RSC
Republican Study Committee

"Operation Offset"

September 21, 2005

RSC BUDGET OPTIONS 2005

(REVISED 9/22/2005)

Summary and Explanation of Offsets

"Give us a quiet room, copies of the spending bills, a box of red pencils, and watch what happens."
—Constituent from New Mexico

Rep. Mike Pence, RSC Chairman
Rep. Jeb Hensarling, RSC Budget & Spending Task Force Chairman

RSC BUDGET OPTIONS 2005
OPERATION OFFSET

Summary and Explanation of Offsets

TITLE I: TOUGH CHOICES IN TOUGH TIMES

Table 1: Summary of Savings in Title I
(Savings from Baseline, in Millions of Dollars)

	2006	5-year savings	10-year savings
Delay the Medicare Prescription Drug Bill for One year	-30,800	-30,800	-30,800
Repeal the Highway Earmarks in TEA-LU	-25,000	-25,000	-25,000
Reduce Medicaid Administrative Spending	-600	-4,230	-12,860
Increase Allowable Co-pays in Medicaid	-90	-1,970	-7,730
Block Grant Medicaid Acute Services	-2,300	-44,000	-225,000
Reduce Farm Payment Acreage by 1%	-31	-452	-941
Eliminate Subsidized Loans to Graduate Students	-840	-4,170	-8,555
Base New Federal Retiree Health on Length of Service	-130	-1,560	-6,330
Increase Medicare Part B Premium from 25% to 30%	-4,650	-33,500	-84,770
Restructure Medicare's Cost-Sharing Requirement	-4,750	-34,230	-87,460
Impose a Home Health Co-payment of 10%	-1,470	-11,800	-31,480
Update the Formula Used for Federal Pension	-50	-1,305	-5,170
SUBTOTAL: Tough Options	-70,711	-193,017	-526,096

Delay the Medicare Prescription Drug Program for One Year
Under current law, the prescription drug benefit becomes effective on January 1, 2006, and OMB has estimated that it will cost as much as $1.2 trillion over the next ten years. Anyone with Medicare Part A or Part B may enroll in the prescription drug plan, and will be eligible for prescription drugs at discounted prices. In light of current budget constraints, it is prudent domestic fiscal policy to delay implementation of the prescription drug benefit for one year while continuing the current drug discount card program.
Savings: $30.8 billion over ten years

Repeal the Highway Earmarks in TEA-LU

The recently passed FY06 Highway Bill, also known as TEA-LU, contained more than 6,000 earmarks, worth nearly $25 billion. Some of the most egregious examples include $200 million for the “bridge to nowhere,” a bridge in Alaska that would serve an island with 50 residents, $75 million for metro extension in Washington, D.C., $15 million to purchase three ferries and establish a ferry system from Rockaway Peninsula to Manhattan, New York, and $2.5 million for the Blue Ridge Music Center. For comparison, the 1998 transportation bill was considered a major budget buster at the time with 1,850 earmarks and a veto threat from President Clinton. In just seven years, Congress has added over 4,000 earmarks to the bill. Savings: $25 billion over ten years

Reduce Medicaid Administrative Spending

The federal government currently reimburses states for about 50 percent of the cost of managing their Medicaid programs. Under this option, the federal government would cap the per-enrollee amount that it pays each state for Medicaid administration. This would give states a stronger incentive to improve the efficiency with which they manage their Medicaid programs. Savings: $12.9 billion over ten years ($4.2 billion over five years)

Increase Allowable Co-payments for Medicaid

Although states are allowed a great deal of discretion in designing their Medicaid programs, federal rules have traditionally limited cost-sharing requirements for beneficiaries. This option would raise the federal limits on *allowable* co-payments in Medicaid--from $3 for adults and zero for children to $5 and $3, respectively. The higher co-payments would apply to outpatient hospital visits, prescription drugs, non-emergency visits to emergency rooms, and visits to physicians and dentists. Increased co-payments would encourage a more cost-conscious use of services by beneficiaries, reducing the number of unnecessary medical services provided. Savings: $7.7 billion over ten years ($2.0 billion over five years)

Block Grant Medicaid and Index for Population and Inflation

The Medicaid program funds coverage for two broadly different types of health care: acute care (including services such as inpatient hospital stays and visits to physicians’ offices, and products such as prescription drugs) and long-term care (services such as nursing home care and home and community-based assistance). The program is financed jointly by the states and the federal government, with the federal government’s share determined as a percentage of overall Medicaid spending. That percentage, referred to as the federal matching rate, can range from a floor of 50 percent to a ceiling of 83 percent, depending on a state’s per capita income. This option would convert the federal share of Medicaid payments for acute care services into a block grant, as 1996 legislation did with funding for welfare programs, that would be increased annually for inflation and state population growth. (Long-term care would continue to be financed using the matching rate.) Funding acute care with a block grant rather than with federal matching payments would strengthen states' incentive to spend money cost-effectively by eliminating the subsidy for each additional dollar spent on health care. Savings: $225 billion over ten years ($44 billion over five years)

Reduce Farm Payment Acreage by 1%

Farmers are subsidized according to acreage and average yield, regardless of what is actually produced on the farm. Significant savings could be achieved proportionally by using 84% instead of 85% of acreage in the payment formula without adversely affecting producers of a specific commodity. Savings: $941 million over ten years ($452 million over five years)

Eliminate Subsidized Loans to Graduate Students

The federal government has extensive loan options for financing education. Students have likely had government help paying for college, if there was financial need. Graduate students make an informed decision to invest in their own futures and should bare the costs of schooling, especially since private interest rates are currently low. This reform would allow federal higher education funding to be focused on college students while still allowing graduate students to benefit from unsubsidized federal loans. Savings: $8.6 billion over ten years ($4.2 billion over five years)

Base New Federal Retiree Health Benefits on Length of Service

Federal retirees are generally allowed to continue receiving benefits from the Federal Employees Health Benefits (FEHB) program if they have participated in the program during their last five years of service and are eligible to receive an immediate annuity. More than 80 percent of new retirees elect to continue health benefits. This option would reduce health benefits for new retirees who had relatively short federal careers, although it would preserve their right to participate in the FEHB program. This could make the government's mix of compensation fairer and more efficient by improving the link between length of service and deferred compensation, and would also help bring federal benefits closer to those of private companies. Savings: $6.3 billion over ten years ($1.6 billion over five years)

Increase Medicare Part B Premium from 25% to 30%

Medicare provides health insurance coverage for physicians' services and hospital outpatient services through its Supplementary Medical Insurance (SMI) program, or Medicare Part B. Monthly premiums paid by enrollees partially fund SMI benefits; general federal revenues fund the remainder. Initially, the SMI premium was supposed to cover 50 percent of program costs. But that share declined between 1975 and 1983, eventually reaching less than 25 percent. This reform would set the SMI premium equal to 30 percent of the cost of Part B benefits, beginning in 2006. This would reduce Medicare's costs amid the broader budgetary pressures posed in part by the aging of the baby-boom generation. Savings: $84.8 billion over ten years ($33.5 billion over five years)

Restructure Medicare's Cost-Sharing Requirements

In the fee-for-service Medicare program—consisting of Part A (Hospital Insurance) and Part B (Supplementary Medical Insurance)—beneficiaries' cost sharing varies significantly depending on the type of service provided. At the same time, certain Medicare services, such as home health visits and laboratory tests, require no cost sharing. This option would replace the current complicated mix of cost-sharing provisions with a single combined deductible covering all services in Parts A and B of Medicare, a uniform coinsurance rate of 20 percent for amounts above that deductible (including inpatient expenses), and an annual cap on each beneficiary's total cost-sharing liabilities. This would provide greater protection against catastrophic costs while reducing Medicare's coverage of more predictable expenses. Savings: $87.5 billion over ten years ($34.2 billion over five years)

Impose a Home Health Co-payment of 10%

Medicare's spending for home health care dropped during the late 1990s following passage of the Balanced Budget Act of 1997, which introduced a prospective payment system (PPS) for home health services. But the Congressional Budget Office projects that the use of home health services, and the resulting costs to the Medicare program, will grow rapidly over the next 10 years. One reason for the projected rapid growth is that Medicare beneficiaries are not currently required to pay any of the cost of home health services covered by the program. This reform would charge beneficiaries a co-payment amounting to 10 percent of the total cost of each home health "episode"—a 60-day period of services—covered by Medicare, starting on January 1, 2006. This would directly offset a portion of Medicare's home health outlays and encourage beneficiaries to be cost-conscious in their use of home health services. Savings: $31.5 billion over ten years ($11.8 billion over five years)

Update Formula Used for Federal Pensions from Three Years to Five Years
The government's major retirement plans for civilian employees, the Federal Employees Retirement System (FERS) and the Civil Service Retirement System (CSRS), provide initial benefits that are based on average salary during an employee's three consecutive highest-earning years. Switching to a five-year average for new retirees would align federal practices with those in the private sector, which commonly uses five-year averages to calculate a worker's base pension. Savings: $5.2 billion over ten years ($1.3 billion over five years)

TITLE II: RESTRAINING FOREIGN AID

Table 2: Summary of Savings in Title II
(Savings from Baseline, in Millions of Dollars)

	2006	5-year savings	10-year savings
Eliminate US Subscriptions to the European Bank	-36	-184	-386
Reduce Economic Assistance to Egypt	-12	-400	-1,200
Eliminate Millennium Challenge Accounts	-1,750	-9,415	-24,352
Level Funding for Peacekeeping Operations	-93	-500	-1,294
Eliminate International Fund for Ireland	-14	-75	-195
Level Funding for Global AIDS Initiative	-546	-2,938	-7,598
Level Funding for Inter-American Foundation	-2	-11	-28
Level Funding for the African Development Foundation	-2	-11	-28
Level Funding for the Peace Corps	-8	-43	-111
Level Funding for Andean Counter-Drug Initiative	-9	-48	-125
Reduce USAID Operating Expenses	-57	-307	-793
Level Funding for the International Development Assoc.	-107	-576	-1,489
Level Funding for Asian Development Bank	-16	-86	-223
SUBTOTAL: Restraining Foreign Aid	-2,652	-14,594	-37,822

Eliminate U.S. Subscriptions to the European Bank for Reconstruction and Development
These loans to Central and Eastern European nations, which overwhelmingly end up in private hands, are not the responsibility of the U.S. Government. 2005 is the final year of an eight-year subscription and a sensible time to end our participation in propping up organizations with loans considered unwise by the private sector. Again, internal financial industry reforms are needed. Savings: $386 million over ten years ($184 million over five years)

Reduce Economic Assistance to Egypt
Since 1979, Congress has provided foreign aid to Egypt, as many other nations do. However, Egypt has been unable to spend all our funds and delayed internal reforms needed to foster self-sustaining growth. Despite being the second largest recipient of U.S. foreign assistance, Egypt's democratic development has been extremely limited and its human rights record remains poor, according to the Department of State's Country Reports on Human Rights Practices for 2004. Egyptian authorities continue to mistreat and torture prisoners, arbitrarily arrest and detain persons, hold detainees in prolonged pretrial detention, and occasionally engage in mass arrests without charge. Savings: $1.2 billion over ten years ($400 million over five years)

Eliminate Millennium Challenge Accounts
President Bush's initiative to restructure foreign aid to reward and therefore provide incentives to countries taking steps towards economic independence has been added on top of, *instead of replacing*, the still growing USAID budget. Savings: $24.4 billion over ten years ($9.4 billion over five years)

Level Funding for U.N. Peacekeeping Operations
The United States is the largest financial contributor to the U.N. peacekeeping budget. Current military obligations in Iraq and Afghanistan, including U.S. peacekeeping efforts in the region, are not deducted from what the U.N. assesses the U.S. in dues. Freezing the account maintains current commitments, while recognizing the need for other countries to support additional peacekeeping expenses. Savings: $1.3 billion over ten years ($500 million over five years)

Eliminate International Fund for Ireland
This is a targeted economic development grant program for Northern Ireland, an economy that has seen marked improvement and an area that has lower unemployment than the U.S. Savings: $195 million over ten years ($75 million over five years)

Level Funding for Global AIDS Initiative
In FY05, Congress appropriated $1.37 billion for the new Global HIV/AIDS Initiative, which exceeded the previous year's funding and the President's funding request. Level funding the program would save billions of dollars, while still funding international HIV/AIDS programs of prevention, treatment and care at record levels. Savings: $7.6 billion over ten years ($2.9 billion over five years)

Level Funding for the Inter-American Foundation
IAF makes approximately 60 new grants each year to non-profit and community-based programs in Latin America and the Caribbean to organizations that promote entrepreneurship, self-reliance, and economic progress for the poor. Latin American countries are getting stronger and the public and private sector in Latin America should fund their own nonprofit organizations. Savings: $28 million over ten years ($11 million over five years)

Level Funding for African Development Foundation
ADF makes small grants directly to African cooperatives and self-help organizations for between $20,000 and $250,000, and supports grassroots African development research and community projects. This type of work could be funded by other organizations, including those in the international community. Savings: $28 million over ten years ($11 million over five years)

Level Funding for the Peace Corps
This organization sends Americans to serve at the grassroots level in villages and towns in poor countries. This program's long-term benefits to the federal government are limited and keeping volunteers safe is becoming more and more difficult and expensive. Freezing funding would continue current commitments. Savings: $111 million over ten years ($43 million over five years)

Level Funding for Andean Counter-Drug Initiative
In 2001, the Bush Administration proposed $882 million in FY2002 economic and counter-narcotics assistance, as well as extension of trade preferences and other measures, for Colombia and regional neighbors in an initiative called the "Andean Regional Initiative" (ARI). The program focuses on military and counter-drug assistance. Savings: $125 million over ten years ($48 million over 5 years)

Reduce USAID Operating Expenses
USAID provides grants to foreign entities in various areas of assistance. For example, USAID funds have been used to send employees on expensive, oversees conferences, such as to Barcelona and Thailand. Savings: $793 million over ten years ($307 million over five years)

Level Funding for the International Development Association
The IDA is a member of the World Bank Group and provides development financing in the form of grants and no-interest loans to the world's poorest nations. IDA's gross disbursements were $6.9 billion in 2004, and the U.S. provides approximately 14 percent of donor contributions. The U.S. is working on a results oriented framework to ensure these loans to poor countries are effective. Level funding will produce significant overall savings while having minimal negative impact of this program. Savings: $1.5 billion over ten years ($576 million over five years)

Level Funding for the Asian Development Bank (ADB)
Based in Manila, ADB is a multilateral development finance institution focusing on reducing poverty in Asia and the Pacific. The vast majority of the member countries providing funding are from the region. Level funding will produce significant overall savings while having minimal negative impact on this program. Savings: $223 million over ten years ($86 million over five years)

TITLE III: REPRIORITIZATION OF FEDERAL SPENDING

Table 3: Summary of Savings in Title III
(Savings from Baseline, in Millions of Dollars)

	2006	5-year savings	10-year savings
Eliminate the National Science Foundation Math and Science Program	-188	-973	-2,036
Cancel NASA's New Moon/Mars Initiative	-1,493	-11,511	-44,042
Eliminate State and Community Grants for Energy Conservation	-36	-223	-479
Eliminate Money-Losing Timber Sales	-130	-710	-1,550
Scale Back the Conservation Security Program	-58	-2,216	-6,676
Limit Future Enrollment in the Conservation Reserve Program	-14	-1,910	-5,285
Eliminate the National Parks Heritage Areas and Statutory Aid	-26	-134	-280
Eliminate Federal Grants for Wastewater Infrastructure	-950	-9,899	-23,332
Eliminate the Energy Star Program	-75	-391	-835
Eliminate the Science to Achieve Results Program	-90	-472	-1,007
Eliminate Payments to Socially Disadvantaged Farmers and Ranchers	-6	-32	-83
Reduce Federal Subsidies for Amtrak	-250	-1,250	-2,500
Eliminate the Next Generation of High-Speed Rail	-20	-105	-220
Eliminate the New Starts Transit Program	-1,204	-6,055	-12,200
Eliminate the Essential Air Service	-103	-525	-1,075
Drop Wealthy Communities from CDBG	-837	-4,330	-9,064
Convert Rural Community Advancement Program to State Revolving Funds	-12	-194	-4,517
Eliminate the Neighborhood Reinvestment Corporation	-116	-600	-1,257

	2006	5-year savings	10-year savings
Eliminate the Community Development Financial Institutions Fund	-52	-270	-566
Eliminate the Economic Development Administration	-201	-1,081	-2,797
Eliminate the Minority Business Development Agency	-30	-161	-417
Eliminate State Grants for Safe and Drug-Free Schools	-444	-2,298	-4,810
Eliminate the Even Start Program	-114	-592	-1,238
Eliminate Teen Funding Portion of Title X Family Planning	-95	-511	-1,322
Eliminate the Administration Fees to Schools	-144	-744	-1,557
Eliminate the Leveraging Educational Assistance Program	-67	-345	-722
Eliminate Funding for the National and Community Service Act	-560	-3,000	-6,480
End the Redistribution of Unused Federal Funds from SCHIP	-20	-350	-1,140
Eliminate Childless Adult Coverage in SCHIP	n/a	-330	-660
Eliminate Funding for Penile Implants Under Medicare	n/a	-4	-8
Tie Rent Subsidies for One Person to Cost of Efficiency Apartments	-62	-894	-3,146
Eliminate School Lunches for Students Above 350% of Poverty	-125	-3,150	-6,690
Remove Ceiling for Collecting Overpayments from SSI	-70	-425	-920
Verify Income of Earned Income Tax Credit Participants	-8,500	-42,500	-85,000
Eliminate Fiscal Assistance to District of Columbia	-154	-800	-1,675
Require IRS to Deposit Fees Collected by Treasury	-91	-473	-989
Eliminate Presidential Election Campaign Fund	-55	-275	-550
Eliminate the Federal Anti-Drug Advertising	-122	-631	-1,320
Eliminate Federal Funding for the Corporation for Public Broadcasting	-400	-2,152	-5,566
Raise the Threshold for Davis-Bacon Coverage	-200	-1,025	-2,130
Charge Federal Employees for Parking	-140	-720	-1,540
Eliminate Legal Services Corporation	-331	-1,781	-4,606
Eliminate High Intensity Drug Trafficking Area Program	-227	-1,221	-3,159
United States Postal Service Foregone	-43	-231	-598
Decline Member Pay Raise	-2	-9	-24
Reduce Bureau of Land Management Construction	-6	-32	-83
Reduce Fish and Wildlife Construction	-26	-140	-362
Eliminate Funding for the National Endowment for the Arts	-126	-678	-1,753
Eliminate Funding for National Endowment for Humanities	-143	-769	-1,990
Eliminate Funding for the Forest Service's Economic Action Program	-10	-54	-139
Reduce Funds for the Water Quality Cooperative Agreement	-15	-81	-209
Reduce Funds for Bureau of Indian Affairs School Construction	-36	-194	-501
Reduce Funds for Forest Service Capital Improvements	-60	-323	-835
Reduce Funds for the NCRS Operations	-26	-140	-362
Reduce Funds for Waste Disposal Grants	-116	-624	-1,614

	2006	5-year savings	10-year savings
Reduce Funds for Cooperative State Research and Education	-110	-592	-1,531
Eliminate Rural Empowerment Zone Grant	-10	-54	-139
Eliminate Citrus Canker Compensation	-10	-54	-139
Reduce DOE Environmental Management	-400	-2,152	-5,566
Eliminate the Appalachian Regional Commission	-39	-210	-543
Eliminate the Denali Commission	-3	-16	-42
Eliminate Native Hawaiian Funding	-40	-215	-557
Level Funding for Community Health Centers	-100	-538	-1,392
Reduce Funding for the Centers for Disease Control	-1,797	-9,668	-25,006
Reduce Funding for the Airport Improvement Program	-600	-3,228	-8,349
SUBTOTAL: Reprioritization	-21,530	-127,265	-307,180

Eliminate the National Science Foundation Math and Science Program
The NSF promotes math and science education by improving teacher training and developing instructional material. However, the program is now duplicative of programs at the Department of Education, including the Math and Science Partnership authorized by No Child Left Behind. Savings: $2 billion over ten years ($973 million over five years)

Cancel NASA's New Moon/Mars Initiative
In 2004, the President announced a new initiative to explore the Moon and Mars with the goal of returning humans to the Moon by 2020. NASA currently intends to use the savings from phasing out the space shuttle in 2012 to fund this program. Savings: $44 billion over ten years ($11.5 billion over five years)

Eliminate State and Community Grants for Energy Conservation
The Department of Energy provides grants to state and local governments for energy conservation efforts, including grants to help educational and health care institutions reduce their energy use. In addition, grants are provided to state and municipal programs to establish energy efficiency standards and promote car pooling. However, this program is duplicative of other federal efforts, including LIHEAP and the Clean Air Act. Savings: $479 million over ten years ($223 million over five years)

Eliminate Money-Losing Timber Sales
Timber sales in the National Forest System, under the direction of the Forest Service, are incurring more administrative costs then revenues collected from harvesting the timber. According to CBO, in 2002, program costs exceeded timber sales by $146 million. Eliminating timber sales in four regions where expenditures were more than twice the receipts would save money and lessen the depletion of timber resources. Savings: $1.6 billion over ten years ($710 million over five years)

Scale Back the Conservation Security Program
CSP provides farmers with financial and technical assistance to promote energy, soil, water and plant conservation. However, many of the farmers to whom financial assistance is given have already adopted conservation practices, and often times adoption of the practices costs less than the assistance subsidy itself. The program could be scaled back by simply eliminating *new* enrollments and by eliminating certain "bonus" payments (for additional conservation efforts), leaving intact existing contracts. Savings: $6.8 billion over ten years ($2.2 billion over five years)

Limit Future Enrollment in the Conservation Reserve Program
CRP pays farmers not to farm their land. Setting a cap on future enrollment (such as 36.4 million acres) and prohibiting new enrollees would scale back the program's expenses while allowing current enrollees to re-enroll. Savings: $5.3 billion over ten years ($1.9 billion over 5 years)

Eliminate the National Parks Heritage Areas and Statutory Aid
Both of these programs assist local communities in preserving and establishing areas of natural, historical, or cultural significance. These funds were meant to be "seed" money, and the local communities intended to self-finance at a certain point. This has not yet occurred. Savings: $280 million over ten years ($134 million over five years)

Eliminate Federal Grants for Wastewater Infrastructure
The federal government assists states in achieving federally mandated water quality standards by providing wastewater grants. Although congressional authorization for these grants has expired, Congress continues to provide the necessary funding. Some contend that by providing failing states with these grants, the federal government is giving the states an incentive to retain poor wastewater treatment infrastructure. Savings: $23.3 billion over ten years ($9.9 billion over five years)

Eliminate the Energy Star Program
The Energy Star Program encourages consumers and organizations to produce and purchase energy saving items for their home or business with its label and certification. For example, if a company's products meet a certain energy efficiency standard, they may place the Energy Star label on their product. Some contend the program does not actually yield any energy savings, and that the labels are too vague to share any educational information with the consumer. Savings: $835 million over ten years ($391 million over five years)

Eliminate the Science to Achieve Results Program
The STAR program is a competitive grant program designed to fund science research that relates to the mission of the EPA. A recent OMB report stated the much of the research funded under this program is highly duplicative of research already being conducted at other agencies. Additionally, a National Research Council study of the program concluded the EPA does not efficiently utilize outside experts in planning its research agenda. Savings: $1 billion over ten years ($472 million over five years)

Eliminate Payments to Socially Disadvantaged Farmers and Ranchers
The Socially Disadvantaged Farmers and Ranchers Competitive Grant Program provides funds to land-grant, Hispanic-serving, and Native American-serving institutions, to assist "socially disadvantaged farmers" who own and operate farms. This program is duplicative since these same farmers are eligible for all other farm programs. Savings: $84 million over ten years ($32 million over five years)

Reduce Federal Subsidies for Amtrak
When Amtrak was founded in 1970, Congress only intended to subsidize passenger rail until it could become self-sufficient. 30 years of funding history suggests that end is unrealistic, and travelers have many other modes of transportation available. Significant savings could be achieved by ceasing to operate a few very expensive long-distance routes, which serve a limited ridership, and continuing to offer only profitable services as a business would. Savings: $2.5 billion over ten years ($1.3 billion over five years)

Eliminate the Next Generation of High-Speed Rail
Since 1994, Congress has funded research to facilitate passenger rail above 125 miles per hour, but little progress has been made. Existing trains and tracks are not suitable for such high speeds, and incremental

improvements to infrastructure are currently a better investment than new technology. The private sector has largely chosen to wait and see if other countries can make a profit off this technology. Savings: $220 million over 10 years ($105 million over five years)

Eliminate the New Starts Transit Program

This program funds new light rail (subway-type) projects, but research shows that buses transport urban populations more cost-effectively and are more flexible. State and local governments could still use federal aid distributed by formula grants for new rail projects, at the discretion of local officials who best know the community's needs. Savings: $12.2 billion over 10 years ($6.1 billion over five years)

Eliminate the Essential Air Service

Essential Air Service subsidizes air service in communities with federally mandated service before deregulation in 1978. The cost per passenger has gone as high as $500, but averages around $200. Given the proliferation of options, many travelers prefer to drive to a larger airport where they can find an even better fare than a subsidized flight from the small community. If small communities consider air service important, they could provide these subsidies themselves. Savings: $1.1 billion over 10 years ($525 million over five years)

Drop Wealthy Communities from CDBG

The Community Development Block Grant (CDBG) program provides annual grants to communities to help eliminate slums and promote economic development. CDBG is open to all urban areas with a population of 50,000, regardless of how many residents are in poverty. The existing formula actually favors wealthier areas, so this reform would refocus CDBG grants on needier areas, given that federal funding of community development may be inappropriate and should certainly be limited. Savings: $9.1 billion over ten years ($4.3 billion over five years)

Convert the Rural Community Advancement Program to State Revolving Funds

The Department of Agriculture's Rural Community Advancement Program (RCAP) helps poor rural communities by providing loans and grants for water projects and economic development. Establishing state revolving funds instead would eventually eliminate the need for annual appropriations, and states could increase their capital by leveraging the initial federal funding in the private sector. These projects should be orchestrated by state and local governments, and phasing out federal funding would ensure needs are met and savings can be achieved in the long run. Savings: $4.5 billion over ten years ($194 million over five years)

Eliminate the Neighborhood Reinvestment Corporation

This public, nonprofit organization to revitalize distressed neighborhoods oversees a network of locally operated groups engaged in housing and community-building activities. Not only do similar federal programs exist under HUD, but communities themselves should be funding the startup and operation of these purely local entities. Savings: $1.3 billion over ten years ($600 million over five years)

Eliminate the Community Development Financial Institutions Fund

This Treasury Department fund was created in 1994 to expand credit, investment capital, and financial services in distressed communities. This is another program that is redundant within the federal government and belongs at the state and local level. Savings: $566 million over ten years ($270 million over five years)

Eliminate the Economic Development Administration

EDA provides assistance to rural and urban regions to help generate job growth in "distressed communities." The President's FY06 Budget called for cutting EDA funding and consolidating the program with over 15 others that are a duplication of federal economic and community development programs. Savings: $2.8 billion over ten years ($1.1 billion over five years)

Eliminate the Minority Business Development Agency
MBDA provides funding for various Minority Business Development Centers, designed to assist minority entrepreneurs get businesses up and running. This program is duplicative of several other business development assistance programs offered to all business owners. Savings: $417 million over ten years ($161 million over five years)

Eliminate State Grants for Safe and Drug-Free Schools
These grants to states are to discourage violence and the use of illegal substances such as alcohol, cigarettes, and drugs. States receive SDFSCA funding on the basis of their school-age population and number of poor children but statistics suggest programs are ineffective. In addition, studies show that schools are among the safest places in the country and relatively drug free. Savings: $4.8 billion over ten years ($2.3 billion over five years)

Eliminate the Even Start Program
The Even Start program funds educational services to parents who have not finished high school. However, the administrative fees are extremely high, the program is duplicative and there is no evidence of meaningful success. This reform would eliminate grants to states and redirect half of those funds to other federal early childhood education programs. Savings: $1.2 billion over ten years ($592 million over five years)

Eliminate Teen Funding Portion of Title X Family Planning
HHS reports that 1/3 of Title X clients are teens. The program was designed in the 1970s to pay for family planning for the poor. Federal regulations allow teenagers to qualify on their own income as “poor” and thus qualify for free and reduced-priced contraceptives, including the IUD, the injection drug Depo-Provera, and the morning-after pill to teenagers, without any parental involvement or consent. $286 million is spent on the program each year, and if 1/3 of funds spent are spent on teens, that totals $95 million per year. Savings: $1.3 billion over 10 years ($511 million over five years)

Eliminate the Administrative Fees to Schools
For some college loan programs, the government pays each school to administer its program and determine the recipients. Schools will continue to benefit from participating in federal student aid programs even without the payments, because the aid makes attendance at those schools more affordable. Costs could alternatively be passed along to students at around $5 per loan. Savings: $1.6 billion over ten years ($744 million over five years)

Eliminate the Leveraging Educational Assistance Program
This program helps states provide matching grants for needy college students, but is no longer necessary since almost all states operate programs far larger than the federal contribution. Savings: $722 million over ten years ($345 million over five years)

Eliminate funding for the National and Community Service Act
AmeriCorps and similar organizations, through federal, state local and private funding, perform community services like assisting in schools. Many participants receive a living stipend, health insurance and child care, making it more like a job than volunteerism. In addition, there is no income requirement, potentially depriving needy college-bound students of aid. Savings: $6.5 billion over ten years ($3 billion over five years)

End the Redistribution of Unused Federal Funds from SCHIP

The State Children's Health Insurance Program (SCHIP) provides health care coverage to certain uninsured low-income children whose annual family income is too high for them to qualify for Medicaid. Depending on the per capita income in a given state, the federal government reimburses between 65 percent and 85 percent of the state's total SCHIP spending. This option would leave the basic SCHIP program intact but would end future redistributions of unspent funds. Recovering unspent funds from SCHIP would produce budgetary savings for the federal government with little disruption to most states' plans for providing health insurance to children from low-income families. Savings: $1.1 billion over ten years ($350 million over five years)

Eliminate Childless Adult Coverage in SCHIP

The State Children's Health Insurance Program provides federal matching funds to help states expand health care coverage to uninsured children. Each State administers and sets its own eligibility guidelines for the program. As of 2003, SCHIP was insuring childless adults in two states costing at least $330 million. The program was enacted to provide health insurance to uninsured children. Savings: $660 million over ten years ($330 million over five years)

Eliminate Funding for Penile Implants Under Medicare

According to the Medicare National Coverage Determinations Manual, Medicare will cover the costs of penile implantations under certain circumstances. Congress should eliminate funding for penile implants. Savings: $8 million over ten years ($4 million over five years)

Tie Rent Subsidies for One Person to Cost of Efficiency Apartments

Recipients of federal housing assistance typically live either in subsidized-housing projects or in rental units of their own choosing found on the open market. This option would link the rent subsidy for new applicants from one-person households to the cost of an efficiency apartment rather than a one-bedroom unit (current law). Savings: $3.1 billion over ten years ($894 million over five years)

Eliminate School Lunches for Students Above 350% of Poverty

The School Lunch Program and the School Breakfast Program provide funds that enable participating schools to offer subsidized meals to students. For the 2004-2005 school year the federal subsidy was $0.21 per full price lunch and $0.23 per full price breakfast. This option would eliminate the breakfast and lunch subsidy for full-price meals for students whose household income is above 350 percent of the poverty line, while increasing the subsidy for reduced-price meals (both breakfast and lunch) by $0.20. Savings: $6.7 billion over ten years ($3.2 billion over five years)

Remove Ceiling for Collecting Overpayments from SSI

The federal Supplemental Security Income (SSI) program makes monthly cash payments to low-income elderly and disabled people. The Social Security Administration (SSA), which administers the program, sometimes pays recipients more than it later determines they were entitled to. Currently, after discovering an overpayment, the SSA can reduce the recipient's subsequent monthly benefit to recover the excess amount. This option would remove the ceiling on the amount of overpayments that the SSA could recover from monthly SSI payments, while retaining the commissioner's authority to reduce or waive the required amount. Removing the ceiling would improve the federal government's ability to recover money paid to recipients erroneously. Savings: $920 million over ten years ($425 million over five years)

Verify Income of Earned Income Tax Credit Participants

The IRS estimated in 2002 that of the $31.3 billion in earned income credits claimed by taxpayers in tax year 1999, about $8.5 billion to $9.9 billion, should not have been paid. This level of noncompliance has remained relatively unchanged even after a 5-year effort to reduce it. According to GAO, Congress should require better verification of incomes and clearly define what constitutes an eligible child. Savings: $85 billion over ten years ($42.5 billion over five years)

Eliminate Fiscal Assistance to District of Columbia

The Constitution gives the Congress responsibility for overseeing the District of Columbia, a task that the Congress largely delegated to the city's government under the Home Rule Act of 1974. However, Congress reviews and approves the District's proposed annual budgets and appropriates money to the city each year. In 1997, the federal government relieved the District government of the cost of a substantial portion of its budget: criminal justice, Medicaid, and pensions. This option would eliminate federal fiscal assistance to the District that is not related to those obligations. Savings: $1.7 billion over ten years ($800 million over five years)

Require IRS to Deposit Fees Collected by Treasury

The 1996 appropriation act for the Department of the Treasury authorized the IRS to establish or increase fees for some services that it provides. The IRS has used that authority mainly to charge taxpayers a fee for entering into payment plans with the agency. This option would require the IRS to deposit all of its fee receipts in the Treasury as miscellaneous receipts, eliminating the agency's ability to spend them. Processing payment plans with taxpayers is an administrative function directly related to the IRS's mission, and thus is a function for which the agency already receives appropriations. Savings: $989 million over ten years ($473 million over five years)

Eliminate Presidential Election Campaign Fund

The Presidential Election Campaign Fund provides for public funding of Presidential elections. It is financed exclusively by voluntary contributions from U.S. taxpayers, who can choose to earmark $3 ($6 on joint returns) of their annual federal income taxes for the fund. That money is used to provide matching funds for candidates in Presidential primaries, grants to sponsor political parties' Presidential nominating conventions, grants for the general-election campaigns of major party nominees, and partial funding for qualified minor and new-party candidates in the general election. This option would eliminate the fund and stop the flow of public money to Presidential candidates and political parties. Savings: $550 million over ten years ($275 million over five years)

Eliminate the Federal Anti-Drug Advertising

The Office of National Drug Control Policy (ONDCP) runs a program to test print and broadcast advertising, purchase media time, and evaluate the effects of national media campaigns to discourage the use of illegal drugs among young people. The agency is required to solicit donations from nonfederal sources to pay part of the costs of the program. There is no solid evidence that media campaigns are effective in either preventing or reducing the use of illegal drugs. Savings: $1.3 billion over ten years ($631 million over five years)

Eliminate Federal Funding for the Corporation for Public Broadcasting

CPB, which receives $400 million annually from Congress, funds the Public Broadcasting Service at 15% of its annual budget. The other 85% of PBS' budget comes from viewer donations, local government, and universities. CPB and PBS continue to use federal funding to pay for questionable programming, such as a documentary on sex education funded by the Playboy Foundation. Additionally, much of the programming on PBS, such as Sesame Street, could bring in enough annual revenues to cover the loss of federal funding. Savings: $5.6 billion over ten years ($2.2 billion over five years)

Raise the Threshold for Davis-Bacon Coverage

Since 1935, the Davis-Bacon Act has required that no less than "prevailing wages" be paid for all federally funded or federally assisted construction projects with contracts that total $2,000 or more. This option would increase the threshold from $2,000 to $1 million. The threshold has remained the same for seven decades and raising it would allow the federal government to spend less on construction. This would also increase the opportunities for employment that federal projects might offer less-skilled workers. Savings: $2.1 billion over ten years ($1 billion over five years)

Charge Federal Employees for Parking
The federal government owns or leases more than 200,000 parking spaces, which it allocates to its employees—in most cases, at no charge. This would encourage federal employees to use public transportation or to carpool. That shift would reduce the flow of cars into urban areas, cutting down on energy consumption, air pollution, and congestion. Savings: $1.5 billion over ten years ($720 million over five years)

Eliminate Legal Services Corporation
LSC has a long history of legal abuse and fraud, including providing resources for individuals to sue the government for more generous federal benefits. Savings: $4.6 billion over ten years ($ 1.8 billion over five years)

Eliminate High Intensity Drug Trafficking Area Program
This program coordinates drug control efforts among local, state, and federal law enforcement agencies, providing equipment, technology, and resources to combat drug trafficking and its consequences in regions of the United States. Because many of its functions are duplicative, the Administration requested that its functions be transferred to the Department of Justice, and the program terminated. Savings: $3.2 billion over ten years ($1.2 billion over five years)

United States Postal Service Revenue Foregone
This program reimburses USPS for prior years' lost revenue from legislatively mandated reduced rates to non-profit mailers. The President's 2005 Budget proposed to discontinue this reimbursement. During the 2005 budget process, the House agreed to discontinue the reimbursement but the Senate did not. Lowered USPS pension payments more than compensate the organization for the loss of this small revenue foregone, and the appropriation should be terminated. Savings: $598 million over ten years ($231 million over five years)

Decline Member Pay Raise
A pay increase for Members of Congress is automatic under existing law and amendments blocking its enactment were out of order during appropriations consideration this year. In light of unwarranted fiscal constraints, Members of Congress could temporarily forgo their pay increases. Savings: $24 million over ten years ($9 million over five years)

Reduce BLM Construction
The BLM manages 264 million acres of surface acres of public lands located primarily in the 12 Western States, including Alaska. The agency manages an additional 300 million acres of below ground mineral estate located throughout the country. The President requested that BLM construction be reduced by 50 percent. Savings: $83 million over ten years ($32 million over five years)

Reduce Fish and Wildlife Construction
The mission of the Fish and Wildlife Service is to work with others to conserve, protect and enhance fish, wildlife, and plants and their habitats for the continuing benefit of the American people. While fish and wildlife habitat construction may serve an important role, other pressing federal priorities necessitate a small reduction in funding, as requested by the Administration. Savings: $362 million over ten years ($140 million over five years)

Eliminate Funding for Democratic and Republican Conventions
All told, the parties combined will spend at least $100 million on their respective conventions. Some of that cost will be covered by federal funds -- $13.3 million for each of the parties. Savings: $53.2 million over ten years ($26.6 million over five years). NOTE: These savings are components of the savings in the "Eliminate Presidential Election Campaign Fund" item above and are thus not counted separately in Table 3.

Eliminate Funding for the National Endowment for the Arts
The NEA funds art programs and initiatives through grants to various entities. In 2001, America spent $27 billion on non-profit arts funding: $11.5 billion from the private sector; $14 billion in earned income (tickets sales, etc.); and $1.3 billion in combined federal, state, and local public support (of which $105 million was from the NEA (0.39% of total non-profit arts funding)). The funding could easily be funded by private donations. Savings: $1.8 billion over ten years ($678 million over five years)

Eliminate the National Endowment for the Humanities
The NEH funds humanities programs and initiatives through grants to various entities. As with the NEA, the general public benefits very little from NEA, and it could easily be funded by private donations. Savings: $2 billion over ten years ($769 million over five years)

Eliminate the Forests Service's Economic Action Programs
Economic Action Programs are designed to assist rural communities with natural resource management, by working to create natural resource-based businesses, among other things. The President's FY06 Budget terminated this program, as it is duplicative of many others currently in existence. Savings: $139 million over ten years ($54 million over five years)

Reduce Funds for the Water Quality Cooperative Agreement
The EPA provides grants to state water pollution control agencies, under the Clean Water Act, to promote prevention of water pollution. The Administration's proposed budget calls for reducing the program, as it is duplicative of other programs, including the EPA Water Pollution Control Grants. Savings: $209 million over ten years ($81 million over five years)

Reduced Funds for Bureau of Indian Affairs School Construction
BIA operates 184 schools in 23 states, and the President committed $1 billion to help restore these schools over the last few years. The Administration's proposed budget calls for the decreased funding, reflecting the successful completion of the project. Savings: $501 million over ten years ($194 million over five years)

Reduce Funding for Forest Service Capital Improvements
The Capital Improvement and Maintenance program is designed to provide funding for general maintenance of the National Forest System. The Administration's proposed budget calls for reduced funding, as a large number of Forest Service buildings have been closed, and various other government agencies are capable of providing this service. Savings: $835 million over ten years ($323 million over five years)

Reduce Funds for the NRCS Operations
Natural Resources Conservation Service Conservation's Conservation Operations funds the administrative costs for state and local personnel, which provide conservation technical assistance to the various local entities. The Administration's budget called for a decrease in funding and requested a

request that no congressional earmarks be added to program's account. Savings: $362 million over ten years ($140 million over five years)

Reduced Funding for Waste Disposal Grants
These programs are designed to provide funding for water and wastewater treatment facilities to rural communities. The Administration's budget requested reduced funding for these grants because of decreases costs to rural communities in light of low interest rates. Savings: $1.6 billion over ten years ($624 million over five years)

Reduce Funding for the Cooperative State Research and Education
CSRE provides funding for research, education, and extension activities in the Land-Grant University System and other partner organizations. Savings: $1.5 billion over ten years ($592 million over five years)

Eliminate Rural Empowerment Zone Grants
These grants are designed to revitalize distressed communities through economic and physical development partnerships with local and state governments to create long-term economic and community development. However, communities already receive substantial flexible grant dollars to assist with these efforts and the President proposed to terminate these grants. Savings: $139 million over ten years ($54 million over five years)

Eliminate Citrus Canker Compensation
Citrus Canker is a bacterial disease of citrus that causes premature leaf and fruit drop. This program compensates citrus farmers who have lost their citrus trees due to citrus canker. This is not a priority in federal funding. Savings: $139 million over ten years ($54 million over five years)

Reduce DOE Environmental Management
In 1989, the Department of Energy created the Office of Environmental Management (EM) to mitigate the risks and hazards posed by the nuclear weapons production and research. Minor funding reductions of this program will produce significant overall savings while having minimal negative impact on program operation. Savings: $5.6 billion over ten years ($2.2 billion over five years)

Eliminate the Appalachian Regional Commission
The Appalachian Regional Commission is a federal-state partnership that provides funding for several hundred development and highway projects throughout the Appalachian Region. Elimination of the Appalachian Regional Commission would produce significant savings, and the program itself is unnecessary and duplicative. Dozens of other federal, state, and local programs exist to encourage development and provide funding for local highway and infrastructure projects. Savings: $543 million over ten years ($210 million over five years)

Eliminate Denali Commission
The Denali Commission, created by Congress in 1998, provides job training and other economic development assistance to distressed rural areas in Alaska. Elimination of this commission would produce savings, and the program itself is unnecessary and duplicative. Dozens of other federal, state, and local programs exist to provide job training and economic development advice and assistance in Alaska and across the nation. Savings: $42 million over ten years ($16 million over five years)

Eliminate Native Hawaiian Funding
The FY06 Labor/HHS appropriations bill contained earmarks for as much as $40 million for various health and education programs for Native Hawaiians, although other programs allow funds to flow to

them. Native Hawaiians are a racial group not a tribe and dispensing benefits to them would likely be subject to strict scrutiny in Federal courts. Savings: $557 million over ten years ($215 million over five years)

Level Funding to Community Health Centers
This reform would Level funding for these federal grants to help medically underserved populations. These programs should be funded locally, not with federal dollars. Savings: $1.4 billion over ten years ($538 million over five years)

Reduce Funding for the Centers for Disease Control
Under the House-passed appropriation level, the CDC's funding increased 25% over last year, a significant infusion given the current fiscal situation. Savings: $25 billion over ten years ($9.7 billion over five years)

Reduce Funding for the Airport Improvement Program
This program offers federal assistance for expanding or refurbishing airports, usually with a 20% local match. Many of these projects can safely be delayed or if states choose, they can fund them immediately. Funding could be reduced to the Administration's request. Savings: $8.3 billion over ten years ($3.2 billion over five years)

TITLE IV: CONTAINING THE FEDERAL BUREAUCRACY

Table 4: Summary of Savings in Title IV
(Savings from Baseline, in Millions of Dollars)

	2006	5-year savings	10-year savings
Eliminate Attaché Positions in the Foreign Agricultural Service	-46	-247	-640
Reduce Funding for Department of Education Administration	-6	-28	-57
Level Funding DOE Departmental Administration Funding	-15	-81	-209
Level Funding for FAA Operations	-329	-1,770	-4,578
Level Funding for Treasury Departmental Offices	-31	-167	-432
Level Funding for the Federal Building Fund	-552	-2,970	-7,681
Level Funding for OMB	-9	-48	-125
Level Funding for Agriculture Building and Facilities	-20	-108	-278
Reduce Funding for the Agriculture Research Service	-62	-334	-863
Level Funding for GSA	-108	-581	-1,500
SUBTOTAL: Federal Bureaucracy	-1,178	-6,334	-16,363

Eliminate Attaché Positions in the Foreign Agricultural Service:
At 97 worldwide offices, agricultural attachés provide farmers and agriculture produce traders with information regarding the foreign trade market environment, including foreign government's policies, supply and demand conditions, and market opportunities. This large information collection outfit primarily benefits private traders, who could pay for the same services themselves. Savings: $640 million over ten years ($247 million over five years)

Reduce Funding for Department of Education Administration

According to the Department of Education, Office of the Chief Financial Officer, the Department spent an average of $6 million annually over five years to pay for its employees to attend education conferences, including conferences in Hawaii. By cutting down on costs associated with these trips, the Department could greatly reduces its administrative budget. Savings: $57 million over ten years ($28 million over five years)

Level DOE Departmental Administration Funding

This reform would fund DOE administrative accounts at the FY05 level. Savings: $209 million over ten years ($81 million over five years)

Level Funding for FAA Operations

The Federal Aviation Administration's (FAA) mission is to promote aviation safety and mobility by building, maintaining, and operating the nation's air traffic control system; overseeing commercial and general aviation safety through regulation and inspection; and providing assistance to improve the capacity and safety of our airports. The FAA has encountered numerous cost overruns and delays in modernizing its nationwide network, and experienced significant challenges in reforming its organizational culture. Savings: $4.6 billion over ten years ($1.8 billion over five years)

Level Funding for Treasury Departmental Offices

In light of recent fiscal constraints, this reform would recoup savings by freezing the growth of bureaucracy at DOT. Savings: $432 million over ten years ($167 million over five years)

Level Funding for the Federal Building Fund

FBF is a revolving fund that finances the operating and capital costs associated with the federal building inventory. It receives revenue deposits from rent payments charged to federal agencies occupying GSA's office space and congressional appropriations. In light of current fiscal constraints, new construction and repairs on federal buildings should be curtailed, and this account level funded. Savings: $7.7 billion over ten years ($3 billion over five years)

Level Funding of the Office of Management and Budget

OMB's mission is to assist the President in overseeing the preparation of the federal budget and to supervise its administration in Executive Branch agencies. In helping to formulate the President's spending plans, OMB evaluates the effectiveness of agency programs, policies, and procedures, assesses competing funding demands among agencies, and sets funding priorities. As such, the OMB is well suited to find cost savings in their budget and carry out its mission at level funding. Savings: $125 million over ten years ($48 million over ten years)

Level Funding for Agriculture Buildings and Facilities

This reform would provide level funding for agriculture buildings and facilities maintenance accounts. Savings: $278 million over ten years ($108 million over five years)

Reduce Funding for the Agriculture Research Service

ARS is the internal research agency for the USDA. The program works consistently with universities and other outside entities to develop and expand agriculture research. This is a function the private sector can and does perform. Savings: $863 million over ten years ($334 million over five years)

Level Funding for the General Services Administration (GSA)

The GSA is the primary federal real property and asset management agency. GSA is also responsible for identifying and completing needed repairs to the federal buildings it manages. Many of these projects can be delayed in light of more pressing federal responsibilities and priorities. Savings: $1.5 billion over ten years ($581 million over five years)

TITLE V: ELIMINATING CORPORATE WELFARE

Table 5: Summary of Savings in Title V
(Savings from Baseline, in Millions of Dollars)

	2006	5-year savings	10-year savings
Eliminate the Applied Research for Renewable Energy Sources Program	-314	-1,959	-4,202
Eliminate the Clean Coal Technology Program	-50	-259	-543
Eliminate the FreedomCAR Program	-163	-845	-1,774
Eliminate the Research Initiative for Future Agriculture Systems	-300	-1,100	-2,100
Eliminate the Export-Import Bank and OPIC	-84	-616	-1,507
Limit the Repayment Period of Export Credit Guarantees	-147	-735	-1,470
Impose a Fee on the GSEs Investment Portfolio	-1,624	-8,762	-19,885
Require GSEs to Register with the SEC and Pay Fees	-490	-1,250	-2,710
Eliminate the ITA's Trade Promotion Activates	-401	-2,125	-4,579
Eliminate the Advanced Technology Program	-139	-721	-1,523
Eliminate the Hollings Manufacturing Extension Partnerships	-110	-573	-1,210
Repeal the Continued Dumping and Subsidy Offset Act	-1,300	-3,000	-4,500
Eliminate the Foreign Market Development Program	-24	-160	-335
Eliminate the Market Access Program	-3	-231	-531
Eliminate the Export Enhancement Program	-28	-151	-390
Eliminate the Hydrogen Fuel Initiative	-183	-985	-2,547
SUBTOTAL: Corporate Welfare	-5,280	-23,472	-49,806

<u>Eliminate the Applied Research for Renewable Energy Sources Program</u>
The Applied Research for Renewable Energy Sources program funds research and development of renewable sources of energy, including developing alternative liquid fuels from biomass. However, such research is already subsidized through the tax code, and the development of applied energy technology is not necessarily a proper role for the federal government. Savings: $4.2 billion over ten years ($2 billion over five years)

<u>Eliminate the Clean Coal Technology Program</u>
The Clean Coal Technology program provides government financing for new coal technology research and development. The private sector has a competitive incentive to conduct this research and develop these technologies and would continue to move forward without government support. For example, GE is currently running privately funded TV commercials on network, advertising their coal technology advancements. Savings: $543 million over ten years ($259 million over five years)

<u>Eliminate the FreedomCAR Program</u>

FreedomCAR is a federal energy program to develop energy efficient cars and trucks, an effort already underway by the private sector responding to market incentives. For example, foreign automakers, Honda and Toyota, are beginning to roll out fuel-cell powered vehicles in certain areas. Savings: $1.8 billion over ten years ($845 million over five years)

Eliminate the Research Initiative for Future Agriculture Systems
Created in 1998, the initiative funds research in food safety and human nutrition. Federal funding for agricultural research and new technologies is not a priority at this time, and the private sector is more than equipped to fund such potentially profitable research. Savings: $2.1 billion over ten years ($1.1 billion over five years).

Eliminate the Export-Import Bank and OPIC
Though intended to promote U.S. exports and overseas investment with loans and insurance, the Export-Import Bank and Overseas Private Investment Corporation serve companies which are more than capable of turning a profit. Savings: $1.5 billion over ten years ($616 million over five years)

Limit the Repayment Period of Export Credit Guarantees
This is a program that ensures U.S. companies will not lose money if foreign companies, who buy U.S. goods, default on loans. A Government Accountability Office report found little evidence that this program provides measurable income and employment benefits to the U.S. agricultural sector. Savings: $1.5 billion over ten years ($735 million over five years)

Impose a Fee on the GSEs Investment Portfolio
Government-sponsored enterprises (GSEs), private financial institutions chartered by the federal government, are intended to increase the availability of credit for specific purposes, such as housing and agriculture. Four GSEs--Fannie Mae, Freddie Mac, Farmer Mac, and the Federal Home Loan Bank System--have used their special borrowing status to acquire and hold large portfolios of securities. This option would impose a fee of 10 basis points (10 cents per $100 of investments) on the GSEs' average daily investment portfolios. This would promote competition in financial markets and recover some of the federal subsidy retained by those enterprises without reducing their capacity to achieve their public mission. Savings: $19.9 billion over ten years ($8.8 billion over five years)

Require GSEs to Register with the SEC and Pay Fees
Government-sponsored enterprises (GSEs)--private financial institutions chartered by the federal government--are intended to promote the flow of credit to targeted uses, primarily housing and agriculture. Four GSEs, Fannie Mae, Freddie Mac, the Federal Home Loan Bank System, and the Farm Credit System, are exempt from provisions of the Securities Act of 1933, which requires publicly traded companies to register the securities they issue with the SEC (a fifth GSE, Farmer Mac, is already subject to SEC requirements.). This option would repeal those GSEs' exemption from SEC rules, requiring them to pay registration fees and to disclose information about their securities. This would help level the playing field between the GSEs and other firms that issue securities, including issuers of mortgage-backed securities (MBSs). Savings: $2.7 billion over ten years ($1.3 billion over five years)

Eliminate the ITA's Trade Promotion Activities
The International Trade Administration operates a program designed to encourage trade by assessing the competitiveness of U.S. industries and promoting U.S. exports, a function that should be the responsibility of the private sector. Savings: $4.6 billion over ten years ($2.1 billion over five years)

Eliminate the Advanced Technology Program

ATP provides research and development grants to various companies and entities to encourage technology development and advancement. ATP gives approximately $150 million annually to private sector companies for their research. Numerous Fortune 500 companies have been the recipient of these federal funds, including IBM, General Electric, 3M, and Motorola. Savings: $1.5 billion over ten years ($721 million over five years)

Eliminate the Hollings Manufacturing Extension Partnerships
HMEP runs manufacturing extension centers designed to assist small- to medium-sized firms improve their business by providing management training and various other assistance to the firm. Although these centers are not government owned, Congress continues to provide them with federal funding. The services provided by HMEP are widely available from a variety of sources, including private entities, libraries, the internet, and many state and local seminars and training programs. Savings: $1.2 billion over ten years ($573 million over five years).

Repeal the Continued Dumping and Subsidy Offset Act
U.S. antidumping laws allow for the imposition of duties when it is determined that imports are being subsidized by the producer's government (a practice known as dumping). The Continued Dumping and Subsidy Offset Act passes on the revenues received from the collection of such duties to the domestic producers who petitioned for them. However, this is a duplicative remedy since the duties themselves are meant to address the dumping, and it gives domestic producers an incentive to submit more and more dumping petitions to the Commerce Department. Savings: $4.5 billion over ten years ($3 billion over five years)

Eliminate the Foreign Market Development Program
The Foreign Market Development Program promotes the export of U.S. agricultural products, a function that could be handled by the private sector businesses that directly benefit. Government efforts to support exports often distort the allocation of economic resources and impose costs that exceed their benefits. Savings: $335 million over ten years ($160 million over five years).

Eliminate the Market Access Program
This program subsidizes exporters looking for foreign markets, a function that could be performed by the private sector. Opportunities to sell U.S. commodities abroad are already strong, raising the question of why taxpayers should have to fund the marketing of name-brand products. Savings: $531 million over ten years ($231 over five years).

Eliminate the Export Enhancement Program
EEP provides cash to exporters as bonuses, encouraging the exporters to sell U.S. products in certain counties at prices below the exporter's costs of acquiring them. The program provides unnecessary assistance to private corporations in their attempt to offer the lowest price on commodities in other counties. Savings: $390 million over ten years ($151 million over five years)

Eliminate Hydrogen Fuel Initiative
The Hydrogen Fuel Initiative, unveiled by President Bush in his 2003 State of the Union Address, is a new $720 million research and development initiative for hydrogen as a transportation fuel, aimed at developing the technologies and infrastructure to produce, store, and distribute hydrogen for use in fuel cell vehicles and electricity generation. Elimination of this initiative will produce significant overall savings. Furthermore, private industry is better equipped to develop future fuel technologies within the free market. Savings: $2.5 billion over ten years ($985 million over five years)

TITLE VI: RATIONAL REFORMS TO DEFENSE AND HOMELAND SECURITY

Table 6: Summary of Savings in Title VI
(Savings from Baseline, in Millions of Dollars)

	2006	5-year savings	10-year savings
Speed the Sale of Old and Excess Naval Vessels	-23	-178	-444
Consolidate the Military Exchanges	-76	-796	-1,882
Close the Domestic Dependent School System	18	-126	-788
Reduce DOD Administrative Accounts	-10	-50	-100
Restrict First-Responder Grants to At-Risk Communities	-630	-3,260	-6,826
Introduce HSAs as a TRICARE Option	-20	-807	-2,367
SUBTOTAL: Defense and Homeland Security	-741	-5,217	-12,407

Speed the Sale of Old and Excess Naval Vessels
The sale, lease, or grant of excess naval vessels to other nations must be authorized by Congress if the vessel is over 3,000 tons or less than 20 years of age. Other older defense articles, such as military jets and tanks, can be sold by simply notifying Congress. The delay that Congressional authorization creates costs an estimated $4 million per ship to mothball and store. Savings: $444 million over ten years ($178 million over five years)

Consolidate the Military Exchanges
The Pentagon operates three separate military exchanges, the Army and Air Force exchange, the Navy exchange, and the Marine Corps exchange. Consolidating these three exchanges into one would eliminate inefficiencies from duplicative purchasing, different personnel departments, warehouse and inventory systems, and management headquarters while retaining the current ability for service members and their families receive a wide selection of goods at a low price. Savings: $1.9 billion over ten years ($796 million over five years)

Close the Domestic Dependent School Systems
The Pentagon operates special elementary and secondary schools on several domestic bases *in the United States*. This system is separate from the one in operation for military children overseas. This provision would phase out these domestic schools over time and shift these military children into the local public school systems. These programs date to the time of segregation when public schools in the South did not serve an integrated military, and most military bases nationwide do not currently contain such schools. Savings: $788 million over ten years ($126 million over five years)

Reduce DOD Administrative Accounts
According to GAO, the Pentagon failed to collect refunds on $100 million worth of unused, refundable flight tickets purchased, which totaled $100 million from 1997-2003. As a result, its administrative account would be reduced by $10 million annually over the next five years to encourage the Pentagon to collect such items and impose more stringent controls. Savings: $100 million over 10 years ($50 million over five years)

Restrict First-Responder Grants to Large, At-Risk Communities

Homeland Security grants help local governments prepare for terrorism. Grants are available to all communities and each state is guaranteed .75% of the total. First-responder grants should be reserved for likely targets of terrorism and a funding floor should not exist. There are many reports of waste and abuse in small communities whose homeland security needs are not obvious. For the same reason, significant funding remains unspent. In the past year, numerous reports have exposed large sums of homeland security funding was being spent on such items as air-conditioned garbage trucks, bulletproof dog vests for canine corps, Segways for a bomb squad, and the transportation of riding lawn mowers to an annual lawnmower drag race. Revising the formula to emphasize risk would ensure limited federal resources are used more effectively. Savings: $6.8 billion over ten years ($3.3 billion over five years)

Introduce Health Savings Accounts as a TRICARE Option

Under the Department of Defense's health care plan, TRICARE, military personnel would have *the option* of receiving a cash allotment to purchase a less comprehensive health care plan and keep the remaining cash or remain in their current plans. The less comprehensive plan would encourage individuals to be more cost-conscious when purchasing health care products by including deductibles, copayments, and a maximum annual out-of-pocket expenditure limit. Savings: $2.4 billion over ten years ($807 million over five years)

TOTAL SAVINGS

Table 7: Summary of Total Savings
(Savings from Baseline, in Millions of Dollars)

	2006	5-year savings	10-year savings
Title I: Tough Choices for Tough Times	-70,711	-193,017	-526,096
Title II: Restraining Foreign Aid	-2,652	-14,594	-37,822
Title III: Reprioritization of Federal Spending	-21,530	-127,265	-307,180
Title IV: Containing the Federal Bureaucracy	-1,178	-6,334	-16,363
Title V: Eliminating Corporate Welfare	-5,280	-23,472	-49,806
Title VI: Rational Reforms to DOD and DHS	-741	-5,217	-12,407
TOTAL	**-102,092**	**-369,899**	**-949,674**