticized the Department of Defense (DoD) for maintaining "warehouses of waste." The Department of Transportation (DoT) and the General Services Administration (GSA) have had unnecessarily large inventories highlighted by the GAO.

The infrastructure for a national garage sale is in place. The General Services Administration (GSA) has 11 regional sales offices which periodically conduct sales of excess GSA equipment. GSA additionally conducts sales for the Defense Department, and for property seized by the Departments of Justice and Treasury.

State and local governments, as well as the private sector, can benefit greatly from many of the excess items put up for sale by GSA, the Defense Department and other federal agencies. What if there are no buyers for some of the more outdated supplies? Donate them to developing countries and reduce the government's carrying costs to store the items.

Following are three examples of Federal agencies which could have a national garage sale in the near term:

a) Department of Defense. The problem is well documented. Over the past 20 years, GAO has issued over 100 reports on excess inventories. The Pentagon's inventory of secondary items (spare parts, fuel, clothing and other non-weapons supplies) grew from $44 billion in 1980 to over $100 billion in 1990. The military only requires a two-year stockpile of peacetime operating stocks and war reserves. Current inventories far exceed this requirement.

A 1990 GAO study documented $34 billion in excess inventories. The investigation revealed stockpiles of 1.2 million bottles of nasal spray, 50 different types of aspirin, 50,000 surgical sponges dating as far back as 1973 and 40,000 glass needle protecting tubes which are obsolete in the United States due to the advent of disposable needles.

Now is the time to act. The Government Operations Committee estimates that $3.5 billion can be raised from the sale of excess DoD inventories.

Congress has taken a step in the right direction. There is approximately $1.5 billion in surplus strategic materials in the National Defense Stockpile as of 1992. Three-fourths of this is silver and tin, while other parts of it are obsolete materials like vegetable tannins which have no market value.

The 1992 Defense Authorization bill took action to reform the system and begin selling off the surplus. The authorization bill budgeted a $150 million savings from sales in fiscal 1993.

The reforms call for selling off the stockpile over the next five years, forming a commission to study the market situation to recommend how best to handle the sales, and they change the law to allow more than $100 million to be in the Defense Stockpile Fund so that the Defense Department is not forced to buy other materials with the excess. This legislation should be looked to as a guide to selling mass quantities of other items.

Value of excess inventory: $34 billion
Estimated Savings from sale: $3.5 billion

b) Department of Transportation. The Federal Aviation Administration warehouses replacement parts necessary to support the air traffic control system. DOT's Inspector General determined that of the $130 million in stockpiled spare parts, $122 million are excess or inactive and have no reasonable expectation for use.

Value of Excess Inventory: $122 million
*** Estimated savings from sale: $12 million**

(* Because there are no solid estimates for the potential savings which could be gained by selling excess equipment, we are from here on using a 10% savings ratio based on the Department of Defense example. In other words, we are estimating that you would recover 10% of the value of the excess inventory through a sale.)

c) Department of Transportation. The United States Coast Guard Aircraft Repair and Supply Center is responsible for procuring and stockpiling aircraft supplies and parts. The Inspector General estimates that $96 million of the current inventory is excess. As many excess parts as possible should be transferred to other federal agencies or auctioned off to the private sector.

Value of excess inventory: $96 million
Estimated savings from sale: $9.6 million

In short term: Five Specific Places to Improve the Management of Assets

The GAO and the House Government Affairs Committee have documented several cases of mismanaged federal assets. Thorough examination of all Federal agencies' management of procurement and inventory management practices is strongly recommended.

We suggest selling all unneeded inventory stockpiles immediately. The second step is improving the management structures which allowed the excess stockpiles to accumulate.

Following are five specific examples of mismanagement which can be improved in the short term:

a) Shipments by the GSA. The General Services Administration (GSA) could save millions annually with increased direct delivery of shipments to the customer agencies instead of inventory being shipped to GSA depots and then to the agency. The GAO concluded in a December 1992 report that in addition to the 7% of the orders which are presently shipped directly to the customer agency, 83% of the goods shipped to GSA depots had the potential to be shipped directly to the customer agency. If 83% of the shipments had been shipped directly in the year ending February 1991, the taxpayer would have saved $107 million annually in reduced processing costs, in addition to an estimated one time savings of $240 million.

ESTIMATED SAVINGS: $107 million annually. One time savings of $240 million.

b) Donation of excess GSA property to states. The General Services Administration (GSA) is the federal government's principle real estate manager, business manager and purchasing agent. Each year, Federal agencies classify property as excess. A portion of this property is donated to specific state agencies which demonstrate a need. In 1990, Federal agencies classified $2 billion worth of property as excess. $513 million of the $2 billion in excess property was donated to state agencies which demonstrated a need for the equipment. The Government Operations Committee has documented examples of state employees converting donated property to personal use and/or selling the property for personal profit.

ESTIMATED SAVINGS: Tens of millions of dollars per year

c) Consolidate seized asset management. Each year the Justice and Treasury Departments seize hundreds of millions of dollars in property and real estate as a result of law enforcement activities. The Justice Department consolidated its asset forfeiture and disposal activities with the U.S. Marshals Service. In a June 1991 report, the GAO reported that the seized asset management activities of the Treasury should be incorporated into the much larger operations of the U.S. Marshals Service. An estimated $2.5 million in program administration costs could be saved annually with the consolidation.

ESTIMATED SAVINGS: $2.5 million annually.

d) Managing Commercial Real Estate. In a related matter, the GAO concluded in a May 1991 report that the U.S. Marshals Service's custodial responsibility for over $1.4 billion in commercial real estate was subjecting the Federal government to waste, fraud and abuse and lower sale prices due to the lack of experienced managers. Failure to perform basic commercial real estate practices result in lower than fair market value sales prices, higher closing costs, and poorly maintained properties.

ESTIMATED SAVINGS: Tens of millions of dollars per year.

e) National Guard Supply systems. The National Guard and active armed forces should utilize the same wholesale supply system. Inventory is maintained at 54 National Guard locations. In a December 1992 study, GAO investigated five of the National Guard inventory sites. About $680,000 of the $22.1 million in inventory on hand was in excess to the Guards needs. Applying the same excess inventory ratio to the remaining 49 units, $7.34 million could be saved if the National Guard used the Army's wholesale supply system.

ESTIMATED SAVINGS: A one time savings of $7.34 million.

Agency Debt/Unenforced Collection

The problem here begins with the fact that no one really knows just how much is owed the federal government. The Clinton Administration should tackle that information problem promptly. Once we establish how many billions are owed to the federal government, then we can address the outrageously poor collection of this money.

Antiquated records and computer systems are part of the problem, but a lack of effort and willingness for interagency co-operation are also major factors.

There is at least $138 billion in debt owed to the IRS in back taxes and to the Department of Justice in civil and criminal fines. There are billions more in delinquent farm, housing and student loans, among other things. The IRS is writing off at least $4.6 billion each year in debt that is collectible.

Ironically, hundreds of the people who owe back taxes are in possession of government contracts. The GAO found that over a three-year period, 536 contractors owing $90 million in taxes were receiving millions from the government in federal contracts.

The problem cuts across federal agencies, and I have enclosed a 1991 summary by the Inspectors General which shows the money which needs to be recovered by agency.

-- Even though the IRS has the power to collect unpaid taxes through tax refund intercepts, it fails to do so.

-- The Justice Department, as the federal government's debt collector for civil and criminal penalties, is owed $13 billion in delinquent fines. But with no central computer data base, Justice is not capable of determining the status of the assignment and collection of debts.

-- The Bureau of Export Administration is responsible for assessing and collecting fines for export violations, yet it has more than $1.7 million in delinquent penalties and has no apparent plans to collect.

-- Also guilty is the Department of Education, which has failed to collect even four cents of every dollar of fines it has imposed.

-- A prime example is the Social Security Administration (SSA). The SSA consistently suffers from delinquent collection of overpaid benefits. It was owed $3.1 billion in such debts as of June 30, 1992. $1.3 billion was written off between 1987 and 1991, and the write-offs have continued.

While steps have been taken by the Education Department and others to use IRS tax refund intercepts to collect some money owed the government, much more can be done at little additional expense. Simple listing and cross-referencing, even with the most antiquated systems, can and should be done.

The government must take steps to ensure that all cost claims , especially administrative and overhead cost claims from the states, are legitimate before the money leaves the U.S. Treasury. If they are not, history proves that those funds are lost for good.

A number of steps already are underway to rectify some of these problems. The President has asked for additional funding to speed upgrades of federal computer systems, especially for the IRS.

But those steps will take time. Here is the approach we can begin now:

1) Agencies should go after the larger unpaid debts and fines.
2) Smaller amounts should be contracted out to the private sector.

Obviously there must be more cooperation between agencies. In some cases, Congressional action is needed to give agencies the authority to contract with private collection companies to go after delinquent taxes, fines, and loan payments. Two things will happen. Money will be collected, and jobs will be created.

Federal agencies continually resist using proven collection methods. The President needs to insist on greater use of IRS tax-intercept resources. He should insist that federal agencies aggressively go after those who owe debts and fines, getting current addresses from the IRS. The agencies should cross reference to prohibit delinquent debtors from receiving further federal loans, and loan agreements should be standardized to make data sharing easier.

<u>Where Congressional authority is needed, ask for it.</u>

Perhaps the boldest action and one that can be taken while a more comprehensive plan is being promulgated would be an amnesty period for those who owe the federal government money. Give everyone 90 days to pay what they owe -- say 80 cents on the dollar. After that, go after them with a concentrated effort that includes garnishments, withholding tax refunds and private collection agencies.

Private businesses do it. Small government agencies do it. The state of California did it. The President should put someone on the White House in charge of this project and get started.

In short, we must clean up the government's books and quit wasting time and money. Get what we can now. Set a target timetable to collect more, and start keeping accurate records so that 10 years from now, we aren't faced with the same problem.

ESTIMATED SAVINGS: Billions of dollars. [IRS -- owed $125 billion; Justice -- owed $13 billion; Social Security Administration -- owed $3.1 billion].

1) **Protection from Contract Fraud**

The government should make better use of the publicized lists of contract felons. There is no reason for a government agency inadvertently to hire a contractor who is a known felon.

2) **Reform Economic-based Grants: BIA**

The Bureau of Indian Affairs (BIA), created in 1824 as part of the War Department, spent $1.5 billion last year -- about $1,500 for each Native American. It has greatly mismanaged its economic development funds, which are supposed to help businesses with the potential to develop jobs in Indian communities. For example, these funds were used to buy a bar 50 miles from an Indian reservation. These funds would have been better spent to form an alcohol treatment center for a reservation. The Interior IG has called the BIA's accounting system "totally unreliable."

3) **Consolidate Border Management for Drug Interdiction Efforts**

The GAO found that there are currently seven agencies involved their efforts to fight the war on drugs on our nation's borders. These include: the Coast Guard, Customs Service, Drug Enforcement Administration, Federal Bureau of Investigation, Immigration and Naturalization Service, Bureau of Alcohol, Tobacco and Firearms, and Internal Revenue Service intelligence. These efforts should be consolidated and their actions coordinated, eliminating interagency rivalries. It is not necessary for seven agencies to receive funding for the same initiative.

4) **Require Buying More Off-the-Shelf Equipment**

Agencies who try to develop or improve upon their own computer software are sometimes wasting taxpayer dollars. At the National Institutes of Health (NIH), the commissioned computer system was deemed inapplicable or unsuitable for its presumed task once completed. In contrast, the Federal Aviation Administration recently saved $1 billion by opening up their software search to competitive bidding. This should set the example for all federal agencies.

5) **Better Manage Fourth Quarter Spending**

The "spend-it-or-lose-it" attitude of federal agencies is resulting in excessive end-of-the-year spending patterns. In 1990, 15 of 28 agencies spent more than 25 percent of their budgets in the last three months of the fiscal year. In the past 20 years, travel has routinely increased by 48 percent in the fourth quarter.

6) **Improve Use and Maintenance of Overseas Real Estate**

The State Department has not been held accountable for its management and control over overseas property acquisitions. The GAO has found that there may be as high as a $1 billion backlog of repairs and renovations needed for neglected properties. An example is when State had to pay $3 million to buy its way out of a lease-purchase arrangement for a Hong Kong apartment complex. The U.S. Embassy in Tokyo paid for 5.6 million gallons of oil, but had 3.8 million gallons -- worth $16 million -- stolen. In addition, U.S. Embassies, like the one in Tokyo, could be sold for millions and moved to less expensive properties.

7) **Insure That Agencies Internal Chain of Command is Clear**

Government managers need to be accountable to their agency heads and to the public. Likewise, good management practice dictates that these managers be directly linked to their employees.

One example I have come across personally involves the Head Start Bureau. After having experienced unresolvable long-term programs with several Head Start contractors in my Congressional district, I asked the head of the Administration on Children, Youth and Families to meet with me to discuss the question of quality at the national level.

I learned that the regional directors, the people who are on the front lines, cannot communicate requests for change directly to the Head Start Bureau. Instead they have to route through the Assistant Secretary level, adding about 10 layers of bureaucracy to the process. Neither can the Associate Commissioner for Head Start authorize changes in the program. These too have to go all the way up to the Assistant Secretary. This leads to wasted time, increased bureaucracy, and most importantly, a lack of accountability at every level.

Three specific things Congress can do:

1. consider instituting a legislative framework for agency accountability (one model proposed was S. 20 last session);

2. consider increasing oversight hearings based on two major information sources currently overlooked: the Inspectors General semiannual reports and the annual report required by the Chief Financial Officers (CFO) Act of 1990 (studies have shown that hearings are much more effective in raising attention than executive branch reports).

✓ 3. consider amending the CFO Act to require all major agencies to provide annual audited financial statements [GAO recommendation]

One Final Note: TQM

Every agency of the federal government should follow the lead of the National Guard, the Federal Communications Commission, and individual offices such as the Philadelphia Veterans Affairs office in implementing a Total Quality Management system.

Supported by OMB, the Federal Quality Institute and the President's Council on Management Improvement, TQM has graudally moved into the federal bureaucracy. But a 1992 survey of federal managers by the American Society of Quality Control found that 49 percent said they are not interested in learning more about how to apply the concepts of Total Quality Management to the work of their agency. This should be changed by a government-wide educational process.

Those TQM activities that do exist, however, are less than two years old, and on average only about 13 percent of implementing agencies' employees were involved. The basic TQM principles of customer focus, teamwork, fact-based decisions and a structure based on maximizing value added and continuous improvement have been adoped by private industry in our country and abroad. The Saturn automobile manufacturing plant in my area of Tennessee is a prime example of how even a traditional company like General Motors can work wonders using TQM to change its whole approach to production. The federal government should move quickly to do the same.

SAVINGS

By adding to cuts and savings in the President's economic proposal and suggesting some new cuts of my own, as well as making important management reforms, I believe that at least another $14.5 billion in 1994 and reasonably as much as $ 14.8 billion can be saved. (Some of these are one-time savings.) Over the four-year period 1994-97, the cuts would amount to $57.9-58.2 billion. These should be added to the additional $15.2 billion that I believe we can achieve by taking another 10 percent out of the programs the President recommends cutting in his plan, for a total four-year savings of $73.4 billion.

A significant portion of these savings comes from doing a better job of collecting debts owed to the federal government. Because it is impossible for me to quantify these amounts exactly, I have been extremely conservative in my savings estimates. Additional tens of billions of dollars are possible from this activity alone over the next four years.

Also, management improvements throughout the federal government are difficult to quantify; no one can say for sure how much the government will realize from better management of federal assets. Again, I have taken a conservative approach in estimating savings from management changes. For example, I only include proceeds from "national yard sales" conducted by two agencies. The savings could easily be billions more, in addition to providing the public with better service from a more "user-friendly" government.

Stretching the proposals in the President's economic stimulus and investment programs could result in some short term savings -- this year and next year -- that would reduce the ratio of revenue increases to spending cuts during the first two years.

For example, in my quick look at the proposals contained in the President's plan, I came up with approximately $6 billion in 1993 and $19 billion in 1994 that fund programs which do not provide immediate, substantial numbers of jobs and do not represent emergencies, such as the unemployment benefits extension. By delaying half of these programmatic increases during 1993 and 1994, the early-year deficit could be reduced by $12.5 billion, undercutting some of the criticism now being focused on the President's plan.

DOING MORE

The Administration needs a commission which will focus solely on the issues of waste and mismanagement in the federal government.

The commission must be familiar enough with the federal government to identify real problems, plugged into the system enough to be enact changes quickly, and completely loyal to the President's agenda.

For the sake of simplicity, I recommend expanding a commission which already exists: the President's Council on Integrity and Efficiency, or PCIE.

The President's Council on Integrity and Efficiency (PCIE)

Created by Executive Order in 1981, the PCIE is made up of the 26 Presidentially appointed Inspectors General and Chaired by the Deputy Director for Management at OMB.

The Council's Charter describes its mission as follows: to "continually identify, review, and discuss areas of weakness and vulnerability in Federal programs and operations to fraud, waste, and abuse, and [to] develop plans for coordinated, Governmentwide activities that address these problems and promote economy and efficiency in Federal programs and operations."

The Council meets monthly, considering reports from its six committees which include Audit and Information Technology. More importantly, the PCIE issues an annual report.

Last year's "Progress Report to the President" claims $6.1 billion in recommendations for recovery or restitution of funds and over $41.4 billion in recommendations that funds be put to better use.

The Chair of the Council does have the authority to "from time to time, invite other officials to participate in meetings of the PCIE."

Recommendation: Use and expand this Council, adding representatives from the GAO, the House and Senate government oversight committees, other relevant Members of Congress and some agency representation. If effectively used, this body could be extremely valuable. I am forwarding the past three annual reports from this body.

Current Vice-Chair is Julian De La Rosa, IG at Labor. Staff contact there is Nancy Young, 219-7296. Staff contact at OMB is Suzanne Marrin, 395-6911.

Other Resources to be Consulted in the Short Term for Budget Savings/Management Improvement Ideas

The Inspectors General (individually)

I have been personally impressed with the work of the Inspectors General. Formally working since 1978, this group of high-level auditors are appointed and removed by the President in order to identify waste and fraud. Although political affiliation is specifically ruled out as a factor in selection, Reagan dismissed all the IGs when he came into office.

IGs report only to the agency heads and are given direct ties to Congress through mandatory semi-annual reports. All too often, these reports are overlooked by the body as a whole (though certain committees, such as Government Operations, focus on the information.)

The IG for the Department of Health and Human Services creates Red and Orange books which target areas for potential growth, better management and savings. During the 1986-90 period, the implementation of the HHS IG recommendations resulted in $29 billion in savings.

Recommendation: If every agency was required to have similar reporting and then to implement the recommendations or justify why they shouldn't be implemented, taxpayers could save $15 billion a year.

Recommendation: A master list should be compiled that includes all IG recommendations for potential program savings and reports on Congressional efforts to implement these savings.

Recommendation: The President should consider making routine, biannual meetings with the IGs a part of his formal schedule.

Utilize the GAO

Each year, the GAO suggests ways to improve management and cut costs. Not all the ideas are good for the public, but they are a starting point for reforms that could save billions. Unfortunately, 2,334 of the ideas suggested by the GAO since 1989 have been ignored by federal agencies.

The Executive Council on Integrity and Efficiency (ECIE)

Created last May as a complement to the PCIE, the Executive Council is made up of the 34 Inspectors General who are appointed by their entity heads (rather than appointed by the President). Some examples, ACTION, Legal Services Corporation, FDIC, AMTRAK. Also includes the Government Printing Office IG.

They also are chaired by the Deputy Director for Management at OMB and will meet monthly. They are currently working on their first annual report, which should be released next month.

Current Vice-Chair is Hubert Sparks, the IG at the Appalachian Regional Commission, 673-7822.

The President's Council on Management Improvement (PCMI)

Created by Reagan's Executive Order in 1984, the PCMI consists of each agency's assistant secretary for management. They meet once a month (but are not currently meeting due to unappointed staff). They also are chaired by the OMB's Deputy Director for Management.

The PCMI works on specific projects, such as studies of TQM, fleet management, elimination of perks, procurement. These reports are issued to the other assistant secretaries but not issued publicly (could better dissemination be instituted here?). The last published document is the Bush transition document.

Staff contact: Donna Rivelli, OMB, 395-5858.

Federal Quality Institute (FQI)

Made up of federal executives on loan to the FQI and a small staff, the Institute is the primary source of information on total quality management (TQM) in the federal government. It was created in 1988 and is authorized to operate under the Office of Personnel Management, though it works independently of that agency.

Its goals are to familiarize senior officials with the concepts of TQM, to assist agencies in contracting for TQM services, and to provide information on quality management.

Services provided include: start-up services for agencies beginning quality management programs; consulting services; national and regional conferences; database and prequalification of management consultants.

Staff contact: Carolyn Burstein, 376-3747.

<u>Other Sources of Information:</u>

Congressional Committees
House Committee on Government Operations
Senate Committee on Governmental Affairs
House and Senate Budget Committees

House Democratic Caucus' Task Force on Government Waste

Individual members can be a resource. A few who come to mind: Tim Penny, Charlie Stenholm, Byron Dorgan

Specific Reports by these groups:

1. "A Progress Report to the President", FY 91
-- President's Council on Integrity and Efficiency
-- current version in progress
-- am forwarding last three years' reports

2. The Challenge of Sound Management
-- Democratic Caucus' Task Force on Government Waste
-- June 1992

3. "Managing the Federal Government: A Decade of Decline"
-- Committee on Government Operations
-- December 1992

4. GAO Transition Series and High-Risk Series

Also note the 68 agency-related financial audits mandated by the Chief Financial Officers Act of 1990.

WINNING THE PUBLIC (AND THE FIGHT FOR THE CLINTON PACKAGE)

> If the voters see mostly tax inceases and wasteful spending in the bargain, Clinton will be dismissed as just another profligate pol. But if he succeeds, he could reassemble the once powerful Democratic alliance of poor and middle-class voters -- and all but ensure his re-election.
>
> - Newsweek, March 1, 1993

The time is ripe for the Administration to "capture the high ground" on the theme of "re-inventing" government through serious budget cuts and management reform initiatives.

Here are a few ideas that I believe present President Clinton as "a new Democrat" and put our opponents in a corner:

President Clinton Announces National Garage Sale

The President goes to some warehouse of surplus material and announces that he is reorganizing and speeding up the public sale of excess and seized property. An Executive Order requires each Department to provide an accounting of surplus materials. He cites how mismanagement and lack of attention have cost taxpayers billions of dollars over the past x number of years.

The Clinton line: "We can't just do the big things to reduce the deficit -- we've got to do everything and that includes putting unneeded government surplus material back into the market. The money we'll get in the process won't solve the deficit, but it is money we wouldn't have otherwise... and the American people expect us to make this kind of effort."

Clinton Wants to "Saturnize" Government Program

President Clinton travels to the Saturn plant in Tennessee and speaks to the employees and management. In the speech, he announces that one program (maybe a new one or an old one that's in poor condition) will be restructured along the lines of the Saturn Corporation. This change, of course, will be an Administration model for changing management throughout the federal government.

The Clinton line: "The American consumer demanded change in how the automobile industry does business. This plant and this product is part of a remarkably successful response. Last November, the American voters said they wanted change, and not a federal government doing business the same old, inefficient way... Now, we begin the process of bringing the principles of Saturn to the federal government..."

Clinton Moves to Cut Federal Mail Costs Now

The White House announces an Executive Order requiring each federal agency to produce within thirty to sixty days a plan for maximizing the use of third class mail and cutting non-essential mail by ten to twenty five percent in this fiscal year. The public can understand this kind of belt-tightening, and it's an easy story for the networks. Also it's a good "this should have been done a long time ago" change.

The Clinton line: "The American people want the federal government to begin tightening its own belt -- not next year, or the next, but now."

President Asks Public to Join Attack on Waste

President Clinton invites successful whistleblowers to the White House for a ceremony/press conference/Oval Office visit and praises their efforts. Also, the President asks Americans to use 1-800 waste hotlines to help reduce the deficit.

The Clinton line: "Americans both in and out of the federal government must join in our effort to find and eliminate waste and fraud in federal programs. And I want every whistleblower to know they have more that a law protecting them -- now they have a President."

Clinton Makes New, Deeper Cuts

President Clinton solemnly announces that some have responded to his challenge for more specific cuts and that he, personally, has been looking for more savings. The result is 20 new cuts, a long list of deeper cuts in previously targeted programs and $60 to 80 billion of cuts over the four year period.

The Clinton line: "To those who have cynically said they could make tens or hundreds of billions of easy cuts, I say don't keep your magic plan in your coat pocket. Let's put it on the table.

"Some <u>have</u> come forward with specifics, and I have listened. Today's announcement is a reflection of that listening and of our continuing effort to examine all federal spending."

Clinton Expands Council for Management Reform, More Cuts

President Clinton announces the expansion of PCIE and sets out its mission.

The Clinton line: "I want the new Council on Integrity and Efficiency to be a funnel for gathering ideas for additional cuts in federal spending and for changing how the government operates -- or fails to operate -- from top to bottom.

"Review the Council annual report and you'll find that the group has been telling the White House how to clean-up government waste and mismanagement for years. Now, they have a President who's ready to listen. These are the people who have been in the trenches, and I want them with me as I take on the task of changing the way the government works."

Clinton Steps Up Debt Collection

President Clinton announces a new interagency effort to total, organize and collect the tens of billions of dollars of collectible funds owed the federal government.

The Clinton line: "We have made the kind of forceful, coordinated effort needed to bring this money in. This money is owed to the American taxpayers and a part of my job is making sure we collect it."

Inspector General Recommendations for Recovery or Restitution of Funds

Audits of Federal operations and programs may disclose expenditures by, or charges to, the Federal Government that are inappropriate or unsupported. Such costs are questioned by the auditor, who will recommend that management seek recovery or restitution for those charges or expenditures. Public Law 100-504, the Inspector General Act Amendments of 1988, sec. 106(d)(f)(1), defines "questioned cost" as "a cost that is questioned by the office because of an alleged violation of a provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that such cost is not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable."

Agencies	Agency	DCAA /3	Total
Agency for International Development	$28,191,436	$2,288,437	$30,479,873
Agriculture	29,217,882	602	29,218,484
Commerce	20,055,691	1,381,422	21,437,113
Defense/1	32,094,000	4,299,953,771	4,332,047,771
Education	440,400,000	0	440,400,000
Energy	15,359,292	0	15,359,292
Environmental Protection Agency	339,400,000	400,000	339,800,000
Federal Emergency Management Agency	53,000,000	0	53,000,000
General Services Administration	11,182,249	411,252	11,593,501
Health and Human Services	377,638,639	234,361	377,873,000
Housing and Urban Development	88,791,000	10,000	88,801,000
Interior	33,100,596	1,557,602	34,658,198
Justice/2	2,722,452	0	2,722,452
Labor	32,859,916	0	32,859,916
National Aeronautics and Space Administration	1,744,197	75,193,000	76,937,197
Nuclear Regulatory Commission	0	541,702	541,702
Office of Personnel Management	33,533,501	0	33,533,501
Small Business Administration	12,959,203	293,448	13,252,651
State	7,983,204	0	7,983,204
Transportation	78,354,000	74,812,000	153,166,000
Treasury	1,285,000	0	1,285,000
United States Information Agency	1,529,000	0	1,529,000
Veterans Affairs	3,978,618	1,682,493	5,661,111
Total	$1,645,379,876	$4,458,760,090	$6,104,139,966

1/Includes $29,500,000 from other DOD Audit results 2/Includes $2,122,452 from audits and $600,000 from inspections 3/The Defense Contract Audit Agency (DCAA) data for Defense reflects results of DCAA audits completed for DOD as well as other federal agencies not included in this report.

President's Council on Integrity & Efficiency, 1991.

MEMO The Heritage Foundation

To: Mr. Bruce Reed, Deputy Assistant, Domestic Policy Council

From: Dave Mason, Director, Executive Branch Liaison DM

Date: February 19, 1993

Subject: The Clinton Budget and an Alternative

"Higher Taxes and More Spending" is the summary of Heritage Foundation analyst Dan Mitchell's review of the Clinton budget. Though you may disagree with the characterization, I thought you would be interested in the paper.

Putting Families First: A Deficit Reduction and Tax relief Strategy will be even more interesting, as it responds directly to President Clinton's challenge that those who oppose his policies should come up with specific alternatives. And this plan does so in a way that would allow President Clinton to fulfil his campaign promise of a middle class tax cut. $274 billion in specific spending cuts put forward at various times by Alice Rivlin and Leon Panetta are listed in an appendix. The "Putting Families First" plan includes:

--a 2% annual cap on domestic spending growth;
--a $500 per child tax credit;
--$27 billion in tax cuts to spur investment;
--$570 billion in cuts to halve the deficit by 1998;
--spending caps to ensure long term deficit reduction.

Should the Administration decide to strengthen its emphasis on spending cuts as a part of the deficit reduction and economic recovery package, you will find "Putting Families First" a valuable resource.

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The Heritage Foundation Backgrounder

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A U.S. Congress Assessment Project Study

February 18, 1993

CLINTON'S BUDGET: HIGHER TAXES AND MORE SPENDING

Daniel J. Mitchell
John M. Olin Fellow

INTRODUCTION

President Bill Clinton last night proposed the biggest tax increase in American history as part of what he claimed is a balanced $493 billion deficit reduction package. Stripped of rhetoric, however, the package is neither balanced nor would it generate the level of budget savings Clinton implied. Once proposed spending increases are included, the actual level of deficit reduction falls to $339 billion over four years.

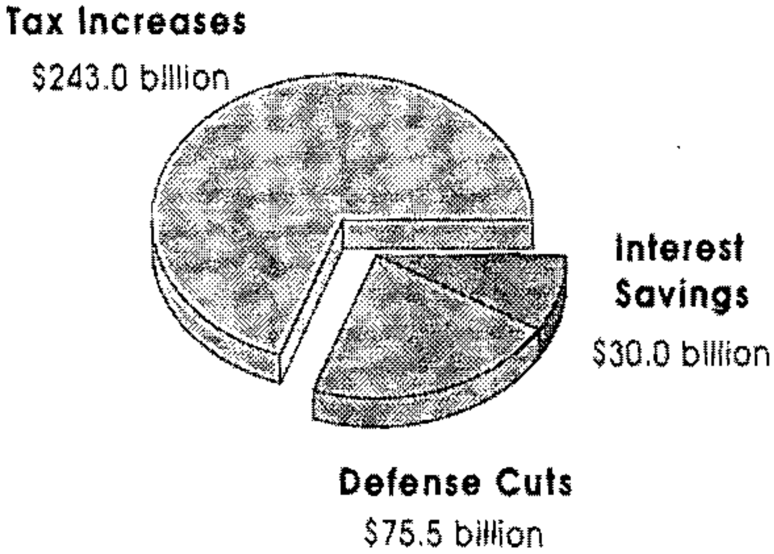
Most disappointing, not one penny of the proposed deficit savings comes from net reductions in the most rapidly growing portion of the budget—domestic spending. Indeed, the Clinton proposal calls for domestic spending programs to receive a net increase of $10 billion over the next four years. That increase, incidentally, would be above the $245.5 billion of additional domestic spending already included in the baseline budget projections against which the Clinton budget measures its tax increases and spending "cuts."

Clinton's package relies almost completely on tax increases. New taxes and increases in existing taxes account for 72 percent of the total package, a net increase of $243 billion over the next four years. Projected defense cuts generate 22 percent of the savings, $75.5 billion over four years. Assumed reductions in federal interest payments, meanwhile, are projected to equal about $30 billion, or 9 percent of the total. (The percentages total 103 percent due to the fact that higher domestic spending lowers the aggregate level of deficit reduction by 3 percent.)

CARTERNOMICS, PART II

The Clinton package marks a stark return to the failed tax-and-spend policies of the Carter Administration. The revenue portion of the package includes at least 53 separate tax increases, 27 of which the Administration dishonestly counts as spending cuts. The tax increases include a new 36 percent tax rate which would be imposed on families making more than $140,000, rather than on those at the $200,000 level, as Clinton promised during the campaign. The Clinton plan further unravels the 1986 Tax Reform Act by creating an additional "millionaires'" surtax that would impose a 40 percent marginal tax rate on income over $250,000.

Where Will Clinton's $339 Billion in Deficit Reduction Come From?



Note: Net domestic spending will increase $10 billion, shrinking the overall deficit reduction from the planned $349 billion in "sacrifices."

Incentives to work, save, and invest will be further diminished by proposals to impose a 2.9 percent Medicare tax on incomes above $135,000 and to increase the corporate tax rate from 34 percent to 36 percent. The middle class would be particularly hard hit by a proposed tax on the heat content of energy sources. This tax, estimated to raise more than $71 billion over the next five years, will add 7.5 cents to the cost of a gallon of gasoline, boost home heating oil prices by 8.25 cents per gallon, and increase the average consumer's electric bill by $27 per year. The $71 billion cost to consumers does not count, moreover, the unavoidable increase in the price of every good and service produced in the American economy.

Hidden Tax Hikes. Notwithstanding Administration talking points heralding "a new era of integrity...in the budget process," the Clinton budget deliberately attempted to understate the size of the proposed tax increase by falsely classifying at least 27 tax increases as spending cuts. Among these tax increases were the proposed increase, from 50 percent to 85 percent, in the share of Social Security benefits subjected to taxation. This proposal, which is projected to raise $21.4 billion of new revenue over the next four years, will discourage senior citizens from continuing to engage in productive economic activity after retirement. Other tax increases Clinton counts as spending cuts include the monthly Medicare tax paid by senior citizens, as well as taxes on banks, pharmaceutical companies, importers, and stockbrokers.

Budget Gimmicks. The Clinton plan also contains a startling number of accounting tricks and phony assumptions to generate savings. The budget magically assumes $1 billion of savings through better management of Veterans Administration hospitals. "Other administrative savings" supposedly will generate $7.7 billion of deficit reduction, while "Streamlining Government" allegedly will reduce spending by $7.9 billion. The Administration proposes to save $11.5 billion by exchanging longer-term government debt for shorter-term debt. If, however, interest rates happen to rise—they are now at twenty-year lows—this proposal will increase spending. Improved IRS tax compliance efforts (needed to guarantee more of what the President euphemistically calls "contributions") are somehow assumed to raise almost $1 billion.

These gimmicks are joined by proposals which save money, but only by pushing the spending into future years. Included in this category are proposals to move Medicare payments to hospitals onto a calendar year basis. This proposal, which does not change the federal government's liabilities, is counted as a $4.6 billion spending cut. Another $5.1 billion is "saved" by ending the lump-sum benefit for federal retirees. Once again, however, the proposal simply shifts spending into future years. All told, at least $38.7 billion of Clinton's budget package comes from budget gimmicks which are counted as reductions in domestic spending.

More Domestic Spending. In an effort to portray the package as balanced, Clinton referred to 150 "specific" spending cuts. He did not tell the American people, however, that many of these "cuts" were really tax increases and budget gimmicks. Even more troubling, Clinton did not point out that his supposed domestic cuts are offset by more than 131 proposals to increase domestic spending by a total of $123.7 billion.

All told, proposed increases in domestic spending outweigh the proposed "cuts" by about $10 billion over the next four years. If the $38.7 billion of budget gimmicks and phony cuts are excluded from the calculation, however, the net increase in domestic spending climbs to almost $50 billion (Reminder: baseline projections already include $245.5 billion of higher domestic spending between 1993 and 1997).

Bigger Deficits Predicted. Even if all of the White House's assumptions are accurate, the Clinton budget signifies a significant increase in the size and cost of the federal government. If a dose of reality is allowed, however, a terrible package becomes even more frightening. A Joint Economic Committee report found that every dollar of higher taxes since 1947 has resulted in $1.59 of higher spending. This statistical survey is supported by recent history. Tax increases in 1982, 1984, 1987, and 1990 all were enacted for the alleged purpose of deficit reduction. In every case, however, the deficit rose the following year because lawmakers could not resist the temptation to spend the expected new revenues. Nowhere in the Clinton plan are there any proposals or mechanisms to counter this propensity of higher taxes to trigger more spending and higher deficits.

The Clinton plan also relies on static models to generate revenue estimates. All of the tax increases, including the increases in marginal income tax rates, are assumed to have no impact on the behavior of taxpayers. In the real world, however, individuals and businesses already have been adjusting their behavior to protect their earnings and lighten the expected burden of higher taxes. As a result, even though the Clinton proposal contains a very steep increase in the nation's tax burden, the actual amount of money the government collects may fall if enough workers lose their jobs and the taxable incomes of individuals and businesses decline. One does not have to travel very far back in time to find an example of a tax increase that lost money. The 1990 budget deal was supposed to raise about $175 billion of new revenue over the 1991-1995 period. Instead, tax revenues fell by more than $3 for every $1 the ill-fated deal was supposed to raise.

CONCLUSION

Higher taxes did not work for Herbert Hoover, Lyndon Johnson, Jimmy Carter, or George Bush, and there is no reason to think that they will work for Bill Clinton. If enacted, the Clinton tax hike will fuel more federal spending, destroy jobs, undermine America's international competitiveness, reduce economic growth, and increase the budget deficit.

The Heritage Foundation Backgrounder

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The Thomas A. Roe Institute for Economic Policy Studies

February 16, 1993

PUTTING FAMILIES FIRST: A DEFICIT REDUCTION AND TAX RELIEF STRATEGY

INTRODUCTION

Just three weeks into the new administration, American taxpayers already have reason to be worried about the emerging shape of White House economic policy-making. President Bill Clinton, who promised "to focus on the economy like a laser beam," appears to be struggling to craft a budget and economic strategy that achieves the five economic policy promises he made during the campaign:[1]

1) **Cut the deficit in half;**
2) **Provide middle-class tax relief;**
3) **Enact measures to spur investment and economic growth;**
4) **Put policies in place that assure the deficit will continue to fall; and**
5) **Accomplish all of the first four goals in a manner that is "fair."**

The new President already has retreated from his first two promises, telling Americans to read the fine print of campaign statements. Citing rising deficit forecasts, Clinton's economic advisors now argue that the government needs new tax revenues just to prevent the deficit picture from getting even worse. This is in spite of the fact that Americans now pay $157 billion more in taxes to the federal government than they did four years ago, and the fact that tax revenues are expected to grow under current tax rates some $376 billion over the next five years.

1 Bill Clinton, *Putting People First: A National Economic Strategy for America*, 1992.

reports are any guide, American taxpayers should hold on to their wallets, because they are in for a repeat of the disastrous 1990 budget agreement. And President Clinton should ponder the striking similarities between the budget agreement that ruined George Bush's credibility and the ideas now being floated by Clinton's own advisors:

Example: The 1990 agreement raised the gasoline tax by five cents per gallon. The Clinton team is talking about raising taxes on energy or fuel even higher.

Example: The 1990 agreement raised excise taxes on alcohol, tobacco, and shipping in addition to creating a new national sales tax on luxury items. The Clinton team is talking about instituting a new national consumption tax.

Example: The 1990 agreement raised the income threshold on Medicare "payroll" taxes and raised the top income tax rate to 31 percent. The Clinton team is talking about expanding the amount of Social Security benefits eligible for taxation and raising the top income tax rate to 36 percent.

Example: Despite much fanfare about cutting spending, the 1990 budget deal ushered in the largest increase in domestic spending in American history. After adjusting for inflation, domestic spending grew eight times faster in Bush's single term than it did during two terms under Ronald Reagan. The Clinton team promises to increase domestic spending by some $30 billion per year above the current growth rate.

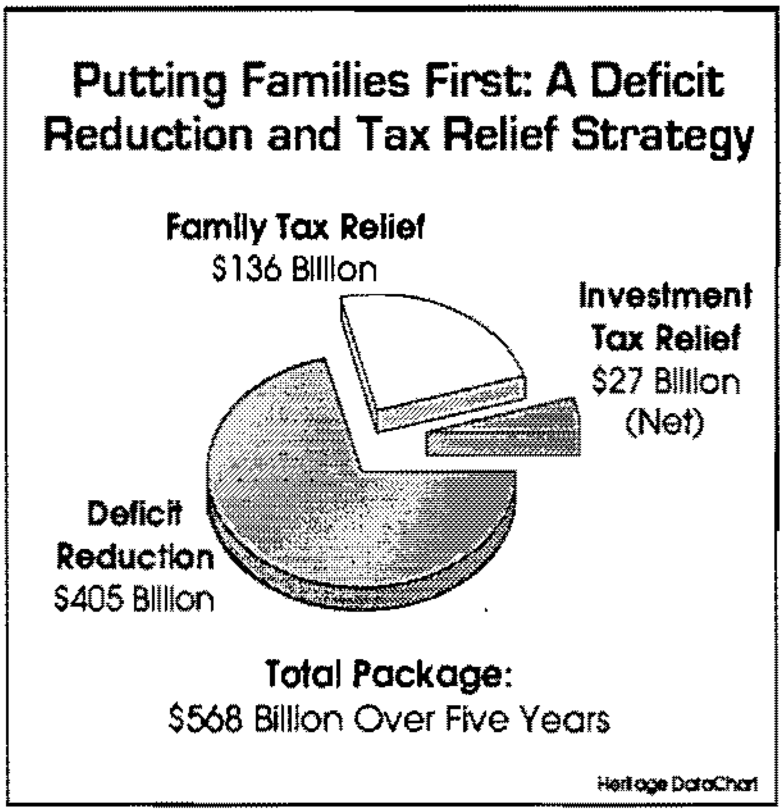
What should be of particular concern to President Clinton is that the 1990 budget deal George Bush negotiated with Congress was supposed to cut the projected deficits between fiscal years 1991 and 1995 by some $500 billion. But recent forecasts now project that deficits during that period will be more than $700 billion higher than projected before the agreement—a difference of $1.2 trillion.

Root Cause of Record Deficits. Most troubling to ordinary Americans should be that the Clinton team, like the Bush team before it, does not seem to understand that rampant federal spending, not a lack of tax revenues, is the root cause of Washington's record deficits. Total federal spending now eats up nearly 24 percent of gross domestic product, or two percentage points more than when Ronald Reagan left office. And rather than fall, annual federal spending is expected to climb by a cumulative total of some $370 billion over the next five years, resulting in $300 billion-plus deficits through the end of the decade.

American taxpayers are being told—yet again—that if only they will agree to more taxes, Congress will cut spending and the deficit will fall. But in the past ten years there have been five "budget summits" in which Americans were told that more taxes would mean lower deficits. Each summit led to higher taxes, higher spending, and higher deficits.

What American taxpayers need is an economic plan that actually delivers real spending cuts, not spending increases; real tax cuts for American families, not tax hikes; and a real economic growth package, not pork barrel "jobs" programs. Heritage Foundation scholars have developed such a comprehensive plan, *Putting Families First: A Deficit*

Reduction and Tax Relief Strategy. This plan would deliver real deficit reduction, family tax relief, and economic growth by attacking the true problem, rampant government spending. In short, the plan would achieve the principal economic goals that Bill Clinton promised the American people.



Putting Families First would cap the annual growth of domestic spending, which is projected to grow by some five percent per year through fiscal 1998, at a more reasonable rate of two percent per year. This saves enough to cut the deficit in half by fiscal 1998; finance a $500 per child tax cut to American families; and finance pro-investment tax cuts for American businesses and entrepreneurs.

The *Putting Families First* plan has six policy components:

1) Place a two percent cap on annual domestic spending growth. Combined domestic discretionary and mandatory spending (excluding net interest and the savings and loan bailout costs) is projected to grow by roughly five percent per year on average through fiscal 1998.[2] The plan caps this annual growth rate at two percent. This produces $509 billion in total program savings below the projected baseline growth rate and $59 billion in interest savings, for a total savings of nearly $570 billion.

2) Give families a tax credit of $500 for each child. The plan uses $136 billion of these savings to provide a $500 per child tax credit for every American family. This credit could be raised to $750 per child if the $53 billion in additional defense cuts planned by Clinton were channelled into family tax relief.

3) Spur investment and real wage growth through tax cuts. The plan uses roughly $27 billion of these savings to fund tax cuts that will generate the private investment needed to increase the productivity of American workers, and thus real wages. These tax measures include indexing the capital gains tax and lowering the maximum rate to 15

2 Hereafter, the use in this *Backgrounder* of the term "total domestic spending" means the sum of domestic discretionary spending and domestic mandatory spending, but excludes net interest on the federal debt and the costs and revenues of the Savings and Loan (S&L) bailout.

percent for both individuals and corporations (producing a net five-year loss to the Treasury of roughly $53 billion); enacting a neutral cost recovery plan for capital investments (generating a five-year net gain to the Treasury of over $22 billion); and expanding individual retirement accounts (IRAs) (generating a five-year net gain to the Treasury of $3.5 billion).

4) Cut the deficit in half by fiscal 1998. The plan uses the remaining $405 billion of savings to cut the deficit in half in five years. This means the fiscal 1998 deficit will fall from $320 billion, the current projection, to roughly $160 billion.

5) Enact a package of spending cuts. To keep spending within the two percent cap, and generate over $500 billion in savings, the plan involves a two-step process of spending cuts:

Step #1: Enactment by Congress of 100 spending cut options already endorsed by Office of Management and Budget (OMB) Director Leon Panetta and Deputy OMB Director Alice Rivlin. These recommendations, listed in the appendix to this paper, would save $275 billion over five years—over half the savings needed for this plan.

Step #2: Creation of a bi-partisan commission to identify the remaining necessary savings, modeled on the Base Closing Commission. Under the law creating the commission, Congress would have to vote on the entire package of recommended cuts.

6) Ensure long-term deficit reduction. The spending caps, enforced by a sequester, will provide the long-term discipline needed to prevent future deficit spending and keep the budget on track toward balance. These caps also will ensure that any new tax revenues pumped into the Treasury automatically go toward reducing the deficit, not to fund higher spending.

Putting Families First thus fulfills the five major economic promises made by candidate Clinton, but achieves these goals without repeating the fiscal mistakes of the Bush Administration. Moreover, unlike other deficit reduction plans, *Putting Families First* will work politically because it includes the "carrot" of tax relief for families to build public support for the "stick" of reducing spending.

THE PROBLEM: THE SIZE OF GOVERNMENT

The Clinton White House is falling into the same Washington trap that brought gridlock to the Bush Administration. The reason: Clinton apparently views the deficit as a disease that must be cured, rather than understanding that the deficit is the symptom of a deeper disease—Washington's own profligate spending habits.

Those lawmakers who see the deficit as the problem believe that when the government borrows huge sums to fund the deficit, private borrowing is crowded out of the credit market. The competition between government and private borrowing drives up interest rates which, in turn, leads to reduced private investment. Cutting the deficit, these lawmakers say, will lower interest rates and thus spur private investment and economic growth.

It is certainly true that every dollar the government borrows from private credit markets is a dollar that is unavailable for other purposes, such as car loans, home loans, and new business start-ups. But research indicates that the budget deficit itself has a surprisingly small impact on interest rates. Interest rates fell throughout the early 1980s while the deficit soared to record levels.[3] Mortgage rates are now at their lowest levels for many years, while the deficit has been hitting all-time highs. In addition to the very weak link between deficits and interest rates, investment decisions are not driven solely by interest rates. More important in investment decisions is the after-tax rate of return on capital.[4] Interest rates are merely one determinant of how much that post-tax rate of return will be.

Confiscating Money from the Private Sector. The fatal flaw in the "deficit first" view is that it puts equal value on reducing the deficit through spending cuts or tax increases. This is why the typical view in Washington is that any credible deficit reduction plan must contain some new taxes. One reason this view is wrong is because it fails to understand that there is a big economic difference between raising taxes and curbing spending. Raising taxes simply confiscates money from the private sector rather than borrowing it. The money is still removed from private use. Moreover, taxation is a political act. Taxes are levied on those groups that can be overcome politically, not in ways that are economically most efficient. By contrast, the economy actually adjusts more efficiently to government borrowing, because no one sector carries the full cost.

Even more important, the "deficit first" view fails to understand that whether government takes or borrows is secondary to how much the government removes from the economy. When the government takes money out of the private economy to pay for spending, private capital is crowded out regardless of whether the money is borrowed from investors or extracted from them through higher taxes. In either case, a rise in spending means money that cannot be used by the private sector to invest in new plant and equipment, start a new business, or add new employees. A rise or fall in the deficit merely indicates a change in the way government raises funds. Unfortunately, this draws attention away from the far more important issue of the level of government spending.

As a result of the missed diagnosis produced by faulty economic analysis, there are early signs that Clinton's economic agenda will look largely like Bush's: higher taxes and unchecked spending, leading to slow economic growth and higher, not lower, deficits. If the Administration is serious about producing a healthy economy it must focus its attention on three things:

✔ **It must reduce the government's total demand on the private economy by controlling federal spending.** Political and other factors mean that a dollar spent by the public sector is almost always spent less efficiently than the same dollar in the private sector. So a rising share of national income going to govern-

3 Michael Schuyler, "What Deficits Don't Do," Institute for Research on the Economics of Taxation, *Policy Bulletin* No. 46, July 6, 1990.

4 For a detailed explanation, see Gary Robbins and Aldona Robbins, "Capital, Taxes and Growth" (National Center for Policy Analysis: Dallas, Texas, January 1992).

ment means an economy that is less efficient. Tackling spending, moreover, permits both tax and borrowing needs to be reduced.

✔ **The Administration also must provide middle class tax relief, but for economic rather than political reasons.** Explains Heritage Foundation scholar Robert Rector, "during the past four decades, the federal income tax burden on a family of four has increased by over 300 percent as a share of family income."[5] And while government has been taking a larger share of family incomes in taxes, their real wages have stagnated. Between 1970 and 1990, real pre-tax incomes of single-earner families grew by only 8 percent. However, even this small gain in real family income was mostly taxed away by Uncle Sam. The erosion of living standards among the middle class is directly related to tax policy.

✔ **It must spur private investment to generate the economic resources to raise the living standards of Americans and to fund those programs that are necessary.**

THE SOLUTION: PUTTING FAMILIES FIRST

To be sure, any attempt to rein in government spending will be fought by a legion of Washington special interests who will argue instead for higher taxes on American families. Over the past thirty years, the powerful lobbies have won this debate to the detriment of ordinary Americans; Washington has raised taxes 56 times since 1960, yet balanced the budget only once, in 1969.[6] The reason for this abysmal record over the past four decades is that for every $1 Congress raised in new taxes it increased spending by $1.59.[7] As a result, the federal government now consumes 5.6 percent more of the U.S. economy than it did in 1960. This cycle of tax-and-spend policy-making has taken a tremendous toll on American families.

Spending will continue to soar out of control, and government will continue to demand a greater share of family income, as long as the costs of government are dispersed among all taxpayers and the benefits are concentrated among narrow interests. The reason for this is that each narrow interest has a large financial incentive to campaign aggressively to preserve or expand a particular program, while the small cost to each taxpayer of any particular program is not usually sufficient to trigger significant opposition.

But Clinton can reverse the politics of spending by employing strategies that put federal spending in human, or family, terms. One such strategy is to demonstrate how the savings from reduced government spending can be used to improve the finances and real wages of American families. Building an economic strategy around the notion of "put-

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5 Robert Rector, "How to Strengthen America's Crumbling Families," Heritage Foundation *Backgrounder* No. 894, April 28, 1992.

6 Senator Robert W. Kasten, Jr., "A Balanced Budget Amendment that Won't Tax America," *Heritage Lecture* No. 386, June 2, 1992.

7 Richard Vedder, Lowell Galloway, and Christopher Frenze, "Taxes and Deficits: New Evidence," Joint Economic Committee, October 30, 1991.

ting families first" could turn the tide against the powerful spending coalitions and build popular support for the spending cuts needed to reduce the deficit. This requires a plan that links spending control to a significant tax benefit for ordinary Americans.

The Heritage Foundation economic plan, *Putting Families First: A Deficit Reduction and Tax Relief Strategy*, is designed to build the grass roots support needed for Congress to curb its spending habits. *Putting Families First* places tight controls, called spending caps, on the annual growth of domestic spending. Total domestic spending is now rising by some five percent annually, but constraining this growth rate to a more reasonable pace of two percent annually could save a total of $570 billion over five years' time.

But rather than direct all of these savings to deficit reduction, which will provide few direct tangible benefits to families, *Putting Families First* applies nearly one-third of these savings to funding tax cuts that put cash in the pockets of families and spurs the private investment needed to increase worker productivity and real wage growth.

PUTTING FAMILIES FIRST

($ billions)	1994	1995	1996	1997	1998	Five-Year Total
IRA-Plus Plan[1]	-2.7	-1.4	-1.1	0.3	1.4	-3.5
Investment Tax Incentive Act[2]	-5.9	-12.1	-11.6	-2.2	9.7	-22.1
"Cost" of Indexing Capital Gains and Lowering Rate to 15%[3]	-0.5	7.5	13.5	15.1	17.1	52.7
"Cost" of $500 per Child Tax Credit[4]	25.0	25.0	25.0	25.0	36.0	136.0
Total "Cost" of Tax Cuts	15.9	19.0	25.8	38.2	64.2	163.1
Plus Deficit Reduction Schedule	6.1	42.3	75.4	121.5	160.0	405.3
Equals Total Savings Needed for the Heritage Plan	22.0	61.3	101.2	159.7	224.2	568.4
Savings from Two Percent Spending Cap (Including Interest)	22.1	61.3	101.2	160.0	224.0	568.6

Note: Revenue gaining measures are shown as negative figures because they reduce the deficit. Revenue losing measures increase the deficit so they are shown as positive figures.

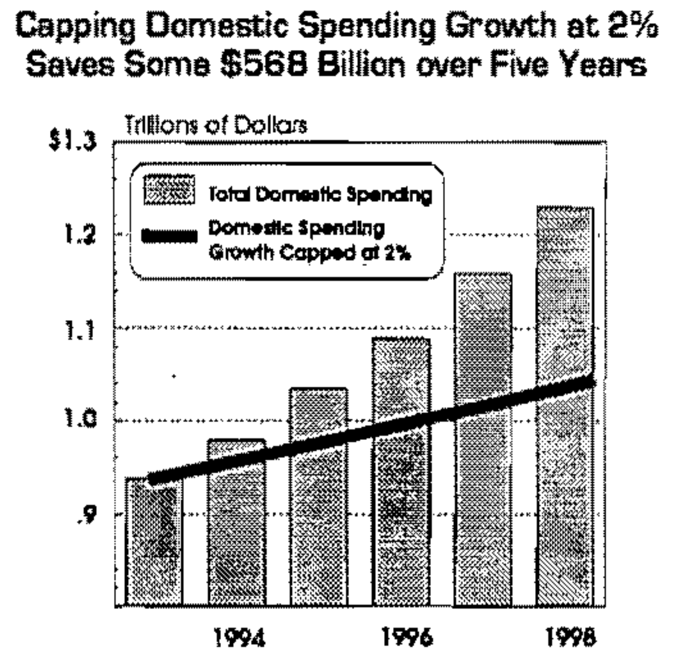
Sources:

1. Joint Tax Committee, U.S. Congress.
2. House of Representatives, Republican Study Committee, based on Joint Tax Committee models.
3. Joint Tax Committee, U.S. Congress.
4. Heritage Foundation Tax Model.

There are six elements to *Putting Families First:*

Element #1: Cap Domestic Spending Growth at Two Percent Per Year.

Taming the federal deficit will require firm measures to control the true source of the problem—domestic spending. Over the past four years, an explosion in domestic spending (both discretionary and mandatory spending combined) has driven the deficit to record levels.[8]



Note: Figures do not include $58 billion in interest savings, which are deducted seperately from annual interest payments.
Source: Calculations based on *Budget Baselines, Historical Data, and Alternatives for the Future,* Office of Management and Budget, January 1993.

In future years, the deficit will look smaller because the government will sell off assets acquired during the bailout. The "profits" from these asset sales will be recorded on the budget not as new revenues, but as offsets to the level of spending—what is called "negative outlays." Excluding these profits from spending totals gives a more accurate and honest picture of the government's spending trends. Since Ronald Reagan's last fiscal year, 1989, total domestic spending has jumped $306 billion, from about $633 billion to some $939 billion, a 48 percent increase. Increases in domestic "discretionary" spending, which is spending appropriated annually by Congress, accounted for $61 billion of this overall growth. Increases in "mandatory" spending, which is spending driven by prior law, accounted for the remaining $245 billion increase.

Domestic spending growth will continue to keep the deficit at record levels for the next five years. Domestic spending is projected to grow on average by about five percent per year through fiscal 1998, a total increase of $292 billion. Thus the key to controlling deficit spending during the next five years is to hold the yearly growth rate of total domestic spending to below five percent.

8 As stated earlier, the term "total domestic spending" in this *Backgrounder* excludes net interest payments and both the costs and future revenues of the Savings and Loan bailout. In only two fiscal years, 1989 and 1990, did the annual increase in cost of S&L bailout have any significant impact on the deficit. Deposit insurance costs rose from roughly $10 billion in fiscal 1988 to just over $20 billion in 1989 to nearly $52 billion in fiscal 1990. However, in fiscal 1992, deposit insurance costs fell to $2 billion from the $56 billion level in 1991. This $54 billion decrease had a dampening effect on the deficit.

Moderating Effect on Deficit. But many in Congress and in the Clinton White House say that deeper defense cuts will be needed to bring the deficit down. While it is true that further defense cuts could lower the deficit somewhat, the argument ignores the fact that defense spending was cut in real terms by some $57 billion during the Bush Administration and will continue to fall an additional $40 billion in real terms by fiscal 1998. These are deep cuts, and raise serious concerns about U.S. military capabilities in a very unstable world. From a strictly budget point of view, these real reductions in defense already have had a moderating effect on deficit spending and will continue to do so. But even if Clinton follows through with his campaign pledge to cut $53 billion more from defense by fiscal 1997, the deficit that year will only fall from $305 billion, as currently projected, to roughly $285 billion—still $130 billion short of achieving Clinton's pledge to cut the deficit in half.

Thus, no economic or deficit reduction plan is credible unless it limits the growth of domestic spending. The simplest but most effective method of doing this is by capping the annual rate of domestic spending growth to a fixed percentage set well below the current pace. Such a spending cap need not fix the growth rate of every program. Some programs may grow faster than the fixed rate and others much slower. The goal must be to hold the combined growth rate of all programs below the cap.

The idea of spending caps is not new. Indeed, the 1990 budget agreement placed individual spending caps on three categories of discretionary spending—domestic, defense, and international—for fiscal years 1991 to 1993. These three categories are then to be merged into one for fiscal years 1994 and 1995. Thus far, the defense and international caps have successfully controlled spending (defense had substantial cuts built into its cap levels) but the domestic cap has not. The reason for the failure to control domestic spending is that the 1990 budget summit actually set the domestic spending cap levels some $27 billion above the pre-budget agreement discretionary spending projections—hardly a device to control spending.

Capping Mandatory Spending. Some in Congress have proposed placing spending caps on mandatory, or entitlement, spending. Mandatory spending is the fastest growing component of domestic spending; in some areas it is growing at three to four times the inflation rate. Last year, in fact, a plan proposed by Senator Pete Domenici, the New Mexico Republican, and former Republican Senator Warren Rudman of New Hampshire, would have capped total mandatory spending growth at a rate determined by inflation and the population expansion of the program.

The spending cap proposed in the Heritage plan is a "unified" cap, covering both discretionary and mandatory programs (but excluding net interest and deposit insurance costs). While there is merit to individual caps targeted at domestic discretionary programs and mandatory programs, there are two principal reasons for enacting a unified cap for all of domestic spending.

First, because of the increases built into the 1990 budget agreement, domestic discretionary spending has now returned to the high levels of the Carter Administration, after adjusting for inflation. And when all three discretionary categories become subject to one spending cap in fiscal 1994, it is quite likely that significant cuts in defense spending will merely be channeled into higher domestic discretionary spending. This will allow domestic discretionary spending to rise far above the levels of the Carter era. A real "peace

CAP DOMESTIC SPENDING GROWTH AT TWO PERCENT

($ billions)	1993	1994	1995	1996	1997	1998	Five-Year Total
Baseline Total Domestic Spending	938.5	978.7	1034.5	1088.6	1158.6	1230.3	
Cap Annual Spending Growth at 2%	938.5	957.3	976.4	995.9	1015.9	1036.2	
Savings from 2% Annual Cap on Domestic Spending Growth	0.0	21.4	58.1	92.7	142.7	194.1	509.0
Plus Interest Savings	0.0	0.6	3.2	8.6	17.3	29.9	59.6
Total Savings	0.0	22.0	61.3	101.3	160.0	224.0	568.6

Source: Calculations based on *Budget Baselines, Historical Data, and Alternatives for the Future*, Office of Management and Budget, January 1993.

dividend" should not be used for increased spending, it should be returned to taxpayers or used for deficit reduction. That is why a unified domestic cap is so important.

Second, creating a single domestic spending cap will force a healthy competition for funds between all of those programs labeled as domestic. Congress should engage in serious debate over domestic priorities, funding high priority items and dropping low priority programs from the budget. A healthy competition for limited resources between AMTRAK, Belgian Endive research, and Medicare, for instance, would probably make sure that funds were directed tc the most important programs.

Based on the spending forecasts released last January by the Office of Management and Budget, capping the growth of domestic spending at two percent per year, three percentage points below the current average growth rate, will save enough money (with interest added) to cut the deficit in half by fiscal 1997, as Clinton pledged to do during the campaign.[9] While it would be a good beginning to halve the deficit within the timetable established by candidate Clinton, there would be insufficient savings also to fund the family tax relief and investment incentives needed to produce a more healthy economy.

9 OMB estimates, rather than Congressional Budget Office figures, are used in this report because OMB is the government's official budget "scorekeeper." OMB's January estimates may be subject to change when the Clinton budget is complete sometime in March. While these official forecasts may change, the basic concept of using spending caps to lower the deficit is still valid. Thus, the two percent spending cap proposed here may have to be adjusted slightly to produce exactly the same results.

If the goal of cutting the deficit in half were pushed back one year, however, to fiscal 1998, the two percent spending cap would save enough money to cut the deficit by half, and to fund family tax relief and investment incentives. As shown in the above table, the two percent annual spending cap saves some $509 billion below the current growth rate through Fiscal 1998 and some $60 billion in interest savings, for a five-year total of nearly $570 billion.

It is reasonable to delay the goal of halving the deficit by one year if other important economic objectives can be achieved. As President Clinton has stated, it is important to strengthen the economy before the tough deficit reduction measures begin. Thus he would do well to dedicate most of the roughly $22 billion in first-year savings achieved by the two percent spending cap to initiating the tax cuts outlined in **Elements #2** and **#3** below. This will have the dual effect of bringing immediate relief to families and businesses as well as building the public support needed to win long-term deficit reduction.

Element #2: Cut Taxes on Families With Children.[10]

Federal taxation of families with children has increased dramatically during the past four decades. In 1948, a family of four at the median family income level paid just two percent of its income to the federal government in taxes. In 1989, the equivalent family paid nearly 24 percent of its income to the federal government. When state and local taxes are included, the tax burden on that family exceeds one-third of its annual income. There are two principal reasons for this rising tax burden on families with children: the eroding value of the personal exemption for children, and massive increases in Social Security taxes, technically known as "payroll taxes."

The personal exemption for children was intended to offset part of the annual cost of raising a child by allowing families to deduct an amount of money from their taxable income. In 1948, the $600 per child personal exemption, plus other deductions, shielded nearly all the income of a family of four from federal income taxes. The value of this exemption, now set at $2,000, has eroded over the past forty years. For the personal exemption to have the same value relative to family income that it did in 1948, it would have to be about $8,000 today and some $9,000 in 1996.

Besides rising income taxes, the other blow to families has been increases in Social Security taxes. In 1948, workers paid a two percent Social Security tax on annual wages up to $3,000: one percent was paid directly by the employee and one percent paid directly by the employer through the so-called employer share. By 1989, combined Social Security taxes had risen to 15 percent of wages on incomes up to $48,000. The effect of this tax on lower-income workers is particularly severe; a family with an income of $25,000 per year, for instance, pays $3,750 in Social Security taxes.

The forty-year combined effect of these two tax trends has been an eleven-fold increase in the share of family income consumed by federal taxes. For the median income family today, the loss of income because of the increase in federal taxes as a share of family income, due to the falling value of the personal exemption and the rise in Social

10 This section draws heavily from Rector, *op. cit.*

Security taxes since the late 1940s, is over $8,200. This is more than the yearly mortgage payments on a median price single family home.

This gradual loss of family income due to a rising tax burden explains much of the frustration exhibited by middle-class families today, and the fear that they will be unable to live as comfortably as their parents did at the same age. This too explains why so many mothers have entered the work force to make ends meet.

But the average employed mother, juggling her job and family demands, knows only too well that despite her efforts the paycheck she brings home does not seem to be raising her family's living standards very much. The reason: only about one-third of her earnings are taken home for the family's budget. The remaining two-thirds of today's mother's earnings pay the higher federal taxes on family income levied since World War II.

A practical way to give reasonable tax relief to families with children, especially low- and moderate-income families, is through a $400 to $500 non-refundable "child credit." Parents would use such a credit to directly reduce both their income tax and the employer and employee Social Security tax liability; though, the maximum value of the proposed credits would not exceed a family's total tax liability.

Under the plan, the value of the "child credit" would be increased incrementally. The credit would be worth $400 per child during the first four years of the plan. In the fifth year, the credit would be raised to $500 for each child aged five to eighteen, and $750 for each child under the age of five. The higher credit for pre-school children would be provided to help offset the greater financial pressures faced by families with young children; these families must either pay greater day care costs or sacrifice the income of one parent who remains at home to care for the family's children.

Added Defense Savings. This Family Tax Relief plan assumes there are no further cuts in the defense budget below the levels planned by the Bush Administration. During the campaign, Clinton proposed cutting more than $50 billion from the defense spending levels already authorized by the Bush Administration. If the Clinton White House goes ahead with these deeper cuts, it should apply these savings to raising the value of the family tax credit to $750 per child aged five to eighteen and $1,000 for each child under age five rather than funnel them into higher domestic spending.

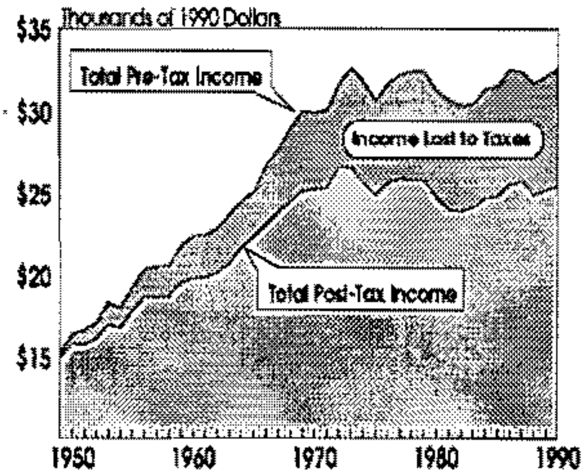
Element #3: Cut Taxes on Investment and Job Creation.

The $500 per child tax credit outlined above would be a good first step toward alleviating the growing tax burden on American families. But American families face another financial problem which requires a more indirect and long-term solution. That problem is the slowdown in wage and salary growth due to distressingly slow productivity improvements in the U.S. economy. The heavy tax burden on savings and investment is the principal cause of this slow growth.

After adjusting for inflation, median family income grew less rapidly in the 1970s and 1980s than in prior decades. Worse still, most of the increase in family income in the 1970s and 1980s did not come from higher worker productivity, but from wives entering the labor force. In earlier decades a husband's salary alone normally could provide a steady increase in real family income, but after 1970 it became increasingly necessary in many families for both spouses to enter the labor force just to achieve a modest increase in the family's standard of living.

The chart below shows the inflation-adjusted growth of income in married couple families in which only the husband is employed.[11] Between 1950 and 1970, the real income of husbands nearly doubled. Between 1970 and 1990, however, real pre-tax incomes grew by only eight percent.[12] What is worse, growing federal taxation swallowed up what little income gain there was; post-tax income for these single earner families has not increased at all over the past twenty years.

The Federal Tax Bite: It Keeps Growing and Growing and Growing...



Note: Figures are for a median income married couple with wife not in the labor force

Source: Heritage Tax Model; income data from U.S. Bureau of the Census.

Heritage DataChart

This stagnation in post-tax income of working husbands played a large role in inducing large numbers of wives to enter the labor force in the 1970s and 1980s. While this extra labor did raise family incomes somewhat, at least half of the family income added in this manner was swallowed by rapidly escalating federal taxes. Today's families thus are being crushed by the dual problem of high taxation and slow wage growth.

This means that lawmakers who wish to relieve the financial pressures on the modern family must do more than reduce taxes on families. They must also design policies that will restore wage growth to the rates experienced in the 1950s and 1960s. Candidate Clinton promised to raise the level of investment in America in a way that would create more jobs at higher wages.

Transferring Resources. The policies proposed by Clinton, however, mean more government spending, targeted to infrastructure projects and select industries. But such government spending does not "create" new jobs, and it certainly does not improve productivity. It merely transfers resources from one sector of the economy to another—and generally from productive sectors to less productive ones. These new government-funded jobs also are "created" at a very high cost to taxpayers. Indeed, the General Accounting Office found that the "new" jobs created by the 1983 Emergency Jobs Act, for

11 These data provide a reasonable proxy for the salary growth of husbands in general since World War II.

12 For a more thorough discussion of the deterioration of family income growth, see Rector, *op. cit.*

instance, cost $128,000 per job; effectively destroying four private sector jobs for every one it created.[13]

But government can stimulate genuine job creation and higher real wages by instituting tax reforms that lead to investment that will increase the output of workers. If workers can produce more, then businesses not only will want to hire more employees, they will also be willing to pay them more. The ability of workers to produce is determined principally by their education and skills, and by the quantity and quality of the capital stock with which they work. Employees who work with modern equipment, technology, machines, and production processes can produce more and earn more.

Among the necessary pro-investment tax reforms that would be implemented in the first year of *Putting Families First:*[14]

✔ **Cut the capital gains tax rate to 15 percent and index this tax rate to the rate of inflation.**

Cutting capital gains taxes should be a central part of any plan to increase wages and worker productivity. Investment is driven primarily by the after-tax rate of return on capital. When taxes on capital are reduced, more money will be invested, wages will increase, and living standards will rise. Capital gains taxes are a direct tax on job creating investment. If not eliminated, the tax should be cut dramatically and indexed for inflation so investors are not paying taxes on purely nominal gains.

Capital Gains Tax: U.S. Rate is Among Highest in Industrial World

Nation	Maximum Long-Term Capital Gains Tax Rate	Holding Period
Germany	0.0 %	6 Months
Hong Kong	0.0	None
Italy	0.0	None
South Korea	0.0	None
Taiwan	0.0	None
Japan	5.0	None
France	16.0	None
Canada	17.51	None
Sweden	18.8	2 Years
United States	**28.0**	**1 Year**
United Kingdom	40.0	None
Australia	50.25	1 Year

Source: American Council for Capital Formation, 1989.

13 See Daniel J. Mitchell, "An Action Plan to Create Jobs," Heritage Foundation *Memo to: President Elect Clinton*, No. 1, December 14, 1992. Also, "Anti-Recessionary Job Creation: Lessons From the Emergency Jobs Act of 1983," Testimony of Lawrence H. Thompson, General Accounting Office, GAO/T-HRD-92-13, February 6, 1992.

14 For a complete discussion of measures needed to boost savings and investment in the U.S. economy, see Daniel J. Mitchell, "A Tax Reduction Strategy to Spur Economic Growth," in Scott A. Hodge, ed., *A Prosperity Plan for America—Fiscal 1993* (Washington, D.C.: The Heritage Foundation, 1992).

In contrast with America's leading industrial competitors, investors in U.S. companies face high taxes on the nominal value of gains they make in the value of their investments. In the U.S. the top rate of capital gains is 28 percent. By contrast, the top rate in Japan is 5 percent and in Germany there is no such tax on assets held for longer than six months. The heavy tax on U.S. capital gains discourages Americans from making the investments in industry necessary to improve productivity, and thus the income of American workers.

The Congressional Budget Office estimates that this recommendation will "lose" nearly $54 billion in federal revenue over five years. But the CBO uses a "static" model to estimate the impact of tax changes. More realistic "dynamic" models have been more accurate than CBO in predicting the revenue effects of tax changes. These suggest that cutting the capital gains tax will mean that greater private investment will generate more economic growth and more federal tax revenues.[15]

Still, to comply with the forecasting model used by the government in its budget scoring, *Putting Families First* uses the CBO estimate.

✔ **Extend and expand Individual Retirement Accounts (IRAs).**

Like capital gains, the earnings Americans receive on their savings is more heavily taxed than most other industrialized countries. This high taxation encourages Americans to consume their income rather than to save it. This in turn reduces the available pool of money for new investment.

Individual Retirement Accounts (IRAs) reduce the tax bias against savings by either deferring taxes on income placed into the special accounts or by making the interest from such accounts tax-exempt. Unfortunately, the 1986 Tax Reform Act sharply restricted the amount of tax-deferred income that families could place in such accounts. Lawmakers can undo this mistake, without increasing the budget deficit, by enacting a "back-ended" version of the IRA which makes interest tax-exempt. Such a reform would boost savings and so increase the pool of funds available for productive new investments.

Another advantage of the back-ended IRA: according to the CBO's static model, this proposal will generate $3.5 billion of additional revenue over five years.

15 Many experts believe that reducing the tax rate on savings and investment would so stimulate economic growth that overall federal tax revenues would rise. Thus, according to these analysts, tax cuts on investments and savings would help reduce the deficit. However, this view is not shared by the Congressional Budget Office or the Joint Tax Committee of the Congress. According to the economic models employed by these organizations, such tax cuts will "lose" money for the Treasury. Thus, these tax cuts must be "paid for" by either increases in taxes elsewhere or via spending cuts. While Heritage analysts disagree with this latter view, CBO revenue loss estimates are being assumed for the purposes of this study.

✔ **Reduce taxes on business investment by indexing depreciation schedules for inflation.**

In most industrialized countries, firms effectively are allowed to deduct the full cost of new plant and equipment from their taxable profits in the year the purchase is made, much like any other business expense. In the U.S., however, arcane depreciation schedules force firms to wait many years for tax deductions on major investments of new plant and equipment. Indexing depreciation schedules for inflation—giving the present-value equivalent of immediate expensing—would be an important first step toward achieving a fairer tax treatment of investments, and thereby boosting new investment.

Another advantage: This reform will generate $22.1 billion of additional revenue over five years.

Because this group of tax changes would improve productivity, and thereby raise the wages of parents and other workers, they are profoundly pro-family. However, higher government spending, whether financed by more taxes or borrowing, is not pro-family because it drains resources from the productive sector of the economy and inhibits wage growth.

The results of productivity improvement could be dramatic. If improving the private investment climate through the tax code allowed the U.S. to restore productivity and wage growth to the rates enjoyed in the 1950s and 1960s, the average parent could expect real hourly wages to grow by nearly fifty percent in the next decade. This would mean a huge relief in the financial pressures on today's beleaguered families.

Element #4: Cut the Deficit in Half.

The pro-family and pro-investment tax cuts consume nearly all of the first-year savings created by the two percent spending cap. This means the serious business of cutting the deficit in half begins in the second year of the plan. But since the savings produced by the cap grow in magnitude each year, the impact on the deficit would be substantial after the major tax relief proposals had been phased in.

The cap generates some $224 billion in annual savings below the baseline spending level projected for fiscal 1998. Since $64 billion of these fifth-year savings are dedicated to funding the tax cuts, the remaining $160 billion are then used to cut the projected

CUTTING THE DEFICIT IN HALF

($ billions)	1993	1994	1995	1996	1997	1998	Five-Year Total
January Deficit Projections	327.3	292.4	272.4	266.3	305.0	319.8	1455.9
Deficit Reduction Schedule	0.0	6.1	42.3	75.4	121.5	160.0	405.3
Resulting Deficit Levels		286.3	230.1	190.9	183.5	159.8	1050.6

$320 billion deficit in half.

The preceding table shows the five-year deficit reduction schedule.

Element #5: Introduce Spending Cuts to Achieve the Two Percent Cap.

Finding over $500 billion in savings will require quick and effective short-term as well as long-term strategies to reduce spending. In the short term, considerable savings can be achieve by bundling dozens of "off-the-shelf" spending cuts already developed by the Congressional Budget Office (CBO) and the General Accounting Office (GAO)—both are research arms of Congress. The long-term cuts needed to complete the task will require tougher political choices and significant reforms of major programs. Those will take longer to accomplish.

There are many sound ideas for cutting federal spending that have been discussed for years but have yet to receive congressional action. For example, in February 1981, the Congressional Budget Office—then under the leadership of Alice M. Rivlin, currently Deputy OMB Director—published the first of its annual reports on spending cuts and revenue raising options for reducing the deficit.[16] Many of the spending cut options suggested by CBO then are still valid today because Congress has ignored them.

Further, while still Chairman of the House Budget Committee, OMB Director Leon Panetta, put forward many of the same recommendations in a deficit reduction plan he proposed last year.[17]

The spending cuts recommended by Rivlin and Panetta include:

- ✂ **Reduce funding on highways;**
- ✂ **Institute private financing of the Strategic Petroleum Reserves;**
- ✂ **Increase waterway user fees;**
- ✂ **Reduce funding for Environmental Protection Agency (EPA) Construction Grants;**
- ✂ **Eliminate Farm Deficiency Payments;**
- ✂ **Reduce funding for AMTRAK;**
- ✂ **Repeal the 1931 Davis-Bacon Act;**
- ✂ **Eliminate maritime industry subsidies;**
- ✂ **Reduce the funding for Impact Aid;**
- ✂ **Modify Trade Adjustment Assistance;**

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16 The Congressional Budget Office, *Reducing the Federal Budget: Strategies and Examples, Fiscal Years 1982 - 1986*, February 1981.

17 Leon E. Panetta, *Balanced Budget Amendment Options*, Committee on the Budget, U.S. House of Representatives, May 26, 1992. See also, Scott A. Hodge, "A Lawmaker's Guide to Balancing the Federal Budget," Heritage Foundation *Backgrounder* No. 901, June 9, 1992.

- ✂ **Block grant funding for Aid to Families with Dependent Children (AFDC) and Medicaid administrative costs; and**
- ✂ **End the Airport Grants-in-Aid program.**

These would be an excellent starting point for achieving the required savings under the two percent spending cap. The appendix to this study includes 100 such spending reduction measures drawn from the work of Panetta and Rivlin. If all of these reforms were initiated this year, they would save taxpayers some $275 billion over five years—more than half the total savings needed to fund this plan. By themselves, these savings are more than enough to fund both the family tax cuts and the pro-investment tax cuts.

Most taxpayers would have little objection to most of the recommendations listed in the Appendix. However, the spending reductions needed to complete the $509 billion package will need reforms in more politically sensitive programs. But identifying these tougher choices does not need to be done immediately, because the necessary first-year savings would be achieved by the recommended cuts in the Appendix. This breathing space would allow steps to be taken to overcome the political obstacles to major program reductions.

Empaneling a Commission. The most promising way to develop a more extensive package of cuts, while at the same time shielding lawmakers from much of the political cost of making these tough choices, would be by empaneling a commission modeled on the one established to close obsolete military bases.

The Base Closing Commission successfully identified and eliminated obsolete military bases with the minimum amount of political pain. It did so because it provided Congress—even those members whose bases were affected—with political cover. Congress agreed in advance that it would allow the commission the freedom to determine objectively which bases should be closed, and that lawmakers would conduct an up-and-down vote on the Commission's entire package, without amendment. The result: Although Congress had been unable to close a single obsolete base since 1977, the recommendations generated by the Base Closing Commission will lead to the eventual closure of over 100 facilities.

Some experts, such as those at the Progressive Policy Institute, a Washington, D.C.-based research organization close to the moderate Democratic Leadership Council, have urged Clinton to establish a commission to draw up ways of eliminating wasteful federal subsidies.[18] While there is merit to evaluating the economic value of such things as timber subsidies, agriculture subsidies, and selected tax credits, there are many other government activities that deserve similar scrutiny by a commission. Thus the mandate of this commission should be expanded to include a broader spectrum of possible programs for reform or elimination. This should include entitlement programs, programs that duplicate

18 Will Marshall and Martin Schram, eds., *Mandate for Change* (New York: Berkley Books, 1993). The PPI-proposed commission would evaluate spending or spending-related subsidies such as rural housing loan subsidies, NASA's space station, Tennessee Valley Authority activities, and wastewater treatment grants. Also, the commission would investigate "subsidies" passed along through the tax code such as the deductibility of certain business expenses, private-purpose bonds, and the depreciation of rental housing.

others, those that are obsolete or ineffective, and those which are state, local, or private—not federal—responsibilities.[19]

Understanding Political Nuances. The composition of such a commission should be bipartisan and include current Members of Congress and respected former members. This would bring a strong element of credibility and accountability for tough recommendations. A commission composed of respected private sector individuals, like the 1984 Grace Commission, probably would have more credibility among the general public. But one problem is that legal problems might arise. For instance, there might be legal challenges to the idea of Congress being bound to enact, say, changes in entitlement programs required by a private commission. In addition, cutting major programs is a complicated political task. It would be better to have commissioners who well understand the delicate political nuances involved—something the Grace Commission did not appreciate.

Members of the commission should be given a fixed amount of time, say six months, to identify the $235 billion in savings needed for the last four years of the plan. All domestic spending should be open for review by members, but tax increases should be explicitly off the table. Once completed, the commission's spending cut package should be sent to Congress for an up-and-down vote without amendment.

Element #6: Enact Budget Process Changes to Achieve Long-term Spending Control.

Any comprehensive plan of the scale of *Putting Families First* will require changes and reforms in the budget rules. If properly designed, these reforms will assure that the deficit continues on a downward path toward balance. All of these reforms would be wise policy even if the government were not in a fiscal crisis. Today they are just more urgent. For instance, there are a host of rules, accounting procedures, and congressional mandates that limit the executive branch's right to manage federal programs in a cost-effective and innovative way. Some legislated requirements stop agencies from even studying certain ways to save money.

Putting Families First requires five changes in the budget rules:

1) **Reinstate the strict deficit reduction targets once required by the Gramm-Rudman-Hollings law.**

Although it is often criticized, the Gramm-Rudman law was an effective spending control measure during Ronald Reagan's second term because it disciplined Congress with fixed deficit targets that were enforced by automatic spending cuts, called a sequester.[20] The 1990 budget agreement, however, gave OMB the power to adjust the deficit targets for "technical and economic" reasons, a device which, in practice, allows spending and deficits to grow unchecked.

19 S. Anna Kondratas and Stephen Moore, "Breaking the Entitlements Deadlock with a Presidential Commission," Heritage Foundation *Backgrounder* No. 469, November 13, 1985.

20 Daniel J. Mitchell, "Save the Gramm-Rudman Sequester," Heritage Foundation *Backgrounder* No. 763, April 3, 1990.

CALCULATING SPENDING ENFORCEMENT CAPS

($ billions)	1994	1995	1996	1997	1998
OMB Revenue Projections	1230.3	1305.6	1378.5	1439.7	1523.4
- Total "Cost" of Tax Cuts	15.9	19.0	25.8	38.2	64.2
+ Deficit Targets	286.3	230.1	190.9	183.5	159.8
= New Spending Targets	1500.7	1516.7	1543.6	1585.0	1619.0
Old Total Outlay Estimates	1522.7	1578.0	1644.8	1744.7	1843.2
Difference	22.0	61.3	101.2	159.7	224.2

Source: Office of Management and Budget, *Budget Baselines, Historical Data, and Alternatives for the Future*, January 1993

President Clinton did have the opportunity on January 21 to reinstate the fixed Gramm-Rudman targets. But he declined the chance. The White House should rethink this position, because the 1990 budget agreement showed that any deficit reduction plan without these strict rules is a meaningless exercise at taxpayer expense.

2) Institute strict spending targets linked to the deficit amounts.

One of the shortcomings of Gramm-Rudman was that it focussed solely on deficit control, and had no provisions for controlling spending. Spending thus could climb to record levels and Congress could not be held accountable—as long as it raised enough new revenues to meet the legal deficit targets. As spending soared, Congress found itself on a never-ending quest to find new revenue sources to match the required deficit targets. It was only Ronald Reagan's adamant opposition to tax increases, and George Bush's (temporary) "Read My Lips" tax pledge that held Congress in check.

Spending targets introduce a different dynamic. As shown in the table below, the proposed spending targets would be calculated by adding the projected revenues in a given year to that year's deficit target. This rule effectively states: "Given what we know to be the future growth in revenues, what level of spending will insure that we meet our deficit reduction schedule?" To keep Congress on track, the targets should be enforced by a sequester. This means that if spending grows above the legal targets, the sequester mechanism is triggered, cutting spending across-the-board down to the targeted level.

As discussed earlier, limiting the annual growth of domestic spending two percent will hold Congress to this deficit reduction schedule and free up the additional savings needed to pay for the tax relief package.

3) Maintain the "firewall" between total domestic spending and defense/international spending.

Certain budget rules — called "firewalls"—currently separate domestic and defense spending. These firewalls prevent funds from being taken from one category and used to finance increased spending in the other. In fiscal 1994, these rules will change, allowing funds to be shifted between defense spending and domestic discretionary spending.

The firewalls should remain in place for at least the next five years, not changed in fiscal 1994. This will ensure that any additional defense cuts are used for a real peace dividend, not gobbled up by new domestic programs. A true peace dividend should be returned to the taxpayers or used for deficit reduction.

4) Eliminate the budget rules preventing the use of discretionary savings to offset tax cuts.

The 1990 budget agreement created rules blocking the use of discretionary savings to pay for tax relief for American families. So today, only unpalatable cuts in entitlement programs or increases in other taxes can "pay for" family tax relief. The current rule thus is anti-family and anti-economic growth. There is no sound fiscal reason to protect pork barrel programs, such as bee research and the National Fertilizer Development Center, from being eliminated so that the savings could be returned to American families.

Removing this role would encourage Congress to look for savings to finance tax relief. This reform is similar to the reforms included in the "Family Tax Relief Act of 1991" (S. 1846) introduced that year by Senator Bill Bradley, the New Jersey Democrat.

5) Eliminate the budget rules preventing the savings achieved from asset sales or through privatization from being used to reduce the deficit or to offset tax increases.

Few taxpayers are aware that Congress has passed a number of rules that actually prevent the executive branch from selling government assets to the private sector or even from contracting many government functions to private providers. These rules effectively stop the government from saving money by becoming more efficient.

Example: Currently there are 37 laws blocking privatization, including measures that exempt 70 percent of federal commercial services from competition.

Example: Provisions in the Gramm-Rudman law and in the 1990 budget agreement prohibit the proceeds from selling government assets from being counted against the deficit.

Privatization has a solid track record of reducing costs while improving efficiency. Local governments routinely contract with private firms to provide services ranging from building maintenance and street sweeping to even police and fire services. And private companies routinely sell off less desirable assets to raise cash during hard times. For instance, airlines sell routes, conglomerates sell divisions, real estate companies sell land, and publicly held companies sell more stock. The federal government could save hundreds of billions of dollars by employing the same sound techniques used by local governments and private firms.

CONCLUSION

Bill Clinton promised American taxpayers that he would "put people first." However, with the economic plan he plans to release on February 17, Clinton may end up putting Washington first by repeating the fiscal policy mistakes of the Bush Administration. The reason is that it is not the deficit, but government spending, that is a drag on the economy. That is the problem that must be solved. A myopic focus on the deficit inevitably leads to calls for more taxes on cash-strapped American families, which invariably leads in practice to deficit increases.

But a plan such as *Putting Families First* can break the tax and spend cycle which has made the public increasingly cynical of Washington's ability to manage its fiscal affairs. The Heritage plan not only tackles the causes, instead of the symptoms, of America's budget problem, but also gives taxpayers a stake in the deficit reduction process, by rewarding them for supporting real cuts in government spending. Such an approach is the only strategy that will build the public support needed to rein in Washington's profligate ways.

Scott A. Hodge
Grover M. Hermann Fellow
in Federal Budgetary Affairs

APPENDIX

The spending cut recommendations contained in this Appendix were derived from the following sources:

- Congressional Budget Office, *Reducing the Federal Budget: Strategies and Examples, Fiscal Years 1982-1986*, February 1981.
- Congressional Budget Office, *Reducing the Deficit: Spending and Revenue Options*, February 1983.
- Leon E. Panetta, *Balanced Budget Amendment Options*, Committee on the Budget, U.S. House of Representatives, May 26, 1992.

The savings estimates presented here are, by and large, Congressional Budget Office figures calculated for Panetta in May of last year. There are insufficient budget data at this time to update these figures. Thus, in some cases, the estimates contained in the Appendix may underestimate the actual savings achieved by the spending reform proposals.

SELECTED SPENDING CUTS ENDORSED BY LEON PANETTA AND ALICE RIVLIN

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	**Five-Year Total**
	Non-Defense Discretionary	(Millions)					
250	Cancel the Advanced Rocket Motor	$250.0	$420.0	$480.0	$510.0	$530.0	**$2,190.0**
250	Cancel the Space Station	$1,050.0	$1,850.0	$2,200.0	$2,250.0	$2,350.0	**$9,700.0**
250	Cancel the Space Exploration Initiative	$45.0	$80.0	$95.0	$95.0	$100.0	**$415.0**
250	Cancel the Superconducting Super Collider	$200.0	$410.0	$520.0	$540.0	$550.0	**$2,220.0**
270	Eliminate Further Clean Coal Technology	$0.0	$5.0	$60.0	$95.0	$120.0	**$280.0**
270	Change SPR Funding	$11.0	$409.0	$351.0	$413.0	$439.0	**$1,623.0**
300	Reduce Below-cost Timber Sales	$20.0	$30.0	$45.0	$60.0	$75.0	**$230.0**
300	Raise Fees for Hardrock Mining Claims	$0.0	$60.0	$60.0	$60.0	$60.0	**$240.0**
300	Improve Superfund Cost Containment	$160.0	$380.0	$600.0	$660.0	$740.0	**$2,540.0**
300	Reform Superfund Health Assessment Standards	$15.0	$15.0	$15.0	$15.0	$15.0	**$75.0**
300	Hike Weather Service Fees	$5.0	$5.0	$5.0	$5.0	$5.0	**$25.0**
300	Privatize NOAA Research Fleet	$50.0	$50.0	$50.0	$50.0	$50.0	**$250.0**
300	End EPA Sewage Treatment Grants	$90.0	$530.0	$1,250.0	$1,850.0	$2,150.0	**$5,870.0**
* 350	Streamline USDA Field Offices	$25.0	$65.0	$120.0	$140.0	$140.0	**$490.0**
350	Reform Foreign Agriculture Service	$5.0	$10.0	$10.0	$10.0	$10.0	**$45.0**
350	Reduce ACIF Farm Loans	$101.0	$119.0	$139.0	$161.0	$184.0	**$704.0**

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
350	Reduce Agriculture Research & Extension Services by 50%	$550.0	$900.0	$900.0	$950.0	$950.0	**$4,250.0**
370	Eliminate Trade Promotion Activities	$110.0	$170.0	$180.0	$180.0	$190.0	**$830.0**
370	End SBA Earmarked Grants	$55.0	$83.0	$98.0	$109.0	$121.0	**$466.0**
370	Eliminate SBA Business Loans	$264.0	$398.0	$412.0	$427.0	$443.0	**$1,944.0**
370	Reduce Export Administration by 25 %	$10.0	$10.0	$10.0	$10.0	$10.0	**$50.0**
370	Eliminate FmHA Homeownership Loans	$500.0	$660.0	$730.0	$800.0	$870.0	**$3,560.0**
370	Eliminate FmHA Rental Housing	$40.0	$280.0	$355.0	$410.0	$445.0	**$1,530.0**
400	Cut Highway Demonstration Projects	$185.0	$776.0	$976.0	$944.0	$1,017.0	**$3,898.0**
400	Cut Earmarked Highway Demonstrations	$111.0	$384.0	$480.0	$524.0	$558.0	**$2,057.0**
400	Cut Airport Improvement Grants	$300.0	$750.0	$1,600.0	$1,850.0	$2,050.0	**$6,550.0**
400	Abolish the Interstate Commerce Commission	$20.0	$25.0	$25.0	$25.0	$30.0	**$125.0**
400	Eliminate Essential Air Service Subsidies	$39.0	$39.0	$39.0	$39.0	$39.0	**$195.0**
400	Cut Urban Mass Trasit Subsidies	$530.0	$920.0	$1,250.0	$1,500.0	$1,700.0	**$5,900.0**
400	Eliminate AMTRAK Subisidies	$450.0	$500.0	$525.0	$550.0	$595.0	**$2,620.0**
450	Eliminate TVA Non-power Programs	$40.0	$120.0	$140.0	$150.0	$160.0	**$610.0**
450	Eliminate the Appalacian Regional Commission	$10.0	$60.0	$120.0	$160.0	$190.0	**$540.0**
450	Eliminate Rural Development Loans	$10.0	$35.0	$75.0	$100.0	$120.0	**$340.0**
500	Eliminate Campus-based Aid	$140.0	$1,350.0	$1,450.0	$1,500.0	$1,550.0	**$5,990.0**

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
500	Eliminate State Student Incentive Grants	$35.0	$75.0	$80.0	$80.0	$85.0	**$355.0**
500	Eliminate Impact Aid	$630.0	$780.0	$840.0	$870.0	$900.0	**$4,020.0**
500	Eliminate Consumer Homemaking Grants	$5.0	$30.0	$35.0	$40.0	$40.0	**$150.0**
500	Eliminate Law-related Grants	$0.0	$5.0	$5.0	$5.0	$5.0	**$20.0**
500	Eliminate Community-based Grants	$0.0	$10.0	$10.0	$15.0	$15.0	**$50.0**
500	Eliminate Law School Grants	$0.0	$5.0	$10.0	$10.0	$10.0	**$35.0**
500	Eliminate Library Grants	$0.0	$10.0	$20.0	$20.0	$20.0	**$70.0**
500	Eliminate Follow-Through	$0.0	$5.0	$10.0	$10.0	$10.0	**$35.0**
500	Eliminate the National Endowments for the Arts and Humanities	$780.0	$990.0	$1,100.0	$1,150.0	$1,200.0	**$5,220.0**
500	Consolidate Social Service Programs	$0.0	$220.0	$270.0	$270.0	$280.0	**$1,040.0**
550	Reduce Funding for the National Institutes of Health by 10%	$370.0	$800.0	$910.0	$940.0	$980.0	**$4,000.0**
550	Eliminate most Heath Training Subsidies	$121.0	$187.0	$219.0	$226.0	$234.0	**$987.0**
600	Eliminate Special HUD Grants	$0.0	$55.0	$120.0	$130.0	$130.0	**$435.0**
600	Modify Fees for Federal Housing	$180.0	$190.0	$210.0	$240.0	$270.0	**$1,090.0**
600	Reduce HUD Utility Payments	$25.0	$25.0	$30.0	$30.0	$35.0	**$145.0**
600	End HUD New Construction	$2.0	$15.0	$140.0	$310.0	$440.0	**$907.0**
600	Scale Back Low-Income Home Energy Assistance	$730.0	$800.0	$830.0	$850.0	$880.0	**$4,090.0**

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
700	Cut new VA Construction	$0.0	$8.0	$24.0	$44.0	$68.0	**$144.0**
700	Improve Management of VA Hospitals	$0.0	$170.0	$380.0	$610.0	$870.0	**$2,030.0**
700	Close or Convert Outmoded VA Hospitals	$65.0	$140.0	$230.0	$320.0	$340.0	**$1,095.0**
850	Freeze Total Level of Civilian Compensation at FY 1993 Levels for One Year	$2,800.0	$8,300.0	$8,700.0	$9,100.0	$9,500.0	**$38,400.0**
920	Terminate Most Commissions	$142.0	$241.0	$251.0	$261.0	$272.0	**$1,167.0**
920	Cut Federal Travel Costs by 1% during FY '94-98	$6.0	$18.0	$30.0	$42.0	$56.0	**$152.0**
920	Cut Civilian Agency Overhead Costs by 1% FY '94-98	$354.0	$966.0	$1,618.0	$2,310.0	$3,055.0	**$8,303.0**
920	Repeal the Davis-Bacon Act	$312.0	$882.0	$1,218.0	$1,394.0	$1,523.0	**$5,329.0**
		$11,948.0	$26,825.0	$32,655.0	$36,419.0	$39,774.0	**$147,621.0**

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
	Entitlements	(millions)					
270	Reduce REA Subsidies	$30.0	$70.0	$130.0	$170.0	$200.0	**$600.0**
270	Power Marketing Administration Debt Reform	$0.0	$399.0	$433.0	$452.0	$458.0	**$1,742.0**
300	Raise Inland Waterway User Fees	$350.0	$350.0	$350.0	$350.0	$350.0	**$1,750.0**
300	Eliminate Subsidies for Federal Water	$15.0	$15.0	$15.0	$20.0	$20.0	**$85.0**
300	Raise Recreation Fees	$170.0	$180.0	$190.0	$200.0	$210.0	**$950.0**
300	Change Royalty Payments to States to Net from Gross Receipts	$190.0	$200.0	$210.0	$210.0	$220.0	**$1,030.0**
350	Eliminate Wool and Mohair Programs	$0.0	$190.0	$190.0	$200.0	$200.0	**$780.0**
350	Eliminate Honey Program	$20.0	$20.0	$2.0	$2.0	$2.0	**$46.0**
350	Eliminate Market Promotion Program	$100.0	$200.0	$200.0	$200.0	$200.0	**$900.0**
350	Lower Agriculture Target Prices 3% per Year	$440.0	$1,550.0	$2,150.0	$3,200.0	$5,950.0	**$13,290.0**
350	Eliminate the Dairy Subsidy Program	$421.0	$366.0	$354.0	$320.0	$348.0	**$1,809.0**
350	Replace Crop Insurance with Disaster Assistance	$270.0	$620.0	$640.0	$650.0	$660.0	**$2,840.0**
350	Eliminate the Export Enhancement Program	$310.0	$740.0	$670.0	$640.0	$610.0	**$2,970.0**
370	Improve FHA Title I Debt Collection	$20.0	$20.0	$20.0	$20.0	$20.0	**$100.0**
370	Tighten FmHA Loan Standards	$40.0	$40.0	$40.0	$40.0	$40.0	**$200.0**
370	Enact FHA Management Reforms	$200.0	$200.0	$200.0	$200.0	$200.0	**$1,000.0**

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
400	Eliminate Maritime Operating Subsidies	$245.0	$239.0	$238.0	$226.0	$194.0	**$1,142.0**
400	Eliminate Freight Subsidies	$39.0	$39.0	$40.0	$41.0	$43.0	**$202.0**
400	Enact User Fees for Airport Landing Slots	$300.0	$300.0	$300.0	$300.0	$300.0	**$1,500.0**
400	Raise Coast Guard fees to Cover 100% of Costs	$700.0	$700.0	$750.0	$750.0	$800.0	**$3,700.0**
500	Limit Foster Care Administrative Costs	$65.0	$150.0	$240.0	$350.0	$480.0	**$1,285.0**
500	Raise Interest Rates on Student Loans	$150.0	$200.0	$200.0	$200.0	$200.0	**$950.0**
500	Charge Interest on Student Loans During Grace Period	$300.0	$400.0	$450.0	$450.0	$400.0	**$2,000.0**
550	Increase Medicaid Estate-Recovery	$75.0	$150.0	$250.0	$400.0	$450.0	**$1,325.0**
550	Raise State Match on Medicaid/AFDC/Food Stamps to 50%	$470.0	$800.0	$1,130.0	$1,510.0	$1,940.0	**$5,850.0**
570	Phase Out Disproportionate Share Payments to Hospitals	$250.0	$760.0	$1,400.0	$2,100.0	$2,950.0	**$7,460.0**
570	Lower Indirect Payments to Teaching Hospitals -6%	$550.0	$680.0	$740.0	$800.0	$860.0	**$3,630.0**
570	Reduce Direct Payments to Teaching Hospitals	$160.0	$180.0	$190.0	$200.0	$200.0	**$930.0**
570	Increase Payment Safeguards	$1,100.0	$1,120.0	$1,140.0	$1,160.0	$1,200.0	**$5,720.0**
600	Increase Employee Contribution for CSRS	$423.0	$957.0	$1,068.0	$1,043.0	$10.2	**$3,501.2**
600	Use Last 4 Years to Compute Civil Service Pensions	$40.0	$110.0	$200.0	$290.0	$410.0	**$1,050.0**

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
600	Require 50 % Match for CS Thrift Plan	$290.0	$350.0	$410.0	$480.0	$550.0	**$2,080.0**
600	Extend Ban on Lump Sum Benefit	$0.0	$0.0	$0.0	$2,063.0	$2,794.0	**$4,857.0**
600	Re-Target Child Nutrition Programs to Below 185% of Poverty Level	$1,000.0	$1,000.0	$1,000.0	$1,200.0	$1,500.0	**$5,700.0**
600	Penalize States for Food Stamp Errors	$75.0	$100.0	$150.0	$175.0	$200.0	**$700.0**
600	Eliminate Trade Adjustment Assistance Cash Benefits	$140.0	$140.0	$130.0	$130.0	$120.0	**$660.0**
700	Raise VA Housing Loan Fees to 3%	$260.0	$270.0	$280.0	$290.0	$300.0	**$1,400.0**
700	Increase Third Party Payer Reimbursement	$0.0	$170.0	$210.0	$240.0	$250.0	**$870.0**
700	Increase VA Housing Downpayment	$39.0	$34.0	$35.0	$35.0	$35.0	**$178.0**
700	Reduce Resale Losses on VA Loans	$406.0	$87.0	$88.0	$89.0	$90.0	**$760.0**
950	Auction the Electro-Magnetic Spectrum	$0.0	$2,000.0	$1,600.0	$700.0	$0.0	**$4,300.0**
		$9,653.0	$16,096.0	$18,033.0	$22,096.0	$25,964.2	**$91,842.2**
	Sub-Total: Discretionary & Mandatory Savings	$21,601.0	$42,921.0	$50,688.0	$58,515.0	$65,738.2	**$239,463.2**
	Interest Savings	$640.7	$2,751.7	$6,111.5	$10,290.4	$15,229.4	**$35,023.7**
	Total Savings	**$22,241.7**	**$45,672.7**	**$56,799.5**	**$68,805.4**	**$80,967.6**	**$274,486.9**

File:
Budget cuts

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

19

Linda:
Reinventing Gov't
Anything Quick.

Honorable Bart Gordon
U.S. House of Representatives
Washington,D.C. 20515

Dear Congressman Gordon:

Thank you for sending me a package of spending cuts, program savings, and other information.

I like many of your proposals. In fact, some of your proposals are included in the President's FY 1994 Budget. I have asked my staff to do a short "pros" and "cons" on many of the proposals in your package. Their analyses are enclosed.

With the budget behind us, OMB staff are undertaking a more thorough evaluation of your proposals, including a further scrub of the estimates of savings. It will be finished by the end of the month, and I will forward a copy to you then.

Thanks for taking the time to share your ideas with us, and for your patience while we develop a suitable response.

Sincerely,

ORIGINAL SIGNED BY
LEON E. PANETTA

Leon E. Panetta
Director

Enclosure

c: The Vice President
Rahm Emanuel

Bruce:

FYI.

Linda M.

April 2, 1993

PRELIMINARY ESTIMATES OF CONGRESSMAN BART GORDON'S DEFICIT REDUCTION PROPOSALS

(Outlays in millions of dollars)

	1994	1995	1996	1997	1998	1994-1997	1994-1998
Eliminate Pell grants for Prisoners..................	-9	-45	-46	-46	-46	-146	-192
Freeze and reduce market promotion program..	--	-30	-30	-30	-30	-90	-120
Improve collection of delinquent debt 1/ 2/......	-148	-199	-269	-338	-408	-954	-1362
Eliminate rural abandoned mine program.........	-4	-6	-9	-11	-13	-30	-43
Cancel advanced solid rocket motor................	-114	-245	-300	-320	-322	-979	-1301
Eliminate Morrill-Nelson research grants..........	-3	-3	-3	-3	-3	-12	-15
Reduction of Federal law school grants..........	-1	-6	-7	-8	-8	-22	-29
Eliminate World Agricultural Outlook Board......	-10	-10	-10	-10	-11	-40	-51
Eliminate wool and mohair subsidy................	-10	-125	-125	-123	-122	-383	-505
Termination of commissions, councils and advisory boards 1/......................................	-84	-76	-77	-78	-80	-315	-395
Charge 10% more in SEC fees......................	-50	-53	-56	-59	-63	-218	-281
Total...	-433	-798	-932	-1026	-1106	-3189	-4294

1/ The assumptions on which these estimates are based are particularly tenuous. Better estimates will be produced after these assumptions have been reviewed in greater detail.

2/ Includes some governmental receipts

Deficit Reduction Proposal
Congressman Bart Gordon

Better postal management by increasing the use of third class mail and better use of existing equipment and postal services would save $30 million in the first year and $120 million over four years.

<u>Evaluation</u>:

1. OMB estimate of budget effects:

(in millions of dollars)

	1994	1995	1996	1997	1998	1994-1997	1994-1998
BA........	--	--	--	--	--	--	--
Outlays...	--	--	--	--	--	--	--

2. Pro: Reducing agencies' postage budgets could result in them paying more attention to actions, such as the one suggested, that would achieve greater efficiencies.

3. Con: This proposal only works for mail for which service (i.e., delivery time) concerns are not critical, e.g., OK for forms and catalogs but not checks, and in locations where mail volumes are sufficient to qualify for the lower rates. There are no data to indicate which agencies offer the greatest opportunities for such savings.

[NOTE: Some aggregate data are available on mail volumes by class. However, data on delivery requirements associated with mail volumes by class are needed to identify the portion of first class mail that would be a candidate for conversion to third class. Also, data on the volume of third class mail generated by location are needed to determine the extent to which such mail would qualify for the lower rates. None of these data are available in aggregate or by agency.]

Deficit Reduction Proposal
Congressman Bart Gordon

The elimination of unnecessary mailings, which would provide a 25% reduction in all unnecessary and non-essential promotional mailings by the federal government, would save tens of millions of dollars in the first year and hundreds of millions over four years.

Evaluation

1. OMB estimate of budget effects:

(in millions of dollars)

	1994	1995	1996	1997	1998	1994-1997	1994-1998
BA.......	--	--	--	--	--	--	--
Outlays..	--	--	--	--	--	--	--

2. Pro: This has the appeal of being able to implement easily through a budget cut coupled with guidance to cut unnecessary mailings. Also as before, reducing agencies postage budgets could result in their paying more attention to actions, such as the one suggested, that would achieve greater efficiencies.

3. Con: This proposal raises several questions: Why only eliminate 25% of the "unnecessary and non-essential promotional mailings by the Federal government?" Why not ask all agencies to eliminate all unnecessary mailings, and cut all waste and fraud while they are at it?

[Note: There is no way to determine the volume of mail that might be considered unnecessary, hence no way of estimating savings for eliminating it. Also, even if a governmentwide reduction is selected, a reasonable allocation of the reduction to agencies is impaired by the fact that most of the agencies with the highest mailing costs are the most efficient and offer the smallest savings opportunities.]

Deficit Reduction Proposal
Congressman Bart Gordon

The proper distribution of Pell Grant funds by capping the maximum allowable at $2,400 would save $70-750 million in the first year and $400 million over four years.

Evaluation:

1. OMB estimate of budget effects:

(in millions of dollars)

	1994	1995	1996	1997	1998	1994-1997	1994-1998
BA.........	0	0	0	0	0	0	0
Outlays ...	0	0	0	0	0	0	0

Note:

The maximum Pell Grant authorized in the Higher Education Act for FY 1994 is $3,900, rising in $200 increments to $4,500 in FY 1997. However, the maximum award is reduced in appropriations acts each year in order to meet budget constraints. The maximum grant has never exceeded $2,400. For FY 1993, Congress has already reduced the maximum award to $2,300. The $2,300 level is also part of the President's Budget in FY 1994. Therefore, reducing the maximum Pell Grant to $2,400 can have no savings effect.

Deficit Reduction Proposal
Congressman Bart Gordon

The elimination of Pell Grants for prisoners would save $20-70 million in the first year and $80-280 over four years.

Evaluation:

1. OMB estimate of budget effects:

(in millions of dollars)

	1994	1995	1996	1997	1998	1994-1997	1994-1998
BA.........	-46	-46	-46	-46	-46	-184	-230
Outlays ...	-9	-45	-46	-46	-46	-146	-192

2. Pro: Would save about $230 million in BA and $192 million in outlays over five years.

3. Con: Could decrease educational opportunities and rehabilitation programs for incarcerated individuals.

Deficit Reduction Proposal
Congressman Bart Gordon

The elimination of "double subsidies" on Federal lands from the Department of Defense, the Bureau of Land Management, and the Forest Service would save millions of dollars in the first year and possibly tens of millions, maybe hundreds of millions, over four years. (Note: OMB assumes this question relates to possible double subsidies provided to farmers who grow subsidized crops on Federal lands.).

Evaluation:

1. OMB estimate of budget effects:

(in millions of dollars)

	1994	1995	1996	1997	1998	1994-1997	1994-1998
BA.........	----	----	----	----	----	----	----
Outlays...	----	----	----	----	----	----	----

No information, apart from anecdotal, is available on the subsidy offered by below-cost rentals of Federal lands and subsidized crops grown on these lands. Therefore, the potential mandatory or discretionary savings available for this proposal are unknown.

2. Pro:

   Agricultural producers currently lease Federally owned land from up to 10 Federal agencies, which may be leased at less than the market value of the lands. By charging a higher lease rate, the Federal government could gain additional revenues.

   Based on a recent GAO report, of the Federal lands leased to farmers and eligible for USDA deficiency payments -- roughly 100,000 acres in both 1988 and 1989 -- producers received a total of $350 thousand in payments for not planting.

3. Cons:

   Reducing the acreage eligible for Federal crop subsidies by prohibiting the leasing of Federal lands to farmers growing income-supported crops would not decrease mandatory Federal payments significantly. Also, changes in total planted acreage due to elimination of these double subsidies could be exactly offset through adjustment of USDA's Acreage Reduction Program.

Deficit Reduction Proposal
Congressman Bart Gordon

An improvement in fine and debt collection through the Government's follow-up on large unpaid debts would save, even at a 10% improved collection rate, billions of dollars in the first year.

Evaluation:

Proposal: Increase agency use of private collection agencies to collect delinquent non-tax debt due to fines, penalties, fees, loans, and overpayments.

(Note: Two alternative approaches to improved fine and debt collection are shown -- one associated with agency debt, and one associated with tax debt.)

Agency/Bureau: Government-wide

OMB Estimates
(receipts in millions of dollars)

	1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
Programs/Agencies with Statutory Prohibitions or Lack of Authority	-10	-10	-10	-10	-10	-40	-50
Limited or Non-Participating Agencies with Existing Authority	-40	-40	-40	-40	-40	-160	-200
Participating Programs/ Agencies that Could Improve Timeliness of Referrals	-48	-48	-48	-48	-48	-192	-240
TOTAL (BA + Outlays)	-98	-98	-98	-98	-98	-392	-490

Explanation of option: Receipt estimates reflect collections that would be made by private collection agencies that would not have been realized by agencies through other, less effective means.

Pros: Private collection agencies have a proven track record in effective collection of delinquent debt owed the Federal Government.

Cons: Most agencies have resisted timely referral of accounts (between 90 and 180 days past due) to PCAs Legislation would be required for some agencies to participate.

Deficit Reduction Proposal
Congressman Bart Gordon

An improvement in fine and debt collection through the Government's follow-up on large unpaid debts would save, even at a 10% improved collection rate, billions of dollars in the first year.

<u>Evaluation:</u>

Proposal: Increase use of private collection agencies to support IRS collection of unworked delinquent tax debt

(Note: Two alternative approaches to improved fine and debt collection are shown -- one associated with agency debt, and one associated with tax debt.)

Agency/Bureau: Treasury/Internal Revenue Service

OMB Estimates
(receipts in millions of dollars)

	1994	1995	1996	1997	1998	1994-97 Total	1994-98 Total
Collection of delinquent tax debt by PCAs (Net of collection costs)	-50	-101	-171	-240	-310	-562	-872

Explanation of option: Receipt estimates reflect collections that would be made by private collection agencies that would not have been realized by IRS through other, less effective means. First year revenues reduced by $10 million cost for pilot; outyears are net of an estimated 25% collection cost and assume passage of legislation permitting payment of collection costs from proceeds. Assumes referral of at least $1 billion annually from 1995-1998.

Pros: Private collection agencies are paid on the basis of performance and have a proven track record in effective collection of delinquent debt owed the Federal Government.

Cons: Initiative would require legislation for outyear funding to permit paying private collection contractors from a portion of the collection proceeds.

INCREASED USE OF PRIVATE COLLECTION AGENCIES

PROGRAM/AGENCY	*TYPE OF DEBT*	*DELINQUENT DEBT AFFECTED**	*EXPECTED RECOVERY (%)*	*INCREASED ANNUAL RECOVERIES*	*COMMENTS*
Programs/Agencies with Statutory Prohibitions or Lack of Authority					
FmHA	Farm loans** Housing loans**	$293,000,000 $3,300,000	1.00% 1.00%	$2,930,000 $33,000	Average recoveries for 5 yrs Deficiency balances after disposal of collateral
Customs Service	Fines, penalties & duties **	$140,000,000	5.00%	$7,000,000	Savings based on Customs Service estimates of referrals and % of recovery
SUBTOTAL		$436,300,000		$9,963,000	
Limited or Non-Participating Programs/ Agencies with Existing Authority					
Veterans Affairs	Readjustment Benefits C&P Benefits Other	$57,683,324 $287,349,049 $522,791,521	2.00% 2.00% 2.00%	$1,153,666 $5,746,981 $10,455,830	VA does not consider PCAs appropriate for means-tested or disabled veterans
HUD	Single Family Housing Multi-Family Housing	$1,400,000 $300,000	1.00% 0.00%	$14,000 $0	Deficiency balances after disposal of collateral. Multi-family loans are contractually non-recourse.
Agriculture	Federal Crop Insurance Commodity Credit Corp Forest Service	$20,481,371 $820,223,472 $65,566,186	2.00% 2.00% 2.00%	$409,627 $16,404,469 $1,311,324	
EPA	Civil monetary penalties & Other Funds	$75,396,035	3.75%	$2,827,351	
Postal Service	Postal Service Fund	$38,281,276	2.00%	$765,626	
Federal Reserve Board	Civil monetary penalties***	$24,421,299	0.00%	$0	civil monetary penalties - in appeals status
Labor	OSHA: civil penalties*** MSHA: civil penalties***	$23,621,482 $13,048,804	3.75% 3.75%	$885,806 $489,330	
SUBTOTAL		$1,889,472,236		$40,464,011	
Participating Programs/ Agencies that Could Improve Timeliness of Referrals		Delinquent debt 90 days or less	Increase of:		
Agriculture	Food & Nutrition Svc Federal Crop Insurance Forest Service Commodity Credit Corp	$2,784,425 $136,092 $10,413,056 $32,027,115	16% 16% 16% 16%	$445,508 $21,775 $1,666,089 $5,124,338	
Interior	Office of Surface Mining - civil penalties & fees	$4,668,395	16%	$746,943	
HHS	HRSA: Health Profession Student Loans	$13,241,277	16%	$2,118,604	
Veterans Affairs	C&P Benefits Readjustment Benefits Other	$78,816,998 $2,180,425 $153,644,810	16% 16% 16%	$12,610,720 $348,868 $24,583,170	
SUBTOTAL		$297,912,593		$47,666,015	
GRAND TOTAL		$2,623,684,829		$98,093,028	

* Unless otherwise noted, source for delinquent debt amounts: U.S. Treasury Department Report on Accounts and Loans Receivable (220-9), as of June 30, 1992

** Source for delinquent debt amounts: FmHA and Customs Service, respectively

*** Source for delinquent debt amounts: Civil Monetary Penalty, Assessments, Collections, and Status of Receivables, FY 1992, Report to Congress, Jan. 1993

Attachment B

Deficit Reduction Proposal
Congressman Bart Gordon

Elimination of the Rural Abandoned Mine Program (RAMP) would save $4 million in the first year and $16 million over four years.

Evaluation

1. OMB estimate of budget effects:

(in millions of dollars)

	1994	1995	1996	1997	1998	1994-1997	1994-1998
BA........	-13	-13	-13	-13	-13	-52	-65
Outlays...	-4	-6	-9	-11	-13	-30	-43

2. Pro: This program, which assists landowners in the reclamation, conservation and development of rural lands affected by past coal mining, is currently administered by the Department of Agriculture. If eliminated, the projects it serves could be assumed by States with existing abandoned mine reclamation programs. This would create a single delivery system for all reclamation and eliminate duplicative administrative costs. State control of this program would give the States more freedom to determine their coal reclamation priorities. In addition, it would ensure that all reclamation projects meet funding criteria as determined by the Surface Mining Reclamation and Control Act (SMCRA).

3. Con: The proposal would consolidate RAMP projects at the State level, rather than at the current soil conservation district level. This could lead to a loss of local control over decision-making on projects traditionally covered by RAMP. Congress has long opposed termination of the program for this reason.

Past Administrations since the FY 1988 Budget have proposed RAMP's elimination with no success.

Deficit Reduction Proposal
Congressman Bart Gordon

The elimination of the Bureau of Mines (BOM) Mineral Institutes would save $11 million in the first year and $45 million over four years.

Evaluation:

1. OMB estimate of budget effects:

(in millions of dollars)

	1994	1995	1996	1997	1998	1994-1997	1994-1998
BA........	--	--	--	--	--	--	--
Outlays...	--	--	--	--	--	--	--

[Based on a Secretary of the Interior decision since February 17th, this program has now been eliminated in the President's FY 1994 Budget (scheduled to be released on April 8th).]

2. Pro: The mineral institutes program was initiated in the 1970s to provide seed money to encourage the development of mineral-related university research and graduate education programs at the State level. The States have responded and such programs are now in place. Consequently, the program's goals have been accomplished, and there is no further need for direct Federal financial assistance to these institutes.

3. Con: Members of Congress who have BOM mineral institutes in their States and districts, and universities that receive the research dollars, would object to the deletion of funding for this program. Past Administrations have proposed eliminating this program, but Congress has always funded it.

Deficit Reduction Proposal
Congressman Bart Gordon

The cancellation of the Advanced Solid Rocket Motor (ASRM) Program would save $2 billion.

Evaluation:

1. OMB estimate of budget effects:

(in millions of dollars)

	1994	1995	1996	1997	1998	1994-1997	1994-1998
BA........	-123	-317	-320	-320	-335	-1,080	-1,415
Outlays...	-114	-245	-300	-320	-322	-979	-1,301

2. Pros:

- o This NASA program has experienced major cost overruns and delays since proposed in FY 1988 budget:
  - Originally planned for first use in 1994; current plan is in the year 2000.
  - Original estimated cost up to first use was roughly $1.9 billion; current estimate is nearly $4 billion.

- o ASRM's increase to Space Shuttle payload capability is no longer required for any planned missions. Program justification has been further diminished because planned Shuttle flight rate has fallen, existing redesigned solid motor is performing well, and other Shuttle reliability improvrments are in progress.

- o Cancellation has been recommended by several independent space advisory groups, as well as the National Taxpayers Union, Friends of the Earth, Natural Resources Defense Council, Federation of American Scientists, National Toxics Campaign Fund, Citizens for a Healthy Environment, Council for Citizens Against Government Waste, Sierra Club, Sierra Club Legal Defense Fund, Greenpeace USA, and Citizens for a Sound Economy. (Environmental groups fear ASRM testing will damage wetlands)

3. Cons:

- o ASRM would increase Space Shuttle lift capability by 12,000 lb after the year 2000, and would improve reliability of some Shuttle components.

- o ASRM factory is under construction in northeast Mississippi (Representative Whitten's district) near Alabama and Tennessee state lines; program has enjoyed strong political support in these states.

- o Total of $1.3 billion in BA already appropriated to date. Savings are lower than Rep. Gordon claims because program stretch-out directed in FY 1994 budget already reduced cost through 1998.

Deficit Reduction Proposal
Congressman Bart Gordon

The elimination of the Morrill-Nelson Research Grant would save $2.85 million in the first year and $8 million over four years.

Evaluation:

1. OMB estimate of budget effects:

(in millions of dollars)

	1994	1995	1996	1997	1998	1994-1997	1994-1998
BA.......	-3	-3	-3	-3	-3	-12	-15
OL.......	-3	-3	-3	-3	-3	-12	-15

2. Pros:

The funding level of mandatory Morrill-Nelson grants has remained at the $50,000 level for each State and territory since 1912. The amount of funding per institution is so small by current day standards that the program has little impact on the quality of the higher education system.

USDA's Cooperative State Research Service has other programs, which target assistance and require matching, that support higher education at land-grant universities.

3. Cons:

The elimination of this program has been proposed for at least the last five years but has never been enacted.

Every state and territory would be affected by this proposal.

Deficit Reduction Proposal
Congressman Bart Gordon

The consolidation of all State Library Grants into fewer, more organized funding sources with unique functions would save $20 million in the first year and $80 million over four years.

1. OMB estimate of budget effects:

	1994	1995	1996	1997	1998	1994-1997	1994-1998
BA.........	0	0	0	0	0	0	0
Outlays ...	0	0	0	0	0	0	0

Note:

The 1994 Budget proposes to consolidate Library funding into two authorities compared to the current nine authorities. The budget reduces 1994 BA by $31 million, a deeper cut than this proposal envisions.

Deficit Reduction Proposal
Congressman Bart Gordon

The reduction of Federal grants that benefit law schools by placing more of the burden on law schools to develop programs where there is an actual demand, instead of programs simply for the sake of having programs, would save $7.5 million in the first year and $30 million over four years.

Note: OMB assumes that this sentence is referring to the Law School Clinical Experience program at the Department of Education. The program provides grants to accredited law schools to establish or expand programs of clinical experience in the practice of law for students. The program is in the 1994 Budget at $10 million. Therefore, the proposal is assumed to call for a level of $2.5 million in BA each year.

Evaluation:

1. OMB estimate of budget effects:

(in millions of dollars)

	1994	1995	1996	1997	1998	1994-1997	1994-1998
BA.........	-7.5	-7.5	-7.5	-7.5	-7.5	-30.0	-37.5
Outlays ...	-0.9	-6.0	-7.4	-7.5	-7.5	-21.8	-29.3

2. Pro: The Law School Clinical Experience program was first funded as a demonstration program in FY 1978 with an appropriation of $1 million. Since then, about $50 million has been appropriated. The support of clinical legal education was not intended to be a permanent Federal responsibility. Many law schools operate clinical programs without Federal support. It could be argued that the concept of clinical legal education has been adequately demonstrated.

3. Con: The Department of Education supports funding for this program in order to continue to expand clinical experiences offered to students and to establish new clinical programs that focus on current issues such as the legal problems faced by persons with AIDS, the elderly, indigent parents and the homeless. Among the program's supporters is Neal Smith (second-ranking Democrat on House Appropriations).

Deficit Reduction Proposal
Congressman Bart Gordon

The reduction of the Consumer Homemaking grant would save up to $34 million in the first year and $136 million over four years.

Evaluation

1. OMB estimate of budget effects:

	1994	1995	1996	1997	1998	1994-1997	1994-1998
BA.........	--	--	--	--	--	--	--
Outlays ...	--	--	--	--	--	--	--

Note:

The 1994 Budget proposes to eliminate the Vocational Education Consumer and Homemaking grant program. The budget proposal reduces 1994 BA by $36 million.

Deficit Reduction Proposal
Congressman Bart Gordon

The elimination of the World Agricultural Outlook Board (WAOB) and the Office of International Cooperation and Development (OICD) would save $9.6 million in the first year and $38 million over four years.

Evaluation:

1. OMB estimate of budget effects:

(in millions of dollars)

	1994	1995	1996	1997	1998	1994-1997	1994-1998
BA........	-10	-10	-10	-10	-11	-40	-51
Outlays...	-10	-10	-10	-10	-11	-40	-51

2. Pro:

The market promotion activities of the Foreign Agricultural Service (FAS) could be enhanced by combining the functions of the OICD with those of FAS.

3. Cons:

Eliminating the World Board could affect the reliability of USDA estimates of American and overseas agricultural production, which could also have a serious affect on trade. WAOB, with a budget of $2.5 million, has the responsibility to coordinate and ensure the accuracy of USDA projections related to domestic and international agriculture. WAOB acts as a coordinating body for the USDA in preparing agricultural forecasts, specifically in analyzing international weather, production, and export trends. OICD serves as a coordinating body for USDA's international agricultural research activities.

Deficit Reduction Proposal
Congressman Bart Gordon

Elimination of the wool and mohair subsidy, as proposed by the House Budget Committee, would save $580 million over four years instead of the President's estimate of $212 million over the same period.

Evaluation:

1. OMB estimate of budget effects:

(in millions of dollars)

	1994	1995	1996	1997	1998	1994-1997	1994-1998
BA........	-10	-125	-125	-123	-122	-383	-505
Outlays...	-10	-125	-125	-123	-122	-383	-505

2. Pro:

Subsidies for wool and mohair are no longer justifiable. Wool is no longer considered a strategic resource, and mohair has never been so considered.

Payments are heavily concentrated: 1.5 percent of producers received 40 percent of payments.

With the market price for wool at 66¢ and the support price at $2.04, producers receive from the Federal Government almost 210% of the market value of their production.

3. Con:

Many of the recipients are very small producers, including Native Americans.

Much of the impact will be felt in a small geographic area, particularly northern Texas.

Deficit Reduction Proposal
Congressman Bart Gordon

Termination of additional commissions, councils, and advisory boards targeted by the Budget Committee would save $373 million over four years instead of the President's estimate of $41 million.

Evaluation:

1. OMB estimate of budget effects:

(in millions of dollars)

	1994	1995	1996	1997	1998	1994-1997	1994-1998
BA........	-78	-79	-80	-81	-83	-318	-401
Outlays...	-84	-76	-77	-78	-80	-315	-395

2. Pro: Commissions, councils, and advisory boards that no longer perform a necessary function, or that perform functions that could be more efficiently accomplished by other Government organizations should be terminated.

3. Con: The House Budget Committee suggested 14 organizations for "possible elimination, consolidation ... or independent financial funding." One was already terminated in 1992: the Commission on the Bicentennial of the US Constitution. One is still in existence but gets no appropriations: the International Cultural and Trade Center Commission. Three are proposed for termination in the President's Budget: the National Space Council, the National Critical Materials Council, and the Points of Light Foundation.

   The remaining organizations suggested by the HBC are: the United States Travel and Tourism Administration, the National Board for the Promotion of Rifle Practice, the Illinois and Michigan National Heritage Corridor Commission, the American Battle Monuments Commission, the Commission for the Preservation of America's Heritage Abroad, the Delaware River Basin Commission, the Federal Mediation and Conciliation Service, and the Franklin Delano Roosevelt Memorial Commission. All of these were considered for termination during the review of the 1994 Budget and a decision made to retain them for various reasons of policy and economy.

Attachment B

Deficit Reduction Proposal
Congressman Bart Gordon

Charge 10% more in SEC registration fees to accumulate $20 million more in savings in four years.

Evaluation:

1. OMB estimate of budget effects:

(in millions of dollars)

	1994	1995	1996	1997	1998	1994-1997	1994-1998
Alt. 1: Charge 10% more (Raise rate to 1/21.8)							
BA........	-50	-53	-56	-59	-63	-218	-281
Outlays...	-50	-53	-56	-59	-63	-218	-281
Alt. 2: Raise fee to 1/23							
BA........	-21	-23	-24	-26	-27	-97	-124
Outlays...	-21	-23	-24	-26	-27	-97	-124
Alt. 3: Accumulate $20 million more in four years (Raise fee to 1/23.78)							
BA........	-5	-5	-5	-5	-6	-20	-26
Outlays...	-5	-5	-5	-5	-6	-20	-26

[These three alternative formulations are presented because the precise intent of the Gordon proposal is unclear.]

2. Pro: Further deficit reduction will be realized.

3. Con: The registration fees proposed in the President's package would raise $123 million over the $370 million we estimate will be collected in 1994 under existing law. Hence, even the first of the above alternatives reflects only a modest adjustment to what the President has already proposed. Further, any significant additional collections on the securities industry might better be imposed on other activities, such as the trading of securities.

Deficit Reduction Proposal
Congressman Bart Gordon

Freeze the Market Promotion Program (MPP) for one year and then make annual 20% reduction, saving $270 million in four years. (Note: To approach the Congressman's savings from baseline, we assumed a 20% reduction from the freeze level of $148 million.).

Evaluation:

1. OMB estimate of budget effects:

(in millions of dollars)

	1994	1995	1996	1997	1998	1994-1997	1994-1998
BA........	---	-30	-30	-30	-30	-90	-120
Outlays...	---	-30	-30	-30	-30	-90	-120

2. Pro:

Other non-agricultural products do not receive similar foreign market promotion support and MPP selection guidelines for high-priority projects have been weak.

2. Con:

The MPP combats unfair foreign trade practices. Agriculture is more heavily subsidized by foreign countries than any other sector. The U.S. agricultural sector could view this proposal as a unilateral disarmament prior to an international agreement on agricultural trade.