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REAL DEFICIT REDUCTION DEMANDS REAL SPENDING CUTS

INTRODUCTION

The federal budget deficit is expected to reach over $340 billion in fiscal 1993, which begins this October 1. By most estimates the deficit will remain well over $200 billion per year through the end of this decade unless Washington lawmakers take dramatic action. Unfortunately, most lawmakers offer the taxpayers only two solutions, both unpleasant: either accept significant benefit reductions in programs targeted to the elderly, such as Medicare and Social Security, or agree to higher taxes.

Taxpayers should reject this false dilemma. The cause of the budget deficit is runaway government spending for nearly all domestic programs—large and small — not just spending on programs benefiting older Americans. Thus any serious deficit reduction plan needs to take aim at the entire basket of domestic spending, beginning with the most wasteful before moving to the most sensitive.

The chronic federal budget deficit understandably has taxpaying voters angry and unable to understand why lawmakers cannot put America's fiscal house in order. In this election year, candidates are suggesting various ways to come to grips with out-of-control deficits. Some maintain that Americans must accept another tax hike. Others say that the only way to avoid a tax increase is to place arbitrary spending caps on the growth of such social entitlements as Medicaid, Social Security, and welfare programs.

Overlooked Waste. What the candidates overlook is that there are hundreds of programs that should be eliminated from the federal budget because they are wasteful and unnecessary, outmoded, or simply not federal responsibilities. The majority of these programs are unknown to most taxpayers and lawmakers. Trimming these one by one will do little to lower the deficit. But significant deficit reduction is possible if a package of program cuts is made together in an omnibus deficit reduction plan.

Strangely, many of the lawmakers who claim that tax hikes or drastic entitlement cuts are the only way to cut the deficit have been among the first to add billions of dollars in new "pork barrel" spending. In fiscal 1993 appropriations bills passed recently by the House of Representatives, for example, lawmakers approved: $2 million for "intelligent vehicle highway systems" research in Northern Virginia; $11 million for potato research; $1 million for an urban forestry project in Chicago; $510,000 for soybean-based ink research;

$1 million for bicycle paths in Miami; and $7 million for African elephant conservation. None of this pork is essential to the national interest, and all of it adds to the deficit problem.

Even greater sums will be wasted next fiscal year on programs that may not fit the traditional definition of pork barrel spending, but certainly should be considered wasteful or unnecessary spending. For example:

- More than $120 million will be spent to continue the Federal Helium Reserves and the Excell helium processing plant;
- Some $35 million will be spent to keep open the National Fertilizer Development Center;
- At least $1 billion will be spent on school lunch subsidies for children from middle- and upper-income families;
- Some $200 million will be spent to subsidize the foreign advertising budgets of some of the nation's wealthiest companies.

Lawmakers need not turn to benefit cuts in sensitive entitlement programs or to tax hikes to achieve major reductions in the budget deficit. Tens of billions of taxpayer dollars can be saved by eliminating programs that serve only special or localized interests. Billions more can be saved by eliminating programs that have failed, fulfilled their mission, or outlived their usefulness. Still more can be saved from eliminating programs that duplicate or even contradict the missions of other programs. A list of such savings is contained in the Appendix of this study.

The deficit is exploding because federal spending, especially domestic spending, is growing unchecked. Federal domestic spending, adjusted for inflation (excluding the savings and loan bailout and net interest on the federal debt), will have grown an estimated 70 percent more in the four fiscal years through fiscal 1993 than it did during the previous twelve years.[1] And spending on nearly every domestic program has grown rapidly, not just spending on the largest entitlements. Controlling this spending binge must be a key element in any deficit reduction plan. But before lawmakers slash the most sensitive programs they should first sweep the budget clean of the most egregious and wasteful.

HOW CONGRESS HAS IGNORED POTENTIAL SPENDING CUTS

While most lawmakers acknowledge that wasteful federal spending does exist, they are reluctant to attack such spending as a means of cutting the budget deficit. Some believe that there is not enough waste to warrant the political cost of the effort. The focus of their efforts, they feel, should be on tackling the "big ticket" policies that will produce the largest returns. This notion leads politically courageous lawmakers to call for spending caps on entitlement programs and politically timid lawmakers to call for higher taxes.

1 Scott A. Hodge, "What George Bush Is Not Being Told About Federal Spending," Heritage Foundation *Backgrounder* No. 886, March 4, 1992.

Yet this attitude is rather like a household assuming that the only way it can get out of debt is to sell the family house or pull the kids out of college—while refusing to take a less expensive vacation or cancel their premium cable TV channels because they believe this would do little to ease their debt problem. Until a professional debt counselor shows them the cumulative total of such extraneous expenses in the household budget, the family is unlikely to realize just how much its indebtedness can be reduced by trimming its unnecessary spending.

Scratching the Surface. Like the family debt counselor, Heritage Foundation scholars have compiled over 120 ways for cutting federal spending—cuts that could be adopted before Congress attempts to reduce major entitlement benefits or raise taxes. The total value of these cuts, contained in the Appendix, is nearly $800 billion over five years, sufficient to balance the budget by fiscal 1998. These recommendations by no means represent all of the possible ways of cutting spending; indeed they only scratch the surface. Nor is every recommendation likely to meet with the approval of every lawmaker or taxpayer. However, the majority of these recommendations could form the basis of a politically acceptable deficit reduction plan.

Few of the spending cut recommendations in the Appendix are new. Many have appeared in studies published by agencies and groups as diverse as the Congressional Budget Office (CBO) and the General Accounting Office (GAO), both research arms of Congress, the Grace Commission, Citizens Against Government Waste, House Budget Committee Chairman Leon Panetta, and in other Heritage Foundation publications. In fact, the deficit could have been eliminated long ago if Congress merely had enacted the recommendations of its own budget analysts. In February 1981, for instance, the CBO released the first of its annual reports on spending cuts and revenue-raising options for reducing the deficit. Many of the spending cut recommendations appearing in this Heritage compilation have their origins in that first CBO report. The reason that the proposals are still valid today is that Congress has ignored them.

Among the recommendations in the 1981 CBO review that appear in some form in this study:

- ✓ Institute private financing of the Strategic Petroleum Reserves;
- ✓ Increase inland waterway user fees;
- ✓ Reduce funding for Environmental Protection Agency Construction Grants;
- ✓ Eliminate farm deficiency payments;
- ✓ Reduce funding for AMTRAK;
- ✓ Repeal the 1931 Davis-Bacon Act;
- ✓ Eliminate maritime industry subsidies;
- ✓ Reduce funding for Impact Aid;
- ✓ Modify Trade Adjustment Assistance;
- ✓ Block grant funding for AFDC and Medicaid administrative costs;
- ✓ End the Airport Grants-in-Aid program.

The List Goes On. Not only has Congress ignored the recommendations of its own budget analysts, but it has also paid little attention to the recommendations of the General Accounting Office (GAO), the government's auditing agency. The GAO was established by the Budget and Accounting Act of 1921 to perform accurate audits and evaluations of federal programs, and the agency makes recommendations based on these evaluations. For example, the GAO in 1979 recommended the repeal of the 1931 Davis-Bacon Act, which mandates high union-scale wages on federal construction projects. The GAO found that the law raises the costs of federal construction projects and makes it more difficult for black Americans and other minorities to obtain jobs in construction. Congress, however, consistently has refused to take action.

Congress also turned a blind eye to recommendations in the GAO's November 1989 annual report on the Federal Manager's Financial Integrity Act of 1982. This act was intended to control waste in Federal Financial Management Systems. The GAO found over $150 billion in waste, fraud, and financial mismanagement. Commenting on this staggering sum, GAO Comptroller General Charles A. Bowsher declared on December 5, 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."[2]

Congress has yet to make any substantive moves to correct these problems.

Among the other GAO recommendations ignored by Congress are the elimination of honey, wool, and mohair subsidies; the repeal of the Service Contract wage-setting law; overhaul of the Farmers Home Administration to improve its financial stability; and privatization of the Government Printing Office.

Because of this resistance by Congress to cuts in the most wasteful spending, even the Reagan Administration was unable to eliminate many programs, despite its reputation for draconian cuts. According to a Congressional Research Service report, 94 programs were recommended for termination during the two Reagan terms. Of these (many of which appeared repeatedly in the eight Reagan budgets), only twelve were eliminated. And all but one, Urban Development Action Grants (UDAGs), were terminated in the first term.[3]

HOW TO CUT SPENDING

Heritage Foundation scholars chose the recommended cuts in the Appendix very carefully to avoid imposing hardship on the poor or needy. But beyond that basic selection criterion, scholars used a series of principles to gauge whether cuts or the elimination of a program would be appropriate. Among the principles employed:

1) **Federal programs that serve only localized or special interests rather than the nation as a whole should be eliminated.** Example: Spending $380,000 on a bicycle

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2 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 Billions in Losses" (GAO/AFMD-90-10), November 1989.

3 James V. Saturno, "Program Terminations Proposed by the Reagan Administration," The Congressional Research Service, December 19, 1989.

transportation demonstration project in Macomb County, Michigan, is not a proper function of the federal government.

2) **Programs that have failed, fulfilled their mission, outlived their usefulness, or simply become irrelevant should be eliminated.** Example: The clean coal technology program has become irrelevant since the passage of the Clean Air Act, which supersedes its regulations and prescriptions. Yet the program still will cost taxpayers nearly $300 million.

3) **Programs that duplicate or contradict the missions of other programs should be streamlined or merged.** Example: There are over sixty different federally funded environmental programs and some 37 fisheries management programs.

4) **If the program or service has identifiable users, then these users—not taxpayers—should pay for the service or goods they receive.** Example: The Army Corps of Engineers spends over $400 million per year operating and maintaining inland waterways and canal locks. Taxpayers, not users, currently pick up most of this expense.

5) **The federal government should adopt the commonsense measures routinely used by business owners to reduce costs.** Example: During the recent recession, most businesses were forced to cut overhead expenses such as travel, rent, utilities, mailing, and shipping costs. The federal government has increased spending on these items during the past three years.[4]

Should We Be Paying for This?

Pork Barrel Items in the Fiscal 1993 House Appropriations Budget

Department of the Interior & Related Agencies

- **$500,000** for the Chicago, Illinois, wetlands office.
- **$300,000** for a study on striped bass.
- **$1,201,000** for African elephant conservation.
- **$7,400,000** for capital improvement projects in the Republic of Palau.
- **$300,000** for fencing at the Hakalau National Wildlife Refuge in Hawaii.
- **$925,000** for the relocation of a road at Jackson National Fish Hatchery in Wyoming.
- **$1,000,000** for the Chicago urban forestry program.
- **$370,000** for the national kick-off of the Smokey Bear 50th Anniversary celebration in New Mexico.

Energy and Water Development

- **$1,000,000** to continue work on the Beaver Lake Water Quality Project in Arkansas.
- **$1,500,000** for repair of the breakwater at Monterey Harbor, California.
- **$713,000** to replace the Carlyle Lake, Illinois, Visitor Center.
- **$400,000** in additional funds to continue dredged material management in Toledo Harbor, Ohio.
- **$1,500,000** for the repair of the north jetty at the Yaquina Bay and Harbor in Oregon.
- **$700,000** to pave a new road and parking lot, and to install a boat dock, a composting toilet, and a concrete boat launching ramp at the Tennessee-Tombigbee Waterway in Alabama and Mississippi.

While these simple principles can help lawmakers identify many wasteful spending items, much greater thought is needed to control the costs of more sensitive entitlement programs. Entitlement programs do need to be reformed. They are the most rapidly increasing component of the federal budget, and often they are poorly designed to achieve their objective. Yet while studies by Heritage Foundation scholars, like studies from other organizations, have called for curbing or reforming many entitlement benefits, it is not in fact necessary to cut these politically sensitive benefits in order to balance the federal budget. Needed instead are policies to reduce the underlying costs of entitlement programs without cutting the value of benefits.

Consider health care. Controlling the spiraling growth of government-provided health care programs, principally Medicare and Medicaid, is and should be a central feature of nearly all deficit reduction plans. Some plans propose to reduce costs, however, by raising fees and taxes on beneficiaries and imposing price controls and other restrictions on providers—the effect of which will be to deny benefits to patients. Other plans simply call for placing a fixed spending cap on the growth of these programs, without any indication of what measures would be needed to bring costs below such a cap.

The Heritage deficit reduction plan, by contrast, proposes $71 billion in health care savings over five years, but these savings would be achieved without a reduction in medical services and benefits and without taxing beneficiaries. The reason for this is

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

- $500,000 for acoustics research.
- $5,500,000 for apple research.
- $4,959,000 for bee research.
- $130,000 for dwarf bunt research.
- $233,000 for Eastern filbert blight research.
- $150,000 for Kenaf research.
- $200,000 for locoweed research.
- $510,000 for soybean-based ink research.
- $965,000 for sugarcane research.
- $58,000 for waste utilization research in North Carolina.
- $729,000 for the Rice Research Center in Stuttgart, Arkansas.
- $1,300,000 for the Plant Stress Laboratory at Texas Tech University.
- $250,000 for the Regional Poultry Research Center in Michigan.
- $1,800,000 for the National Pig Research Facility in Iowa.

Department of Transportation & Related Agencies

- $346,000 to operate the Department of Treasury fitness facility for one year
- $1,900,000 for a child day care center at the Coast Guard's Alameda, California, facility.
- $8,000,000 to monitor long-term pavement performance.
- $100,000 for railroad metallurgical and welding studies at the Oregon Graduate Institute.
- $380,000 to continue a bicycle transportation demonstration project in Macomb County, Michigan.
- $500,000 for research on older drivers.

that the Heritage plan calls for the enactment of national health care reform legislation. This is in line with the consensus on Capitol Hill, and among ordinary Americans, that fundamental reform of the health care system is needed. Proponents of all rival national health reform plans agree that government-funded health care programs will reap major cost reductions as a result of the enactment of their plans.

Currently there are three major reform proposals being considered in Congress. In the "Single-Payer" or Canadian-style approach, the federal government would be the sole provider of medical services. In the "Play-or-Pay" system, businesses would be required either to supply employees and their dependents with at least basic medical coverage or to pay a fee to the government to finance public coverage for their employees. Consumer Choice plans, such as that developed by the Heritage Foundation, would reform the tax treatment of health care spending to ensure that all families had sufficient means to pay for medical coverage.[4]

Proponents of each of these proposals calculate significant savings in medical costs if their proposal is enacted. Moreover, thanks to such reductions in the general cost of medical care achieved by the proposals, government-funded programs could enjoy savings without reductions in the quality or volumes of services available to beneficiaries. Thus the Heritage deficit reduction plan assumes reductions in program costs, without benefit reductions, if Congress enacts one of the three major health care reform proposals.

Department of Commerce, Justice and State, The Judiciary, and Related Agencies

- $911,000 for zebra mussel research.
- $913,000 for the International Coffee Organization.
- $208,000 for the International Cotton Advisory Committee.
- $70,000 for the International Jute Organization.
- $44,000 for the International Lead and Zinc Study Group.
- $254,000 for the International Natural Rubber Organization.
- $83,000 for the International Office of Epizootics.
- $55,000 for the International Office of the Vine and Wine.
- $76,000 for the International Rubber Study Group.
- $144,000 for the International Sugar Organization.
- $253,000 for the International Tropical Timber Organization.
- $208,000 for the International Wheat Council.
- $27,000 for the Permanent International Association of Road Congresses.
- $410,000 for the World Tourism Organization.

Foreign Operations, Export Financing, and Related Programs

- $5,000,000 to continue support for rural electrification in Central and Latin America.
- $5,000,000 for the Agency for International Development's dairy development program.

4 Stuart M. Butler, "A Policy Maker's Guide to the Health Care Crisis, Part II: The Heritage Consumer Choice Health Plan," Heritage Foundation *Talking Points*, March 5, 1992.

CONCLUSION

Taxpayers should not be steamrolled into paying higher taxes or cutting benefits to older Americans in order to balance the budget. Instead they should force their members of Congress to clean house by eliminating billions of dollars of unnecessary federal spending. Those lawmakers who claim that there is not enough waste in the federal budget to make a significant dent in the deficit simply are wrong. As the Appendix to this study shows, there are hundreds of different ways to cut spending that will not bring serious hardships to the needy or to the average working family.

Lawmakers and candidates this year will offer many ways to put America's fiscal house in order. The details will differ. And it is easy to offer a proposal if political reality is ignored. But unless a deficit reduction plan focuses on wasteful and unnecessary spending, and reduces the underlying costs of entitlement programs rather than cutting benefits, it is unlikely to be a serious plan.

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

Appendices

This Appendix is divided into three sections. Appendix I summarizes the savings and deficits that would be achieved by the Heritage Foundation's deficit reduction plan if it took effect in fiscal 1994, which begins on October 1, 1993. This fiscal 1994 budget is what the new Congress will being working on starting January of next year. Appendix II is a summary of the Heritage recommendations with the fiscal 1994 to fiscal 1998 savings. Appendix III explains these recommendations in greater detail and indicates the cost savings that would be achieved in the first and fifth years, and the cumulative five-year savings.

In most cases, Heritage analysts drew upon the hundreds of spending cut recommendations already suggested by the Congressional Budget Office, the Office of Management and Budget, and the General Accounting Office. Many recommendations also have been taken from a recent deficit reduction plan promoted by House Budget Committee Chairman Leon Panetta. In some instances, Heritage analysts have expanded upon these recommendations to achieve even greater cost savings.

In nearly every instance, the itemized savings here are taken directly from the sources cited above. When this was not possible, the savings were calculated by Heritage analysts using Congressional Budget Office or Office of Management and Budget baseline estimates.

The program savings are arranged using the official numbers that classify subject areas within the federal budget. Known as budget function numbers, these group programs according to their general mission, regardless of the agency administering the program.

Appendix I
The Heritage Deficit Reduction Plan

(Billions of Dollars)	1994	1995	1996	1997	1998	5-Year Total
Capped Baseline Deficits	$274	$218	$218	$237	$273	$1,220
Total Spending Cuts	-53	-101	-136	-175	-230	-693
Bush Defense Cuts	-4	-4	-5	-7	-10	-30
Non-Defense Cuts	-49	-97	-131	-168	-220	-663
Interest Savings	-.4	-7	-17	-28	-43	-95
Total Savings	-54	-109	-153	-203	-273	-788
Resulting Deficits	221	109	65	34	0	432

Note: Figures represent fiscal years and may not add due to rounding. Defense cuts are Bush Administration planned reductions from 1990 Budget Summit Agreement spending level. Fiscal 1998 baseline spending projections are not yet available. Therefore savings for this year are best estimates.

Appendix II
Summary of Heritage Budget Cuts
(Savings in Millions)

Budget Function Number	Program Change	1994	1995	1996	1997	1998	Total
150	Phase Out Export-Import Bank-Credits	$60	$186	$364	$560	$725	$1,895
150	Trim Foreign Discretionary Assistance	646	1,218	1,875	2,687	3,718	8,454
150	Phase Out ESF	690	1,375	2,095	2,890	3,700	10,750
150	Merge Overseas Broadcasting	-100	200	310	320	310	1,040
251	Cancel the Supercollider	200	410	520	540	550	2,200
253	Cancel Space Station	1,050	1,850	2,200	2,250	2,350	9,700
253	Cancel Planned NASA Programs	100	180	200	200	210	890
253	Cancel NASA Rocket Motor	250	420	480	510	530	2,200
271	Raise PMA Debt Repayments	399	432	453	458	454	2,196
271	Eliminate Clean Coal Program	0	5	60	90	120	270
271	Sell Naval Petroleum Reserves	100	200	300	600	1,200	2,400
271	Phase Out REA Loan Subsidies	30	70	130	200	244	674
271	End Energy R&D Funding	290	615	953	1,644	3,400	6,902
271	Hike Uranium Enrichment Fees	183	183	183	183	183	915
274	Curb Additional SPR Funding	70	160	160	210	220	820
301	Inland Waterway User Fees	350	360	380	390	410	1,890
301	Eliminate Water Subsidies	100	191	289	544	1,100	2,224
301	Change Revenue Sharing Formula	190	200	210	210	220	1,050
302	Raise Hardrock Mining Work Requirement	0	60	60	60	60	240
302	Raise Recreation Fees	170	180	190	200	210	950
302	5-Year Land Purchase Moratorium	330	340	345	356	364	1,740
302	Eliminate Below-Cost Timber Sales	20	30	45	60	75	230
302	Eliminate CRP Payments	365	738	1,136	1,568	1,905	5,740
304	Merge 60 Environment Programs	200	400	1,000	1,900	2,500	6,000
304	Eliminate Wastewater Grants	90	530	1,250	1,850	2,150	5,900
304	Reform Superfund Program	160	380	600	660	740	2,550
304	Private Superfund Financing	75	190	310	270	280	1,100
306	Eliminate NCZM, Sea College Grants	50	50	50	50	50	250
306	Close Federal Helium Reserves	128	133	138	143	150	692
306	Privatize NOAA Fleet	50	50	50	50	50	250
306	Reduce Local NOAA Projects	44	45	47	49	51	236
351	Lower Target Prices 3 Percent Per Year	440	1,550	2,150	3,200	5,950	13,290
351	End Crop Insurance Program	270	620	640	650	660	2,850

No.	Program Change	1994	1995	1996	1997	1998	Total
351	End Honey, Wool, Mohair Subsidies	20	210	190	200	200	830
351	End Dairy Subsidies	421	366	354	320	348	1,810
352	End Export Enhancement Program	310	740	670	640	610	2,950
352	End Market Promotion	100	200	200	200	200	900
352	Limit Foreign Loan Guarantees	-45	410	420	450	400	1,650
352	Reduce ACIF Lending	101	119	139	161	184	704
352	Merge USDA Extension/Field Offices	575	965	1,020	1,090	1,090	4,740
371	Reduce FHA Losses	200	200	200	200	200	1,000
371	Phase Out GNMA	100	300	300	600	700	2,000
371	Improve FHA Debt Collection	20	20	20	20	20	100
371	Stop FmHA 502 Loans	500	660	730	800	870	3,560
371	Stop FmHA 515 Loans	40	280	355	410	445	1,530
376	End Small Business Administration Loans	450	600	620	650	670	3,000
376	Eliminate the ITA	110	170	180	180	190	860
401	Eliminate the ICC	20	25	25	25	30	125
401	End Highway Demonstration Projects	295	1,160	1,456	1,518	1,575	6,005
401	Cut Mass Transit Funding 50 Percent	470	940	1,375	1,777	3,500	8,065
401	Limit Federal Highway Spending	320	1,350	1,950	2,300	2,650	8,550
401	End AMTRAK Subsidies	450	500	525	550	595	2,620
401	Make FAA Self-Funding	3,550	4,670	5,310	5,770	6,215	25,510
402	End Essential Air Service Subsidies	39	39	39	39	39	195
402	Eliminate Airport Grants-in-Aid	315	755	1,624	1,874	2,050	6,550
403	Raise Coast Guard Fees	700	700	750	750	800	3,700
403	End Maritime Subsidies	284	278	278	267	237	1,344
451	Reduce CDBG Funding by 50 Percent	325	685	1,065	1,467	1,896	5,438
452	Devolve Rural Development Funding	20	120	265	400	500	1,310
452	End Federal TVA Funding	40	120	140	150	160	610
452	Transfer ARC Functions to States	10	60	120	160	190	540
452	Eliminate EDA	50	130	210	260	280	930
501	End Untargeted Vocational Funding	145	304	472	650	840	1,940
501	End Student Incentive Grants	35	75	80	80	85	355
501	Eliminate Impact Aid	630	780	840	870	900	4,020
501	Cut Outmoded Education Programs	5	25	40	40	40	150
502	End Work Study Program	140	1,350	1,450	1,500	1,550	5,990
502	Tighten Pell Standards	70	340	360	380	390	1,550
502	End SEOG Program	135	271	416	567	726	2,115
502	Reduce Stafford Defaults	900	1,350	1,400	1,450	1,500	6,600
503	Eliminate NEA & NEH	780	990	1,100	1,150	1,200	5,220
503	Cut Funding for CPB	64	110	170	235	304	885
504	Merge 12 Education/Training Programs	480	980	1,520	2,090	2,695	7,764

No.	Program Change	1994	1995	1996	1997	1998	Total
506	Consolidate Social Service Programs	0	220	270	270	280	1,040
506	Trim SSBG Funding by 50 Percent	280	560	840	1,120	1,400	4,200
550	Reduce NIH Research Funds 15 Percent	400	934	1,160	1,300	1,556	5,350
550	AFDC/Medicaid/Food Stamp Admin.	470	800	1,130	1,510	1,940	5,850
553	Cut Health Education Subsidies	120	187	219	226	234	990
570	Medicare Secondary Payers	500	600	700	800	900	3,500
570	Direct Medicare Payments	160	180	190	200	200	930
570	Indirect Funding to 3 Percent	1,550	1,800	2,100	2,250	2,450	10,250
570	Medicare Safeguard Funding	1,100	1,120	1,140	1,160	1,200	5,720
570	Charge SMI Electronic Fee	230	260	220	170	100	980
570	National Health Care Reform	0	3,000	10,000	23,000	35,000	71,000
600	Two-Week Wait on UI	0	1,000	1,000	1,200	1,400	4,600
602	End Lump Sum Payments	0	0	2,063	2,794	3,772	8,629
602	Federal Pension Reforms	330	460	610	770	990	3,130
603	End Trade Adjustment Assistance	220	220	210	200	200	1,050
604	Section 8 Housing Reforms	610	765	930	1,320	1,710	5,335
604	Tighten Public Housing Standards	50	150	260	390	520	1,350
604	Use Housing Vouchers	2	15	140	310	440	907
604	Use Elderly Housing Vouchers	0	-60	5	70	260	270
604	End HUD Utility Payments	25	25	30	30	35	145
604	Eliminate HUD Earmarks	0	55	120	130	130	435
604	Reform HUD CIAP	300	350	400	450	500	2,000
604	Turn Prepayments into Vouchers	320	380	450	550	650	2,350
604	Freeze Housing Slots at 4.6 million	70	250	490	810	1,850	3,450
604	Include Food Stamp Value in Income	1,080	1,180	1,240	1,300	1,350	6,150
605	State Food Stamp Reimbursement	500	1,000	1,200	1,300	1,600	5,600
605	Restrict School Lunch Subsidies	1,000	1,000	1,000	1,200	1,500	5,700
605	Workfare for Food Stamps	50	75	125	150	200	600
609	Trim LIHEAP	730	800	830	850	880	4,100
609	Limit AFDC Allowance	500	500	500	700	800	3,000
609	Cap Foster Care Administration Costs	65	150	240	350	480	1,285
700	Close Underused V.A. Hospitals	65	140	230	320	340	1,100
700	Improve V.A. Care	170	380	610	870	1,390	3,420
700	Raise V.A. Loan Fee	260	270	280	290	300	1,400
700	Extend IRS Pension Law	25	55	70	80	110	340
700	Extend V.A. Insurance Law	170	210	240	250	270	1,140
752	End LSC Funding	320	370	380	400	410	1,900
800	Cut Congressional Perks	205	330	450	480	500	1,965
900	Freeze Civilian Pay 1 Year	2,800	8,300	8,700	9,100	9,500	38,500
920	Expand Loan Sales	2,000	4,000	6,000	8,000	10,000	30,000

No.	Program Change	1994	1995	1996	1997	1998	Total
920	Terminate Commissions	142	241	251	261	272	645
920	Reform Blue Collar Pay	500	600	700	800	1,000	3,000
950	Auction FCC Spectrum	0	2,000	4,000	4,000	10,000	20,000
999	Disallow Pension Interest	820	1,025	1,280	1,600	2,000	6,725
999	Cut Research Overhead Costs	330	660	760	800	830	3,400
999	15 Percent Travel Costs Cut	90	270	450	630	840	2,280
999	Freeze Overhead 2 Years	9,860	21,980	27,700	33,340	43,777	136,666
999	Repeal Service Contract Act	500	500	500	500	500	2,500
999	Repeal Davis-Bacon Act	312	882	1,218	1,394	1,523	5,329
	NON-DEFENSE TOTAL	$49,405	$97,112	$131,282	$167,937	$220,252	$ 662,934
	Bush Defense Savings	3,700	4,300	4,900	7,300	10,000	30,200
	SUBTOTAL SAVINGS	$53,105	$101,412	$136,182	$175,237	$230,252	$693,134
	Interest Savings	400	7,493	16,625	28,234	42,515	95,219
	TOTAL SAVINGS	**$53,505**	**$108,905**	**$152,807**	**$203,471**	**$272,767**	**$788,353**

Note: This plan assumes that some of the policies indicated above will be phased in, reducing savings in 1994 through 1997. Fiscal 1998 baseline spending projections are not yet available. Therefore, the savings listed above are best estimates.

Appendix III
Heritage Options for Domestic Spending Cuts

(Savings in Millions)

Budget Function Number	Recommended Program Changes	1st Year Savings	5th Year Savings	5-Year Total
150	Phase out Export-Import bank credits. These credits are export subsidies for American businesses. Many are large corporations that could finance their own exports.	$60	$725	$1,895
150	Reduce other discretionary foreign assistance spending. Savings here are realized by cutting funds for multilateral banks and by returning American food assistance under the P.L.-480 program, now a subsidy to American farmers, to its original purpose of helping countries in times of emergency.	$646	$3,718	$8,454
150	Phase out the Economic Support Fund (ESF) over five years. The ESF provides "friendship" money to Israel, Egypt, and a number of other countries deemed to be important for America's security. With the Cold War over, the need to provide such assistance is correspondingly reduced.	$690	$3,700	$10,750
150	Combine the operations of Radio Free Europe (RFE), Radio Liberty (RL), and Voice of America (VOA). These broadcasting facilities were intended to provide freedom of information into communist and other highly government-controlled countries. With the demise of the Soviet bloc they no longer serve their intended primary purpose, and keeping separate facilities increases operating costs.	$-100	$310	$1,040
251	Cancel the Super Conducting Supercollider. The cost of this project, which the Department of Energy has consistently underestimated, is now expected to be over $12 billion.This will make it one of the world's most expensive public works projects.	$200	$550	$2,200
253	Cancel the Space Station. The $30 billion to $40 billion price tag of the Space Station will likely exceed the expected benefits. Private suppliers can provide this service at a fraction of the cost.	$1,050	$2,350	$9,700
253	Cancel funding for one of the following new NASA projects: The Advanced X-Ray Astrophysics Facility, the Comet Rendezvous Asteroid Flyby/Cassini mission, or the Earth Observation System. These projects are scientific luxuries in the current budget climate. Canceling funding for one of these projects could avoid cut-backs for on-going research.	$100	$210	$890
253	Cancel NASA's development program for the Advanced Solid Rocket Motor, which is intended to someday replace the current space shuttle launch motors.The Congressional Budget Office reports that design and production problems may increase the project's costs and delay its availability.	$250	$530	$2,200

Budget Function Number	Recommended Program Changes	1st Year Savings	5th Year Savings (in Millions)	5-Year Total
271	Raise the level and schedule of the Power Marketing Administration's debt repayments to the federal government. About 75 percent of the $16 billion investment in these government utilities has not been repaid even though the PMAs pay only 3 percent interest on the taxpayer-subsidized loans they receive. After 60 years on the public dole, it is time to wean the PMAs from taxpayer support.	$399	$454	$2,196
271	Eliminate further funding for the clean coal technology program. Federal support for this technology is virtually irrelevant now since the passage of the Clean Air Act.	$0	$120	$270
271	Sell the Naval Petroleum Reserves (NPR) to the private sector. The Strategic Petroleum Reserves make the 80-year old NPR irrelevant.	$100	$1200	$2,400
271	Phase out Rural Electrification Administration subsidies and direct loans. The REA has completed its mission. Nearly 100 percent of rural America has electric service and nearly 98 percent has telephone service.	$30	$244	$674
271	Phase out all federal funding for energy supply research and development activities. Since the Carter Administration, the federal government has spent over $2 billion per year on research projects intended to develop new energy technologies, such as solar and wind power, geothermal, and nuclear. Taxpayers have received few tangible benefits from this research. If this research has commercial benefits, then private companies should contribute to its cost.	$290	$3,400	$6,902
271	Raise the fees charged to utilities for uranium enrichment services provided by the government's two uranium enrichment facilities.These two plants sell uranium to the Defense Department, the country's 108 commerical nuclear power plants, and nuclear plants abroad. The costs of operating these plants, however, greatly exceed current receipts.	$183	$183	$915
274	Appropriate no new funds to purchase oil for filling the Strategic Petroleum Reserves. Additional reserves should be funded out of the some $800 million the Department of Energy has set aside for this purpose.	$70	$220	$820
301	Recover in full, through user fees, the Army Corps of Engineers' costs of operations and maintenance of inland waterway systems. The Army Corps of Engineers spends $400 million per year operating and maintaining inland waterways and canal locks. Taxpayers, not users, currently pick up this expense.	$350	$410	$1,890

Budget Function Number	Recommended Program Changes	1st Year Savings	5th Year Savings (In Millions)	5-Year Total
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. Eliminate federal water subsidies. These projects are expensive and often cause enormous environmental distruption. Water subsidies, moreover, benefit a very few individuals at the great expense of all taxpayers.	$100	$1,100	$2,224
302	Change the revenue-sharing formula from a gross to a net receipt basis for commercial activity on federal lands. The current federal rent and fee-sharing arrangement with the states is based upon gross receipts. Federal administrative costs should be deducted before these receipts are shared with the states.	$190	$220	$1,050
302	Increase the diligence requirement from $100 to $1,000 for hardrock mining claims. The requirement that $100 worth of work be performed to keep a claim on land active was set in 1872. It should be raised to reflect modern prices.	$0	$60	$240
302	Raise National Forest Service, National Park Service, and Army Corps of Engineers fees and concession rents to cover 100 percent of recreation facilities' costs. The Park Service earns only $60 million through fees, though it spends $220 million on visitor services. The GAO has found that direct costs to the Park Service per visitor are 44 cents, yet the Park Service collects only 10 cents. This encourages an overuse of the national treasures that public ownership was intended to preserve.	$170	$210	$950
302	Place a 5-year moratorium on new Department of Interior and Forest Service land acquisitions. The federal government holds 760 million acres of land, more than one-third of the country's land mass. During the next five years, the government plans to spend another $1.7 billion to purchase land for recreational purposes. These purchases should be postponed.	$330	$364	$1,740
302	Eliminate below-cost timber sales from national forests. For many years, according to the Congressional Budget Office, the annual cash receipts from federal timber sales have failed to cover the Forest Service costs in seven of the nine Service regions. "On average over the past decade, cash expenditures in these regions have exceeded cash receipts by a ratio of 3 to 1."	$20	$75	$230
302	Eliminate the $1.6 billion per year Conservation Reserve Program that pays farmers not to plant crops. The CRP has already paid farmers to set aside 35 million acres of land, three-quarters the size of Illinois. By 1995, the program will enroll an additional 4.5 million acres, three-quarters the size of New Jersey. Over the life of the program, taxpayers will pay farmers over $20 billion to let this land lie fallow.	$365	$1,905	$5,740

Budget Function Number	Recommended Program Changes	1st Year Savings	5th Year Savings	5-Year Total
			(In Millions)	
304	Consolidate over 60 environmental programs into a single block grant to the states and reduce total funding by 50 percent. While this is being done, Congress should remove the endless federal requirements and other restrictions placed on states' use of these funds. Not only will this reform eliminate duplicate federal programs, but it will allow each state to use the funds in a manner best suited to its own environmental needs.	$200	$2,500	$6,000
304	Eliminate EPA wastewater construction grants. This twenty-year -old program originally was to be temporary. According to the Congressional Budget Office, ending all new funding after 1992 would have little effect on water pollution because the grants have done little to stimulate spending on wastewater treatment.	$90	$2,150	$5,900
304	Reform the Superfund enforcement program by de-emphasizing permanent treament technologies in favor of an emphasis on land-use controls and containment methods. This measure would greatly reduce the expected $25.5 billion cost of cleaning up Superfund sites without putting the public at risk.	$160	$740	$2,550
304	Substitute private financing for federal financing of the Superfund program to the maximum extent possible. This proposal simply extends the "polluter pays" principle that guides most environmental law.	$75	$280	$1,100
306	Eliminate National Coastal Zone Management Grants and the Sea Grant College program. The objectives of both of these programs have been achieved. Currently 29 of the 30 coastal states have federally approved management plans, covering 94 percent of the nation's coastline. Also, over 135 institutions have strengthened their academic programs, ending the need for expanded research capacity.	$50	$50	$250
306	Close the National Helium Reserves or sell it to a joint venture comprised of current employees and other private investors. This program, which was started in 1929 to insure a constant supply of helium for blimps, will lose nearly $130 million in fiscal 1993 and has lost over $225 million in the past two years.	$128	$150	$692
306	Privatize the National Oceanic and Atmospheric Administration (NOAA) research fleet. The GAO has recommended that the fleet be phased out and privatized over a five year period. GAO has criticized the government-operated fleet for being too expensive to maintain and operate.	$50	$50	$250

Budget Function Number	Recommended Program Changes	1st Year Savings	5th Year Savings (In Millions)	5-Year Total
306	Reduce expenditures for NOAA programs that are state or local concerns, or benefit only small, specific groups. Many NOAA programs concern specific state and local government issues or directly benefit special interest groups. Such projects include Alaskan groundfish surveys, Bering Sea Pollack research, North Carolina Marlboro Island research, South Carolina Geodetic surveys, and many others.	$44	$51	$236
351	Lower the congressionally mandated target prices for subsidized crops by 3 percent annually. This measure will encourage farmers to produce according to market forces rather than political dictates. Also, this measure will lower the cost of food to consumers, who now pay more than $10 billion annually in higher food prices because of federal farm subsidies.	$440	$5,950	$13,250
351	Terminate the Federal Crop Insurance Program and replace it with standing authority for disaster assistance. This change will codify current congressional behavior which has made crop insurance irrelevant. Congress rushes to bail out farmers when disaster strikes, whether they have crop insurance or not. Thus farmers have no incentive to purchase insurance, and as a consequence the program is not actuarially sound.	$270	$660	$2,850
351	Eliminate honey, wool and mohair subsidies. The GAO calls these programs the "dinosaurs" of agriculture programs because they have long outlived their mission and usefulness.	$20	$200	$830
351	Eliminate the dairy subsidy program. As a result of the market distortions produced by this program, the government has spent over $17 billion purchasing surplus dairy products since 1980, while consumers have had to pay over $40 billion in higher prices for dairy products. One senseless policy of this program was the Department of Agriculture's attempt during the 1980s to lower dairy production by paying farmers to slaughter over 1.6 million cows.	$421	$348	$1,810
351	Eliminate the Export Enhancement agriculture subsidy program. The primary foreign beneficiaries of this program have been the former Soviet Union and the People's Republic of China. A number of government studies question the effectiveness and prudence of this program.	$310	$610	$2,950
352	Eliminate the Market Promotion Program that subsidizes foreign advertising for wealthy U.S. businesses such as McDonald's Corporation, Pillsbury Company, and Ernest and Julio Gallo Winery, Inc.	$100	$200	$900

Budget Function Number	Recommended Program Changes	1st Year Savings	5th Year Savings (In Millions)	5-Year Total
352	Limit the foreign loan guarantees made annually to foreign purchasers under the Department of Agriculture's Export Credit Programs to $4.5 billion (down from $5.5 billion). Also eliminate loans to risky foreign borrowers.	$-45	$400	$1,650
352	Eliminate the Agricultural Credit Insurance Fund (ACIF) farm loan programs. The loan losses from these programs have grown so large in the past decade — $4.5 billion in direct loans written off in the last two years — that this fund no longer resembles a lending organization. Instead it has become a multi-billion dollar per year grant to farmers who are bad businessmen.	$101	$184	$704
352	Merge the Agricultural Research Service, the Cooperative State Research Service, and the Agriculture Extension Service, then reduce total funding by 50 percent. The Department of Agriculture has some 11,000 field offices in 94 percent of the counties in America even though only 13 percent of the nation's counties are considered agricultural. Moreover, these programs fund most of the "pork barrel" research projects that many taxpayers find objectionable.	$575	$1,090	$4,740
371	Reduce FHA program losses through improved underwriting, monitoring, and enforcement efforts to increase recoveries from corrupt HUD contractors in the multi-family and single-family housing programs. Allow increased sales of defaulted property. This program lost nearly $9 billion between 1988 and 1990. Losses continue even though some reforms recently have been instituted.	$200	$200	$1,000
371	Phase out over five years the Government National Mortgage Association (GNMA), letting the private sector assume mortgage insurance needs. Investors and banks, rather than the poor, benefit from Ginnie Mae through a gimmick known as "churning." That is, by repeatedly refinancing loans and selling them quickly, investors are making off with $700 million in taxpayers' money annually.	$100	$700	$2,000
371	Improve the Federal Housing Administration's "Title 1" debt collection system. HUD's own Inspector General's Office reports that the FHA debt collection system is disorganized and poor. For example, a 1990 audit revealed that the Seattle Office improperly forgave some $42 million in debt, and incorrectly transferred to another agency or simply forgave another $23 million. All told, some $175 million in potential collections were lost in a six-month period.	$20	$20	$100

Budget Function Number	Recommended Program Changes	1st Year Savings	5th Year Savings (In Millions)	5-Year Total
371	Eliminate FmHA's Section 502 Home Loan Program. This low-income lending program is far more generous than similar HUD programs. These recipients will still be able to apply for FHA loans.	$500	$870	$3,560
371	Stop the expansion of the Rural Rental Housing (Section 515) program and increase developers' minimum interest rate to 5 percent. Recent General Accounting Office studies show that this program has been a bonanza to developers, in some cases allowing them returns on investment as high as 970 percent.	$40	$445	$1,530
376	End all Small Business Administration direct loans and loan guarantees. Some 99.8 percent of American small businesses receive no direct financial aid from the SBA. Of those which receive SBA loans, 20 percent end in default. According to OMB, nearly $4 billion of SBA's outstanding loans are expected to default.	$450	$670	$3,000
376	Eliminate the activities of the International Trade Administration. This program assists private firms in promoting and marketing exports. These are activities better suited for private organizations such as the Chamber of Commerce.	$110	$190	$860
401	Eliminate the remaining regulations on the trucking industry and abolish the Interstate Commerce Commission. After 105 years of regulating commerce, the now obsolete ICC should be retired.	$20	$30	$125
401	Terminate all highway demonstration projects. Congressmen often try to disguise the essentially local nature of federally funded highway projects by calling them "demonstration projects." These projects are little more than political pork.	$295	$1,575	$6,005
401	Eliminate federal operating assistance funding for mass transit and reduce federal spending on local mass transit capital projects by 50 percent over five years. Over the past 25 years, over $100 billion in taxpayer subsidies have gone to urban mass transit systems, the bulk of this from the federal government. Yet mass transit ridership is roughly 10 percent lower than it was in 1963, the year before the federal government began funding local projects.	$470	$3,500	$8,065
401	Limit federal highway spending to the amount brought in by motor vehicle fuel taxes. Allow state and local governments to impose tolls to cover the cost of maintaining, repairing, improving, and extending roads, even on roads that have been built mainly or entirely with federal funds.	$320	$2,650	$8,550

Budget Function Number	Recommended Program Changes	1st Year Savings	5th Year Savings (In Millions)	5-Year Total
401	End federal subsidies to AMTRAK. Since 1971, AMTRAK has received about $15 billion in taxpayer subsidies even though the rail carrier accounts for less than 1 percent of total intercity mileage nationally.	$450	$595	$2,620
401	Make the FAA self-funding. The total cost in 1991 of operating, maintaining, and upgrading the air traffic control system was about $4.7 billion, half of which was covered by taxpayers.Since the FAA has clearly identifiable users, there is no reason taxpayers should subsidize this service.	$3,550	$6,215	$25,510
402	Eliminate the Essential Air Service Subsidy program that pays commercial airlines to fly to 125 small cities, 33 of which are in Alaska.	$39	$39	$195
402	Eliminate airport grants-in-aid. Federal airport money represents only a small portion of the total amount spent by all airports for construction and improvements. Most of the 100 largest airports, that service over 90 percent of all air travelers, are primarily self financing and will not be harmed by the loss of federal funds.	$315	$2,050	$6,550
403	Recover 100 percent of the costs for Coast Guard services provided to commercial and pleasure boats. Studies have found that 80 percent of the Coast Guard's total search and rescue operations are non-emergency, with 72 percent involving recreational boats within 3 miles of shore. Most of these services are paid for by taxpayers, not boat owners.	$700	$800	$3,700
403	Eliminate the Maritime Administration's Operating Differential Subsidy Program and the Ocean Freight Differential Program, which protect U.S. shippers from foreign competition.	$284	$237	$1,344
451	Phase in a 50 percent reduction in Community Development Block Grant funding over five years. By some estimates over half of this program's funds go to non-distressed communities, some of which are very wealthy. Enterprise zones are a much more efficient way of generating economic growth in poor areas.	$325	$1,896	$5,438
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. Recent studies show that the water and waste disposal program and the business and industry program are not well targeted to low-income areas. Moreover, these programs do not seem to create economic development as much as they lure businesses away from other communities.	$20	$500	$1,310

Budget Function Number	Recommended Program Changes	1st Year Savings	5th Year Savings (in Millions)	5-Year Total
452	Transfer funding for Tennessee Valley Authority (TVA) economic development activities to the states and eliminate commercial research programs. Taxpayers should not have to foot the bill for such TVA projects as the sixty-year-old National Fertilizer Development Center or the environmental research center. These projects benefit specific industries who can afford to pay the direct costs.	$40	$160	$610
452	Transfer the functions of the Appalachian Regional Commission (ARC) to the states. This $200 million per year program has had little or no impact on the Appalachian region. Most of the roughly $7 billion in federal funds spent on this region since the ARC's creation in 1965 has been spent on roads, resulting in few measureable results.	$10	$190	$540
452	Eliminate the Economic Development Administration (EDA). Political power, not economic deprivation, determines where the nearly $260 million in EDA grant monies flow. EDA is simply a source for congressional pork barrel dollars.	$50	$280	$930
501	Eliminate the untargeted portion of vocational education funding. This includes consumer and homemaking education programs as well as programs not targeted to specific at-risk groups.	$145	$840	$1,940
501	Eliminate State Student Incentive matching grants, which have accomplished the goal of encouraging the states to provide more student aid. Since this program was enacted in 1972, state student aid has doubled in inflation-adjusted terms to $1.6 billion annually.	$35	$85	$355
501	Eliminate Impact Aid, which is directed toward school districts near federal military instilations. This program is based on the false premise that military bases are a "cost" for local communities. The benefits to the communities of these installations make this program unnecessary.	$630	$900	$4,020
501	Eliminate various education progams that have achieved their purpose such as the Law-Related Education and Law School Clinical Experience programs.	$5	$40	$150
502	Eliminate federal funding for the College Work Study Program. Under the guise of aiding students, this program indirectly subsidizes university labor costs in food service, administrative offices, etc. Most recipient students already receive student aid from other sources. This reform will not prevent students from getting private sector jobs.	$140	$1,550	$5,990

Budget Function Number	Recommended Program Changes	1st Year Savings	5th Year Savings (In Millions)	5-Year Total
502	Reduce Pell Grant funding by tightening the definition of independent students. Many students whose parents have sufficient financial resources to contribute to their college education have declared themselves "independent" in order to receive greater government aid. This loophole should be closed. These students would still be eligible for student loans.	$70	$390	$1,550
502	Eliminate the Supplemental Educational Opportunity Grant program. The grant money is given to post-secondary institutions and awarded to students at the discretion of those institutions on the basis of need. However, this program serves the same purpose and benefits the same group of students as the Pell Grant program. In fact, a student could double-dip by receiving both a Pell Grant and an SEOG.	$135	$726	$2,115
502	Reduce defaults and losses in the Stafford Student Loan Program. Such measures include: Eliminating all federal interest rate subsidies extended to students after they leave school; reducing subsidies to lenders by 1 percentage point; and requiring institutions to share the risk of loan defaults. Defaults in this program total nearly 30 percent of the annual cost of the program, or $1 billion. If the government is to continue to support postsecondary educational opportunities, it cannot allow this program to become little more than a grant program for college graduates.	$900	$1,500	$6,600
503	Phase out funding for the National Endowment for the Arts (NEA) and the National Endowment for the Humanities (NEH). These agencies engage in few activities that are not already being done by the multi-billion dollar television, film, and radio industries, in addition to private philanthropy and state and local governments. Many of the programs' benefits, moreover, go to upper-income audiences.	$780	$1,200	$5,220
503	Discontinue federal funding for the Corporation for Public Broadcasting. The competitive cable television and radio industries have made this program obsolete. Since public radio and television stations receive the bulk of their money from private contributions, they will survive without federal funding.	$64	$304	$885
504	Consolidate 12 employment and training programs into a single block grant and phase in a 50 percent reduction in total funding over five years. This measure must be accompanied by the removal of federal restrictions on these funds to allow the freedom to tailor training states programs to local needs.	$480	$2,695	$7,764

Budget Function Number	Recommended Program Changes	1st Year Savings	5th Year Savings (In Millions)	5-Year Total
506	Consolidate more than a half-dozen social service programs into a unified program and reduce funding in proportion to the overhead and administrative cost savings. This measure would eliminate duplicate services and provide local governments more flexibility to design programs relevant to local needs.	$0	$280	$1,040
506	Cut by 50 percent funding for the Social Services Block Grant program. Most of the $3.4 billion spent annually on this program is directed to intermediary organizations and providers, not recipients. Cutting out these middle-men by replacing these grants with vouchers — for example, child care services — would give poor families greater flexibility and choice.	$280	$1,400	$4,200
550	Reduce National Institutes of Health (NIH) research funding by 15 percent overall, aiming in particular to cut overhead costs by 50 percent. At the current level of $7.5 billion, NIH funding has grown by 84 percent after adjusting for inflation in the past 10 years. Both GAO and CBO repeatedly have found a growing share of NIH grant funds are spent by recipients on "indirect costs" such as maintenance, administration, and depreciation. High priority research would not be affected by this change.	$400	$1,556	$5,350
550	Consolidate the federal administrative cost-sharing programs of AFDC, Medicaid, and Food Stamps into a single remibursement system and improve controls over administrative cost increases. There is considerable overlap between the AFDC, Food Stamp, and Medicaid programs. This measure would encourage states to simplify administration of the programs and reduce bureaucratic costs — without reducing benefits. Welfare recipients would find it less confusing to deal with this unified system.	$470	$1,940	$5,850
553	Eliminate health professionals education subsidies except for disadvantaged and minority students. Convert the remaining monies into a scholarship fund. In some respects, this program has been too successful, as some experts conclude that the U.S. will soon have a surplus of doctors. In 1965 there were 148 doctors for every 100,000 Americans. But by 1988, this number was 233, a 57 percent increase.	$120	$234	$990
570	Identify and recover Medicare secondary payer claims. Medicare is a secondary payer to a variety of private insurance and compensation plans. Because of inaccurate records on these primary payers, Medicare too often ends up paying for services when these costs are the responsibility of the private insurers. The Inspector General of HHS has estimated that more accurate and timely information on primary payers would save as much as $900 million annually.	$500	$900	$3,500

Budget Function Number	Recommended Program Changes	1st Year Savings	5th Year Savings (In Millions)	5-Year Total
570	Reduce Medicare's payments to hospitals for their direct costs of providing graduate medical education — that is, residents' salaries and benefits, teaching costs, and administrative and overhead costs. This system tends to overpay hospitals, especially inefficient hospitals with excessive overhead costs. In effect, this rewards hospital inefficiency. A better system would be to reimburse each hospital the same amount for the same type of resident according to a national average.	$160	$200	$930
570	Reduce to 3 percent Medicare's payments to hospitals for the indirect costs of patient care that are related to a hospital's teaching program. Reviews by the Department of Health and Human Services indicate that current payments are too generous, compensating for more than the actual costs of education. These reviews suggest that this additional payment rate should be lowered to better align payments with the actual costs incurred by teaching hospitals.	$1,550	$2,450	$10,250
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 on inappropriate claim payments. Thus the following savings are net savings.	$1,100	$1,200	$5,720
570	Penalize providers for claims that are not billed electronically to Medicare's Supplementary Medical Insurance (SMI). This recommendation will cut Medicare's administrative and data entry costs, and it will reduce the incidence of errors.	$230	$100	$980
570	Slow the growth in Medicare and Medicaid spending by enacting comprehensive health care reform. There are several reform proposals now on Capitol Hill. Some would cut costs by regulation and setting national health care spending limits. Alternatively, consumer-based proposals would create powerful new incentives to hold down costs. Whichever reform plan is adopted, Medicare and federal Medicaid contributions can be expected to benefit significantly from any reduction in the growth of overall health spending.	$0	$35,000	$71,000
600	Standardize the Federal-State Unemployment Insurance (UI) programs by requiring a two-week waiting period for unemployment benefits. About three-quarters of the states require a one-week waiting period for UI benefits, and the remainder have little or no waiting period. Requiring a two-week waiting period would create uniformity in the system and encourage recipients to look for other work faster.	$0	$1,400	$4,600
602	Extend the prohibition on federal employees taking their retirement benefits in a lump sum. This prohibition was enacted in the 1990 budget agreement and is scheduled to expire in fiscal 1995.	$0	$3,772	$8,629

Budget Function Number	Recommended Program Changes	1st Year Savings	5th Year Savings (In Millions)	5-Year Total
602	Take steps to conform federal retirement to private sector policies. Such measures include: increase from three years to four years the average of the employee's high salary base used to calculate initial pension benefits; and restrict an agency's matching contribution to employee thrift plans to 50 percent. These measures will still give federal employees slightly better pensions than comparable private workers.	$330	$990	$3,130
603	End Trade Adjustment Assistance. This program is intended to give temporary assistance to U.S. workers whose jobs have been lost due to import competition. There is no reason why workers who lose their jobs as a result of foreign competition — if indeed this can be proven — should receive government benefits far exceeding the assistance available to those laid off due to domestic competition.	$220	$200	$1,050
604	Switch to a Random Digit Dialing System in calculating fair market rents for the Section 8 rental assistance program and modify the administrative cost fee structure for local and state agencies that administer the program. Also, eliminate funding for rental vouchers on dwellings not meeting HUD's Housing Quality Standards. HUD is currently calculating fair market rents in an antiquated manner which leads to significant overpayments to many landlords. Using modern market survey techniques will reduce costs without hurting any tenants. HUD is also overpaying local housing authorities to manage the Section 8 program. These administrative payments should be reduced.	$610	$1,710	$5,335
604	Tighten occupancy standards under the Performance Funding System for federal operating and administrative subsidies to local public housing authorities. These administrative and operating subsidies should then be reduced. Currently, about 100,000 of the nation's 1.4 million public housing units are vacant. Yet the federal government makes operating subsidy payments for these units to local housing authorities. On average, HUD pays local authorities about $3,700 per year per unit in total rent and operating subsidies.	$50	$520	$1,350
604	Partially replace new public housing construction with vouchers. New construction of public housing is the most inefficient way of providing housing assistance to the poor. Many studies have found it costs at least twice the amount of money to house a family through new construction than through vouchers.	$2	$440	$907

Budget Function Number	Recommended Program Changes	1st Year Savings	5th Year Savings (In Millions)	5-Year Total
604	Partially replace new construction for the elderly (Section 202) with vouchers. As with housing assistance for the poor, the "bricks and mortar" approach to providing housing is very expensive and inefficient. Vouchers cut these costs in half and allow recipients the flexibility to live where they choose.	$0	$260	$270
604	Eliminate the HUD Utility Adjustment Payment program that defrays a tenant's electric and other utility expenses. Because of the inequity in this program, many tenants in public housing not only pay no rent but actually receive a check from the government for utility payments. Indeed, many tenants receive state and local utility assistance in addition to federal assistance. One public housing project in Ohio received $2,500 per year per household in federal utility assistance.	$25	$35	$145
604	Eliminate from the HUD budget pork barrel projects that serve only state or local interests. Such projects include: $500,000 for a population and marketing analysis center in Towanda, Pennsylvania; $400,000 for the State of Hawaii Real Estate Commission; and $667,000 for the Marshway Project in Chicago.	$0	$130	$430
604	Require competitive bidding in all of HUD's Comprehensive Improvement Assistance Program (CIAP) procurements and create performance-based rather than a needs-based criteria for further CIAP awards. HUD's Inspector General has found extensive non-compliance with contract administration requirements in this program. Local housing authorities are known to issue exclusive contracts to favored companies, purchase the highest-cost supplies, and just send the bill to HUD.	$300	$500	$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. HUD is open to substantial loan defaults by developers who are often over-mortgaged and cannot charge market rates for their units. Allowing developers to prepay these loans can prevent sizeable taxpayer losses. Turning half of the current $618 million in construction subsidies into tenant vouchers would give low-income renters greater choice in housing if the owners choose to prepay.	$320	$650	$2,350
604	Maintain the current number of housing assistance commitments. In fiscal 1991, about $4.6 million low-income individuals received housing assistance at an annual cost of $17 billion. Freezing for five years the number of housing assistance slots at $4.6 million would not harm current recipients. The natural turnover process would still allow this program to assist newly eligible households.	$70	$1,850	$3,450

Budget Function Number	Recommended Program Changes	1st Year Savings	5th Year Savings (In Millions)	5-Year Total
604	Include the value of food stamps when calculating income eligibility for Section 8 and other public housing benefits. Recipients are expected to pay rent equal to 30 percent of their income. However, non-cash benefits are excluded from the accounting of income. Rental payments should be based upon an accurate accounting of cash and non-cash income. Most public housing residents have income above the poverty level when non-cash benefits are included in the calculation of their income.	$1,080	$1,350	$6,150
605	Require states to reimburse the federal government for all overpayment errors caused by state administrators in the food stamp program. In fiscal 1988, the national overpayment error rate for food stamps was 7.4 percent, resulting in erroneous overpayments by Washington of nearly $900 million. States currently have no incentive to control errors since all the program's benefits and half of the administrative costs are paid by the federal government. Penalizing states for these errors will give them greater incentives to oversee the program.	$500	$1,600	$5,600
605	Restrict subsidies under the child nutrition and school lunch programs to families below 185 percent of the poverty threshold. These nutrition programs do help the poor, but typify the middle- and upper-middle income entitlement programs that add substantially to the federal deficit. The poor actually could be better served if the program were specifically targeted to them and not the middle class.	$1,000	$1,500	$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. This requirement would have the dual effect of encouraging households to become independent and also reduce program costs.	$50	$200	$600
609	Restrict the eligibility of low-income home energy assistance (LIHEAP) to those with incomes below 130 percent of the poverty threshold, and reduce funding by 25 percent. This program duplicates other federal utility assistance in addition to state and local utility assistance programs.	$730	$880	$4,100
609	Limit the housing allowance for AFDC families who live in subsidized public housing. Nearly one quarter of the 4 million AFDC families live in subsidized housing. A share of the normal AFDC benefit is intended to cover housing costs. Yet families in this housing receive the same AFDC benefits as those not in subsidized housing.That should be corrected, as this creates a large inequity in benefits.	$500	$800	$3,000

Budget Function Number	Recommended Program Changes	1st Year Savings	5th Year Savings (In Millions)	5-Year Total
609	Limit to 10 percent per annum the growth of administrative costs in the Foster Care program. The administrative costs of this program are projected to grow at 19 percent per year nationwide for the next several years, after increasing from about $50 million in 1981 to more than $450 million in 1989. These costs can be controlled without curbing services to foster care families.	$65	$480	$1,285
700	Close inefficient or underused facilities in veterans' hospitals. According to the CBO this measure would cut the number of expensive veterans' medical facilities with low caseloads or occupancy rates. Closing these facilities would not eliminate VA care for veterans, but needed care would be provided more economically.	$65	$340	$1,100
700	Promote more efficient management and delivery of health care for veterans. Veterans' hospitals have a long history of inefficiency and high cost. These costs can be controlled through a funding mechanism similar to Medicare's prospective payment system, which sets fixed payents for services. Greater efficiency can be achieved by allowing the VA more flexibility in altering facility and staff needs.	$170	$1,390	$3,420
700	Raise the loan-origination fee charged for housing loans guaranteed by the Department of Veterans Affairs (VA). The current loan-origination fees are far below those found in the private mortgage lending market. Raising these fees would institute sound business practices in this program and lessen future losses and defaults.	$260	$300	$1,400
700	Extend the current law (due to expire on September 30, 1992) that requires the Internal Revenue Service to verify incomes reported by veterans in order to more accurately determine pension and benefit eligibility.	$25	$110	$340
700	Extend the current law (due to expire on October 1, 1993) that requires the Veterans Administration to recover some veterans' medical care costs from the patient's private insurer.	$170	$270	$1,140
752	End funding for the Legal Services Corporation (LSC) which, in part, is intended to provide legal assistance to the poor. However, many of the legal issues handled by LSC attorneys relate to state and local laws concerned with divorce and landlord-tenant disputes. As such these services should be funded by local governments. LSC lawyers also engage in legal activism and political activities such as lobbying legislatures and local ballot initiatives. Taxpayers should not have their tax dollars go to lawyers who turn around and sue the government.	$320	$410	$1,900

Budget Function Number	Recommended Program Changes	1st Year Savings	5th Year Savings (in Millions)	5-Year Total
800	Cut by half congressional staff, eliminate the franking privilege, and privatize the Government Prining Office. The size of personal and committee staffs stands at 17,000, triple the number in 1960. This averages out to 60 staffers for each Senator and 26 for each House member. Members' free mailing privileges cost taxpayers about $85 million annually. The bulk of this mail is unsolicited, and is used for reelection purposes. The GAO has found that the Government Printing Office is twice as expensive as commercial printers.	$205	$500	$1,965
900	Freeze for one year the total level of federal civilian employee compensation. Total compensation (excluding benefits) for full-time and part-time civilian employees is nearly $110 billion annually.	$2,800	$9,500	$38,500
920	Sell gradually increasing portions of the government's loan portfolio to the private sector. The federal government currently holds $205 billion worth of direct loans outstanding. According to OMB, 1.9 percent of these direct loans are in default this year. These assets should raise a minimum of $2 billion the first year, climbing $2 billion every year thereafter, reaching $10 billion by 1997.	$2,000	$10,000	$30,000
920	Terminate most federal commissions. These terminations should include: 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 Franklin Delano Roosevelt Memorial Commission.	$142	$272	$645
920	Reform the federal blue collar employee salary structure. Reevaluate the pay rates for non-key jobs and reform the step classification system within each occupational grade level to bring federal pay into line with private sector pay rates. The federal government spends over $140 billion per year, equal to 2.4 percent of gross domestic product, on civilian employee salaries and benefits. Many of these pay scales are far above comparable private sector rates.	$500	$1,000	$3,000
950	Auction to the private sector the Federal Communications Commission's (FCC) electromagnetic spectrum. This should include all the frequencies reserved for new technologies such as next generation cellular mobile phones, also known as Personal Communications Services (PCS). An auction system would insure that these frequencies were alloted in a competitive manner with the benefits captured by the taxpayer.	$0	$10,000	$20,000
999	Reduce the amount of overhead and administrative costs covered by federal research grants to universities. The lion's share of federal research grants should fund research, not extraneous expenses such as maintenance and student services.	$330	$830	$3,400

Budget Function Number	Recommended Program Changes	1st Year Savings	5th Year Savings (In Millions)	5-Year Total
999	Disallow from federal grants the interest charges on unfunded actuarial liabilities of local government pension plans. According to the HHS Inspector General, the interest associated with unfunded actuarial liabilities of state and local government pension plans is incurred as a cost of federally funded programs. The Inspector General estimates the gross federal share of local government pension interest expenses at between $1.3 billion and $2 billion annually.	$820	$2,000	$6,725
999	Lower by 15 percent the travel budgets of non-postal civilian agencies, then cap the future growth at the inflation rate. Agency travel costs have risen sharply in the past ten years, outpacing the inflation rate. In 1987, civilian travel expenses cost the government roughly $1,500 per employee. By fiscal 1991, this had climbed to roughly $2,000. These costs can be cut without affecting the agency's duties.	$90	$840	$2,280
999	Freeze for two years at current levels the overhead costs of non-postal civilian agencies (such as transportation and rental costs, phone and utility costs, printing, supplies, and equipment) — excluding employee travel. After two years, allow growth only at the inflaiton rate. Some 24 cents of every tax dollar spent on domestic programs — or about $210 billion — pays for the overhead expenses of federal civilian agencies. These costs are in addition to the more than $100 billion per year spent on civilian employee wages and benefits. In total, these two spending categories consume nearly 40 cents of every federal tax dollar spent on domestic programs. Cutting overhead costs thus will not hurt the ability of agencies to perform their duties.	$9,860	$43,777	$136,666
999	Repeal the Service Contract Act, which requires contractors to pay "prevailing wages" on federally funded service contracts. This law artificially inflates the cost of federal service contracts by as much as $500 million annually and creates an unfair barrier for many entry-level workers, who tend to be the poor and minorities.	$500	$750	$3,025
999	Repeal the 1931 Davis-Bacon Act. This law forces contractors to pay the "prevailing wage" on all federally funded construction contracts. In practice this means the union rate must be paid. When the legislation was enacted, the general purpose was to keep black workers off federal construction sites. That is precisely what it has done in large part during the last sixty years. The reason is that artificially high wage rates for federal projects make it uneconomical to recruit lower-skilled local workers, who are disproportionately minority Americans.	$312	$1,523	$5,329
	Non-Defense Total Savings	$49,405	$220,252	$662,934