

# Blueprint for Balance

## *A Federal Budget for 2017*

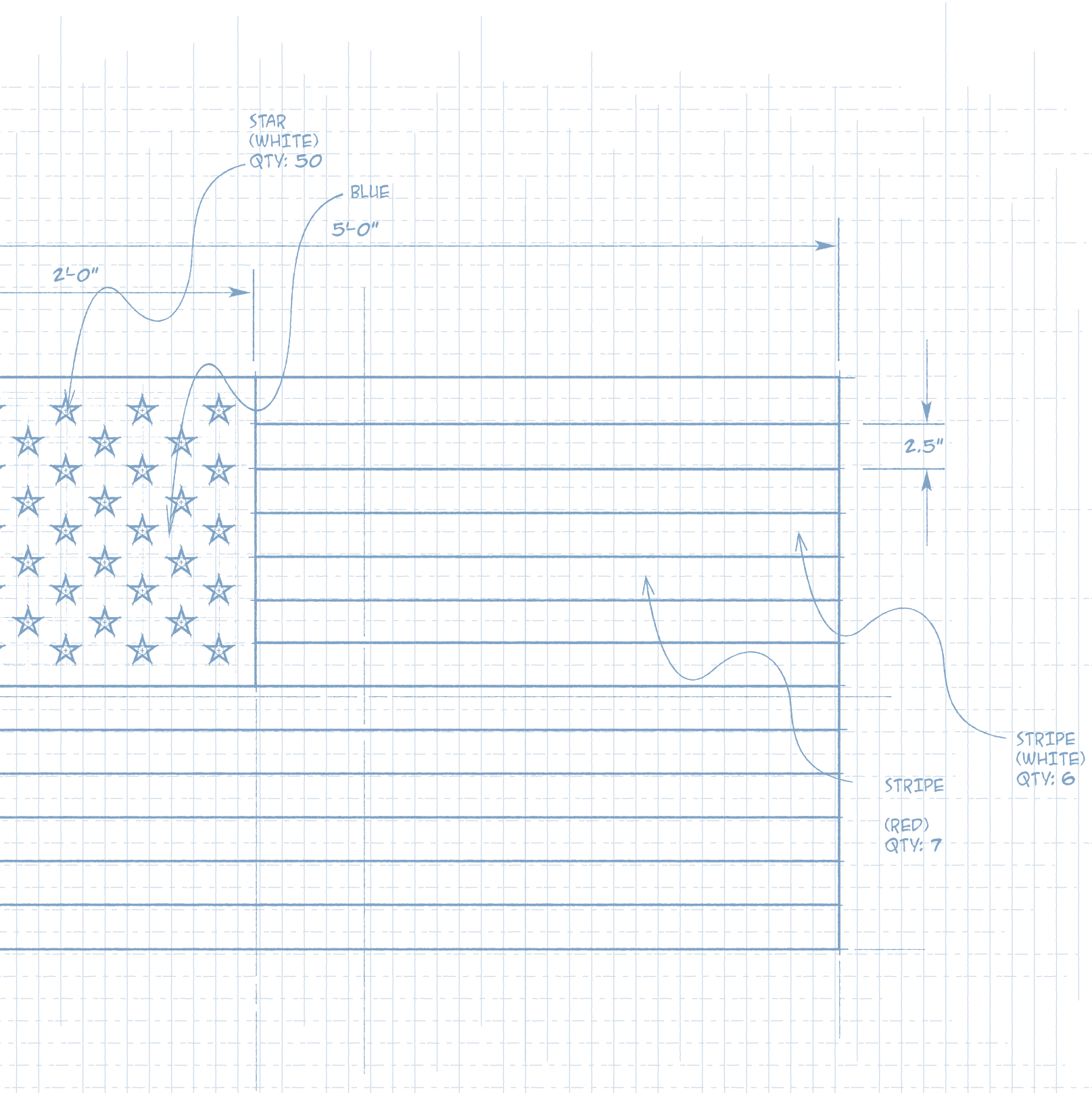
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# Blueprint for Balance

## *A Federal Budget for 2017*

MANDATE FOR LEADERSHIP SERIES

**SLOW THE GROWTH IN SPENDING**, while fully funding national security needs

**CUT TAXES** by \$1.3 trillion over 10 years

**BALANCE THE BUDGET** within seven years

**REDUCE SPENDING** by \$10.5 trillion and cut the deficit by \$9.2 trillion over 10 years

**ELIMINATE BUDGET GIMMICKS** and establish a process to address unauthorized appropriations

**ELIMINATE PROGRAMS** that produce favoritism and limit opportunity





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# A Mandate for Leadership in 2017

The Heritage Foundation is publishing a three-part Mandate for Leadership series of documents over the course of 2016. Each part of the series educates the American public, specifically including Congress, the new American President, and the new President's team. All three parts deliver a clear, unified policy vision for Congress and the President to preserve and create opportunities that help let all Americans provide for their families, contribute to their communities, and pursue their dreams.

Part I, "Blueprint for Balance: A Federal Budget for 2017," provides detailed recommendations for the annual congressional budget. Part II will establish a long-term vision that requires presidential leadership and congressional action. Part III will identify presidential and Cabinet-level priorities consistent with the policy proposals presented in the first two parts.

For Americans to achieve better lives, Congress must take steps to allow Americans to build for themselves a stronger economy, a stronger society, and a stronger defense. Heritage regularly assesses the strength of America's economy, society, and defense and has found great need for improvement, as reflected in:

- *2016 Index of Economic Freedom: Promoting Economic Opportunity and Prosperity*, ed. Terry Miller and Anthony B. Kim (Washington: The Heritage Foundation and Dow Jones & Company, Inc., 2016);
- *2015 Index of Culture and Opportunity: The Social and Economic Trends that Shape America*, ed. Jennifer A. Marshall and Christine Kim (Washington: The Heritage Foundation, 2015); and
- *2016 Index of U.S. Military Strength: Assessing America's Ability to Provide for the Common Defense*, ed. Dakota L. Wood (Washington: The Heritage Foundation, 2015).

Congressional adoption of the recommendations set forth in this Blueprint would constitute important first steps in strengthening America's economy, society, and defense.

## A FEDERAL BUDGET FOR FISCAL YEAR 2017

A federal budget should be a reflection of the principles of the American people. It delineates priorities, clarifies positions on fundamental issues, reflects views on the role of the government, and provides insight into Americans' moral character. At the most basic level, a budget is a plan to collect and allocate resources. However, a budget should also illustrate a commitment to individual rights as well as to economic freedom and prosperity. As President Ronald Reagan said in 1981:<sup>1</sup>

We're not cutting the budget simply for the sake of sounder financial management. This is only a first step toward returning power to the States and communities, only a first step in reordering the relationship between citizen and government.



We can make government again responsive to the people by cutting its size and scope and thereby ensuring that its legitimate functions are performed efficiently and justly.

We have reached a critical point. The federal government has grown to an unprecedented size, has expanded its scope to virtually every part of the economy, and is on a dangerous fiscal trajectory. Taxpayers pay enormous amounts of money to the government, and the government borrows huge sums beyond the amount it takes from taxpayers in taxes. The government uses taxes and borrows money to pay for excessive spending, including many programs that benefit the well-connected or lock people into low incomes by penalizing hard work. As of February 2016, the national debt has exceeded \$19 trillion. According to the Congressional Budget Office, if the government remains on its currently planned trajectory, it will spend another \$9.9 trillion more than it will collect over the 2016 to 2026 period, piling on even more debt.

Annual debt service payments are expected to double within five years and quadruple over the next 10 years, increasing from \$255 billion in 2016 to \$830 billion in 2026. That \$830 billion in interest that the government must pay in 2026 represents 58 percent of the entire amount of the discretionary spending projected for the government in that year. In fact, the government projects that it will spend more to make its interest payments than it will lay out for national defense in that year. The country cannot and should not sustain the current course of excessive spending and borrowing.

While Congress cannot solve everything at once, it can and must take the opportunities available in the annual budget and appropriations processes to make a down payment on getting the government's finances in order. Congress can do this by immediately reducing discretionary spending and taking meaningful steps to reduce mandatory spending by reforming mandatory spending programs.

Congress should use four criteria to assess every federal program in developing the FY 2017 budget. Congress should determine whether:

1. Eliminating the program would increase opportunity or reduce favoritism;
2. The program would better serve the American people if it were administered and financed by the private sector;

3. The program would be better administered by state or local governments; or
4. The program is wasteful or duplicative.

Congress should use the annual appropriations process to advance important policy objectives. The Constitution unequivocally grants Congress the exclusive power to appropriate funds for the operations of government. James Madison wrote in *Federalist* No. 58 that providing budgetary powers to Congress was a critical element in maintaining individual rights: "The power over the purse may, in fact, be regarded as the most complete and effectual weapon with which any constitution can arm the immediate representatives of the people for obtaining a redress of every grievance, and for carrying into effect every just and salutary measure."

Congress should prepare honest budgets and pass legislation that brings current law into compliance with congressional budget plans. The American people have lost trust in Washington, in part because their representatives in Congress say one thing and do another. However, for the well-connected, Washington is a finely tuned machine aimed at avoiding principled arguments and keeping the gravy train rolling for special interests. Congress must end the practice of using budget gimmicks to mask overspending, and stop using parliamentary process to make excuses for not advancing the policies it was elected to pursue. Congress should use the budget process to promote free enterprise, limited government, individual freedom, traditional American values, and a strong national defense. By reducing debt and putting the fiscal house in order, Congress can produce a strong economy, a strong society, and a strong America.

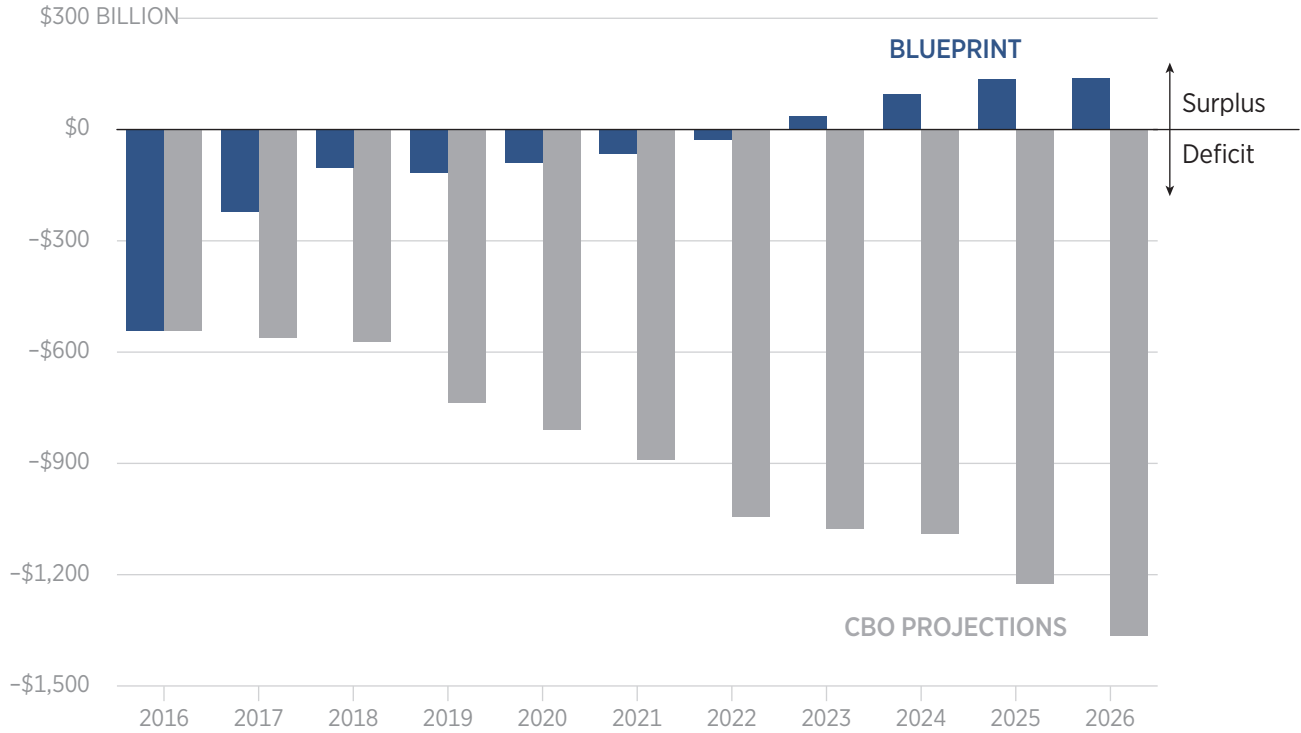
The federal budget for FY 2017 presented here will:

- Slow the growth in spending, while fully funding national security needs;
- Cut taxes by \$1.3 trillion over 10 years;
- Balance the budget within seven years;
- Reduce spending by \$10.5 trillion and cut the deficit by \$9.2 trillion over 10 years;
- Eliminate budget gimmicks and establish a process to address unauthorized appropriations; and
- Eliminate programs that produce favoritism and limit opportunity.

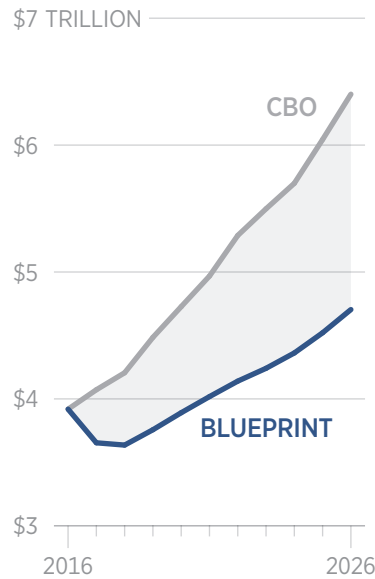
CHART 1

# Blueprint Would Save Billions Compared to CBO Projections

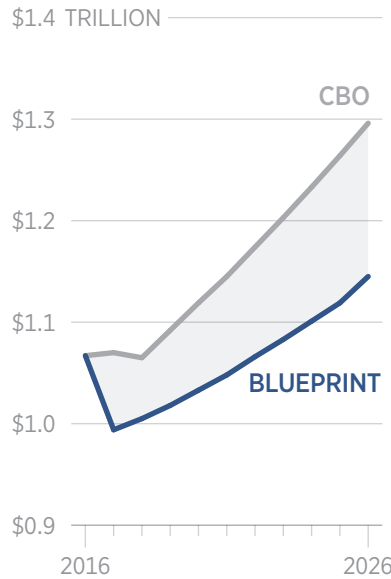
## BUDGET SURPLUS/DEFICIT



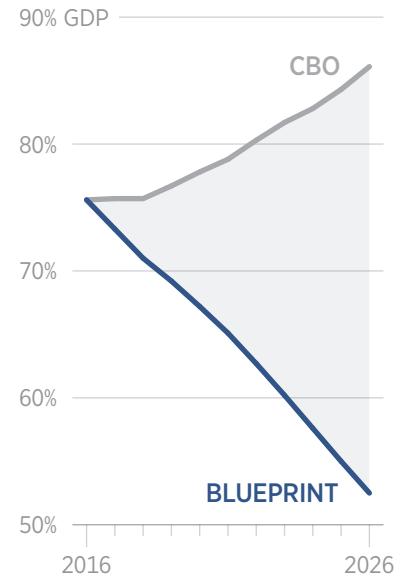
## OUTLAYS



## DISCRETIONARY SPENDING



## DEBT HELD BY THE PUBLIC



Sources: Congressional Budget Office, "The Budget and Economic Outlook: 2016-2026," January 25, 2016, <https://www.cbo.gov/publication/51129> (accessed February 8, 2016), and Heritage Foundation calculations.

## ENDNOTES

1. The American Conservative Union, "Our Philosophy: Address by President Ronald Reagan to the Conservative Political Action Conference," The American Conservative Union, March 20, 1981, <http://conservative.org/found-conservatism/philosophy/> (accessed on January 22, 2016).

# Chapter 1: Policies for a Congressional Budget

Each year, Congress is required to pass a budget resolution that addresses the entirety of the federal budget: all spending and taxes. While the budget resolution does not carry the force of law, it is a key tool for Congress to lay out its vision for the nation and establish policy goals for the following fiscal year and the years ahead. The budget resolution also sets the stage for enabling Congress to follow through on its vision with separate legislation, and especially budget reconciliation, which allows a bill that brings current law into compliance with the resolution to be fast-tracked in Congress, and filibuster-proof in the Senate.

With over \$19 trillion in national debt and an annual deficit projected to grow from a half trillion dollars to more than a trillion dollars before the end of the decade, the budget resolution presents a critical opportunity for Congress to address the key drivers of the government's financial mess: spending and debt.

Congress should put the budget on a path toward balance in order to reduce debt and enable economic growth to raise living standards, while reducing the tax burden and strengthening national defense. Congress should repeal Obamacare and reform the major entitlement programs: Medicare, Medicaid, Social Security, and welfare. Congress should also review Federal Reserve policy and restrain the central bank's discretion.

To strengthen civil society, Congress should protect life and conscience and defend religious liberty. In reviving true federalism, Congress should leave principally to states and localities matters of

infrastructure, natural resource management, education, and welfare. Reducing harmful regulations will enable entrepreneurs and businesses to expand the economy and enhance opportunity for all Americans to achieve their version of the American dream. This chapter outlines these major policy objectives that should guide the congressional budget.

**More Economic Freedom.** Economic freedom in the United States has declined in eight of the past 10 years. According to the *2016 Index of Economic Freedom*, the U.S. is now only the 11th freest economy in world, having tied its lowest score, of 1998. The decline in economic freedom is the result of slipping ratings for labor freedom, business freedom, and fiscal freedom, and an increasingly burdensome regulatory state. As the result of many of the policies that reduce economic freedom, standards of living are lower than they would otherwise be, wages are lower, workforce participation is lower, it has become harder to start and expand a business, and, ultimately, the individual right to freely engage with one another on one's own terms rather than the government's, is threatened. The downward revision in economic freedom did not happen overnight. However, Congress can make substantial progress in returning the U.S. to one of the freest countries of the world by adopting the proposals in this budget.

**Balanced Budget.** Congress should reduce spending, cut taxes, and reduce the reach of government into the lives of the American people. The proposals outlined here would balance the primary deficit (the deficit not including interest payments)



within the first year of enactment. However, the annual deficit with interest payments included will not reach balance until 2023 (or perhaps earlier with a dynamic calculation that would take account of economic growth sparked by reductions in federal spending and taxation). The reason for this is straightforward: Since the beginning of 2009, gross federal debt has grown from 68 percent of the economy to almost 104 percent of the economy today.<sup>1</sup> Under this proposal, debt-service payments would grow from \$304 billion in 2017 to \$510 billion in 2026 to pay for the debt accumulated before the plan is enacted. This proposal illustrates why it is so critical to reduce spending before even more debt is added to the federal balance sheet.

**Strong National Defense.** Congress should prioritize national security spending to fund critical defense needs and begin rebuilding of military capabilities after years of defense cuts.

Although the Bipartisan Budget Act of 2015 (BBA) increased defense spending, the base defense budget is still 12 percent below the already insufficient fiscal year (FY) 2011 levels in real terms, and these budget cuts have led to an even smaller military. Under the BBA, the FY 2017 defense budget will be 1.2 percent below FY 2016 in real terms. Heritage’s 2016 *Index of Military Strength* rated the U.S. military as “marginal” due to cuts to capacity, capability, and readiness. Instead of continuing to shortchange our national defense, Congress should increase defense spending to preserve military capacity, increase readiness, and make investments in modernization. Congress should keep options open so that the next President can expand and strengthen the military and improve national security. While a strong defense budget alone is not enough to keep the U.S. safe, a weak defense budget leads to a weak military and invites further provocations from our enemies.

**Pro-Growth Tax Reform.** Federal taxes exist to raise only those revenues necessary to fund the constitutionally prescribed duties of the federal government. Revenues should be collected in the least economically damaging manner. The U.S. system fails Americans on both fronts: Taxes are too high and their collection is inefficient.

The U.S. tax code’s complexity and structure stifles economic freedom, removing vibrancy and prosperity from the economy. Fundamental tax reform would alleviate the harm caused by the tax system and thereby significantly expand the size of the economy. Stronger economic growth would substantially

improve the incomes of Americans, and enhance economic opportunities.

Fundamental tax reform would lower individual and business tax rates; establish a consumption tax base, rather than the hybrid income-consumption tax base that the current system uses; eliminate the bias against saving and investment; eliminate tax preferences and simplify the tax system; and make the U.S. tax system more transparent so that taxpayers understand how much they pay to fund the federal government.

**Rules-Based Monetary System.** Many take for granted that the Federal Reserve has contributed positively to economic stabilization, but the U.S. has experienced severe economic turmoil in at least four different decades since the Fed was founded. Recessions have not become less frequent or shorter in duration, output has not become less volatile, and some of the worst U.S. economic crises have occurred on the Fed’s watch. Furthermore, the Fed’s action during the 2008 financial crisis is only the latest example of its long history of propping up failing firms—throughout its history, the Fed has operated within a purely discretionary policy framework.

Congress should reduce the Fed’s discretion in monetary policy and direct the central bank to implement rules-based policies that move the U.S. toward a truly competitive monetary system. Congress should also review the effectiveness of the Federal Reserve with a formal commission. Finally, Congress should require the Fed to announce a plan detailing how it will normalize its balance sheet and dispose of the government-sponsored enterprise (GSE) securities it bought.

**Protection of Life and Conscience.** Since the Supreme Court’s 1973 decisions in *Roe v. Wade* and *Doe v. Bolton*, inventing a right to abortion on demand, the pro-life movement has worked tirelessly to reorient the hearts and minds of an entire generation toward the dignity and worth of every individual—born and unborn. Despite major pro-life victories over the past four decades, the challenges to life and conscience that inevitably stem from sanctioned abortion on demand persist.

Policymakers should return to a deeper respect for foundational American principles by protecting the freedom of conscience of individuals, medical providers, and taxpayers, and ensuring the basic rights of liberty and life for everyone, including those in the womb.

There is long-standing, broad consensus that federal taxpayer funds should not be used for elective abortions or for health insurance that includes coverage of elective abortions. Policymakers should close the patchwork of federal prohibitions on abortion funding by making policies, such as the annually reenacted Hyde amendment—which prohibits the use of certain federal funds for abortion coverage—permanent across federal law, and enact permanent prohibitions on use of taxpayer funding to encourage or pay for abortions overseas, through foreign aid or otherwise.

American taxpayers should not be forced to subsidize the abortion industry. Policymakers should end taxpayer funding for the Planned Parenthood Federation of America affiliates and all other abortion providers, and redirect funding to centers that provide health care for women without entanglement in on-demand abortion. Policymakers should also enact permanent conscience protections for individuals, families, employers, and insurers to keep them from being forced to offer, provide, or pay for coverage that violates their deeply held beliefs.

**Defense of Religious Liberty.** The freedom to earn a living, care for the poor, heal the sick, and serve the community consistent with one’s beliefs is essential for maintaining a just and free society—and this freedom has suffered erosion in recent years. Religious Americans and institutions have a right to exercise their religious beliefs that is not confined to the private sphere but is protected from government burden and discrimination in public life.

America must return to a more reasonable and historically accurate understanding of religious liberty, upholding religious and moral conscience as an invaluable support for healthy republican government and human flourishing. In 2015, the Supreme Court imposed a redefinition of marriage on all 50 states in the decision of *Obergefell v. Hodges*. Policymakers should now promote policies that protect from discrimination those who believe that marriage is the union of one man and one woman. Congress should enact laws to prevent the government from discriminating against any person or group in regard to contracts, grants, licensing, accreditation, or the award or maintenance of tax-exempt status, simply because they speak or act on the belief that marriage is the union of one man and one woman.

**True Federalism.** The U.S. should restore respect for the traditional role of states in our federal system, a federalism that has eroded steadily

with the excessive growth of the federal government. Contrary to popular belief, federalism is not in the service of the states. It is in the service of the American people. States possess no rights—people do. Properly understood, federalism aims not only to limit power, but to create competition among the states, thereby creating incentives for them to enact policies that retain and attract citizens. Within the confines of the Constitution, states should therefore be free to enact policies that best serve the needs of their citizens. To revive true federalism, Congress should focus on its core constitutional responsibilities and not treat the states as administrative subunits tasked with helping to implement federal policies using federal funds. Because Congress is now involved in so many areas, Congress must propose issue-specific reforms that will restore constitutional governance in each of these areas. Congress should also stop trying to induce states to adopt its preferred policies by making state acceptance of these policies a condition of states’ receiving federal funds. Rather, Congress should leave to the states programs that do not carry out a constitutional function of the federal government or that otherwise ought to be handled by states.

**State and Locally Focused Transportation and Infrastructure Funding.** Federal funding makes up about one-quarter of public spending on transportation infrastructure. Expansions of the federal role since the Interstate highway bill of 1956 have led to losses in efficiency and accountability in infrastructure spending. Top-down, Washington-centric decisions have led to a misallocation of resources and poor incentives in public spending. Discretionary grant programs administered at the federal level create perverse incentives for states and localities to build new, unnecessary transit projects while badly needed maintenance of vital infrastructure goes unfunded, for example.

To spend more wisely on vital infrastructure that will relieve congestion and increase mobility, the federal role in funding should be restricted to issues strictly of national importance. This will leave the vast majority of funding decisions to states and localities, which know their priorities best and are more accountable to the public. Removing the federal middle man from infrastructure decisions will empower states and localities to build the infrastructure that best suits their needs while restoring more accountability to a system currently mired in congressional mismanagement.

**Access to Natural Resource Production and Trade and Empower States.** With the abundance of resources beneath U.S. soil, the land is literally a land of opportunity. America has an abundance of natural resources, including plentiful reserves of coal, natural gas, uranium, and oil. Federal government control of vast tracts of America's land and federal regulation have stymied proper management of lands and development of natural resources. Furthermore, the government has placed restrictions on trading energy that blocks opportunities to expand to new markets.

Congress should open access to natural resource development in the U.S., allow states to control the environmental review and permitting processes within their borders, and open opportunities to freely import and export energy resources and technologies.

**Elimination of All Energy Subsidies.** Over the years, Congress has implemented numerous policies that use the government's regulatory process to support the production or consumption of one good over another, including through direct cash grants; special tax treatment; taxpayer-backed loans and loan guarantees; socialized risk through insurance programs; mandates to produce biofuels; tariffs; and energy sales at below-market costs. Whatever shape such favoritism takes, the results are the always the same: The government delivers benefits to a small, select group and spreads the costs across the economy to families and consumers.

Subsidies significantly obstruct the long-term success and viability of the very technologies and energy sources that they intend to promote. Instead of relying on a process that rewards competition, taxpayer subsidies prevent a company from truly understanding the price point at which the technology will be economically viable. Congress should eliminate preferential treatment for every energy source and technology and let a free market in energy work for the benefit of Americans.

**Welfare Reform.** The current U.S. welfare system has failed the poor. It fails to improve self-sufficiency, and its cost is unsustainable. Total federal and state government spending on welfare now reaches over \$1 trillion annually spread across dozens of different federal programs. Most policymakers, along with the American public, do not understand the full cost of welfare. Congress should include in its annual budget an estimate of total current welfare spending, as well as 10-year projections.

There is dignity and value in work, to support one's self and in many circumstances others. Welfare reform should encourage work, a proven formula for reducing dependence and controlling costs. The food stamp program, one of the largest of the government welfare programs, would be a good place to start: able-bodied adults receiving food stamps should be required to work, prepare for work, or look for work as a condition of receiving assistance.

The vast majority of welfare spending is federal, even when administration of the program occurs at state level. Because states are not fiscally responsible for welfare programs, they have little incentive to curb dependence or to rein in costs. States should gradually assume greater revenue responsibility for welfare programs; that is, they should pay for and administer the programs with state resources. Additionally, leaders should look for ways to strengthen marriage. The absence of fathers in the home is one of the greatest drivers of child poverty. Policymakers should reduce marriage penalties in the current welfare system.

**Repeal of Obamacare.** Obamacare is unpopular, unaffordable, and unworkable. Congress should repeal Obamacare in its entirety. This would eliminate the nearly \$2 trillion in new spending created by the law's exchange subsidies and Medicaid expansion, as well as more than a trillion dollars in new taxes. In addition, full repeal would alleviate the burdens caused by Obamacare's costly and onerous federal insurance regulations that have caused massive disruption in the insurance market. Repeal is essential to controlling government health care spending and to clear the way for an alternative reform that is patient-centered and market-based.

**Patient-Centered, Market-Based Health Care Reform.** Congress should put in place a framework for a health care reform alternative. This proposal should promote a free market for health care by removing the regulatory and policy obstacles that discourage choice and competition, and address the major drivers in health care spending.

A replacement package should encourage personal ownership of health insurance by reforming the tax treatment of health insurance. Tax relief should be extended for individuals to purchase the coverage of their choice, and the value of the tax exclusion for employer-based health care should be capped.

**Medicaid as a True Safety Net.** A replacement package should also restore Medicaid to a true safety net. Federal Medicaid assistance to able-bodied

individuals should be converted to a direct contribution to facilitate participation in the private marketplace, and federal assistance to the states for the disabled and elderly should be limited to ensure fiscal control.

**Modernize Medicare.** A replacement package should also modernize the Medicare program to meet demographic, fiscal, and structural challenges. Medicare should transition to a defined-contribution, premium support model. To prepare the way, smaller Medicare changes—such as raising the retirement age, reducing subsidies for wealthy seniors, and consolidating benefits—would help the transition to premium support.

**Reform of Social Security, Including Disability Insurance.** Social Security’s Old Age Survivors Insurance (OASI) and Disability Insurance (DI) programs provide a false sense of security by promising more in benefits than they can pay. Combined, these programs will cost \$910 billion in 2016, to provide benefits to 60 million beneficiaries. OASDI’s combined unfunded obligation tops \$13 trillion.

Although Congress avoided the DI program’s 2016 insolvency by raiding \$150 billion from the OASI Trust Fund, the DI program remains plagued by widespread fraud and abuse, excessive structural flaws and inefficiencies, and work disincentives. To address these problems, policymakers should introduce an optional private DI component; improve work incentives; adopt a needs-based period of disability; eliminate the non-medical vocational grids that allow individuals to receive benefits based on their age, education, or skill; and instruct the Social Security Administration to improve the program’s efficiency and integrity.

Within Social Security’s retirement program, lawmakers should gradually and predictably increase the program’s early and full retirement ages to account for increases in life expectancy, and then index both to longevity. Across both the OASI and DI programs, policymakers should transition to a flat, anti-poverty benefit focused on individuals who need it most, and immediately replace the current cost-of-living adjustment with the more accurate chained consumer price index.

**Limited Federal Intervention and Restore State and Local Control of Education.** Since President Lyndon B. Johnson signed the Elementary and Secondary Education Act (ESEA) into law in 1965 as the keystone education component of his War on Poverty, the federal government—which represents 10

percent of all K–12 education spending—has appropriated some \$2 trillion in an effort to improve the educational outcomes of American students. Despite a more than doubling of inflation-adjusted federal per-pupil expenditures since that time, only slightly more than one-third of children in grades four and eight are proficient in reading—a figure effectively unchanged since the early 1970s. Moreover, achievement gaps between students remain, and graduation rates for disadvantaged students are stagnant.

These lackluster outcomes—and in some cases declines—in academic performance come despite continued increases in education spending. These underwhelming outcomes add to the evidence that ever-increasing government spending is not the key to improving education. As it works toward shifting education functions out of the federal government and back to the states, Congress should cut the size, scope, and funding of the Department of Education, beginning by eliminating ineffective and duplicative programs and offering relief to states and schools through reforms in the Academic Partnerships Lead Us To Success (A-PLUS) Act.

**Higher Education Accreditation Reform and Restraint in Federal Higher Education Subsidies.** When tax credits and deductions are included, total federal higher education subsidies exceed \$230 billion annually. Federal higher education subsidies have increased substantially over the past decade. The number of students who borrow money through federal student loans increased by 69 percent—from 5.9 million students during the 2002–2003 academic year, to some 10 million today. At the same time, Pell Grant funding has more than doubled in real terms; the number of recipients has nearly doubled over the same time period.

As federal subsidies have increased, so, too, have college costs. Since 1980, tuition and fees at public and private universities have grown at least twice as fast as the rate of inflation. Some 60 percent of bachelor’s degree holders leave school with more than \$26,000 in student loan debt, with cumulative student loan debt now exceeding \$1.2 trillion.

To increase access and affordability of higher education, policymakers should limit federal subsidies and spending, which have contributed to increases in costs. In order to truly drive down college costs and improve access for students, policymakers should undertake major reforms to accreditation, including decoupling federal financing from the ossified accreditation system.



**No Hidden Taxes Through Regulation.** Federal spending and revenues constitutes only one part of the total burden imposed on Americans by Washington. Rules imposed by federal regulators also impose crushing costs on the U.S. economy and society. Unlike direct spending, these costs are not reported in any budget, but are substantial—approaching \$2 trillion according to some estimates.

These rules have ranged from restrictions on Internet providers to Obamacare health insurance mandates, to costly limits on energy production and greenhouse gases. Under the Obama Administration alone, this hidden tax has added close to \$100 billion in new burdens on Americans.

Congress must control this out-of-control regulatory growth. It should start by requiring that every major new rule be approved by the House and Senate before taking effect. Moreover, existing rules should be subject to automatic expiration (often called “sunsetting”) if not specifically renewed after a certain time.

**No Barriers to Investment; Repeal of Harmful Financial Regulations.** The financial system itself has been subjected to massive new controls from Washington, largely because of the harmful new regulations imposed by the 2010 Dodd–Frank Wall Street Reform and Consumer Protection Act. This new framework punishes financial institutions with egregious regulations and increases the danger of future financial crises. Yet Fannie Mae and Freddie Mac, the very institutions that played a central role in the 2008 crisis, are virtually untouched by any corrective regulation and enjoy the government’s continued favor.

Financial markets would be more stable if financial firms were truly private without taxpayer backstops that shield market actors from the disciplining force of risk. In addition to repealing Dodd–Frank, key reforms include removing the federal government from housing finance, ending the Federal Reserve’s emergency lending power, ending federal loan and security guarantees, and abolishing the Consumer Financial Protection Bureau or at least restructuring it to impose accountability and transparency and constrain its power.

**Support of Entrepreneurship Through Reformed Securities Laws.** A morass of securities regulations impede capital formation, disproportionately harm small and start-up business, and reduce innovation and economic growth. Securities

laws should focus primarily on the core mission of deterring and punishing fraud, and require reasonable, limited, scaled disclosure by widely held firms of material information required by investors to make informed investment decisions, such that larger and more widely held firms are subject to greater disclosure requirements.

The modern securities market is generally *interstate* in character, and therefore most primary offerings, secondary markets, and broker-dealers should be subject only to the federal regulatory regime, while state securities regulation should be limited to *intrastate* offerings and anti-fraud enforcement rather than offering registration and qualification. The law should allow the development of robust secondary markets in the securities of smaller companies by improving existing secondary markets for small public companies, establishing a regulatory environment that enables venture exchanges, and reasonably regulating the secondary sales of private securities. Regulators should not engage in “merit review” or mandate particular portfolio choices; regulators should not substitute their investment or business judgment for that of investors.

**Promotion of Free Trade.** The freedom to exchange goods and services openly with others is the foundation of America’s modern economic system, which provides historically unprecedented opportunities for individuals to achieve greater economic freedom, independence, and prosperity. According to data in the annual *Heritage Index of Economic Freedom*, countries with low trade barriers are more prosperous than those that restrict trade. Free and open trade fuels vibrant competition, innovation, and economies of scale, allowing individuals, families, and businesses to take advantage of lower prices and increased choice.

The United States has free trade agreements with 20 countries around the world, which reduce most tariffs on imports from these countries to zero. However, these agreements cover only about 36 percent of U.S. annual imports. Congress should further eliminate trade barriers and protectionist policies to increase Americans’ freedom to trade. Nearly half of U.S. imports are “intermediate goods” (goods that are components used in making other goods), and U.S. manufacturers rely on these imported inputs to create American jobs and to compete in the global marketplace. Tariffs on intermediate goods drive up the cost of American manufacturing. The

government should boost manufacturing by eliminating all tariffs on intermediate goods. Policies like the sugar program, which causes the price of sugar in the U.S. to be nearly twice the average world price, and the maritime Jones Act, which mandates that any goods shipped by water between two points in the U.S. must be transported on a U.S.-built, U.S.-flagged vessel, should be eliminated.

The congressional budget resolution provides Congress with a critical opportunity to review federal policy in all areas and to put forth a strong vision for an America that offers opportunity for all with favoritism to none. Congress should seize this opportunity to begin to drive down federal spending to a balanced budget, while reducing taxes and maintaining a strong national defense.

## ENDNOTES

1. Office of Management and Budget, "Historical Tables," Table 7.1, <https://www.whitehouse.gov/omb/budget/Historicals> (accessed January 22, 2016).

# Chapter 2: Discretionary Budget Proposals for 2017

Congress's power of the purse resides in its exclusive power to make laws and the Constitution's command that "No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law."

The appropriations process calls on Congress to pass appropriations bills (currently 12 in number) each year, before the start of the government's fiscal year on October 1 of a calendar year, that fund the government's operation for that fiscal year (FY). The appropriations bills cover a number of policy areas such as defense, health, and agriculture. Spending on programs funded annually through appropriations bills (often referred to as "discretionary spending" as distinguished from so-called "mandatory spending" for which Congress has passed laws making permanent appropriations instead of periodic appropriations) currently makes up about one-third of the total federal budget. Two-thirds of spending goes for "mandatory spending" and payment of interest on the national debt.

Congress should use four criteria to assess every federal program in developing the fiscal year 2017 budget. Congress should determine whether:

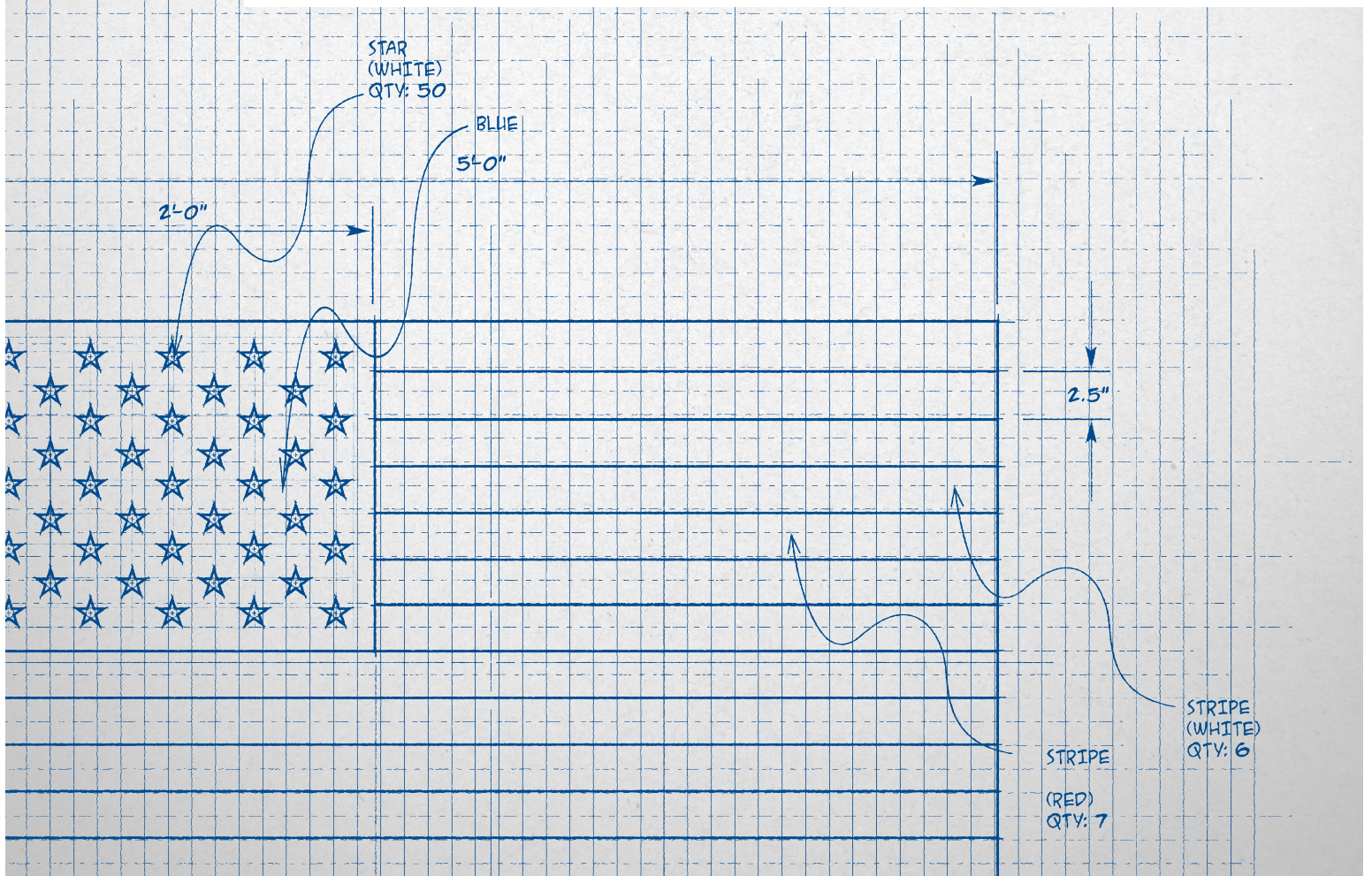
1. Eliminating the program would increase opportunity or reduce favoritism;
2. The program would better serve the American people if it were administered and financed by the private sector;
3. The program would be better administered by state or local governments; or
4. The program is wasteful or duplicative.

Needless to say, Congress also should review programs to ensure that they fall within the powers delegated to the United States by the Constitution, as ours is a federal government of limited powers. Congress should use the appropriations bills, like other bills, to advance important policy objectives, within the limits of its authority. Congress can do so, for example, by adding provisions, known as "riders," that direct or prohibit the use of funds for specified purposes.

This chapter provides proposals to reform discretionary programs for the FY 2017 appropriations bills. Should these proposals be adopted, discretionary spending could be reduced by \$97 billion in 2017 (including \$19.4 billion in rescissions of previously appropriated funds). Some of the proposals produce savings in defense programs; those savings should be shifted to higher priority defense programs, to help achieve a stronger national defense.



# Agriculture, Rural Development, Food and Drug Administration, and Related Agencies





# Repeal the USDA Catfish Inspection Program

## RECOMMENDATION

Repeal the U.S. Department of Agriculture’s (USDA’s) catfish inspection program. This proposal saves \$14 million in FY 2017.

## RATIONALE

While the Food and Drug Administration (FDA) regulates domestic and imported seafood, the 2008 farm bill created a special exception requiring the USDA to regulate catfish that is sold for human consumption. This program, which has not yet been implemented, would impose costly duplication because facilities that process seafood, including catfish, would be required to comply with both FDA and USDA regulations.

The evidence does not support the health justifications for the more intrusive inspection program, to which there has been wide bipartisan opposition. The Government Accountability Office (GAO) has criticized the program, publishing a 2012 report with the not-so-subtle title “Seafood Safety: Responsibility for Inspecting Catfish Should Not Be Assigned to USDA.”<sup>1</sup> Another GAO report succinctly summarized most of the problems, noting that

the program “would result in duplication of federal programs and cost taxpayers millions of dollars annually without enhancing the safety of catfish intended for human consumption.”<sup>2</sup>

The USDA catfish inspection program would also have serious trade implications. Foreign exporters selling catfish under FDA requirements would need to establish a new regulatory system equivalent to the USDA program. This approval process could take years.

Catfish-exporting countries would likely retaliate with—and win—trade disputes, since the program would be an unjustified trade barrier. The retaliation would likely come against industries other than the catfish industry, such as milk producers or meat packers. American consumers also would suffer because this program would reduce competition.

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## ADDITIONAL READING

- Daren Bakst, “Addressing Waste, Abuse, and Extremism in USDA Programs,” Heritage Foundation *Backgrounder* No. 2916, May 30, 2014.
- Daren Bakst, “Farm Bill: Taxpayers and Consumers Are Getting Catfished,” *The Daily Signal*, November 19, 2013.
- U.S. Government Accountability Office, “High Risk Series: An Update,” GAO-13-283, February 2013, pp. 198–199.
- U.S. Government Accountability Office, “Seafood Safety: Responsibility for Inspecting Catfish Should Not Be Assigned to USDA,” GAO-12-411, May 2012.

## CALCULATIONS

As reported on pages 19 and 20 of U.S. Government Accountability Office, “Seafood Safety: Responsibility for Inspecting Catfish Should Not Be Assigned to USDA,” *Report to Congressional Requesters* GAO-12-411, May 2012, the proposed catfish program would cost the federal government and industry an estimated \$14 million annually, with the federal government bearing 98 percent of the cost. This GAO report notes that the reported estimate of \$14 million annually may understate the true costs of the program.

# Eliminate the Conservation Technical Assistance Program

## RECOMMENDATION

Eliminate the Conservation Technical Assistance Program. This proposal saves \$748 million in FY 2017.

## RATIONALE

The Natural Resources Conservation Service runs a costly program to offer technical assistance to landowners on natural resource management. This assistance includes help in maintaining private lands, complying with laws, enhancing recreational activities, and improving the aesthetic character of private land. The services are provided to both governmental and private entities.

Private landowners, not government, are the best stewards of a given property. If necessary, they can seek private solutions to conservation challenges. Federal taxpayers should not be forced to subsidize advice that private (and public) landowners should be paying for on their own.

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## ADDITIONAL READING

- Daren Bakst, "Addressing Waste, Abuse, and Extremism in USDA Programs," Heritage Foundation *Backgrounder* No. 2916, May 30, 2014.

## CALCULATIONS

Savings are expressed as budget authority and were calculated using the FY 2014 estimated spending levels as found on page 68 of USDA, "FY 2016: Budget Summary and Annual Performance Plan, U.S. Department of Agriculture." The FY 2016 spending level was increased at the same rate as discretionary spending for FY 2017, according to the CBO's most recent August 2015 baseline spending projections.

# Eliminate the Rural Business-Cooperative Service's Discretionary Programs

## RECOMMENDATION

Eliminate discretionary programs in the Rural Business-Cooperative Service (RBCS). This proposal saves \$146 million in FY 2017.

## RATIONALE

The RBS is an agency of the U.S. Department of Agriculture that has a wide range of financial assistance programs for rural businesses. It also has a significant focus on renewable energy and global warming, including subsidizing biofuels.

Rural businesses are fully capable of running themselves, investing, and seeking assistance through private means. The fact that these businesses are in rural areas does not change the fact that they can and should succeed on their own merits like any other business. Private capital will find its way to worthy investments.

The government should also not be in the business of picking winners and losers when it comes to private investments or energy sources. Instead of handing taxpayer dollars to businesses, the federal government should identify and remove the obstacles that it has created for businesses in rural communities.

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## ADDITIONAL READING

- Daren Bakst, "Addressing Waste, Abuse, and Extremism in USDA Programs," Heritage Foundation *Backgrounder* No. 2916, May 30, 2014.

## CALCULATIONS

Savings were calculated by using the FY 2016 estimated spending levels for the discretionary programs as found on page 120 of USDA, "FY 2016: Budget Summary and Annual Performance Plan, U.S. Department of Agriculture." The FY 2016 spending level was increased at the same rate as discretionary spending for 2017, according to the CBO's most recent August 2015 baseline spending projections.

# Prohibit Funding for National School Lunch Program Standards

## RECOMMENDATION

Prohibit funding for national school lunch program standards.

## RATIONALE

The U.S. Department of Agriculture's new school lunch standards implementing the Healthy and Hunger Free Kids Act of 2010 have been a failure. These standards are a burden on schools and have resulted in many negative outcomes. For example, a January 2014 report by the Government Accountability Office (GAO) shows that since the implementation of the new standards, participation in the school lunch program has declined, there has been an increase in food waste among students, and some schools have dropped out of the program

at least partially due to the new standards.<sup>3</sup> The new standards have also imposed greater costs on schools, such that some have even had to draw from their education funds to cover the new costs.<sup>4</sup> No funding should be directed toward implementation and enforcement of these standards. Any new standards should give states and local educational authorities much greater flexibility and respect the role of parents in helping their children make dietary decisions.

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## ADDITIONAL READING

- Daren Bakst, "Addressing Waste, Abuse, and Extremism in USDA Programs," Heritage Foundation *Backgrounder* No. 2916, May 30, 2014.
- Daren Bakst, "Michelle Obama Is Ignoring the Problems Her New School Lunch Standards Have Caused," The Daily Signal, May 30, 2014.

# Withhold Funding for Federal Fruit and Vegetable Supply Restrictions

## RECOMMENDATION

Withhold funding for federal fruit and vegetable supply restrictions.

## RATIONALE

In June 2015, the United States Supreme Court decided *Horne v. Department of Agriculture*,<sup>5</sup> a case regarding the federal government’s authority to fine raisin growers who did not hand over part of their crop to the government. The court held that forcing growers to turn over their raisins was a taking of private property requiring just compensation. While the “raisin case” received much attention because of the outrageous nature of the government’s actions, it is far from unique. In particular, the USDA uses its power to enforce

a number of cartels through industry agreements known as marketing orders. Fruit and vegetable marketing orders<sup>6</sup> allow the federal government to authorize supply restrictions (volume controls), limiting the amounts that agricultural producers may sell. Marketing orders are bad enough, but, at a minimum, Congress should stop funding these volume controls that limit how much of their own fruits and vegetables farmers may sell and should get the government out of the market and cartel management business.<sup>7</sup>

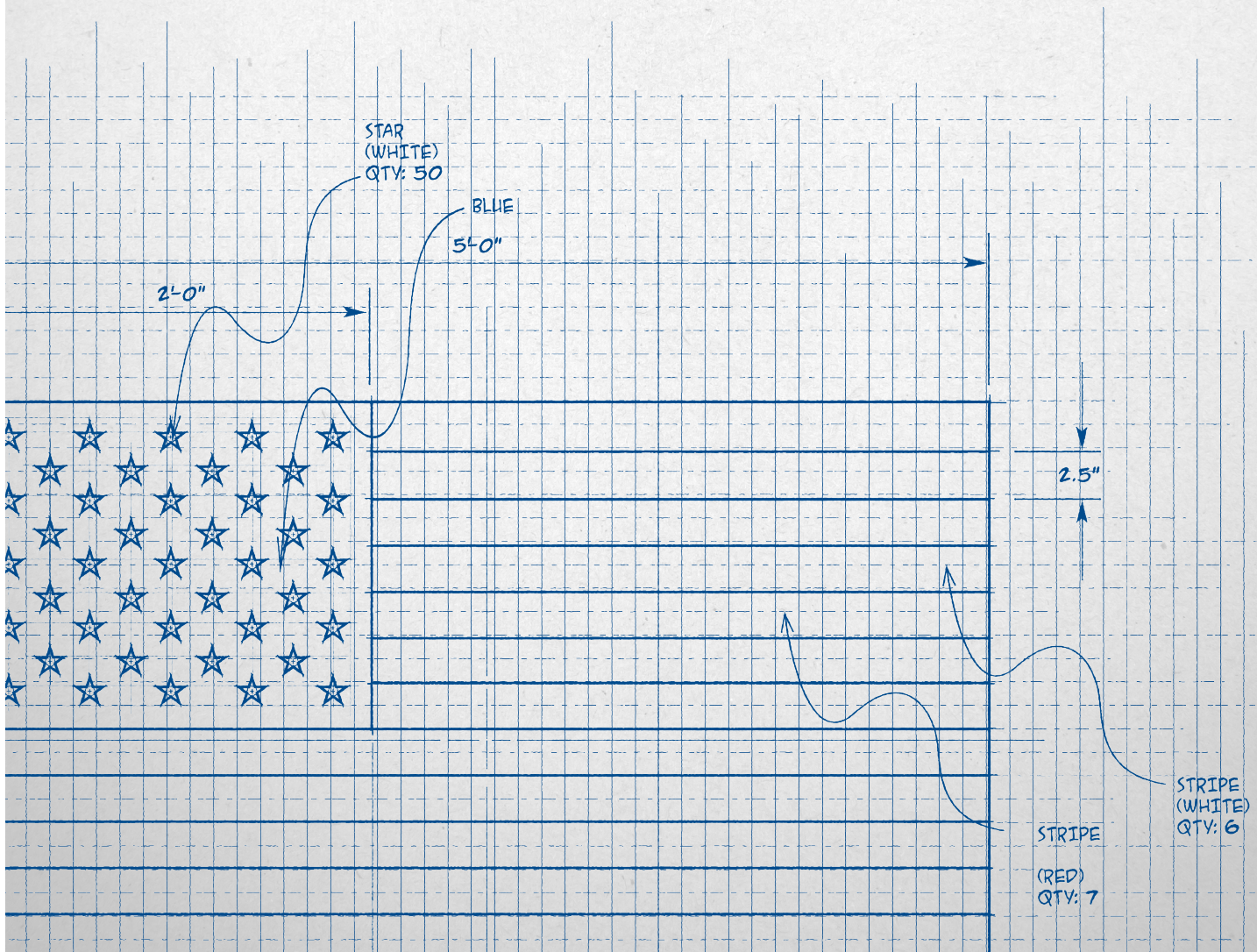
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## ADDITIONAL READING

- Alden Abbott, “Time to Repeal Agricultural Marketing Orders,” Heritage Foundation *Backgrounder* No. 3054 December 3, 2015.
- Daren Bakst, “The Federal Government Should Stop Limiting the Sale of Certain Fruits and Vegetables,” Heritage Foundation *Issue Brief* No. 4466, September 29, 2015.



# Commerce, Justice, Science, and Related Agencies





# Eliminate the Office of Community Oriented Policing Services

## RECOMMENDATION

Eliminate the Office of Community Oriented Policing Services (COPS). This proposal saves \$316 million in 2017.

## RATIONALE

Created in 1994, COPS promised to add 100,000 new state and local law enforcement officers on the streets by 2000. COPS both failed to add 100,000 additional officers to America's streets and was ineffective at reducing crime.

State and local officials, not the federal government, are responsible for funding the staffing levels of police departments. By paying for the salaries of police officers, COPS funds the routine, day-to-day functions of police and fire departments. In *Federalist* No. 45, James Madison wrote:

The powers delegated by the proposed Constitution to the federal government are few and defined. Those which are to remain in the State governments are numerous and indefinite. The former will be exercised principally on external objects, as war, peace, negotiation, and foreign commerce; with which last the power of taxation

will, for the most part, be connected. The powers reserved to the several States will extend to all the objects which, in the ordinary course of affairs, concern the lives, liberties, and properties of the people, and the internal order, improvement, and prosperity of the State.

When Congress subsidizes local police departments in this manner, it effectively reassigns to the federal government the powers and responsibilities that fall squarely within the expertise, historical control, and constitutional authority of state and local governments. The responsibility to combat ordinary crime at the local level belongs almost wholly, if not exclusively, to state and local governments.

The COPS program has an extensive track record of poor performance and should be eliminated. COPS grants also unnecessarily fund functions that are the responsibility of state and local governments.

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## ADDITIONAL READING

- David B. Muhlhausen, "Byrne JAG and COPS Grant Funding Will Not Stimulate the Economy," statement before the Judiciary Committee, U.S. Senate, May 12, 2009.
- David B. Muhlhausen, "Impact Evaluation of COPS Grants in Large Cities," Heritage Foundation *Center for Data Analysis Report* No. 06-03, May 26, 2006.

## CALCULATIONS

Savings are expressed as budget authority as reported on page 240 of Office of Management and Budget, "The President's Budget for Fiscal Year 2016," 29-1. "Federal Budget by Agency and Account Explanatory Note," 2015.

# Eliminate Grants within the Office of Justice Programs

## RECOMMENDATION

Eliminate state and local grants administered by the Office of Justice Programs (OJP). This proposal saves \$1.511 billion in 2017.

## RATIONALE

The majority of the programs under the OJP umbrella deal with problems or functions that lie within the jurisdiction of state and local governments and should therefore be handled by state and local officials. Grants from the OJP are given to state and local governments for many criminal justice purposes, including local police officer salaries, state corrections, court programs, and juvenile justice programs.

To address criminal activity appropriately, the federal government should limit itself to handling tasks that state and local governments cannot perform by themselves and that the Constitution commits to the federal government. The tendency to search for a solution at the national level is misguided and problematic. For example, juvenile delinquents and criminal gangs are a problem common to all states, but the crimes that they commit are almost entirely and inherently local in nature,

and are therefore regulated by state criminal law, law enforcement, and courts. The fact that thefts by juveniles occur in all states does not mean that these thefts are a problem requiring action by the federal government.

State and local officials, not the federal government, are responsible for funding the state and local criminal justice programs. The OJP subsidizes the routine, day-to-day functions of state and local criminal justice programs. When Congress subsidizes routine state and local criminal justice programs in this manner, it effectively reassigns to the federal government the powers and responsibilities that fall squarely within the expertise, historical control, and constitutional authority of state and local governments. The responsibility to combat ordinary crime at the local level belongs almost wholly, if not exclusively, to state and local governments.

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## ADDITIONAL READING

- David B. Muhlhausen, “Byrne JAG and COPS Grant Funding Will Not Stimulate the Economy,” statement before the Senate Judiciary Committee, U.S. Senate, May 12, 2009.
- David B. Muhlhausen, “Drug and Veterans Treatment Courts: Budget Restraint and More Evaluations of Effectiveness Needed,” testimony before the Subcommittee on Crime and Terrorism, Committee on the Judiciary, U.S. Senate, July 19, 2011.
- David B. Muhlhausen, “Get Out of Jail Free: Taxpayer-Funded Grants Place Criminals on the Street Without Posting Bail,” Heritage Foundation *WebMemo* No. 3361, September 12, 2011.
- David B. Muhlhausen, “The Second Chance Act: Budget Restraint and More Evaluations of Effectiveness Needed,” testimony before the Subcommittee on Crime, Terrorism, and Homeland Security, Committee on the Judiciary, U.S. House of Representatives, September 29, 2010.
- David B. Muhlhausen, “Where the Justice Department Can Find \$2.6 Billion for its Anti-Terrorism Efforts,” Heritage Foundation *Backgrounder* No. 1486, October 5, 2001.
- David B. Muhlhausen, “The Youth PROMISE Act: Outside the Scope and Expertise of the Federal Government,” testimony before the Subcommittee on Crime, Terrorism, and Homeland Security, Committee on the Judiciary, U.S. House of Representatives, July 15, 2009.

## CALCULATIONS

Savings are expressed as budget authority and include appropriations for “State and Local Law Enforcement Assistance” and “Juvenile Justice Programs” as reported on pages 240–241 of Office of Management and Budget, “The President’s Budget for Fiscal Year 2016,” 29-1. “Federal Budget by Agency and Account Explanatory Note,” 2015.

# Eliminate Violence Against Women Act Grants

## RECOMMENDATION

Eliminate Violence Against Women Act (VAWA) grants. This proposal saves \$480 million in 2017.

## RATIONALE

VAWA grants should be terminated because these services should be funded and implemented locally. Using federal agencies to fund the routine operations of domestic violence programs that state and local governments could provide is a misuse of federal resources and a distraction from concerns that are truly the province of the federal government.

The principal reasons for the existence of the VAWA programs are to mitigate, reduce, or prevent the effects and occurrence of domestic violence. Despite being created in 1994, grant programs under the

VAWA have not undergone nationally representative, scientifically rigorous experimental evaluations of effectiveness.

The GAO concluded that previous evaluations of the VAWA programs “demonstrated a variety of methodological limitations, raising concerns as to whether the evaluations will produce definitive results.” Further, the evaluations were not representative of the types of programs funded nationally by the VAWA.

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## ADDITIONAL READING

- Paul J. Larkin, Jr., “Send in the Lawyers: The House Passes the Senate’s Violence Against Women Act,” *The Daily Signal*, March 1, 2013.
- David B. Muhlhausen, “Violence Against Women Act Gives Grant Money to Misleading Organizations,” *The Daily Signal*, February 13, 2013.
- David B. Muhlhausen and Christina Villegas, “Violence Against Women Act: Reauthorization Fundamentally Flawed,” *Heritage Foundation Backgrounder* No. 2673, March 29, 2012.
- U.S. General Accounting Office, “Justice Impact Evaluations: One Byrne Evaluation was Rigorous; All Reviewed Violence Against Women Office Evaluations Were Problematic,” March 2002.

## CALCULATIONS

Savings are expressed as budget authority as reported on page 241 of Office of Management and Budget, “The President’s Budget for Fiscal Year 2016,” 29-1. “Federal Budget by Agency and Account Explanatory Note,” 2015.

# Eliminate the Legal Services Corporation

## RECOMMENDATION

Eliminate the Legal Services Corporation (LSC). This proposal saves \$393 million in FY 2017.

## RATIONALE

The LSC was created by the Legal Services Act of 1974 as a means to provide civil legal assistance to indigent clients. It does so by distributing federal grant funds in one-year to three-year award increments to service areas throughout the United States and its territories. The annual appropriations legislation specifies the types of activities for which the funds may be used, and also restricts certain uses, such as for political activities, advocacy, demonstrations, strikes, class-action lawsuits, and cases involving abortion, partisan redistricting, and welfare reform.

Over the years, LSC attorneys have tended to engage in the political hot-button issues from which they are specifically barred by the annual appropriations language. Further, the LSC receives a large amount of its funding from outside sources beyond the reach of the federal government, which adds

additional political pressure to focus on certain causes and ensure that donations keep coming in. The Congressional Budget Office has repeatedly recommended that the LSC be defunded as a means of decreasing the deficit, citing that many programs receiving LSC grants already receive resources from state and local governments and private entities.

LSC also should be abolished because it is not a duty of the federal government to provide defense in these types of cases. Many state and local governments already provide funding for indigent legal defense and are better equipped to address the needs of those in their communities who rely on these free services. By giving local entities sole responsibility for these activities, funds can be targeted in the most efficient manner, and the burden can be removed from the federal deficit.

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## ADDITIONAL READING

- Kenneth F. Boehm and Peter T. Flaherty, "Why the Legal Services Corporation Must Be Abolished," Heritage Foundation *Backgrounder* No. 1057, October 19, 1995.
- Congressional Budget Office, "Budget Options Volume 2," August 6, 2009.
- National Legal and Policy Center Staff, "What the Legal Services Corporation Doesn't Want Congress to Know," National Legal and Policy Center, March 22, 2012.

## CALCULATIONS

Savings are expressed as budget authority, as authorized and found on page 80 of Consolidated Appropriations Act, 2016, Public Law 114-113. The FY 2016 authorized level of \$385 million was increased for discretionary spending growth in FY 2017, according to the CBO's most recent August 2015 baseline spending projections.

# Reduce Funding for Four Programs in the Department of Justice

## RECOMMENDATION

Reduce:

1. The Civil Rights Division's FY 2016 request for \$175 million by 33 percent. This saves \$58 million in FY 2017.
2. The Environmental & Natural Resources Division's FY 2016 request for \$127.5 million by 33 percent. This saves \$43 million in FY 2017.
3. The Community Relations Service's FY 2016 request for \$14.5 million by 50 percent. This saves \$7 million in FY 2017.
4. The Bureau of Alcohol, Tobacco, Firearms & Explosives' (ATF's) FY 2016 request for \$1.261 billion by 20 percent. This saves \$257 million in FY 2017.

These reductions would save \$366 million in FY 2017.

## RATIONALE

A recent report by the Justice Department Inspector General described the Civil Rights Division as a dysfunctional division torn by “polarization and mistrust.”<sup>8</sup> It is a division that has fought election integrity and filed abusive lawsuits intended to enforce progressive social ideology in areas ranging from public hiring to public education.<sup>9</sup> Its budget should be significantly cut. For similar reasons, the budget of the Environmental & Natural Resources Division should also be cut, given its collusion in “sue and settle” lawsuits with extremist environmental groups that take environmental lawmaking out of the hands of Congress and put it in the hands of agencies, private interests, and federal judges.<sup>10</sup>

The budget of the Community Relations Service (CRS) should be entirely eliminated. Rather than fulfilling its mandate of trying to be the “peacemaker” in community conflicts, the CRS has raised tensions in local communities in recent incidents, such as the Zimmerman case in Florida, when the CRS helped organize and manage rallies and protests against George Zimmerman.<sup>11</sup> The ATF's budget should also be decreased to eliminate resources that could be used for reckless operations similar to Operation Fast & Furious.

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## ADDITIONAL READING

- J. Christian Adams, *Injustice: Exposing the Racial Agenda of the Obama Justice Department* (Washington, DC: Regnery Publishing, 2011).
- Department of Justice Office of the Inspector General, “Review of the Operations of the Voting Section of the Civil Rights Division,” March 2013.
- John Fund and Hans von Spakovsky, *Obama's Enforcer: Eric Holder's Justice Department* (New York: HarperCollins/Broadside, 2014).

## CALCULATIONS

Savings are expressed as budget authority and were calculated by using the FY 2016 requested spending levels as found in Department of Justice, “Summary of Budget Authority by Appropriation,” January 30, 2015. The proposed savings equal the difference between current spending and proposed spending cuts. All FY 2016 requested spending levels were increased at the same rate as projected growth in discretionary spending for FY 2017, according to the CBO's most recent August 2015 baseline spending projections.

# Eliminate Five Corporate Welfare Programs in the Commerce Department

## RECOMMENDATION

Eliminate:

1. The International Trade Administration (saves \$503 million in FY 2017);
2. The Economic Development Administration (saves \$227 million in FY 2017);
3. The Minority Business Development Agency (saves \$33 million in FY 2017);
4. The Hollings Manufacturing Extension Partnership (saves \$133 million in FY 2017); and
5. The Advanced Manufacturing Technology Consortia (saves \$15 million in FY 2017).

This proposal saves \$910 million in FY 2017.<sup>12</sup>

## RATIONALE

Businesses should not receive taxpayer subsidies. These long-lived and unnecessary corporate subsidies increase federal spending and distort the marketplace. Corporate welfare for politically connected corporations should end.

The International Trade Administration (ITA) serves as a taxpayer-financed sales department for selected businesses, and promotes the U.S. as an investment destination. Businesses should market and sell their own products without using tax money, and foreigners need little help understanding that the U.S. market is worth entering through investments. The ITA also enforces various, mostly counterproductive, aspects of U.S. trade law, particularly antidumping duties and countervailing duties.

The Economic Development Administration hands out money to businesses and universities that are not offering products and services that people want to buy. The Minority Business Development Agency hands out grants and runs federally funded management consulting operations, called business centers, in over 40 locations. The Hollings Manufacturing Extension Partnership is another federally funded management consulting operation directed at manufacturers. It is managed by the National Institute of Standards and Technology (NIST). The Advanced Manufacturing Technology (AMTech) Consortia program, also managed by NIST, provides federal grants to support commercial technology research.

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## ADDITIONAL READING

- Brian M. Riedl, “The Advanced Technology Program,” testimony before the Homeland Security and Governmental Affairs Committee, U.S. Senate, May 26, 2005.
- Brian M. Riedl, “The Advanced Technology Program: Time to End this Corporate Welfare Handout,” Heritage Foundation *Backgrounder* No. 1665, July 15, 2003.
- Michael Sargent et al., “Cutting the Commerce, Justice, and Science Spending Bill by \$2.6 Billion: A Starting Point,” Heritage Foundation *Issue Brief* No. 4220, May 12, 2014.

## CALCULATIONS

Savings for the first four programs are expressed as budget authority, as authorized and found on pages 45–50 of Consolidated Appropriations Act, 2016, Public Law 114–113. The FY 2016 authorized levels of \$493 million, \$222 million, \$32 million, and \$130 million, respectively, for the four programs, and the \$15 million for the fifth program were increased for discretionary spending growth in FY 2017 according to the CBO’s most recent August 2015 baseline spending projections. The \$15 million figure for the fifth program (Advanced Manufacturing Technology Consortia) comes from the FY 2016 requested level as found on page NIST-221 of National Institutes of Standards and Technology, National Technical Information Service, “Fiscal Year 2016 Budget Submission to Congress.”

# Eliminate Census Bureau Funding for the Annual Supplemental Poverty Measure Report

## RECOMMENDATION

Eliminate U.S. Census Bureau funding for the annual supplemental poverty measure (SPM) report. This proposal saves an unknown amount in FY 2017.<sup>13</sup>

## RATIONALE

The SPM is a relative poverty measure; rather than determining whether a household is poor based on its income, as the official U.S. poverty measure does, the SPM determines a household's poverty status by

comparing its income to the income of other households. The SPM undergirds a "spread-the-wealth" agenda, and it should be eliminated.<sup>14</sup>

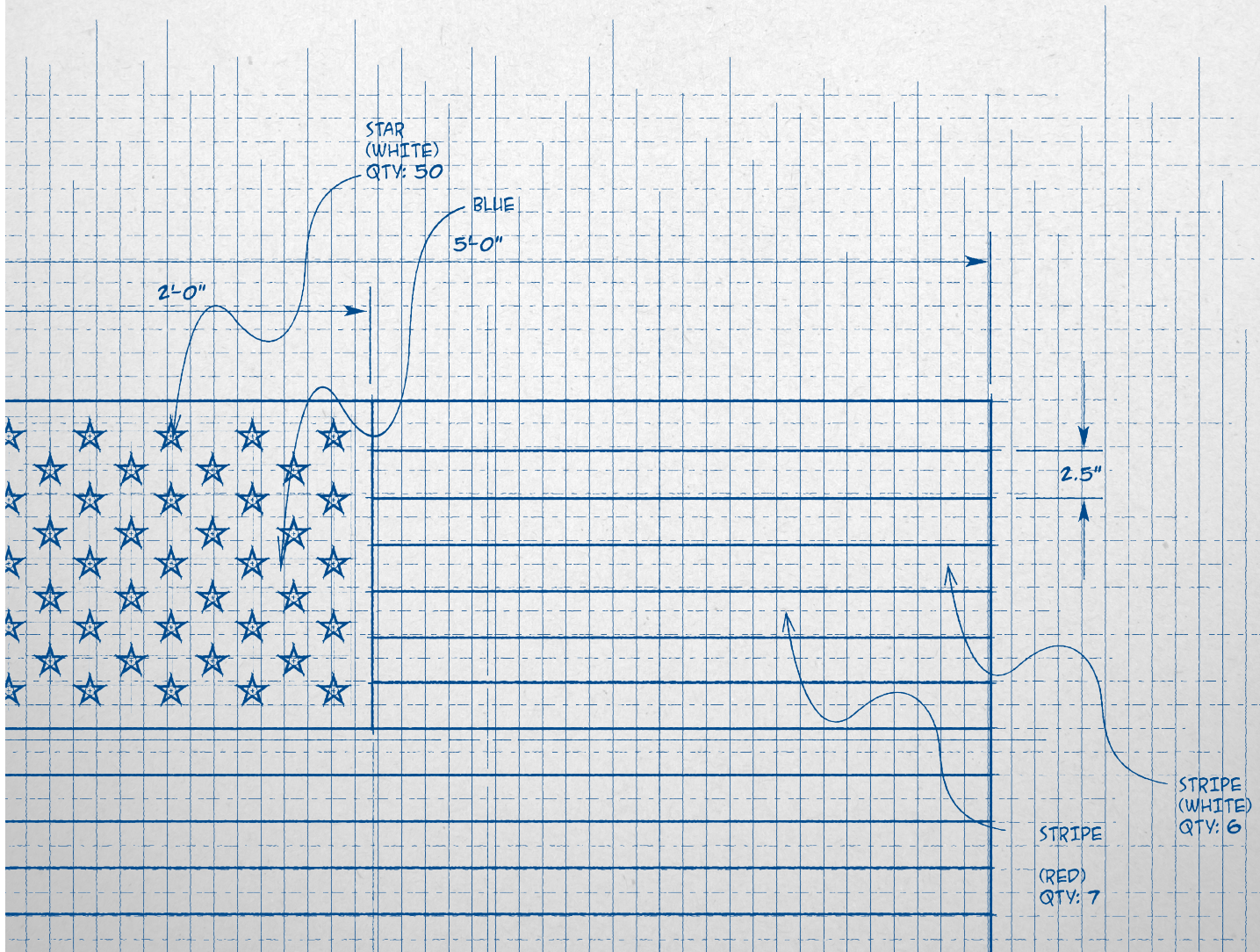
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## ADDITIONAL READING

- Robert Rector and Rachel Sheffield, "Obama's New Poverty Measure 'Spreads the Wealth,'" Heritage Foundation *Commentary*, November 9, 2011.



# Defense



# Cut Funding for Non-Combat Research

## RECOMMENDATION

The Defense Department (DOD) should cut research funding for programs that are not related to increasing military capabilities. This proposal saves \$335 million in FY 2017.

## RATIONALE

The Defense Department has the largest research and development budget of the federal government, equaling roughly \$70 billion a year. While the vast majority of this amount goes toward developing advanced military systems or technologies that have battlefield applications, each year the DOD spends money on various projects that have no reason to be funded by the defense budget. In many cases, these projects are already being funded by other federal departments. For example, the DOD currently has \$120 million worth of grants available to support breast cancer research, and \$132 million more for research on cancer, epilepsy, and prostate and ovarian cancers. Other examples include funds to promote research in science, technology, engineering, and math (STEM) education. (These STEM grants are not included in the estimated savings above.)

In addition, the DOD spends significant amounts of money on green-energy initiatives, including \$75 million for alternative energy research. These projects should be limited to those focused on providing cost-efficiencies or improving warfighting capabilities. However, some DOD programs are more focused on promoting green energy than on improving military capabilities. One example is the current mandate that requires 25 percent of electricity used by the DOD to come from renewable sources by 2025. Congress should repeal this mandate.

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## ADDITIONAL READING

- Senator Tom Coburn, “Department of Everything,” November 2012.
- Brian Slattery and Michaela Dodge, “Biofuel Blunder: Navy Should Prioritize Fleet Modernization over Political Initiatives,” Heritage Foundation *Issue Brief* No. 4054, September 24, 2013.
- Jack Spencer, “Capability, Not Politics, Should Drive DOD Energy Research,” Heritage Foundation *WebMemo* No. 3299, June 22, 2011.

## CALCULATIONS

Savings are expressed as budget authority and include an estimated \$251.5 million in research costs for epilepsy, prostate, ovarian, and breast cancers, as well as \$75 million in alternative energy research, as total of program costs based on alternative energy, specified on pages 197 and 149 of the FY 2016 Senate Defense Appropriations bill committee report: “Department of Defense Appropriations Bill, 2016,” 114th Congress, 1st Sess., June 11, 2015. The FY 2016 estimated spending level of \$327 million was increased at the same rate as defense spending for FY 2017, according to the CBO’s most recent August 2015 baseline spending projections.

# Cut Commissary Subsidies

## RECOMMENDATION

The Defense Department should cut subsidies to its commissaries. This proposal saves \$322 million in FY 2017.

## RATIONALE

The DOD currently has an extensive and separate retail network to serve those in the military and their dependents. There are four different retail systems operated by the DOD. One of them, the commissaries, is a network of grocery stores available to all branches of the military. In addition to commissaries, the military has three separate exchanges, or general retail stores, one for the Army and Air Force, one for the Navy, and another for the Marine Corps.

Commissaries and exchanges are managed differently. All three of the exchange systems are self-sustaining, relying on the revenue from their sales rather than direct appropriations. Commissaries, which are run by the Defense Commissary Agency (DeCA), rely on an annual subsidy to pay for their civilian workforce. Despite the Administration's request to reduce the subsidy by \$322 million in FY 2016, Congress added this amount back into its appropriation. Congress should eliminate the subsidy and thereby encourage DeCA to operate in a more effective, business-like manner.

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## ADDITIONAL READING

- Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options," March 2011.
- Mackenzie Eaglen and Julia Pollack, "How to Save Money, Reform Processes, and Increase Efficiency in the Defense Department," Heritage Foundation *Backgrounder* No. 2507, January 10, 2011.

## CALCULATIONS

Savings are expressed as budget authority, and are taken from page 194 of the Senate Defense Appropriations committee report: "Department of Defense Appropriations Bill, 2016," 114th Congress, 1st Session, June 11, 2015.

# Close Domestic Dependent Elementary and Secondary Schools

## RECOMMENDATION

Close the Defense Department's Domestic Dependent Elementary and Secondary schools (DDESS) on military bases in the continental United States. This proposal saves \$633 million in FY 2017.

## RATIONALE

The Pentagon's DDESS currently operates 63 schools on military bases in the United States, Puerto Rico, and Cuba. Fifty-eight schools are in South Carolina, Virginia, Georgia, Alabama, Kentucky, and North Carolina. These schools were necessary following World War II because, while the military was racially integrated, the school districts in those states were not. That justification has long since disappeared. Today, the dependents of military members in all other states attend local public schools.

There is no need for the military to be operating schools in these states, and the Pentagon should promptly close the schools and transfer military dependents to local school systems. This proposal would not apply to education abroad of children accompanying members of the U.S. armed forces deployed outside the U.S.

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## ADDITIONAL READING

- Senator Tom Coburn, "Department of Everything," November 2012.
- Fiscal Commission, "\$200 Billion in Illustrative Savings [for 2015]," November 12, 2010.

## CALCULATIONS

Savings are expressed as budget authority based on the FY 2016 estimated spending request of \$618.5 million as found on page DoDDE-366 of Department of Defense, "Fiscal Year 2016 Budget Estimates Department of Defense Dependents Education (DoDDE)." The FY 2016 estimated spending level was increased at the same rate as defense spending for FY 2017, according to the CBO's most recent August 2015 baseline spending projections.



# Reform Military Health Care

## RECOMMENDATION

In the FY 2016 National Defense Authorization Act, Congress took a significant first step toward reforming military compensation. Congress must next reform the military's health care system by introducing a private-sector health insurance option for military family members. This proposal saves \$3.8 billion in FY 2017, but would require both authorization and appropriations changes.

## RATIONALE

Military health care costs represent a significant portion of the personnel budget and have faced upward pressure. In FY 2016, the Defense Health Program will cost almost \$32 billion. The defense health care system exists to provide combat medical services for members of the armed forces and to provide employer health care benefits for members of the armed forces and their families. The military must be able to care for the men and women in uniform, particularly when they are in combat, but much of the military health care system has evolved into providing care for military dependents. This system is expensive and does not give military family members much choice or flexibility. Implementing a private-sector health insurance system would dramatically increase access and options for military family members while also reducing costs.

A variety of proposals exist to implement a plan like this. A 2011 Heritage Foundation *Backgrounder* proposed moving service members and their dependents to the system currently used by civilian federal employees, which would save \$1.4 billion in the first year and significantly more in future years.<sup>15</sup>

In January 2015, the congressionally chartered Military Compensation and Retirement Modernization Commission (MCRMC) issued its final report and included a recommendation to allow military dependents to choose from a selection of commercial health insurance plans. The MCRMC estimated that this would save \$3.9 billion in the first year and more in the future.

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## ADDITIONAL READING

- Military Compensation and Retirement Modernization Commission, *Report of the Military Compensation and Retirement Modernization Commission: Final Report*, January 2015, p. 262.
- Baker Spring, "Saving the American Dream: Improving Health Care and Retirement for Military Service Members and Their Families," Heritage Foundation *Backgrounder* No. 2621, November 17, 2011.

## CALCULATIONS

Savings are based on the implementation of the MCRMC's Recommendation 6, as outlined on pages 261–262 of its final report: Military Compensation and Retirement Modernization Commission, "Report of the Military Compensation and Retirement Modernization Commission: Final Report," January 2015. The commission estimates that this proposal would save \$3.9 billion and cost \$100 million for implementation in the first year, and would save more than \$6 billion per year once fully implemented.

# Place a High Priority on Missile Defense

## RECOMMENDATION

Place a high priority on missile defense.

## RATIONALE

Iran's ballistic missile force, the largest in the Middle East, poses a growing threat to its neighbors. Washington should help Israel to strengthen its missile defenses and help the Gulf Cooperation Council (GCC) countries to build an integrated and layered missile defense architecture to blunt the Iranian missile threat. The U.S. Navy should be prepared to deploy warships equipped with Aegis ballistic missile defense systems to appropriate

locations to help defend Israel and the GCC allies from Iranian missile attacks as circumstances demand. This will require coordinating missile defense activities among the various U.S. and allied missile defense systems through a joint communications system. The U.S. should also field missile defense interceptors in space for intercepting Iranian missiles in the boost phase, which would add a valuable additional layer to missile defenses.

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## ADDITIONAL READING

- Michaela Dodge, "U.S. Missile Defense Policy After Russia's Actions in Ukraine," Heritage Foundation *Issue Brief* No. 4177, March 21, 2014.
- James Philips, "The Iran Nuclear Deal: What the Next President Should Do," Heritage Foundation *Issue Brief* No. 4468, October 2, 2015.



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# End Renewable Energy Mandates in the Department of Defense

## RECOMMENDATION

End renewable energy mandates in the Department of Defense.

## RATIONALE

Such mandates undermine the incentive for producers of renewable energy to develop competitively priced products, thereby *impeding* marketplace diversity. In particular, under Section 2911(e) of Title 10 of the United States Code, the Defense Department is obligated to generate 25 percent of

its electricity using renewable sources by 2025. This mandate, which is forcing the Pentagon to expend ever more resources on renewable energy rather than on military capability, should be ended immediately.<sup>16</sup>

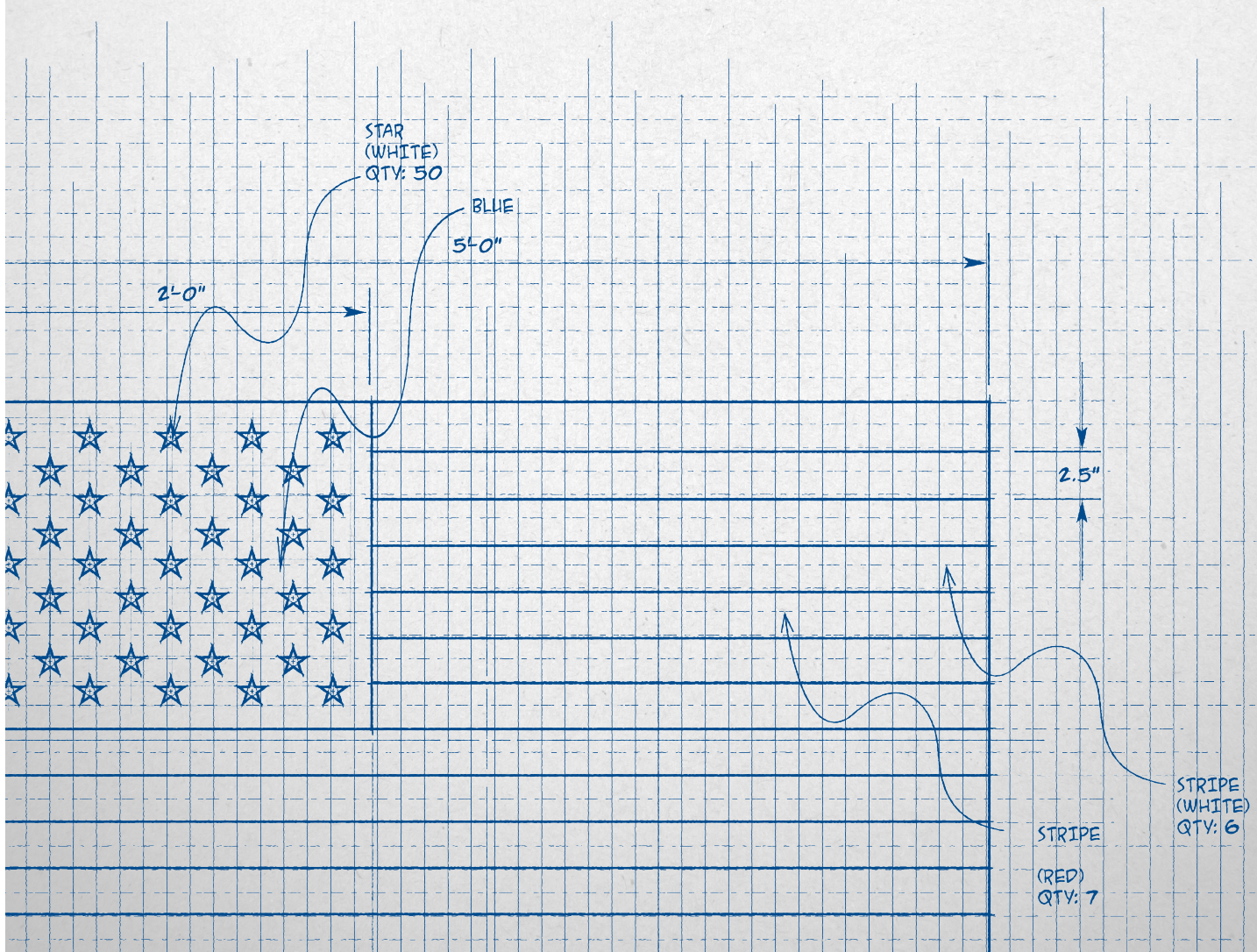
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## ADDITIONAL READING

- Jack Spencer, “Capability, Not Politics, Should Drive DOD Energy Research,” Heritage Foundation *WebMemo* No. 3299, June 22, 2011.



# Energy and Water Development and Related Agencies



# Focus the Department of Energy's National Nuclear Security Administration Spending on Weapons Programs

## RECOMMENDATION

Halt growth in DOE/NNSA programs that do not directly contribute to the country's nuclear weapons programs. This proposal saves \$780 million in FY 2017.

## RATIONALE

The Department of Energy (DOE) is responsible for the nuclear reactors and weapons that are operated by the Defense Department. Each year, the DOE is allotted about \$16 billion to \$17 billion to fund defense-related activities. The recent negative review of U.S. nuclear forces has now driven the Administration to increase spending in the coming years. While this increase for nuclear weapons programs is entirely necessary, an increase for non-weapons programs and support is not necessary. Congress should cancel the Minority Serving Institution Partnership Program and return the following programs to their FY 2014 budget levels:

- Material Recycle and Recovery
- Storage
- Packaging (formerly "Containers")
- Secure Transportation Asset
- Long Term Stewardship (formerly "Environmental Projects and Operations")
- Information Technology and Cyber Security
- Warhead Dismantlement and Fissile Materials Transparency (now under "Nuclear Verification")
- International Nonproliferation Export Control (now under "Nuclear Controls")
- Nuclear Safeguards and Security Programs
- Defense Environmental Clean-Up

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## ADDITIONAL READING

- Michaela Dodge and Baker Spring, "Bait and Switch on Nuclear Modernization Must Stop," Heritage Foundation *Backgrounder* No. 2755, January 4, 2013.

## CALCULATIONS

Savings are expressed as budget authority and were calculated based on estimated spending levels from the Department of Energy National Nuclear Security Administration's "FY 2016 Congressional Budget Request." The calculation used the FY 2017 requests that were available within the FY 2016 request. For FY 2017 levels that were not available, the calculation assumed them equal to the FY 2016 request level plus the CBO's baseline increase in discretionary spending for FY 2017, as provided in its most recent August 2015 baseline spending projections. Savings equal the combined total of placing a hard cap on FY 2014 funding levels for 10 budget components, plus cancelling the Minority Serving Institution Partnership Program.

# Return Funding for the DOE Office of Nuclear Physics to FY 2008 Levels

## RECOMMENDATION

Reduce funding for the DOE Office of Nuclear Physics to FY 2008 levels. This proposal saves \$117 million in FY 2017.

## RATIONALE

The DOE Office of Nuclear Physics supports theoretical and experimental research in the field. The Department of Energy and the National Science Foundation conduct nearly all basic nuclear physics research in the country. Research groups at 90 public and private universities, and nine federally funded laboratories (including Brookhaven, Oak Ridge, and Los Alamos), are exploring heavy ions,

medium-energy physics, low-energy research, theory, accelerators, and isotopes. Much like the High Energy Physics program, funding for the Nuclear Physics program has become unaffordable. Program funding should be returned to the inflation-indexed FY 2008 amount of \$487 million (actual FY 2008 spending was \$424 million).

## ADDITIONAL READING

- Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2668, March 23, 2012.

## CALCULATIONS

Savings are expressed as budget authority and were calculated by comparing current spending levels to estimated levels assuming that FY 2008 spending had increased for inflation only. The FY 2016 requested level of \$591.5 million can be found on pages 113–114 of "Energy and Water Development Appropriations Bill, 2016," U.S. Senate, 114th Congress, 1st Session, May 21, 2015. The FY 2008 spending level of \$423.7 million can be found on page 273 of U.S. Department of Energy Office of Science, "FY 2010 Congressional Budget: Nuclear Physics, Funding Profile by Subprogram." Had FY 2008 spending increased only with inflation (based on the CPI-U through November 2015 and the CBO's estimated CPI-U levels for 2016 and 2017), spending in FY 2017 would have been \$487 million, as compared to the FY 2017 projected level of \$604 million, based on the FY 2016 request of \$591.5 million, increased in 2017 by projected growth in discretionary spending for FY 2017, according to the CBO's August 2015 baseline spending projections.

# Return Advanced Scientific Computing Research to FY 2008 Levels

## RECOMMENDATION

Reduce DOE Advanced Scientific Computing Research spending to FY 2008 levels. This proposal saves \$230 million in FY 2017.

## RATIONALE

This program under the Department of Energy's Office of Sciences conducts computer modeling, simulations, and testing to advance the Energy Department's mission through applied mathematics, computer science, and integrated network environments. These models can lay the foundation for scientific breakthroughs and are arguably some of

the most important aspects of basic Energy Department research—but this program has also been the beneficiary of a consistently expanding budget, and in order to live within today's fiscal constraints, funding should be returned to the inflation-indexed FY 2008 levels.

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## ADDITIONAL READING

- Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2669, March 23, 2012.

## CALCULATIONS

Savings are expressed as budget authority and were calculated by comparing current spending levels to estimated levels, assuming that FY 2008 spending had increased for inflation only. The FY 2016 requested level of \$621 million can be found on page 113 of "Energy and Water Development Appropriations Bill, 2016," U.S. Senate, 114th Congress, 1st Session, May 21, 2015. The FY 2008 spending level of \$351.2 million can be found on page 6 of Yukiko Sekine, "NERSC Users Group Meeting Department of Energy Update," U.S. Department of Energy Office of Science, October 3, 2008. Had FY 2008 spending increased only with inflation (based on the CPI-U through November 2015 and the CBO's estimated CPI-U levels for FY 2016 and FY 2017), spending in FY 2017 would have been \$404 million, compared to the FY 2017 projected level of \$633.6 million, based on increasing the FY 2016 request of \$621 million by projected growth in discretionary spending for FY 2017, according to the CBO's most recent August 2015 baseline spending projections.



# Eliminate the DOE Advanced Research Projects Agency–Energy Program

## RECOMMENDATION

Eliminate the Advanced Research Projects Agency–Energy (ARPA-E) program. This proposal saves \$297 million in FY 2017.

## RATIONALE

ARPA-E is another energy program designed to fund high-risk, high-reward projects on which the private sector would not embark on its own. ARPA-E also has the goal of reducing energy imports, increasing energy efficiency, and reducing energy-related emissions, including greenhouse gases.

ARPA-E does not always seem to follow its own clear goals: The federal government has awarded several ARPA-E grants to companies and projects that are neither high-risk nor something that private industry cannot support. These problems with ARPA-E were identified by the GAO, the Department of Energy’s Inspector General (DOE IG), and the House Science, Space, and Technology

Committee staff. Of the 44 small and medium-sized companies that received an ARPA-E award, the GAO found that 18 had previously received private-sector investment for a similar technology. The GAO found that 12 of those 18 companies planned to use ARPA-E funding to either advance or accelerate already funded work.<sup>17</sup>

Congress should restructure the Department of Energy to conduct the basic research that the private sector would not undertake and create a system that allows the private sector, using private funds, to tap into that research and commercialize it. Federal labs should allow basic research to reach the market organically.

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## ADDITIONAL READING

- Nicolas D. Loris, “Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus,” Heritage Foundation *Backgrounder* No. 2668, March 23, 2012.
- Matthew Stepp, Sean Pool, Jack Spencer, and Nicolas D. Loris, “Turning the Page: Reimagining the National Labs in the 21st Century Innovation Economy,” The Information Technology & Innovation Foundation, June 19, 2013.

## CALCULATIONS

Savings are expressed as budget authority and were calculated by using the FY 2016 requested spending levels as found on page 115 of “Energy and Water Development Appropriations Bill, 2016,” U.S. Senate, 114th Congress, 1st Session, May 21, 2015. The FY 2016 requested level of \$291 million was increased at the same rate as discretionary spending for FY 2017, according to the CBO’s most recent August 2015 baseline spending projections.

# Eliminate the DOE Biological and Environmental Research Program

## RECOMMENDATION

Eliminate the Biological and Environmental Research (BER) program. This proposal saves \$622 million in FY 2017.

## RATIONALE

The BER program funds research for a variety of energy-related subjects, including biology, radio-chemistry, climate science, and subsurface biogeo-chemistry. At a basic research and development level, the funding for some of the research endeavors is valid, but climate change should not be one of them, because it is not part of the Energy Department’s mission. Furthermore, the BER program also supports such activities as how plants and microbes “can be manipulated to harness their processes and products that contribute to new strategies for producing new biofuels, cleaning up legacy waste, and sequestering carbon dioxide.”<sup>18</sup>

Many BER programs should be cut drastically or entirely because they are activities better suited to

the private sector, duplicative of other research, or do not align with the Energy Department’s mission.

Cuts should be made to the:

- The Climate and Environmental Science program,
- The Biological Systems Facilities and Infrastructure program,
- The Bioenergy Research Centers program,
- The Foundational Genomics Research program,
- The Genomics Analysis and Validation program,
- The Metabolic Synthesis and Conversion program, and
- The Computational Biosciences program.

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## ADDITIONAL READING

- Nicolas D. Loris, “Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus,” Heritage Foundation *Backgrounder* No. 2668, March 23, 2012.

## CALCULATIONS

Savings are expressed as budget authority and were calculated by using the FY 2016 requested spending levels as found on page 113 of “Energy and Water Development Appropriations Bill, 2016,” U.S. Senate, 114th Congress, 1st Session, May 21, 2015. The FY 2016 requested level of \$610 million was increased at the same rate as discretionary spending for FY 2017, according to the CBO’s most recent August 2015 baseline spending projections.

# Reduce DOE Basic Energy Sciences Funding

## RECOMMENDATION

Reduce funding for the DOE Basic Energy Sciences (BES) program. This proposal saves \$391 million in FY 2017.

## RATIONALE

BES is a legitimate program that investigates “fundamental research to understand, predict, and ultimately control matter and energy at the electronic, atomic, and molecular levels in order to provide the foundations for new energy technologies and to support the DOE mission in energy, environment, and national security.”<sup>19</sup> However, many of the BES subprograms stray from fundamental research into commercialization. The government should eliminate such aspects of these programs, since private companies are capable of fulfilling these roles, whether through their own laboratories or by funding university research. On areas that focus on fundamental research and not commercial activities, the funding has simply become too excessive. While there is reason to phase out all BES funding, proposed cuts would eliminate some subprograms and return others close to FY 2008 levels.

### Programs for Elimination:

- The Experimental Program to Stimulate Competitive Research (EPSCoR),
- The Solar Photochemistry program,
- The Photosynthetic Systems program, and
- The Geosciences program.

### Programs for Reductions:

- The Experimental Condensed Matter Physics program,
- The Theoretical Condensed Matter Physics program,
- The Mechanical Behavior and Radiation Effects program,
- The Neutron and X-ray Scattering and the Electron and Scanning Probe Microscopies program,
- The Synthesis and Processing Science program,
- The Materials Chemistry and Biomolecular program,
- The Atomic, Molecular, and Optical program,
- The Chemical Physics Research program,
- The Catalysis program, and
- The Separations and the Heavy Element Chemistry program.

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## ADDITIONAL READING

- Nicolas D. Loris, “Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus,” Heritage Foundation *Backgrounder* No. 2668, March 23, 2012.

## CALCULATIONS

Savings are based on the recommended \$287.6 million in FY 2013 spending cuts for Basic Energy Sciences as found in Nicolas D. Loris, “Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus,” Heritage Foundation *Backgrounder* No. 2668, March 23, 2012. These cuts would have brought FY 2013 spending to a level of \$1.402 billion. The FY 2016 requested level of \$1.690 billion found on page 113 of: “Energy and Water Development Appropriations Bill, 2016,” U.S. Senate, 114th Congress, 1st Session, May 21, 2015. The estimated savings for FY 2017 equal the difference between growing the recommended \$1.402 billion FY 2013 level by inflation according to the CPI-U (an estimated FY 2017 level of \$1.490 billion) versus the projected FY 2017 level of \$1.882 billion calculated by increasing the FY 2016 requested level of \$1.844 billion by the CBO’s discretionary spending growth projections for FY 2017, according to the CBO’s most recent August 2015 baseline spending projections.

# Eliminate DOE Energy Innovation Hubs

## RECOMMENDATION

Eliminate funding for DOE Energy Innovation Hubs. This proposal saves \$25 million in FY 2017.

## RATIONALE

Energy Innovation Hubs create multidisciplinary teams inside DOE to overcome obstacles in energy technologies. The problem with the Energy Innovation Hubs is that they focus on promoting specific energy sources and technology developments.

Government projects that have become commercial successes—the Internet, computer chips, the global positioning system (GPS)—were not initially intended to meet a commercial demand but were

developed for national security needs. Entrepreneurs saw an opportunity in these defense technologies and created the commercially viable products available today. The role of the Energy Department should be to conduct the basic research that the private sector does not undertake, and to create a system that allows the private sector, using private funds, to tap into that research and commercialize it. Federal labs should allow basic research to reach the market organically.

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## ADDITIONAL READING

- Nicolas D. Loris, “Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus,” Heritage Foundation *Backgrounder* No. 2668, March 23, 2012.

## CALCULATIONS

Savings are expressed as budget authority and were calculated by using the FY 2016 requested spending level of \$24.3 million as found in page 81 of “Energy and Water Development Appropriations Bill, 2016,” U.S. Senate, 114th Congress, 1st Session, May 21, 2015. The FY 2016 requested spending was increased at the same rate as discretionary spending for 2017, according to the CBO’s most recent August 2015 baseline spending projections.

# Eliminate the DOE Office of Electricity Deliverability and Energy Reliability

## RECOMMENDATION

Eliminate the DOE Office of Electricity Deliverability and Energy Reliability (OE). This proposal saves \$155 million in FY 2017.

## RATIONALE

The OE pursues activities to modernize the nation's power grid; much of the funding advances the Administration's goals of promoting electric vehicles and renewable energy. In fact, the Administration recognizes that the "goal for the future grid is to provide a platform for U.S. economic prosperity and energy innovation in a global clean energy economy.... OE programs are aligned with the Administration's report, *A Policy Framework for the 21st Century Grid: Enabling Our Secure Energy Future* (June 2011), the *President's Climate Action Plan* (June 2013), and other Departmental efforts to address energy infrastructure needs and challenges."<sup>20</sup>

Upgrading the nation's electricity grid has merit, but it should not be a government-centric approach, nor should it be used as a subsidy to advance renewable energy sources, especially by focusing on building new transmission lines to remote areas. Furthermore, smart-grid technology should be developed and driven by the private sector. Any money allocated for cybersecurity, and for a cooperative public-private role for grid protection, could very well fall under the Department of Homeland Security's purview.

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## ADDITIONAL READING

- Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2668, March 23, 2012.

## CALCULATIONS

Savings are expressed as budget authority and were calculated by using the \$152.3 million FY 2016 requested spending level as found on page 147 of "Energy and Water Development Appropriations Bill, 2016," U.S. Senate, 114th Congress, 1st Session, May 21, 2015. The FY 2016 requested spending was increased at the same rate as discretionary spending for FY 2017, according to the CBO's most recent August 2015 baseline spending projections.

# Eliminate the DOE Office of Energy Efficiency and Renewable Energy

## RECOMMENDATION

Eliminate the DOE Office of Energy Efficiency and Renewable Energy (EERE). This proposal saves \$1.990 billion in FY 2017.

## RATIONALE

EERE funds research and development of what the government deems clean-energy technologies—hydrogen technology, wind energy, solar energy, biofuels and bio-refineries, geothermal power, vehicle technology, and building and weatherization technologies—most of which have been in existence for decades. Promoting these technologies is not an investment in basic research, but outright commercialization. Congress should eliminate EERE.

All of this spending is for activities that the private sector should undertake if companies believe it is in

their economic interest to do so. The reality is that the market opportunity for clean-energy investments already exists if it is economically viable. Americans spent roughly \$456 billion on gasoline in 2014. Both the electricity and the transportation-fuels markets are multi-trillion-dollar markets. The global market for energy totals \$6 trillion. With such a robust, consistent demand, any clean-energy technology that can capture a part of that market share will make tens, if not hundreds, of billions of dollars annually.

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## ADDITIONAL READING

- Nicolas D. Loris, “Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus,” Heritage Foundation *Backgrounder* No. 2668, March 23, 2012.

## CALCULATIONS

Savings are expressed as budget authority and were calculated by using the \$1.950 billion FY 2016 requested spending level as found on page 147 of “Energy and Water Development Appropriations Bill, 2016,” U.S. Senate, 114th Congress, 1st Session, May 21, 2015. The FY 2016 requested spending was increased at the same rate as discretionary spending for FY 2017, according to the CBO’s most recent August 2015 baseline spending projections.



# Eliminate the DOE Office of Fossil Energy

## RECOMMENDATION

Eliminate the DOE Office of Fossil Energy (FE). This proposal saves \$844 million in FY 2017.

## RATIONALE

Most of the funding for fossil-energy research and development focuses on technologies that will reduce CO<sub>2</sub> emissions and are activities that the private sector should carry out. The FE spends money on a clean-coal power initiative, fuels and power systems to reduce fossil power plant emissions, innovations for existing plants, integrated-gasification-combined-cycle (IGCC) research, advanced turbines, carbon sequestration, and natural gas technologies. Part of the Energy Department's strategic plan is to bring down the cost and increase the scalability of carbon and capture sequestration.

By attempting to force government-developed technologies into the market, the government diminishes the role of the entrepreneur and crowds out private-sector investment. This practice of the government picking winners and losers denies energy

technologies the opportunity to compete in the marketplace, which is the only proven way to develop market-viable products. When the government attempts to drive technological commercialization, it circumvents this critical process. Thus, almost without exception, it fails in some way.

Other funding has gone to managing the government-controlled stockpile of oil, the Strategic Petroleum Reserve (SPR). The SPR has been used more for politics than responding to oil supply shocks, and ignores the private sector's abilities to unload inventories in such an event. Over time, Congress should sell all of the oil in the SPR and use the revenue exclusively for deficit reduction. Eliminating spending for fossil energy projects and selling off government reserves of stockpiled resources eliminates the need for an Office of Fossil Energy.

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## ADDITIONAL READING

- Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2668, March 23, 2012.

## CALCULATIONS

Savings are expressed as budget authority and were calculated by using the combined \$827.5 million FY 2016 requested spending levels (including Fossil Energy Research and Development, Naval Petroleum & Oil Shale Reserves, and Strategic petroleum reserves) as found on page 130 of "Energy and Water Development Appropriations Bill, 2016," U.S. Senate, 114th Congress, 1st Session, May 21, 2015. The FY 2016 requested spending was increased at the same rate as discretionary spending for FY 2017, according to the CBO's most recent August 2015 baseline spending projections.

# Reduce Funding for the DOE Office of Nuclear Energy

## RECOMMENDATION

Reduce funding for the DOE Office of Nuclear Energy. This proposal saves \$340 million in FY 2017.

## RATIONALE

Like spending with conventional fuels and renewables, the Department of Energy spends entirely too much money on nuclear projects that should be conducted by the private sector. For example, the Office of Nuclear Energy includes tens of millions of dollars for small modular reactor (SMR) licensing and support programs. While SMRs have great potential, commercialization must be shouldered by the private sector. A portion of available funds should be redirected to the Nuclear Regulatory Commission for SMR-licensing preparation. This does not preclude the Energy Department from engaging in SMR-related work. The President's Nuclear Energy Enabling Technologies (NEET) program is charged with investigating the crosscutting of technologies with applicability to multiple reactor designs, including SMRs.

Cuts to the NEET budget should include eliminating the unnecessary modeling and simulation hub, and tens of millions from the National Scientific User Facility, which supports work that should be funded by the Science budget, if at all. That still leaves approximately \$25 million for NEET projects. Fuel-cycle research and development should also be cut by \$55 million, leaving \$120 million, which should almost entirely be dedicated to restart the Yucca Mountain project for storing spent nuclear fuel.

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## ADDITIONAL READING

- Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2668, March 23, 2012.

## CALCULATIONS

Savings are based on the recommended \$178 million in FY 2013 spending cuts for nuclear energy as found in Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2668, March 23, 2012. These cuts would have brought FY 2013 spending to a level of \$592 million, instead of the actual \$770 million. The estimated savings for FY 2017 equal the difference between growing the recommended \$592 million FY 2013 level by inflation according to the CPI-U (an estimated FY 2017 level of \$629 million) versus the projected FY 2017 level of \$970 million calculated by increasing the FY 2016 requested level of \$950.2 million by the CBO's discretionary spending growth projections for FY 2017, according to the CBO's most recent August 2015 baseline spending projections. The FY 2016 requested level of \$950.2 million is found on page 110 of: "Energy and Water Development Appropriations Bill, 2016," U.S. Senate, 114th Congress, 1st Session, May 21, 2015.

# Eliminate Subsidies for Power Marketing Administrations, Tennessee Valley Authority, and Rural Utilities Service

## RECOMMENDATION

Eliminate subsidies for Power Marketing Administrations (PMAs), the Tennessee Valley Authority (TVA), and the Rural Utilities Service (RUS). This proposal saves \$438 million in FY 2017.

## RATIONALE

The Department of Energy's PMAs consist of four power entities formed in the early 1900s, which were intended to provide cheap electricity to rural areas, mostly small communities and farms. PMAs originated as federal water projects currently operated by the Army Corps of Engineers and the Bureau of Reclamation. PMAs, like the TVA, use revenues generated from electricity sales to reimburse taxpayers for construction and operation costs, but PMAs can sell the electricity at below-market rates because of favorable financing terms from federal tax exemptions, and receive government-subsidized loans at below-market interest rates. The PMAs' construction, rehabilitation, operation, and maintenance costs are financed through

the main Department of Energy budget, offset collections, alternative financing, and a reimbursable agreement with the Bureau of Reclamation. The Department of Agriculture's RUS also offers subsidized loans and loan guarantees to tax exempt, electric cooperatives in rural communities.

PMAs, the TVA, and the RUS loan program are outmoded forms of providing rural areas with electricity. Yet they continue to enjoy tremendous special privileges that interfere with market competition. The Energy Department should restructure PMAs to sell electricity at market rates by eliminating the subsidy for federal electricity rates. Congress should eliminate subsidies for PMAs.

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## ADDITIONAL READING

- Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2668, March 23, 2012.

## CALCULATIONS

Savings are expressed as budget authority and were calculated based on the FY 2013 total subsidies of \$449 million for "federal and RUS electricity" as reported on page xv of U.S. Energy Information Administration, "Direct Federal Financial Interventions and Subsidies in Energy in Fiscal Year 2013," March 2015. The FY 2013 spending levels were increased at the same rate as discretionary spending growth through FY 2017 based on the CBO's most recent August 2015 baseline spending projections (which resulted in a net decline in subsidies from \$449 million in FY 2013 to an estimated \$438 million in FY 2017).

# Eliminate DOE Funding for Small Business Innovation Research and Small Business Technology Transfer Programs

## RECOMMENDATION

Eliminate Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs. This proposal saves \$194 million in FY 2017.

## RATIONALE

The DOE Office of Science includes SBIR and STTR programs with the original intent to “increase private sector commercialization of innovations derived from Federal R&D, thereby increasing competition, productivity, and economic growth.”<sup>21</sup>

The SBIR and STTR programs stress that the goal of the programs today is to place more emphasis on commercialization, “[a]ccepting greater risk in

support of agency missions.” Using taxpayer dollars to offset higher risk is no way to promote economic development. It ensures that the public pays for the failures, as they have with failed government energy investments, while the private sector reaps the benefits of any successes. Congress should eliminate all SBIR and STTR funding in the Department of Energy budget.

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## ADDITIONAL READING

- Nicolas D. Loris, “Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus,” Heritage Foundation *Backgrounder* No. 2668, March 23, 2012.

## CALCULATIONS

The Department of Energy received about \$170 million in SBIR awards in 2012. This was about 4.3 percent of total SBIR awards. Assuming the Energy Department received the same 4.3 percent of the \$167.3 million in total STTR awards, it would have received \$7 million in STTR awards for a combined total of \$177 million in FY 2012. SBIR and STTR award information is found on pages 7–11 of John Williams, “SBA Office of Investment and Innovation SBIR-STTR Presentation,” SBIR, March 2015. Assuming that Energy Department awards have increased at the same rate as inflation in the CPI-U, total SBIR and STTR awards for the Energy Department would be \$194 million in FY 2017.

# Maintain Funding for Yucca Mountain Nuclear Materials Repository Licensing Review

## RECOMMENDATION

Maintain funding for Yucca Mountain nuclear materials repository licensing review. This proposal will increase spending by \$50 million in FY 2017.

## RATIONALE

Deep geologic storage is necessary for any long-term nuclear waste management solution. Despite the Obama Administration’s refusal to support the program, the 1982 Nuclear Waste Policy Act, as amended, legally mandates the Department of Energy to carry forth a licensing process for just such a repository at Yucca Mountain in Nevada. More than sufficient resources<sup>22</sup> are set aside in the nuclear waste fund for precisely that purpose. The Nuclear Regulatory Commission (NRC) anticipates that the process will cost another \$330 million, an amount the President’s budget did not request.<sup>23</sup>

Congress should provide \$50 million to the NRC for FY 2017 and stipulate, as the FY 2016 House Energy

and Water Appropriations bill did, that no funds may be spent on any alternative nuclear waste management plan, most notably the President’s short-sighted “Strategy for the Management and Disposal of Used Nuclear Fuel and High-Level Radioactive Waste,” unless and until Congress passes legislation specifying otherwise. Further, an Act should specify that no funds in any Act hereafter may be used for “actions that irrevocably remove the possibility that Yucca Mountain may be a repository option in the future.”<sup>24</sup> Congress must not be complicit in the Obama Administration’s refusal to follow the law and should fund the Yucca Mountain repository licensing review.<sup>25</sup>

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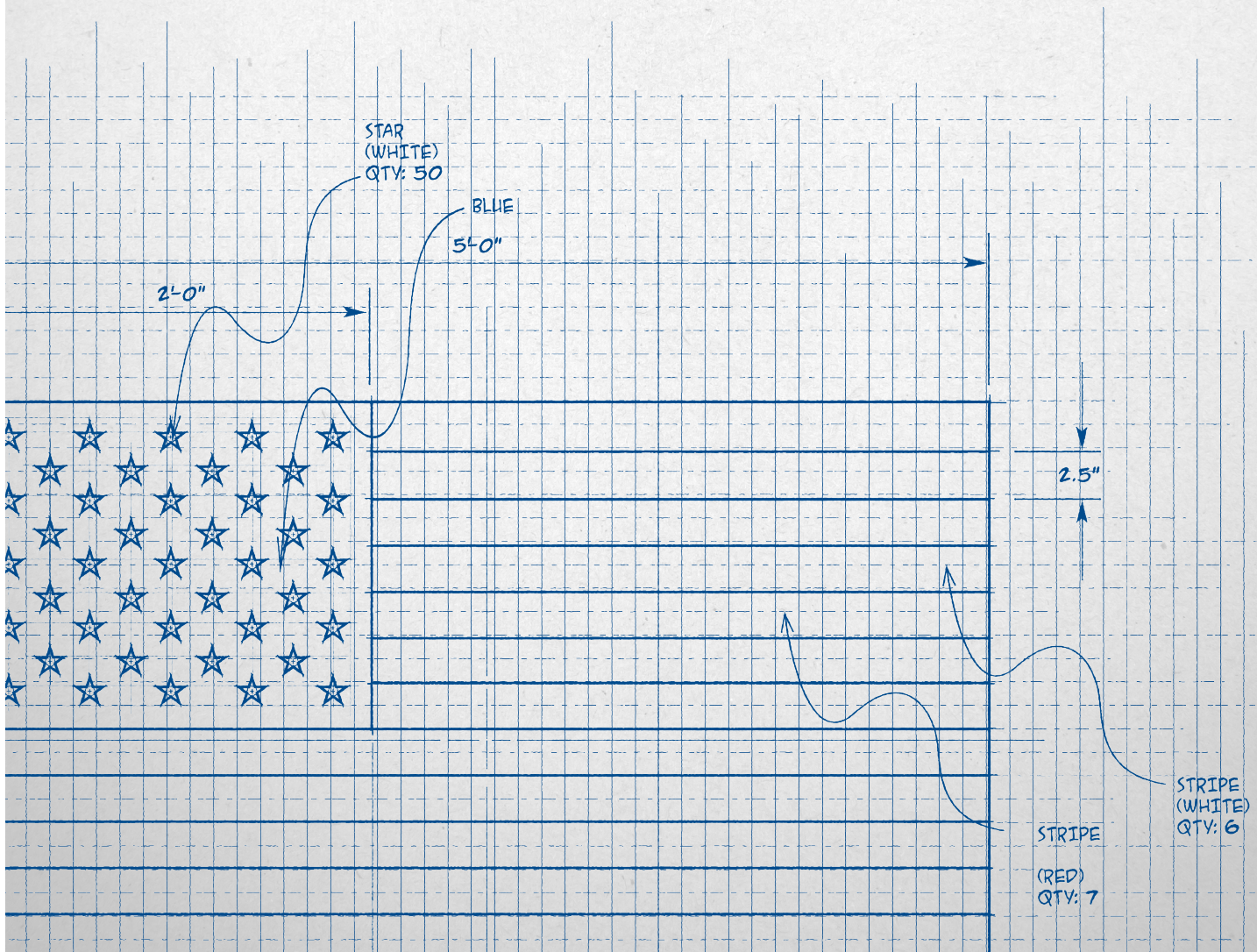
## ADDITIONAL READING

- Jack Spencer, “Nuclear Waste Management: Minimum Requirements for Reforms and Legislation,” Heritage Foundation *Issue Brief* No. 3888, March 28, 2013.
- Jack Spencer and Katie Tubb, “Fooled Again: The Nuclear Waste Administration Act Preserves Futile Status Quo,” Heritage Foundation *Backgrounder* No. 3045, August 5, 2015.





# Financial Services and General Government



# Eliminate the Small Business Administration Disaster Loans Program

## RECOMMENDATION

Eliminate the Small Business Administration's (SBA's) Disaster Loans Program (DLP). This proposal saves \$191 million in FY 2017. Actual savings could be significantly higher, as spending amounts vary significantly based on the number of declared disasters. For example, budget authority for the DLP totaled \$887 million in FY 2013.

## RATIONALE

After federally declared disasters, SBA disaster loans offer taxpayer-funded direct loans to assist businesses, nonprofit organizations, homeowners, and renters in repairing damaged and replacing destroyed property. Unfortunately, the generous federal disaster relief offered by the DLP creates a "moral hazard" by discouraging individuals and businesses from purchasing insurance for natural catastrophes. Currently, SBA disaster loans are awarded regardless of whether the beneficiaries previously took steps to reduce their exposure to losses from natural disasters.

While SBA disaster loans are intended to help applicants return their property to the same condition as before the disaster, the unintended consequence of this requirement is that borrowers are forced to rebuild in disaster-prone locations. For example, instead of moving from a town located in a major flood zone, applicants are required to rebuild in the exact same location. Thus, applicants are still located in a high-risk area. In many cases, the loans fail to offer a long-term solution.

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## ADDITIONAL READING

- David B. Muhlhausen, "Business Disaster Reform Act of 2013: Review of Impact and Effectiveness," testimony before the Committee on Small Business and Entrepreneurship, U.S. Senate, March 14, 2013.

## CALCULATIONS

Savings are expressed as budget authority as authorized and found on page 222 of Consolidated Appropriations Act, 2016, Public Law 114-113. The FY 2016 authorized level of \$187 million was increased for discretionary spending growth in FY 2017, according to the CBO's most recent August 2015 baseline spending projections.

# Reform the Securities and Exchange Commission

## RECOMMENDATION

Freeze the Securities and Exchange Commission (SEC) budget in real, inflation-adjusted terms. This proposal saves \$76 million in FY 2017.

## RATIONALE

The mission of the SEC is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation. These are important goals. However, over the past 10 years, the SEC budget has increased by 81 percent—28 percent faster than government as a whole, two and a half times as fast as the economy, and four times as fast as inflation. In FY 2016, the SEC received a 7 percent increase, from \$1.5 billion to \$1.605 billion. The SEC budget should be frozen at its real, FY 2015 level.

There is no reason to believe that the previous flood of resources has improved the SEC's performance or effectiveness. In fact, the SEC has become sclerotic and moribund. It has too many layers of middle management, too many offices, and too many layers of review. It needs to be reformed and streamlined. It needs to focus on its core enforcement mission of preventing fraud and ensuring compliance with disclosure laws. What it does not need is more taxpayer money.

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## ADDITIONAL READING

- David Burton, "Lack of Resources Is Not the Reason for SEC Tardiness," *The Daily Signal*, December 10, 2013.

## CALCULATIONS

Savings are expressed as budget authority as authorized and found (for FY 2015) on page 128 STAT. 2369 of Consolidated and Further Continuing Appropriations Act, 2016, Public Law 113-235, and (for FY 2016) on page 220 of Consolidated Appropriations Act, 2016, Public Law 114-113. Although SEC spending has been increasing significantly faster than other spending, this estimate assumes that the FY 2017 spending level increases at the same rate as discretionary spending growth in FY 2017 according to the CBO's most recent August 2015 baseline spending projections. If the SEC budget for FY 2017 increases at the same 7 percent rate as it did for FY 2016, this proposal would save \$151 million in FY 2017.

# Eliminate the Community Development Financial Institutions Fund

## RECOMMENDATION

Eliminate the Community Development Financial Institutions Fund. This proposal saves \$238 million in FY 2017.

## RATIONALE

The Community Development Financial Institutions Fund is administered by the U.S. Department of the Treasury, and it provides grants to Community Development Financial Institutions (CDFIs), Community Development Entities (CDEs), and other private financial institutions. The stated objective of the fund is to improve the ability of private financial firms to provide credit, capital, and various financial services to underserved communities.<sup>26</sup>

The fund supports these institutions primarily through the following four programs: (1) the CDFI

Program, (2) the Bank Enterprise Award Program, (3) the Native American CDFI Development Program, and (4) the New Markets Tax Credit Program.<sup>27</sup> From 2010 to 2015, more than \$15 billion in taxpayer dollars has been disbursed through these programs (combined). The CDFI fund should be shut down because it amounts to corporate welfare. Furthermore, the grants hinder competition and distort private markets, ultimately leading to higher consumer prices and further justification for increased federal spending.

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## CALCULATIONS

Savings are expressed as budget authority as authorized and found on page 185 of Consolidated Appropriations Act, 2016, Public Law 114-113. The FY 2016 authorized level of \$233.5 million was increased for discretionary spending growth in FY 2017 according to the CBO's most recent August 2015 baseline spending projections.



# Eliminate the Export-Import Bank

## RECOMMENDATION

Revoke the charter of the Export-Import Bank and eliminate bank authorizations. This proposal saves about \$200 million in FY 2017.

## RATIONALE

The Export-Import Bank (Ex-Im) provides subsidized financing to foreign firms and foreign governments for the purchase of American exports. The program primarily benefits very large corporations, and puts unsubsidized American firms at a competitive disadvantage and taxpayers at risk.

Those risks are ignored in the baseline provided by the Congressional Budget Office. However, they are accounted for under the fair-value accounting method that prevails in the private sector—and from which the anticipated savings cited here are derived. According to CBO Director Douglas Elmendorf, “[F]air-value estimates provide a more comprehensive measure of the costs of federal credit programs, and CBO has provided fair-value estimates for many programs to help lawmakers more fully understand the trade-offs between certain policies.”<sup>28</sup> Under the CBO’s baseline, which does not account for Ex-Im’s default risks, this proposal would *cost* the federal government \$14.4 billion over 10 years.

Ex-Im provides taxpayer-backed financing for just 2 percent of U.S. exports. The vast majority of benefits accrue to multinational firms that could easily obtain private financing. In FY 2013, for example,

just 10 companies benefited from 75 percent of Ex-Im subsidies. Boeing is the biggest beneficiary, by far. Subsidies for air transport comprised more than 45 percent of all Ex-Im financing in 2014, including subsidies for the purchase of Boeing aircraft in China, Russia, the United Arab Emirates, and 22 other countries.

Ex-Im was capitalized with \$1 billion in taxpayer dollars, and its financing is backed by the full faith and credit of the United States—which means that taxpayers are on the hook for any losses that the bank fails to cover with reserves.

Ex-Im’s direct costs do not reflect the detrimental impact on American firms of subsidizing overseas competitors. The subsidies also distort the allocation of credit and labor. For example, job losses to domestic companies have been caused by export financing of coal mining in Colombia, copper excavation in Mexico, and airplanes for India. Moreover, Ex-Im subsidies have benefitted unfriendly nations, including China, Venezuela, and Russia.

There is no shortage of private financing, and Ex-Im subsidies simply are not needed to maintain record levels of exports.

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## ADDITIONAL READING

- Diane Katz, “Export-Import Bank: Cronyism Threatens American Jobs,” Heritage Foundation *Issue Brief* No. 4231, June 2, 2014.
- Diane Katz, “The Export-Import Bank: A Government Outfit Mired in Mismanagement,” Heritage Foundation *Issue Brief* No. 4208, April 29, 2014.

## CALCULATIONS

The CBO estimates that, under fair-value accounting, eliminating the Export-Import Bank would have resulted in savings of \$200 million in FY 2015, and \$2 billion over the 2015–2024 period as shown on page 6 of Congressional Budget Office, “Testimony on Estimates of the Cost of the Credit Programs of the Export-Import Bank,” June 25, 2014.

# Eliminate Funding for the Multi-State Plan Program

## RECOMMENDATION

Eliminate funding for the Multi-State Plan (MSP) program.

## RATIONALE

Under Section 1334 of the Affordable Care Act, Congress created the MSP program, to be administered by the Office of Personnel Management (OPM). OPM was to contract with at least two insurance companies to, eventually, compete with all other private health plans in the health insurance exchanges in every state.<sup>29</sup> In 2014, OPM contracted with only one large insurer, the Blue Cross and Blue Shield Association. In 2015, OPM added the so-called co-op plans to its roster of plans, even though these plans were financially unstable and about half have since collapsed. The MSP is not expanding market competition. In fact, the program sets standards designed to limit plan entry, and may decrease competition and further increase consolidation in the health insurance market.<sup>30</sup> Moreover, some MSPs are allowed to provide

coverage of elective abortion, while remaining eligible for government subsidies. This is a significant departure from the widely accepted and long-standing policy that taxpayer money should not pay for elective abortions.<sup>31</sup> The MSP, like the co-op program, was a substitute for the “robust” public option, a government health plan to compete with private insurance, a key feature of the original version of health reform legislation championed by the Obama Administration.

There is no need for the federal government to sponsor special health plans to compete against private health plans; the markets are already less competitive than they were before enactment of the law, and government-sponsored plans threaten to further accelerate that consolidation.

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## ADDITIONAL READING

- Robert Emmet Moffit and Neil R. Meredith, “Multistate Health Plans: Agents for Competition or Consolidation?” Mercatus Center *Working Paper*, January 2015.
- Hon. Linda Springer et al. “The Office of Personnel Management: A Power Player in America’s Health Insurance Markets?” Heritage Foundation *Lecture* No. 1145, February 19, 2010.



# Protect Freedom of Conscience in the District of Columbia

## RECOMMENDATION

Protect freedom of conscience in the District of Columbia.

## RATIONALE

Exercising authority Congress delegated by law to the District of Columbia government, in 2015 the D.C. Council passed two acts that could potentially interfere with religious liberty and exercise of conscience in the District. The “Reproductive Health Non-Discrimination Act” (RHNDA) specifically prohibits employers from discriminating in “compensation, terms, conditions or privileges of employment” on the basis of an individual’s “reproductive health decision making,” including the “termination of a pregnancy.” It could force employers in the nation’s capital to cover elective abortions in their health plans and require even pro-life organizations to hire individuals who oppose their views on abortion and could be interpreted to force even religious and pro-life employers to provide coverage of elective abortions.

Likewise, the “Human Rights Amendment Act” (HRAA) repealed the Nation’s Capital Religious Liberty and Academic Freedom Act, popularly known as the Armstrong Amendment. Passed by Congress in 1989, the Armstrong Amendment has protected religious schools in D.C. from being

coerced by the government into “promoting, encouraging, or condoning any homosexual act, lifestyle, orientation, or belief” if it violates their beliefs about human sexuality.

Congress should ensure that the repeal of the Armstrong Amendment does not have the effect of prohibiting religiously affiliated private schools from acting in accordance with the tenets of their faith regarding beliefs about human sexuality in performing their religious educational mission.

Congress has a special responsibility to protect the freedom of the people of the District of Columbia because of the power delegated to Congress by the U.S. Constitution (Article I, Section 8) to “exercise exclusive Legislation in all Cases whatsoever over such District....”

Congress should, therefore, displace the effects of RHNDA and HRAA by appropriate provisions in the federal D.C. Appropriations Act to the extent necessary to protect religious liberty and the exercise of conscience.

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## ADDITIONAL READING

- Ryan T. Anderson and Sarah Torre, “Congress Should Protect Religious Freedom in the District of Columbia,” *Heritage Foundation Issue Brief* No. 4364, March 9, 2015.

# Expand the DC Opportunity Scholarship Program

## RECOMMENDATION

Expand school choice in the nation’s capital through shifting funds in a budget-neutral manner. Specifically, expand the DC Opportunity Scholarship Program (OSP). This proposal has no savings for FY 2017.

## RATIONALE

Policymakers can advance the goal of increasing school choice by expanding access to the DC OSP through existing funding authorized by the DC School Choice Incentive Act (most recently reauthorized as the Students for Opportunity and Results (SOAR) Act). These bills created and continued the OSP, which provides scholarships to children from low-income families in Washington, DC, to attend a private school of the parents’ choice. When the OSP was created in 2003, Members of Congress funded the new school choice option through what is known as the “three sector” approach: \$20 million in funding for the DC OSP; \$20 million in supplemental funding for DC’s public charter schools; and an *additional* \$20 million for the DC public school system. Federal policymakers should shift a portion of the additional federal funding

provided to traditional public schools in the “three sector” approach to fund additional scholarships for students to attend a private school of choice. As the District of Columbia falls under the jurisdiction of Congress, it is appropriate for the federal government to fund the OSP. Moreover, 91 percent of students who used a voucher to attend a private school of choice graduated high school, according to a study by the U.S. Department of Education—a rate 21 percentage points higher than a control group of peers who were awarded, but did not use, a scholarship. At the same time, federal policymakers are in a unique position to transition the OSP from a voucher model to an education savings account model, enabling parents to direct their funds to multiple education-related services, products, and providers.

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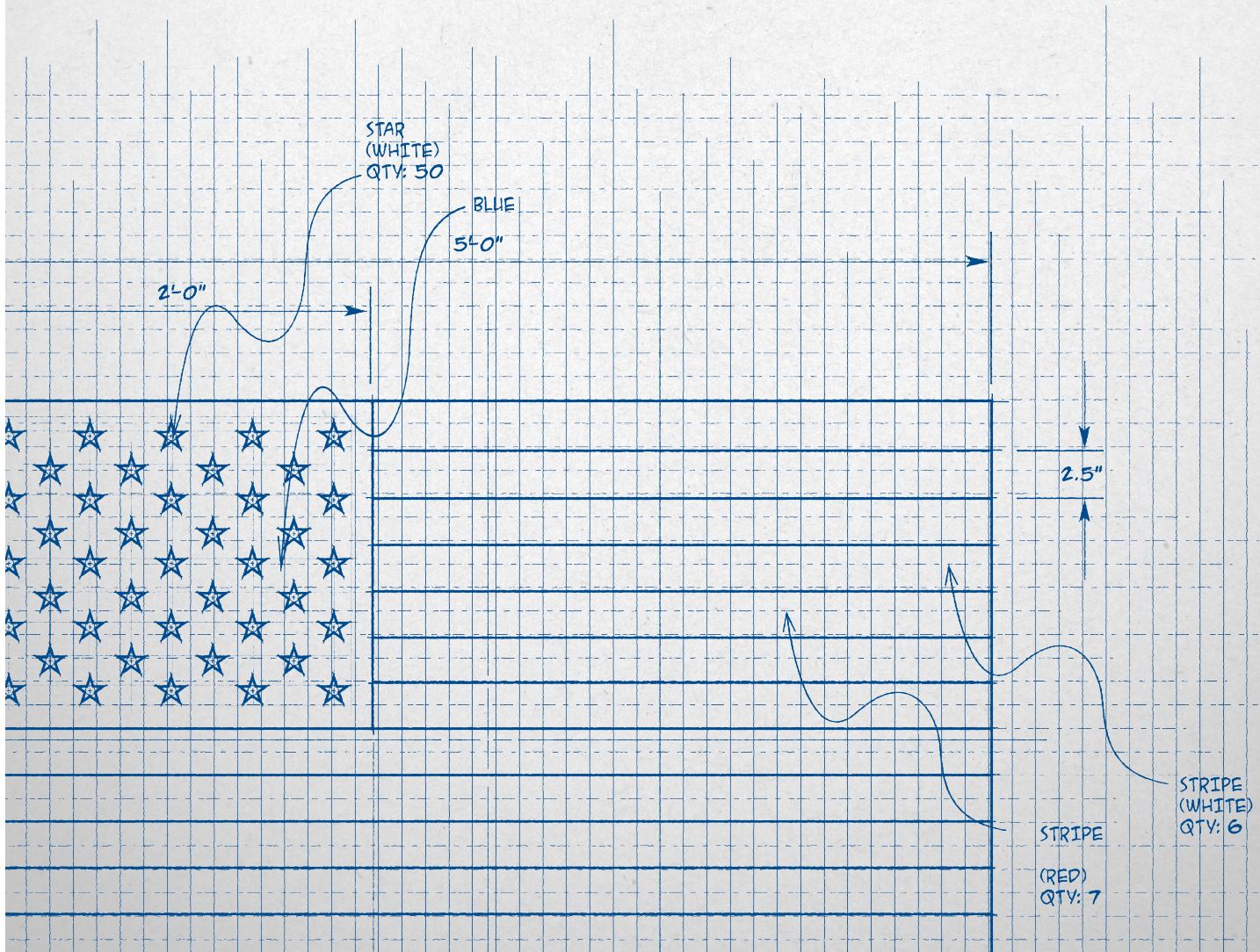
## ADDITIONAL READING

- Jason Bedrick and Lindsey M. Burke, “The Next Step in School Choice,” *National Affairs*, No. 22 (Winter 2015).
- Lindsey M. Burke, “The Value of Parental Choice in Education: A Look at the Research,” Heritage Foundation *Issue Brief* No. 4173, March 18, 2014.
- Patrick Wolf et al., “Evaluation of the DC Opportunity Scholarship Program: Final Report,” U.S. Department of Education, NCEE 2010-4018, June 2010.

## CALCULATIONS

The proposal shifts funding within the District of Columbia’s education budget, making it a budget-neutral recommendation.

# Homeland Security



# Eliminate Fire Grants

## RECOMMENDATION

Eliminate the fire grant program administered by the Federal Emergency Management Agency (FEMA). This proposal saves \$612 million in FY 2017.

## RATIONALE

Fire grants encompass a number of programs. The Assistance to Firefighters Grant (AFG) program subsidizes the routine activities of local fire departments and emergency management organizations. The Fire Prevention and Safety (FP&S) grants fund projects to improve the safety of firefighters and protect the public from fire and related hazards, while the Staffing for Adequate Fire and Emergency Response (SAFER) grants are intended to increase staffing levels by funding the salaries of career firefighters and paying for recruitment activities for volunteer fire departments.

The Heritage Foundation's Center for Data Analysis evaluated the effectiveness of fire grants by matching fire grant award data to the National Fire Incident Reporting System, an incident-based database of fire-related emergencies reported by

fire departments. Using panel data from 1999 to 2006 for more than 10,000 fire departments, the evaluation assessed the impact of fire grants on four different measures of fire casualties: (1) firefighter deaths, (2) firefighter injuries, (3) civilian deaths, and (4) civilian injuries. The evaluation compared fire departments that received grants to fire departments that did not receive grants. In addition, the evaluation compared the impact of the grants before and after grant-funded fire departments received federal assistance.

The evaluation showed that AFG, FP&S, and SAFER grants failed to reduce firefighter deaths, firefighter injuries, civilian deaths, and civilian injuries. Without receiving fire grants, comparison fire departments were just as successful at preventing fire casualties as grant-funded fire departments.

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## ADDITIONAL READING

- David B. Muhlhausen, "Do DHS Fire Grants Reduce Fire Casualties?" Heritage Foundation *Center for Data Analysis Report* No. 09-05, September 23, 2009.
- David B. Muhlhausen, "Fire Grants: Do Not Reauthorize an Ineffective Program," Heritage Foundation *Issue Brief* No. 3788, November 29, 2012.

## CALCULATIONS

Savings are expressed as budget authority, and equal 26.9 percent of the requested 2017 spending for FEMA's State and Local Programs as reported on page 178 of Office of Management and Budget, "The President's Budget for Fiscal Year 2016," 29-1. "Federal Budget by Agency and Account Explanatory Note," 2015. In 2015, Fire Grants equaled 26.9 percent of total state and local programs (for which \$2.276 billion is requested in FY 2017). This analysis assumes that same percentage continues for FY 2017.



# Reduce Funding for FEMA's Disaster Relief Fund

## RECOMMENDATION

Reduce funding for FEMA's Disaster Relief Fund (DRF). This proposal saves \$2 billion in FY 2016.

## RATIONALE

Throughout most of U.S. history, state and local governments were responsible for responding to nearly all disasters, regardless of the cause. Under President Ronald Reagan, FEMA averaged 28 federal disaster declarations a year. After the passage of the amended Stafford Act in 1988, this number dramatically changed, with federal disaster declarations steadily rising, so that under President George W. Bush and President Obama, the U.S. has averaged around 130 federal disaster declarations a year. The Stafford Act has two provisions to blame: one that shifts most of the costs of a federalized disaster to the federal government, and another that makes it relatively easy for a regional or localized disaster to qualify as a federal disaster. This combination of easy-to-acquire federal assistance and the substantial monetary benefit from federal involvement puts FEMA in high demand, leaving it unprepared—in terms of readiness and money—for truly catastrophic disasters where it is most needed.

In FY 2016, FEMA's DRF received \$7.375 billion in budget authority. This spending can be reduced by at least \$2 billion by reforming the Stafford Act to return more responsibility for disasters to state and local governments. First, Congress should increase the Stafford Act threshold to require \$3 per capita in damages with a \$5 million minimum threshold (under which a federal disaster is never declared), and a \$50 million maximum threshold (over which a disaster declaration is usually issued).

Second, the FEMA cost share should be reduced from between 75 percent and 100 percent to 25 percent, with a greater cost share for large catastrophes. This system of funding will require states to take responsibility for more localized disasters. It will also ensure that FEMA is able to respond to disasters more effectively, and that it can save funds for catastrophic disasters. For disasters that top \$5 billion, the cost-share provision should gradually increase as the cost of the disaster increases. This gradual increase in cost sharing should be capped at 75 percent once a disaster tops \$20 billion.

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## ADDITIONAL READING

- David Inserra, "FEMA Reform Needed: Congress Must Act," Heritage Foundation *Issue Brief* No. 4342, February 4, 2015.

## CALCULATIONS

Savings represent an estimate of potential savings based on current programs and their budget authority as authorized and found on pages 263–268 of Consolidated Appropriations Act, 2016, Public Law 114–113.

# Ensure an Effective Vetting Process for Refugees

## RECOMMENDATION

Ensure an effective vetting process for Syrian refugees before they are allowed to enter the U.S.

## RATIONALE

There are serious concerns with the President's proposal to accept additional Syrian refugees without assurances that adequate vetting is occurring. Congress must ensure an effective vetting process, such as requiring a risk-based assessment drawn from the considered judgment of the U.S. intelligence community for Congress to understand the risks entailed in accepting additional refugees. Congress should also require the Administration to develop a

plan that documents proper screening and vetting for all the individuals being considered for resettlement in the United States. In addition, Congress must ensure that the Administration fully follows the law as established, with no deviations from, or executive overreach outside, the existing statute, and fully consult with Congress on the development of the plan, its substance, and the execution of the operation.

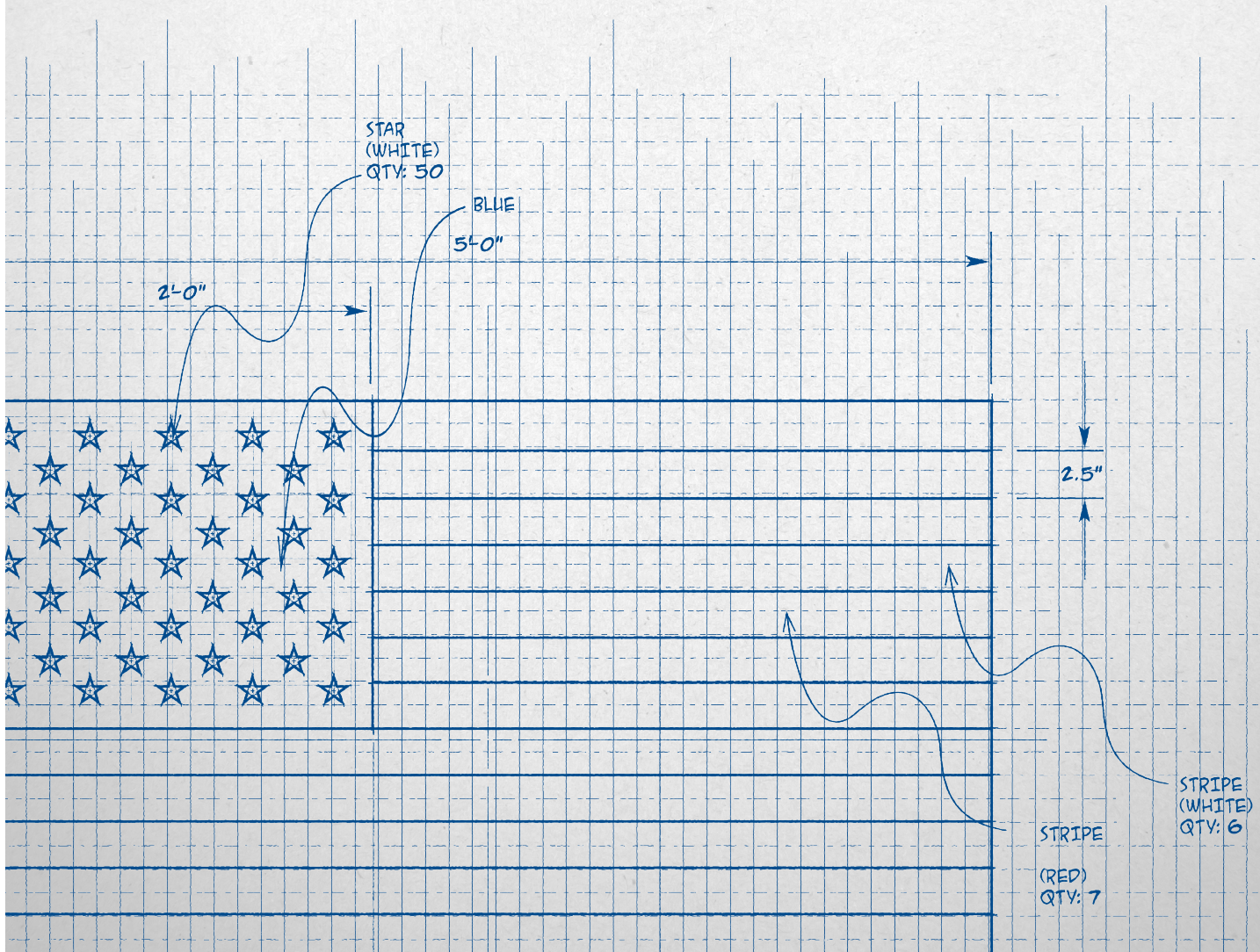
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## ADDITIONAL READING:

- Steven Bucci and David Inserra, "The Rising Tide of Migrants and Refugees: Due Diligence and Adherence to Law Required," Heritage Foundation *Issue Brief* No. 4472, October 20, 2015.



# Interior, Environment, and Related Agencies



# Eliminate Nine Climate Programs

## RECOMMENDATION

Eliminate climate-related programs. This proposal saves \$3.682 billion in FY 2017.

## RATIONALE

When the Clean Air Act (CAA) was passed, Congress never intended or envisioned that CO<sub>2</sub>, an invisible and odorless gas required for life on earth, would be covered under the law. The potential economic implications of CO<sub>2</sub> regulation are staggering, and its effect on everyday life could be unprecedented, without offering any measurable environmental benefit. For these reasons, Congress, and not the Environmental Protection Agency (EPA) or any other federal agencies, should decide whether carbon dioxide should be regulated or considered in environmental permit reviews. Congress should expressly prohibit agency regulation of CO<sub>2</sub> and other greenhouse gases, deny funding of agency efforts to reduce greenhouse gases, and repeal any agency actions to date that serve either directly or indirectly to develop CO<sub>2</sub> regulations, such as the EPA's endangerment finding.

While carbon dioxide and other greenhouse gas emissions may have contributed in some capacity to climate variations, the available climate data do not indicate that the earth is heading toward catastrophic warming with dire consequences for human health and public welfare, nor do the data indicate that the dominant driving force behind climate change is human-induced greenhouse gas emissions. Such a view does nothing to account for the

shortcomings of climate models that are the underlying foundation for carbon policies and regulations. While some climate models have forecast such a catastrophe, data of observed climate reality have shown these models, and the assumptions on which they are built, to be incorrect. There is no need for the EPA to implement costly accounting programs and egregious greenhouse gas regulations that will choke off American energy use.

Congress should eliminate funding for:

- Regulation of greenhouse gas emissions from vehicles (as well as non-road equipment, locomotives, aircraft, and transportation fuels);
- Regulation of CO<sub>2</sub> emissions from power plants and all other man-made sources;
- The Greenhouse Gas Reporting Program;
- The Global Methane Initiative;
- The Climate Resilience Fund;
- The Climate Resilience Evaluation Awareness Tool;
- The Green Infrastructure Program;
- The Climate Ready Water Utilities Initiative; and
- Climate research funding for the Office of Research and Development.

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## ADDITIONAL READING

- Nicolas D. Loris, Kevin D. Dayaratna, and David W. Kreutzer, "EPA Power Plant Regulations: A Backdoor Energy Tax," Heritage Foundation *Backgrounder* No. 2863, December 5, 2013.

## CALCULATIONS

Savings are expressed as budget authority and include the categories of "Science and Technology" and "Environmental Programs and Management" as reported on page 332 of Office of Management and Budget, "The President's Budget for Fiscal Year 2016," 29-1. "Federal Budget by Agency and Account Explanatory Note," 2015.

# Reduce Funding for Four Environmental Protection Agency Research Programs

## RECOMMENDATION

Reduce funding for four Environmental Protection Agency research programs. This proposal saves \$131 million in FY 2017.

## RATIONALE

- Eliminate the “Air, Climate, and Energy” research program. The agency has repeatedly violated data-quality standards, and has relied on deeply flawed research to craft global warming regulations. This proposal saves \$102 million in FY 2017.<sup>32</sup>
- Maintain real FY 2015 spending levels for the “Chemical Safety and Sustainability” research program. The work cited for funding by the EPA should be covered by the existing level of funding because it is central to the program’s mission. This proposal saves \$12 million in FY 2017.<sup>33</sup>
- Reject the proposed increase of \$3.7 million for finalizing the “Study of Potential Impacts of Hydraulic Fracturing for Oil and Gas on Drinking Water Resources.” The study already has far exceeded its original budget. This proposal saves \$3.8 million in FY 2017.<sup>34</sup>
- Eliminate the “Sustainable and Healthy Communities” research program. This program does not address environmental priorities, and it is inappropriate for the federal government to control local projects. This proposal saves \$12.4 million in FY 2017.<sup>35</sup>

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## ADDITIONAL READING

- The Heritage Foundation, “Environmental Conservation: Eight Principles of the American Conservation Ethic.”
- Nicolas Loris, “EPA Is Desperately in Need of Budget Cuts. Here’s a Few Places to Start,” *The Daily Signal*, July 10, 2014.

## CALCULATIONS

Savings estimates are based on FY 2016 requested spending levels as found in U.S. Environmental Protection Agency, “Fiscal Year 2016 Justification of Appropriation Estimates for the Committee on Appropriations,” February 2015, p. 153. This estimate assumes that the requested spending levels (and spending increases) for FY 2016 will increase at the same rate as discretionary spending growth for FY 2017, according to the CBO’s most recent August 2015 baseline spending projections.

# Reduce EPA Infrastructure Needs

## RECOMMENDATION

Reduce EPA facilities and IT operation needs. Estimated savings are \$46 million in FY 2017.

## RATIONALE

Congress should reduce by 10 percent the estimated \$318 million in FY 2017 funding for the EPA's "Facilities Infrastructure and Operations." Reductions in agency programs and responsibilities should lower overhead costs. The subcommittee

should also reject proposed funding increases totaling \$13.7 million for the EPA's IT/Data Management program. The agency can free up funds for necessary IT maintenance and security from programs aimed at touting agency achievements.

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## ADDITIONAL READING

- The Heritage Foundation, "Environmental Conservation: Eight Principles of the American Conservation Ethic."
- Nicolas D. Loris, "EPA Is Desperately in Need of Budget Cuts. Here's a Few Places to Start," *The Daily Signal*, July 10, 2014.

## CALCULATIONS

Savings are based on FY 2016 requested spending levels and increases as found on page 202 of U.S. Environmental Protection Agency, "Fiscal Year 2016 Justification of Appropriation Estimates for the Committee on Appropriations," February 2015. This estimate assumes that the requested FY 2016 spending levels of \$312.2 million for "Facilities and Infrastructure Operations" and the \$13.4 million spending increase for IT/Data Management programs will increase at the same rate as discretionary spending growth for FY 2017, according to the CBO's August 2015 baseline spending projections.



# Eliminate or Reduce Six Redundant EPA Programs

## RECOMMENDATION

Eliminate the Pollution Prevention program, Integrated Environmental Strategies programs, and the National Estuary/Coastal Waterways program. This proposal saves \$421 million in FY 2017.<sup>36</sup>

## RATIONALE

Congress should eliminate:

- \$27.9 million in funding for the EPA's National Estuary/Coastal Waterways program. Restoration and protection of estuaries and coastal areas is best managed by states and private property owners, not the federal government.<sup>37</sup>
- \$22.3 million in funding for the Integrated Environmental Strategies programs. Promoting "sustainability," "Smart Growth," and similar social engineering is not a proper function of the federal government.<sup>38</sup>
- \$13.7 million in funding for the EPA's Pollution Prevention program. This program does not contribute to remediation of existing pollution problems, and engages in activities that are better carried out by the private sector.<sup>39</sup>
- \$243.7 million in funding for the Surface Water Protection program. States, not the federal government, should manage bodies of water that fall within their boundaries (lakes, rivers, streams). State management would increase accountability, transparency, and efficiency.<sup>40</sup>
- \$102.4 million from the Federal Vehicle and Fuels Standards and Certification program. Government-mandated emissions standards are unnecessary in light of consumer demand for fuel efficiency. The Renewable Fuel Standard unnecessarily increases food and energy prices to benefit a small set of special interests.<sup>41</sup>
- \$11.0 million in funding for the RCRA: Waste Minimization & Recycling programs. These programs do not contribute to actual cleanup of hazardous waste, and instead focus on promoting recycling and other unnecessary activities.<sup>42</sup>

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## ADDITIONAL READING

- Kevin Dayaratna, "The Economic Impact of the Clean Power Plan," testimony before the Committee on Science, Space, and Technology, U.S. House of Representatives, June 24, 2015.
- The Heritage Foundation, "Environmental Conservation: Eight Principles of the American Conservation Ethic."
- Nicolas Loris, "EPA Is Desperately in Need of Budget Cuts. Here's a Few Places to Start," The Daily Signal, July 10, 2014

## CALCULATIONS

Savings are based on FY 2016 requested spending levels as found in U.S. Environmental Protection Agency, "Fiscal Year 2016 Justification of Appropriation Estimates for the Committee on Appropriations," February 2015, p. 153. This estimate assumes that the requested spending levels for FY 2016 will increase at the same rate as discretionary spending growth for FY 2017, according to the CBO's most recent August 2015 baseline spending projections.

# Reduce the EPA's Civil Enforcement Program

## RECOMMENDATION

Reduce funding for the Civil Enforcement Program by 30 percent. This proposal saves \$58 million in FY 2017.

## RATIONALE

Congress should reduce by 30 percent the \$192.6 million in estimated FY 2017 funding for the Civil Enforcement program. The program litigates, and settles, administrative and civil judicial cases against serious violators of environmental laws. However, the EPA engages in unnecessary and excessive legal actions. Therefore, a reduction in

funding should impose an element of discipline to force the agency to be more careful about inviting legal challenges to regulatory and enforcement activities. (The EPA also should be prohibited from using funds for wage garnishment without a court order.)

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## ADDITIONAL READING

- Robert Gordon and Andrew Kloster, "Wage Garnishment Without a Court Order: Not a Good Idea," Heritage Foundation *Issue Brief* No. 4275, September 29, 2014.
- John Malcolm, "Civil Asset Forfeiture: A System in Need of Reform," testimony before the Oklahoma State Senate, September 1, 2015.

## CALCULATIONS

Savings are based on the FY 2016 requested spending level of \$188.8 million as found on page 702 of U.S. Environmental Protection Agency, "Fiscal Year 2016 Justification of Appropriation Estimates for the Committee on Appropriations," February 2015. This estimate assumes the requested spending level for FY 2016 will increase at the same rate as discretionary spending growth in FY 2017, according to CBO's most recent August 2015 baseline spending projections, and that 30 percent of that funding will be cut.



# Reduce Funding for the EPA's Civil Rights/Title VI Compliance Office

## RECOMMENDATION

Reduce Funding for the EPA's Civil Rights/Title VI Compliance Office. This proposal saves \$6 million in FY 2017.

## RATIONALE

Congress should reduce by 50 percent the \$12 million in estimated FY 2017 funding for the Civil Rights/Title VI Compliance office. The program provides the agency policy direction and guidance

on civil rights and equal opportunity in employment. However, the office also undertakes a variety of other "outreach" and non-essential functions.

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## ADDITIONAL READING

- The Heritage Foundation, "Environmental Conservation: Eight Principles of the American Conservation Ethic."
- Nicolas Loris, "EPA Is Desperately in Need of Budget Cuts. Here's a Few Places to Start," The Daily Signal, July 10, 2014.

## CALCULATIONS

Savings are based on the FY 2016 requested spending level of \$11.8 million as found on page 396 of U.S. Environmental Protection Agency, "Fiscal Year 2016 Justification of Appropriation Estimates for the Committee on Appropriations," February 2015. This estimate assumes that the requested spending level for FY 2016 will increase at the same rate as discretionary spending growth for FY 2017, according to the CBO's most recent August 2015 baseline spending projections and that 50 percent of that funding will be cut.

# Reduce the EPA's Legal Advice Environment Program

## RECOMMENDATION

Reduce the Legal Advice Environment Program by 30 percent. This proposal saves \$16 million in FY 2017.

## RATIONALE

Congress should reduce by 30 percent the \$53.5 million in estimated FY 2017 funding for the Legal Advice: Environmental program. This program provides legal representational services, legal counseling, and legal support for all of the EPA's

environmental activities. A significant amount of the agency's regulatory activity is excessive. Therefore, a reduction in funding for legal representation should impose discipline on the agency's regulatory and enforcement activities.

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## ADDITIONAL READING

- Robert Gordon and Andrew Kloster, "Wage Garnishment Without a Court Order: Not a Good Idea," Heritage Foundation *Issue Brief* No. 4275, September 29, 2014.
- John Malcolm, "Civil Asset Forfeiture: A System in Need of Reform," testimony before the Oklahoma State Senate, September 1, 2015.

## CALCULATIONS

Savings are based on the FY 2016 requested spending level of \$52.4 million as found on page 401 of U.S. Environmental Protection Agency, "Fiscal Year 2016 Justification of Appropriation Estimates for the Committee on Appropriations," February 2015. This estimate assumes that the requested spending level for FY 2016 will increase at the same rate as discretionary spending growth for FY 2017, according to the CBO's most recent August 2015 baseline spending projections, and that 30 percent of that funding will be cut.

# Eliminate the EPA's Stratospheric Ozone Multilateral Fund

## RECOMMENDATION

Eliminate the EPA's Stratospheric Ozone Multilateral Fund by 50 percent. This proposal saves \$9 million in FY 2017.

## RATIONALE

Congress should eliminate the estimated \$9.2 million in FY 2017 funding for the Stratospheric Ozone Multilateral Fund. The fund was created by parties to the 1987 Montreal Protocol to support efforts by developing countries to phase out the use of stratospheric ozone-depleting substances. The current

evidence shows that ozone depletion was an exaggerated threat; no ecosystem or species was ever shown to be seriously harmed by ozone depletion. As it is, the U.S. has long paid a disproportionate share of the funding.

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## ADDITIONAL READING

- The Heritage Foundation, "Environmental Conservation: Eight Principles of the American Conservation Ethic."
- Ben Lieberman, "Ozone: The Hole Truth," Heritage Foundation *Commentary*, September 14, 2007.

## CALCULATIONS

Savings are based on the FY 2016 requested spending level of \$9.1 million as found on page 240 of U.S. Environmental Protection Agency, "Fiscal Year 2016 Justification of Appropriation Estimates for the Committee on Appropriations," February 2015. This estimate assumes that the requested spending level for FY 2016 will increase at the same rate as discretionary spending growth for FY 2017, according to CBO's most recent August 2015 baseline spending projections.

# Eliminate the EPA's Information Exchange/Outreach

## RECOMMENDATION

Eliminate the EPA's information exchange/outreach programs. This proposal saves \$159 million in FY 2017.

## RATIONALE

The EPA has allocated taxpayer money to projects that educate and increase awareness about stewardship, children's health, and environmental education (EE). For example, the majority of EE funding within the information exchange/outreach subprogram have been awarded to nonprofits, with schools being a distant second; the most popular topics are biodiversity and general "environmental literacy." Information exchange/outreach also contains

funding for "implementing community-level programs; and tracking and communicating measures, indicators, and progress on children's health."<sup>43</sup> Since 1992, the EPA has granted more than \$62 million to this program.<sup>44</sup> While some of these projects might be worthwhile, they are far beyond the appropriate scope of the federal government. Such projects should be funded at the local level or by private companies.

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## ADDITIONAL READING

- The Heritage Foundation, "Environmental Conservation: Eight Principles of the American Conservation Ethic."
- Nicolas Loris, "EPA Is Desperately in Need of Budget Cuts. Here's a Few Places to Start," The Daily Signal, July 10, 2014.

## CALCULATIONS

Savings for eliminating the information exchange/outreach program are expressed as budget authority and were calculated by using the President's FY 2016 requested spending level of \$155.7 million as found on page 1,039 of U.S. Environmental Protection Agency, "Fiscal Year 2016: Justification of Appropriation Estimates for the Committee on Appropriations," February 2015. The FY 2017 savings equal the FY 2016 proposed level, increased at the same rate as discretionary spending for FY 2017, according to the CBO's most recent August 2015 baseline spending projections.

# Lease Out or Sell Underused EPA Space

## RECOMMENDATION

Lease out space not currently used by the EPA. This proposal saves \$22 million in FY 2017.

## RATIONALE

The EPA has been leasing out unneeded space since 2007, achieving over \$12 million in savings to the EPA. According to a 2013 EPA Inspector General report, the agency could save an additional \$21.6 million every year by leasing out all remaining underutilized space. Though the EPA has proposed

to reduce leased space by 2022, it should move expeditiously to release unused spaces within the fiscal year, or as soon as possible. The EPA should maximize use of public space and faithfully steward taxpayer resources.

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## ADDITIONAL READING

- The Heritage Foundation, “Environmental Conservation: Eight Principles of the American Conservation Ethic.”
- Nicolas Loris, “EPA Is Desperately in Need of Budget Cuts. Here’s a Few Places to Start,” The Daily Signal, July 10, 2014.

## CALCULATIONS

The EPA estimates that it can save \$21.6 million annually from leasing underused space, found on page 6 of U.S. Environmental Protection Agency, “EPA Can Further Reduce Space in Under-Utilized Facilities,” February 20, 2013.

# Permanently End/Close the Land and Water Conservation Fund

## RECOMMENDATION

Allow the Land and Water Conservation Fund (LWCF) to expire permanently. This proposal saves \$19.859 billion in FY 2017.

## RATIONALE

Congress enacted the LWCF in 1965, using royalties from offshore energy development for the federal government to purchase private land and turn it into public parks and other recreation areas. Of the \$36.2 billion credited to the fund, less than half—\$16.8 billion—has been spent, leaving a credit of \$19.4 billion.<sup>45</sup> Additionally, after it expired at the end of FY 2015, Congress reauthorized the fund for three more years (through FY 2018) and appropriated an additional \$450 million.<sup>46</sup> Congress should rescind both the \$450 million and the \$19.4 billion remaining balance. This would generate a one-time savings of \$19.859 million in FY 2017.

The federal government owns some 635 million acres of land throughout the United States—nearly 30 percent of the entire country, and nearly half of the western U.S. This massive amount of federal ownership has resulted in land mismanagement, stifled opportunities for recreation and resource production, and poor environmental management. Rather than placing more decisions under Washington's control, Congress should empower the states and local communities to protect their environments, maximize the value of the land, and create new opportunities for economic development.<sup>47</sup>

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## ADDITIONAL READING

- Nicolas D. Loris, "Land and Water Conservation Fund: Wrong Solution for Public Land Management," Heritage Foundation *Backgrounder* No. 4482, November 12, 2015.

## CALCULATIONS

Savings equal the sum of the remaining LWCF balance of \$19.4 billion as reported in Carol Hardy Vincent, "Land and Water Conservation Fund: Overview, Funding History and Issues," Congressional Research Service, October 21, 2014, and the \$450 million FY 2016 appropriation as reported in House Appropriations Committee, "FY 2016 Omnibus—Interior & Environment Appropriations." The \$450 million in FY 2016 appropriations are assumed to increase at the same rate as discretionary spending growth in FY 2017.



# Eliminate the National Clean Diesel Campaign

## RECOMMENDATION

Eliminate the National Clean Diesel Campaign (NCDC), commonly called the Diesel Emissions Reduction Act (DERA) grant program. This proposal saves \$10 million in FY 2017.

## RATIONALE

Hundreds of millions of taxpayer dollars have been spent over the years to develop more than 60,000 pieces of clean diesel technology, such as “emissions and idle control devices, aerodynamic equipment, engine and vehicle replacements, and alternative fuel options.”<sup>48</sup> Diesel Emissions Reduction Act grants have been used to pay for new or retrofitted tractors and cherry pickers in Utah (\$750,000), electrified parking spaces at a Delaware truck stop (\$1 million), a new engine and generators for a 1950s locomotive in Pennsylvania (\$1.2 million), school

buses in San Diego County (\$1.6 million), and new equipment engines for farmers in the San Joaquin Valley (\$1.6 million).<sup>49</sup>

Federal taxpayers should not have to pay for projects that should be undertaken by private investors or state and local groups. If these technologies are economically viable and consumer demand exists, these products will be developed without subsidies from the taxpayers.

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## ADDITIONAL READING

- The Heritage Foundation, “Environmental Conservation: Eight Principles of the American Conservation Ethic.”
- Nicolas Loris, “EPA Is Desperately in Need of Budget Cuts. Here’s a Few Places to Start,” *The Daily Signal*, July 10, 2014.
- Katrina Trinko, “Heritage Experts Weigh in on Massive Omnibus Spending Bill,” *The Daily Signal*, January 13, 2014.

## CALCULATIONS

Savings are expressed as budget authority and were calculated by using the FY 2015 enacted spending levels as found on page 836 of U.S. Environmental Protection Agency, “Fiscal Year 2016: Justification of Appropriation Estimates for the Committee on Appropriations,” February 2015. The FY 2017 savings equal the FY 2016 proposed level, increased at the same rate as discretionary spending for FY 2017, according to the CBO’s most recent August 2015 baseline spending projections.

# Eliminate Environmental Justice Programs

## RECOMMENDATION

Eliminate all environmental justice programs. This proposal saves \$14 million in FY 2017.

## RATIONALE

The EPA’s “environmental justice” programs were originally designed to protect low-income communities from environmental harm. However, the EPA now too often goes beyond this purpose. The EPA often applies the law to prevent job-creating businesses from developing in low-income communities, thus blocking the very economic opportunity that the communities need.

Further, environmental justice programs have expanded to subsidize state and local projects that federal taxpayers should not be forced to fund. For

example, the Environmental Justice Small Grants Program has funded projects completely unrelated to environmental justice, such as neighborhood litter cleanups; education on urban gardening, composting, and the negative effects of urban sprawl and automobile dependence; and a pilot program to reach California’s nail salon community in order to increase “knowledge of healthy/green nail salon concepts and practices.”<sup>50</sup> Congress should eliminate these programs, which have been co-opted by political agendas and do not merit taxpayer resources.

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## ADDITIONAL READING

- The Heritage Foundation, “Environmental Conservation: Eight Principles of the American Conservation Ethic.”
- Nicolas Loris, “EPA Is Desperately in Need of Budget Cuts. Here’s a Few Places to Start,” *The Daily Signal*, July 10, 2014.
- James Rust, “‘Environmental Justice’ Injustice (EPA Elitism, Exploitation),” *Master Resource*, August 13, 2014.

## CALCULATIONS

Savings are expressed as budget authority and were calculated using the FY 2016 President’s budget request as found on page 1,038 of U.S. Environmental Protection Agency, “Fiscal Year 2016: Justification of Appropriation Estimates for the Committee on Appropriations,” February 2015. The FY 2017 savings equal the FY 2016 proposed level, increased at the same rate as discretionary spending for FY 2017, according to the CBO’s most recent August 2015 baseline spending projections.

# Eliminate the National Endowment for the Humanities

## RECOMMENDATION

Eliminate federal funding for the National Endowment for the Humanities (NEH). This proposal saves \$151 million in FY 2017.

## RATIONALE

The NEH was created on September 29, 1965, by President Lyndon Johnson through the National Foundation on the Arts and the Humanities Act. The agency is subject to the annual appropriations process and it is up to Congress to determine if it is worthy of continued funding.

Private individuals and organizations should be able to donate at their own discretion to humanities organizations and programs as they wish; government should not use its coercive power of taxation to compel taxpayers to support cultural organizations and activities.

The NEH received a \$148 million appropriation in FY 2016. The NEH has awarded “more than 63,000 grants since 1965, totaling \$5.3 billion, and has leveraged \$2.5 billion in private matching donations.”<sup>51</sup> These funds dwarf private giving.

Americans gave \$358.38 billion in charitable contributions in 2014, an increase of 7.1 percent from 2013. Arts, culture, and the humanities experienced the largest giving increase in 2014, receiving 9.2 percent more than the previous year. The 2015 Giving USA report estimates that total giving to arts, culture, and the humanities was nearly \$18 billion in 2014. The NEH is neither a necessary nor proper activity of the federal government.

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## ADDITIONAL READING

- Giving USA, “Giving USA 2015—Highlights,” November 22, 2015.
- National Endowment for the Humanities, “Appropriations Request for Fiscal Year 2016,” submitted to Congress February 2015.
- National Endowment for the Humanities, “Celebrating 50 Years.”
- National Philanthropic Trust, “Charitable Giving Statistics,” 2015.

## CALCULATIONS

Savings are expressed as authorized and found on p. 331 of Consolidated Appropriations Act, 2016, Public Law 114–113. The FY 2016 authorized level of \$148 million was increased for discretionary spending growth in 2017, according to the CBO’s most recent August 2015 baseline spending projections.

# Eliminate the National Endowment for the Arts

## RECOMMENDATION

Eliminate federal funding for the National Endowment for the Arts (NEA). This proposal saves \$151 million in FY 2017.

## RATIONALE

The NEA was created on September 29, 1965, by President Lyndon Johnson through the National Foundation on the Arts and the Humanities Act. Since its founding, the NEA has awarded more than \$5 billion for arts participation.<sup>52</sup> Taxpayer assistance of the arts is neither necessary nor prudent.

Private contributions to the arts and humanities vastly exceed the amount provided by the NEA. Americans made \$358.38 billion in charitable contributions in 2014, an increase of 7.1 percent from 2013. Arts, culture, and the humanities experienced

the largest giving increase in 2014, receiving 9.2 percent more than the previous year. The 2015 Giving USA report estimates that total giving to arts, culture, and the humanities was nearly \$18 billion in 2014. Taxpayers should not be forced to pay for plays, paintings, pageants, and scholarly journals, regardless of the works' attraction or merit. In the words of Citizens Against Government Waste, "actors, artists, and academics are no more deserving of subsidies than their counterparts in other fields; the federal government should refrain from funding all of them."<sup>53</sup>

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## ADDITIONAL READING

- Giving USA, "Giving USA 2015—Highlights," November 22, 2015.
- National Endowment of the Arts, *2014 Annual Report*, April 15, 2015.
- News release, "House Interior Subcommittee Advances FY16 Appropriations Bill to Fund the NEA," Americans for the Arts, June 10, 2015.
- Patrick Louis Knudsen, "Tight Budget? How Congress Can Save \$42 Billion by Eliminating Bad Government Programs," Heritage Foundation *Backgrounder* No. 2837, August 29, 2013.

## CALCULATIONS

Savings are expressed as authorized and found on p. 331 of Consolidated Appropriations Act, 2016, Public Law 114-113. The FY 2016 authorized level of \$148 million was increased for discretionary spending growth in 2017, according to the CBO's most recent August 2015 baseline spending projections.

# Rein in the EPA's Ozone Standard

## RECOMMENDATION

Rein in the EPA's ozone standard.

## RATIONALE

The EPA finalized a new ozone standard of 70 parts per billion (ppb) in October 2015. This drastic action is premature. States are just now starting to meet the current 75 ppb standard set in 2008. According to the Congressional Research Service, 123 million people live in areas that have not attained the current standards. In fact, 105 million

people live in areas that are still considered “nonattainment” for the less-stringent 1997 ozone standard. When nearly 40 percent of the nation’s population lives in areas that have not met the current standard, adopting an even more stringent standard is—at best—premature.<sup>54</sup>

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## ADDITIONAL READING

- Daren Bakst, “Statement Regarding Proposed Ozone Standards,” testimony before the U.S. Environmental Protection Agency, January 29, 2015.

# Allow Development of Natural Resources

## RECOMMENDATION

Allow natural resource development. Although this proposal would likely generate savings in FY 2017 and beyond, the level of savings depends on a number of unknown factors, so no savings are listed.

## RATIONALE

Congress should open all federal waters and all non-wilderness, non-federal-monument lands to exploration and production of America's natural resources. Congress should require the Department of the Interior to conduct lease sales if a commercial

interest exists (whether for offshore oil or for offshore wind), and to use its flexibility under its current authority (whether streamlining of red tape or lower royalties) to attract interest to federal lands.<sup>55</sup>

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## ADDITIONAL READING

- Nicolas D. Loris, "Free Markets Supply Affordable Energy and a Clean Environment," Heritage Foundation *Backgrounder* No. 2966, October 31, 2014.



# Prohibit a Net Increase in Federal Lands

## RECOMMENDATION

Prohibit a net increase in federal lands.

## RATIONALE

The federal estate is massive, consisting of some 635 million acres. The effective footprint is even larger because limitations on federal lands often affect the use of adjacent state and private lands, since government agencies lock up lands through informal designations and study areas. Regulatory pushes threaten to put almost all of the United States under

some form of federal jurisdiction. Federal ownership and federal regulation of public lands restrict economic activity, and, in many instances, have created environmental problems due to mismanaged lands and lack of a proper incentive structure to maintain the properties.<sup>56</sup>

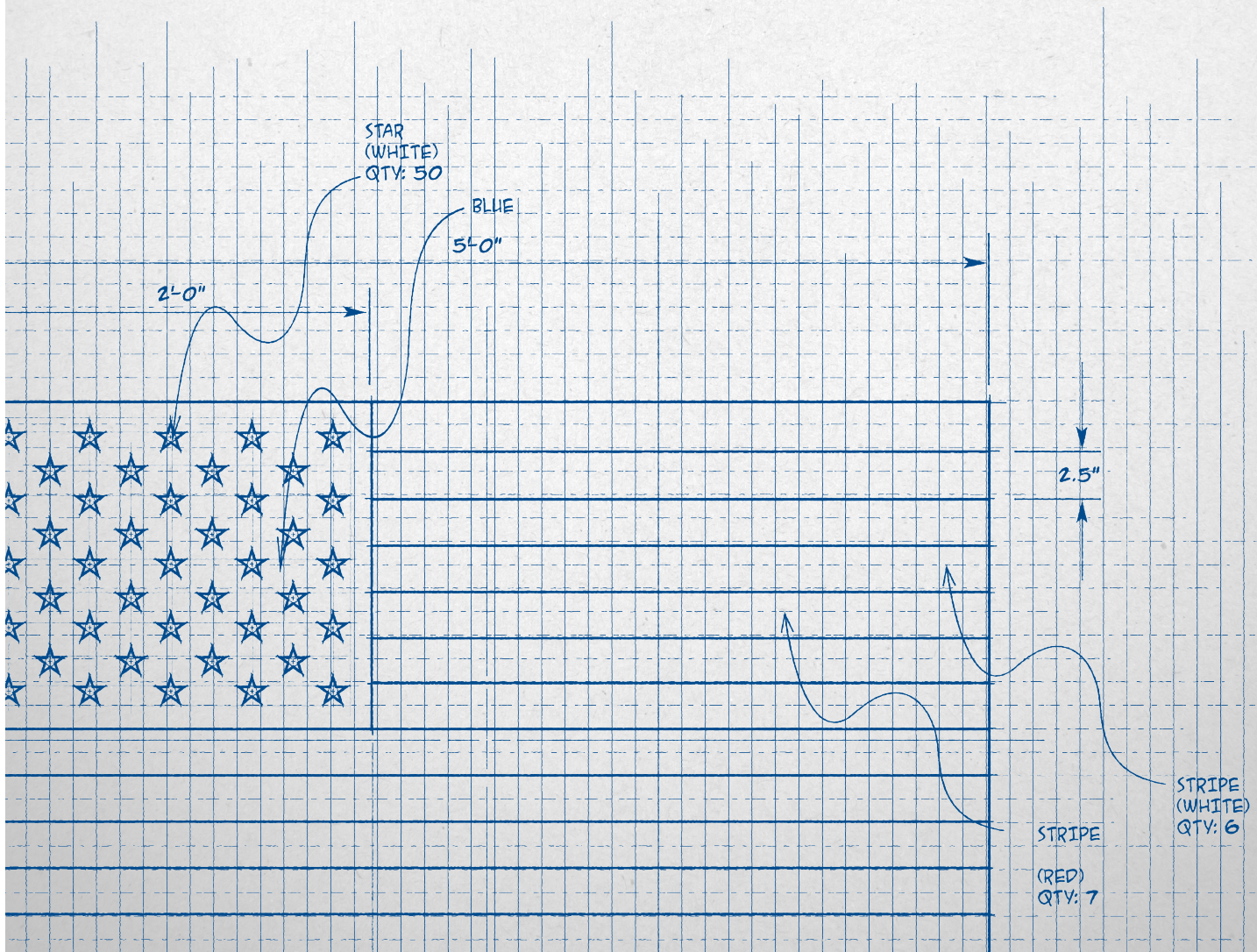
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## ADDITIONAL READING

- Katie Tubb and Nicholas D. Loris, “The Federal Lands Freedom Act: Empowering States to Control Their Own Energy Futures,” Heritage Foundation *Backgrounder* No. 2992, February 18, 2015.
- “Federal Footprint Map,” U.S. House of Representatives Committee on Natural Resources, 2015.



# Labor, Health and Human Services, Education, and Related Agencies



# Privatize the Corporation for Public Broadcasting

## RECOMMENDATION

Eliminate federal funding for the Corporation for Public Broadcasting (CPB). This proposal saves \$445 million in FY 2017.

## RATIONALE

In 1967, the CPB was created as households faced very limited broadcasting options. As technology has grown since the corporation's inception, media sources for accessing the news and broadcasting have greatly increased.

Federal appropriations for the CPB in 2014 were \$445 million.<sup>57</sup> Of those appropriations, nearly \$300 million was allocated to Public Television,<sup>58</sup> and almost \$100 million allocated to Public Radio. National Public Radio (NPR) managed to garner over \$209 million in operating revenue in 2014 and PBS closed the year with \$564 million in total liabilities and net assets.<sup>59</sup> Without federal funding from the CPB, services such as the Public Broadcasting

Service (PBS) and NPR would operate like any other news or broadcasting source in the private sector. Both organizations could seek to make up the lost funding by increasing revenues from corporate sponsors, foundations, and members. NPR states that it receives only 5 percent of its overall funding from federal, state, and local governments. Many nonprofits manage to stay in business without receiving federal funding by being creative and reacting to market fluctuations. Public broadcasters should be no exception. NPR and PBS should seek to find new sponsors, create new shows, and find alternative ways to generate viewership without receiving taxpayer funding.

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## ADDITIONAL READING

- David Boaz, "Top Ten Reasons to Privatize Public Broadcasting," CATO Institute, July 25, 2005.
- Corporation for Public Broadcasting, "About CPB: Financial Information."
- Corporation for Public Broadcasting, "Proposed FY 2014 Operating Budget," September 11, 2013.
- Emily Goff, "Why Big Bird's Federal Subsidies Need to Go," The Daily Signal, October 14, 2012.
- Glenn J. McLoughlin and Mark Gurevitz, "The Corporation for Public Broadcasting: Federal Funding and Issues," Congressional Research Service, January 7, 2014.
- Public Broadcasting Service and Subsidiaries, "Consolidated Financial Statements and Independent Auditor's Report Years Ended June 30, 2014 and 2013," October 30, 2014.

## CALCULATIONS

Savings are expressed as budget authority as authorized and found on p. 401 of Consolidated Appropriations Act, 2016, Public Law 114-113. The FY 2017 level is assumed to remain constant at \$445 million, which was the FY 2014 authorized level and is specified as the FY 2018 authorized level in Public Law 114-113.

# Eliminate Job Corps

## RECOMMENDATION

Eliminate Job Corps. This proposal saves \$1.723 billion in FY 2017.

## RATIONALE

The National Job Corps Study, a randomized experiment—the “gold standard” of scientific research—assessed the impact of Job Corps on participants compared to similar individuals who did not participate in the program. For a federal taxpayer investment of \$25,000 per Job Corps participant, the study found:

- Compared to non-participants, Job Corps participants were less likely to earn a high school diploma (7.5 percent versus 5.3 percent);
- Compared to non-participants, Job Corps participants were no more likely to attend or complete college;
- Four years after participating in the evaluation, the average weekly earnings of Job Corps participants were a mere \$22 higher than the average weekly earnings of the control group; and

- Employed Job Corps participants earned only \$0.22 more in hourly wages compared to employed control group members.

If the Job Corps actually improved the skills of its participants, it should have substantially raised their hourly wages. A paltry \$0.22 increase in hourly wages suggests that Job Corps does little to boost the job skills of participants.

A cost-benefit analysis based on the National Job Corps Study found that the benefits of the Job Corps do not outweigh the cost of the program. Job Corps does not provide the skills and training to substantially raise the wages of participants. Costing \$25,000 per participant over an average participation period of eight months, the program is a waste of taxpayers’ dollars.

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## ADDITIONAL READING

- David B. Muhlhausen, “Do Federal Social Programs Work?” Heritage Foundation *Backgrounder* No. 2884, March 19, 2014.
- David B. Muhlhausen, “Job Corps: An Unfailing Record of Failure,” Heritage Foundation *WebMemo* No. 2423, May 5, 2009.

## CALCULATIONS

Savings are expressed as budget authority as authorized and found on p. 344 of Consolidated Appropriations Act, 2016, Public Law 114–113. The FY 2016 authorized level of \$1.689 billion was increased for discretionary spending growth in FY 2017, according to the CBO’s most recent August 2015 baseline spending projections.

# Eliminate Workforce Innovation and Opportunity Act Job-Training Programs

## RECOMMENDATION

Eliminate the Workforce Innovation and Opportunity Act (WIOA). This proposal saves \$3.435 billion in FY 2017.

## RATIONALE

The Department of Labor has a history of operating ineffective job-training programs. The evidence from every multi-site experimental evaluation of federal job-training programs published since 1990 strongly indicates that these programs are ineffective. Based on these scientifically rigorous evaluations using the “gold standard” of random assignment, these studies consistently find failure. Federal job-training programs targeting youth and young adults have been found to be extraordinarily ineffective.

According to a 2009 GAO report:

[L]ittle is known about what the workforce system is achieving. Labor has not made such research a priority and, consequently, is not

well positioned to help workers or policymakers understand which employment and training approaches work best. Knowing what works and for whom is key to making the system work effectively and efficiently. Moreover, in failing to adequately evaluate its discretionary grant programs, Labor missed an opportunity to understand how the current structure of the workforce system could be modified to enhance services for growing sectors, to encourage strategic partnerships, and to encourage regional strategies.<sup>60</sup>

There is abundant evidence suggesting that federal job-training programs do not work.

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## ADDITIONAL READING

- David B. Muhlhausen, “Do Federal Social Programs Work?” Heritage Foundation *Backgrounder* No. 2884, March 19, 2014.
- U.S. Government Accountability Office, “Workforce Investment Act: Labor Has Made Progress in Addressing Areas of Concern, But More Focus Needed on Understanding What Works and What Doesn’t,” February 26, 2009.

## CALCULATIONS

Savings are expressed as budget authority as requested for FY 2017 on page 243 of Office of Management and Budget, “The President’s Budget for Fiscal Year 2016,” 29-1. “Federal Budget by Agency and Account Explanatory Note,” 2015.



# Let Trade Adjustment Assistance Expire

## RECOMMENDATION

Eliminate the entire Trade Adjustment Assistance (TAA) program. This proposal saves \$879 million in FY 2017.

## RATIONALE

TAA provides overly generous government benefits to American workers who lose their jobs because foreign companies prove more competitive than their American employers. The program encourages recipients to participate in job training. As a result, they spend considerable time in job training that could have been spent looking for work, or working. Most participants never recover this lost income, and their federal subsidies only partially offset these financial losses. Participating in TAA costs the average participant approximately \$25,000 in lost income. Congress should not spend taxpayer dollars actively hurting unemployed workers' job prospects.

Program evaluations of TAA find no evidence that this assistance and training improves earnings based on newly acquired job skills. This finding should not be surprising, because scientifically rigorous evaluations of federal job-training programs have consistently found these programs to be highly ineffective.

A 2012 quasi-experimental impact evaluation of TAA by Mathematica Policy Research and Social Policy Research Associates builds upon the

consensus of three previous quasi-experimental impact evaluations that have found TAA ineffective at improving the employment outcomes of participants.<sup>61</sup>

Overall, there is little empirical support for the notion that TAA improves the employment outcomes of displaced workers. In fact, TAA participants are more likely to earn *less* after participating in the program. TAA failed a commonsense test of determining whether the program produces more benefits than its costs.

Furthermore, TAA benefits often go to politically connected unions and firms that did not actually experience layoffs because of foreign competition. The Labor Department only requires showing a correlation between increasing foreign imports and a firm's loss of sales. These correlations are often coincidental, or unrelated to the firm's financial woes. This allowed the Obama Administration to award TAA benefits to Solyndra and Hostess despite foreign competition having little to do with the bankruptcies of these companies.

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## ADDITIONAL READING

- David B. Muhlhausen, James Sherk, and John Gray, "Trade Adjustment Assistance Enhancement Act: Budget Gimmicks and Expanding an Ineffective and Wasteful 'Job-Training' Program," Heritage Foundation *Issue Brief* No. 4396, April 28, 2015.

## CALCULATIONS

Savings are expressed as budget authority, as authorized and found on p. 345 of Consolidated Appropriations Act, 2016, Public Law 114-113. The FY 2016 authorized level of \$861 million was increased for discretionary spending growth in FY 2017, according to the CBO's most recent August 2015 baseline spending projections.

# Bring National Labor Relations Board Funding in Line with Caseloads

## RECOMMENDATION

Bring funding for the National Labor Relations Board (NLRB) in line with its caseloads, reducing spending by roughly 50 percent. This proposal saves \$138 million in FY 2017.

## RATIONALE

The NLRB, under the National Labor Relations Act, regulates private-sector union elections and collective bargaining, except for unions in the railway and airline industries regulated by other law. The NLRB conducts union certification and decertification elections, investigates unfair labor practices, and adjudicates cases with administrative law judges.

Private-sector union membership and organizing has dropped considerably over the past 25 years. Consequently, the NLRB caseload has fallen considerably as well. The NLRB received 65 percent fewer election petitions and 40 percent fewer unfair labor practice charges in FY 2014 than in FY 1990. Despite this lower workload, the NLRB's inflation-adjusted budget has increased by one-sixth

since 1990. Reducing the NLRB budget by 50 percent in FY 2016 would bring its spending in line with the previous funding levels for its caseload. This would save taxpayers \$138 million in FY 2017.

The NLRB spent \$226 million in inflation-adjusted 2015 dollars in FY 1990. In FY 2016, its budget authority had risen to \$274 million, even though unfair-labor-practice complaints have fallen by 40 percent since FY 1990, and election petitions have fallen by an even larger amount. That amounts to \$142 million for FY 2017—\$138 million less than the estimated FY 2017 NLRB budget. The NLRB ought thus to be able to handle its reduced workload with about 60 percent of what it spent in FY 1990 (inflation adjusted).

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## CALCULATIONS

Savings are based on comparing the current NLRB budget to the alternative level equal to 60 percent of its real 1990 budget. The current FY 2016 funding is found on p. 345 of Consolidated Appropriations Act, 2016, Public Law 114-113. The FY 2016 authorized level of \$274 million was increased for discretionary spending growth in FY 2017, according to the CBO's most recent August 2015 baseline spending projections (to \$280 million). Funding the NLRB at 60 percent of its real 1990 level would equal \$142 million, for a savings of \$138 million in FY 2017.

# Sunset Head Start to Make Way for Better State and Local Alternatives

## RECOMMENDATION

Reduce funding for Head Start by 10 percent in FY 2017 and by an additional 10 percent every year thereafter until the program is sunsetted in 2026. This proposal saves \$935 million in FY 2017.

## RATIONALE

In addition to its questionable status as a function of the federal government under the Constitution, the federal Head Start program has failed to live up to its stated mission of improving kindergarten readiness for children from low-income families. In December 2012, the Department of Health and Human Services, the agency that administers Head Start, released a scientifically rigorous evaluation of more than 5,000 children participating in the program. It found that Head Start had little to no impact on the cognitive skills, social-emotional well-being, health, or parenting practices of participants. Low-income families should not have to depend on distant, ineffective federal preschool programs.

As such, Congress should sunset the federal Head Start program over a period of 10 years. The sunset provision will provide states with adequate time to determine whether they need to provide additional state funding to subsidize day care for low-income families. To begin phasing out the program, Congress should reduce Head Start funding by 10 percent in FY 2017. Ultimately, Head Start would be completely phased out by 2025.

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## ADDITIONAL READING

- Lindsey M. Burke and David B. Muhlhausen, "Head Start Impact Evaluation Report Finally Released," Heritage Foundation *Issue Brief* No. 3823, January 10, 2013.
- David B. Muhlhausen, "The Head Start CARES Demonstration: Another Failed Federal Early Childhood Education Program," Heritage Foundation *Background* No. 3040, August 6, 2015.
- David B. Muhlhausen, "Head Start Program: Fraudulent and Ineffective," Heritage Foundation *WebMemo* No. 2919, May 28, 2010.

## CALCULATIONS

Savings are expressed as budget authority, as authorized and found on p. 372 of Consolidated Appropriations Act, 2016, Public Law 114-113. The FY 2016 authorized level of \$9.618 billion was first increased for discretionary spending growth in FY 2017, according to the CBO's most recent August 2015 baseline spending projections and then multiplied by 10 percent to express the 10 percent savings from the phasedown in FY 2017.

# Eliminate Competitive/Project Grant Programs and Reduce Spending on Formula Grants

## RECOMMENDATION

Eliminate competitive and project grant programs that fall under the Every Student Succeeds Act (ESSA) and remaining American Recovery and Reinvestment Act (ARRA) programs.<sup>62</sup> At the same time, reduce spending on formula grant programs managed by the Department of Education by 10 percent.

Eliminating competitive grant programs under ESSA saves \$1.505 billion in FY 2017.<sup>63</sup> Reducing formula grant program spending by 10 percent saves \$2.260 billion in FY 2017. Combined, this proposal saves \$3.766 billion in FY 2017.<sup>64</sup>

## RATIONALE

If the federal government is going to continue spending money on this quintessentially state and local function, federal policymakers should limit and better target education spending by streamlining the existing labyrinth of federal education programs. Federal competitive grant programs authorized under the Elementary and Secondary Education Act (ESEA) should be eliminated, as they are duplicative and ineffective, and federal spending should be reduced to reflect remaining formula programs authorized under Title I of ESEA and the handful of other programs that do not fall under the competitive/project-grant category. Remaining programs managed by the Department of Education, such as large formula grant programs for K–12 education, should be reduced by 10 percent.

Since the 1970s, inflation-adjusted per pupil federal education spending has nearly tripled. Spending increases reflect the number of federal education programs that have amassed over the decades. ESSA—just one federal education law—authorizes dozens of competitive and formula grant programs, many of which are redundant and ineffective. The numerous federal education programs have not only failed to improve K–12 education nationally, but have levied a tremendous bureaucratic compliance burden on states and local school districts. In order to stop the federal education spending spree, and to ensure that state and local school leaders' focus is oriented toward meeting the needs of students and parents—not toward satisfying federal bureaucrats—program count and associated federal spending should be curtailed.

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## ADDITIONAL READING

- Lindsey M. Burke, "How the A-PLUS Act Can Rein in the Government's Education Power Grab," Heritage Foundation *Backgrounder* No. 2858, November 14, 2013.
- Lindsey M. Burke, "Reducing the Federal Footprint on Education and Empowering State and Local Leaders," Heritage Foundation *Backgrounder* No. 2565, June 2, 2011.

## CALCULATIONS

Savings are based on reported FY 2016 grant levels under both the ESSA and ARRA as reported on pages 1–6 of U.S. Department of Education, "Fiscal Year 2016 Congressional Action," January 11, 2016. The FY 2016 authorized levels of \$1.475 billion for competitive grants, and \$22.149 billion for formula grants, are assumed to increase at the same rate as discretionary spending growth in FY 2017, according to the CBO's most recent August 2015 baseline spending projections. Savings equal the entirety of FY 2017 spending on competitive grants, and 10 percent of spending on formula grants.

# Eliminate Redundant Department of Labor Agencies

## RECOMMENDATION

Eliminate the Office of Federal Contract Compliance and the Women’s Bureau in the Department of Labor. Eliminate all grant making by the International Labor Affairs Bureau (ILAB). This proposal saves \$205 million in FY 2017.

## RATIONALE

Several Labor Department agencies serve little public purpose, or perform duties that are redundant with other federal agencies.

In 1965, President Johnson signed Executive Order No. 11246 that prohibited federal contractors from engaging in racial discrimination. At the time, the Civil Rights Act did not have strong enforcement provisions. The Office of Federal Contract Compliance Programs (OFCCP) within the Department of Labor now enforces these provisions. However, the Equal Employment Opportunity Act of 1972 gave the Equal Employment Opportunity Commission (EEOC) strong enforcement powers. Discrimination is currently illegal for all employers—federal contractors or not—and the EEOC polices these policies. A separate agency for federal contractors is redundant and a poor use of tax dollars so the OFCCP should be abolished.

The Women’s Bureau in the Department of Labor examines challenges facing women in the workforce. It was created in 1920 when few women worked outside the home. Today, women make up half of the workforce. The challenges facing female employees are the challenges facing workers as a whole. The Women’s Bureau has become redundant.

The ILAB monitors foreign compliance with labor obligations under trade treaties. It also hands out grants to unions and aid organizations to promote the welfare of foreign workers. The effectiveness of these grants is unclear and a poor use of U.S. taxpayer dollars in times of tight budgets. Congress should eliminate ILAB funding for grant making and restore it to its core purpose of monitoring treaty compliance.

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## CALCULATIONS

Savings are expressed as budget authority as requested for FY 2016 on pages 43 and 61–62 in U.S. Department of Labor, “FY 2016 Budget in Brief.” The FY 2016 spending requests are assumed to increase at the same rate as discretionary spending growth in FY 2017, according to the CBO’s most recent August 2015 baseline spending projections. The estimated savings include elimination of the Office of Federal Contract Compliance and the Women’s Bureau Secretary as well as an 80 percent reduction in the ILAB’s budget, based on then-Secretary of Labor Elaine Chao’s suggested cut in the ILAB’s budget by over 80 percent by eliminating its grant-making activities in her FY 2009 budget request.

# Redirect Funding from Planned Parenthood to Health Centers Not Entangled with Abortion Services

## RECOMMENDATION

Redirect funding from Planned Parenthood to health centers that provide comprehensive health care for women.

## RATIONALE

Taxpayer money should not be used to fund elective abortion providers such as the Planned Parenthood Federation of America (PPFA) affiliates. The need to end such funding has become even more acute with the recent serious and disturbing press coverage of PPFA representatives discussing the sale of body parts of aborted babies.

No federal funds should go to the Planned Parenthood Federation of America or any of its affiliates or

health centers. Under the recommendation, disqualifying Planned Parenthood affiliates from receiving Title X family planning grants, Medicaid reimbursements, and other grants and contracts would not reduce the overall funding for women's health care—the funds currently flowing to Planned Parenthood affiliates would be shifted to programs that offer comprehensive health care without entanglement in abortion on demand.

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## ADDITIONAL READING

- Sarah Torre, "Congress Should End Federal Funding to Planned Parenthood and Redirect It Toward Other Health Care Options," Heritage Foundation *Issue Brief* No. 4462, September 22, 2015.



# Restrict Risk-Corridor Funding

## RECOMMENDATION

Continue to restrict risk-corridor funding.

## RATIONALE

Section 1342 of the Affordable Care Act directs the Secretary of Health and Human Services to operate a risk-corridor program to limit the profits and losses of qualified health plans in the individual and small-group markets. However, the provision does not specify a source of funding for the program. As part of the Consolidated and Further Appropriations Act of 2015,<sup>65</sup> Congress restricted funding for the risk-corridor program to money collected from participating profitable health plans. Congress should prohibit risk-corridor funding in order to prevent the program from being bailed out by the Administration.

# Direct the Department of Education to Rescind the “Gainful Employment” Regulations Promulgated on For-Profit Higher Education Institutions

## RECOMMENDATION

Direct the Department of Education to rescind the “gainful employment” regulations promulgated on for-profit higher education institutions.

## RATIONALE

The Higher Education Act stipulates that in order to be eligible for federal student aid, colleges must prepare students for “gainful employment in a recognized occupation.” The U.S. Department of Education has aggressively promulgated rules concerning gainful employment during the Obama Administration, and on July 1, 2015, gainful employment regulations primarily affecting for-profit institutions went into effect. The rule could limit opportunities

for non-traditional students in particular, who may choose a for-profit institution because of its flexibility and affordability. A new Administration should enable private for-profit and vocational colleges to continue to serve students who have been historically underserved by traditional universities by repealing the gainful employment regulations that took effect on July 1, 2015.

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## ADDITIONAL READING

- Lindsey M. Burke, “Reauthorizing the Higher Education Act—Toward Policies that Increase Access and Lower Costs,” Heritage Foundation *Backgrounder* No. 2941, August 19, 2014.

# Protect Freedom of Conscience in Health Care

## RECOMMENDATION

Protect freedom of conscience in health care.

## RATIONALE

Congress should maintain all existing pro-life policy riders that prevent federal funding from being entangled with the provision, coverage, or advocacy of abortion both in the U.S. and abroad. In addition, Congress should codify prohibitions on government agencies and programs funded with federal money that discriminate against health care providers, organizations, and health insurance plans because they do not perform, pay for, refer, or provide coverage for abortions. Congress should also allow victims-of-conscience violations to be vindicated in court.

Since 2004, the Weldon Amendment has prohibited federal, state, and local governments that receive certain federal funds from discriminating against health care entities, including health care plans that decline to “provide, pay for, provide coverage of or refer for abortions.”<sup>66</sup> Enforcement of the

conscience policy, however, is left to the discretion of officials in the Department of Health and Human Services, which has a poor track record of moving quickly—if at all—on such complaints.<sup>67</sup>

The need to codify these conscience protections and provide victims a better path to relief is urgent. In August 2014, the Department of Managed Health Care in California mandated that almost every health plan in the state include coverage of elective abortions, including those plans offered by religious organizations, religious schools—even churches.<sup>68</sup> Requests to Health and Human Services officials to review the state’s mandate have so far gone unanswered by the Obama Administration. Policymakers should not wait for more assaults on conscience before protecting the freedom of every American to provide, find, or offer health care and health insurance coverage that aligns with his values.

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## ADDITIONAL READING

- Sarah Torre, “Obamacare’s Many Loopholes: Forcing Individuals and Taxpayers to Fund Elective Abortion Coverage,” Heritage Foundation *Backgrounder* No. 2872, January 13, 2014.

# Stipulate the Use of Fair-Value Accounting

## RECOMMENDATION

Stipulate the use of fair-value accounting.

## RATIONALE

In order for taxpayers to have a clear understanding of the costs of federal higher education subsidies, policymakers should direct the Department of Education to use fair-value accounting. Fair-value accounting estimates take market risk into account, and are a better reflection of the true costs of federal higher education subsidies for student loans. Without the use of fair-value accounting, it is difficult to know whether federal loan programs are

using non-subsidizing interest rates, which they should use so that the loans can break even. Absent fair-value accounting, it is impossible to know the extent to which student loan programs are providing a subsidy to borrowers. Congress should require the Department of Education to use fair-value accounting estimates calculated by the Congressional Budget Office and adjust loan rates accordingly, on a yearly basis.

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## ADDITIONAL READING

- Lindsey Burke, "Federal Student Loans Cost Taxpayers Money," *The Daily Signal*, June 24, 2013.
- Lindsey Burke, "Student Loan Servicing: The Borrower's Experience," testimony before the Subcommittee on Financial Institutions and Consumer Protection, Banking, Housing, and Urban Affairs Committee, U.S. Senate, June 4, 2014.

# Eliminate the Cap on Coverdell Savings Accounts

## RECOMMENDATION

Eliminate the cap on Coverdell Savings Accounts.

## RATIONALE

Coverdell savings accounts help families save for their children’s K–12 education (such as private school tuition) by allowing interest on funds deposited into the accounts by families to accrue tax-free, as long as it is put toward approved education expenditures. Although this is a beneficial savings

vehicle for families who want to save so that they can pay for their own children’s education expenses, annual account contributions are capped at \$2,000, limiting their power to help defray private school and other K–12 expenses. The annual contribution cap on Coverdell accounts should be eliminated.

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## ADDITIONAL READING

- Lindsey M. Burke and Rachel Sheffield, “Continuing the School Choice March: Policies to Promote Family K–12 Education Investment,” Heritage Foundation *Backgrounder* No. 2683, April 25, 2012.

# Halt Implementation of the Union-Persuader Regulations

## RECOMMENDATION

Halt implementation of the union-persuader regulations.

## RATIONALE

The Office of Labor-Management Standards (OLMS) is considering regulations requiring almost all lawyers who consult with companies during union organizing drives to file detailed financial-disclosure forms. These forms would require listing all clients and detailing the substance of communications with them. This disclosure violates the attorney-client confidentiality standards

to which the American Bar Association holds its members. These regulations would discourage lawyers from providing legal advice to companies during union organizing battles and increase the likelihood that businesses commit unfair labor practices. Congress should deny funding for OLMS promulgation or enforcement of these new “persuader” regulations.<sup>69</sup>

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## ADDITIONAL READING

- John G. Malcolm, “Labor Departments’ Persuader Rule Undermines Employers’ Rights and Threatens the Attorney-Client Relationship,” Heritage Foundation *Backgrounders* No. 2838, August 26, 2013.
- James Sherk, “Proposed Union Rules Harm Workers and Job Creation,” Heritage Foundation *Backgrounders* No. 2584, July 20, 2011.



# Halt Implementation of Occupational Safety and Health Administration Recordkeeping Regulations

## RECOMMENDATION

Halt the Department of Labor’s implementation of Occupational Safety and Health Administration (OSHA) recordkeeping regulations.

## RATIONALE

OSHA has proposed to publicly report the workplace injuries that occur at major employers, identifying the employers and incidents by name. This disclosure could lead to revealing the identities of workers injured on the job and would

discourage businesses from accurately reporting on-the-job injuries. Congress should deny funding for OSHA promulgation or enforcement of these recordkeeping regulations.

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## ADDITIONAL READING

- OSHA, “Occupational Injury and Illness Recording and Reporting Requirements – NAICS Update and Reporting Provisions,” 79 Fed. Reg. 56129 (September 18, 2014).

# Halt Implementation of New Overtime Regulations

## RECOMMENDATION

Halt implementation of new overtime regulations.

## RATIONALE

The Wage and Hour Division (WHD) of the Department of Labor has proposed requiring businesses to pay overtime rates to salaried employees who earn less than \$50,000 a year. Employers will offset these higher costs with base salary cuts for their workforce, leaving total pay little changed. These regulations also will force employers to log salaried employees' hours. This will sharply restrict

many salaried employees' ability to work remotely because businesses have difficulty logging hours worked outside the office. This will reduce the flexibility of workers' hours and make it more difficult to juggle work and family lives. Congress should deny funding for the WHD promulgation or enforcement of these new overtime regulations.<sup>70</sup>

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## ADDITIONAL READING

- James Sherk, "Overtime Regulations Will Hurt Workplace Flexibility, Not Raise Wages," Heritage Foundation *Commentary*, July 10, 2015.
- James Sherk, "Salaried Overtime Requirements: Employers Will Offset Them with Lower Pay," Heritage Foundation *Backgrounder* No. 3031, July 2, 2015.

# Stop the NLRB from Using the Joint Employer Redefinition

## RECOMMENDATION

Stop the NLRB from using the Joint Employer Redefinition.

## RATIONALE

For decades, the NLRB held that two employers jointly employed a worker—and had to bargain with a union—if they both exercised immediate and direct control over the employee’s work. The NLRB redefined that standard to determine that joint employment exists when a company has “potential,” “unexercised,” and “indirect” control over working conditions. This makes most businesses that hire contractors and franchised brands joint employers of their contractors’ and franchisees’ employees. If

it survives legal scrutiny, this redefinition will gut the franchise business model. If corporate brands are legally responsible for their franchisees’ hiring actions, they need to control them. They will respond by replacing locally owned franchises with corporate stores, eliminating a key source of access to small-business ownership. Congress should deny funding to the NLRB for prosecuting any unfair labor practices under its new joint employer standards.<sup>71</sup>

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## ADDITIONAL READING

- James Sherk, “Beyond Burgers: The NLRB Ruling Is Comprehensively Awful,” *National Review Online*, August 29, 2015.
- James Sherk, “How This New Government Ruling Destroys the Franchise Business Model,” *The Daily Signal*, August 28, 2015.

# Give Workers Time to Make an Informed Choice in Union Elections

## RECOMMENDATION

Give workers time to make an informed choice in union elections.

## RATIONALE

The NLRB recently implemented “ambush election” rules, shortening the time for union elections from six weeks to approximately three weeks.<sup>72</sup> Workers should have more than three weeks to consider arguments on both sides and make an informed choice. Congress should deny the NLRB

funding for implementation of the “ambush election” regulations and require the board to take at least five weeks between the election petition and final vote, unless both the union and employer agree otherwise.<sup>73</sup>

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## ADDITIONAL READING

- James Sherk and Ryan O'Donnell, “Labor Union Snap Elections Deprive Employees of Informed Choice,” Heritage Foundation *WebMemo* No. 2371, March 31, 2009.

# Stop Gerrymandered Bargaining Units

## RECOMMENDATION

Stop gerrymandered bargaining units.

## RATIONALE

Historically, unions organized bargaining units composed of workers with a community interest, such as the hourly workers under the direction of the same general manager. The NLRB has recently begun allowing unions to organize workers by job title. For example, the NLRB recently ordered a union election among just the cosmetics and fragrance employees at a Macy's department store. No other workers in the store were allowed to vote in the election on union representation. This new

standard allows unions to gerrymander bargaining units to exclude employees who think the risks of unionizing outweigh the benefits. If the union calls a strike it will nonetheless affect jobs. Unions should not have the power to selectively disenfranchise workers who oppose unionizing. Congress should deny the NLRB funding with which to hold elections in micro-bargaining units, or to prosecute charges of unfair labor practice for employers refusing to recognize micro-bargaining units.<sup>74</sup>

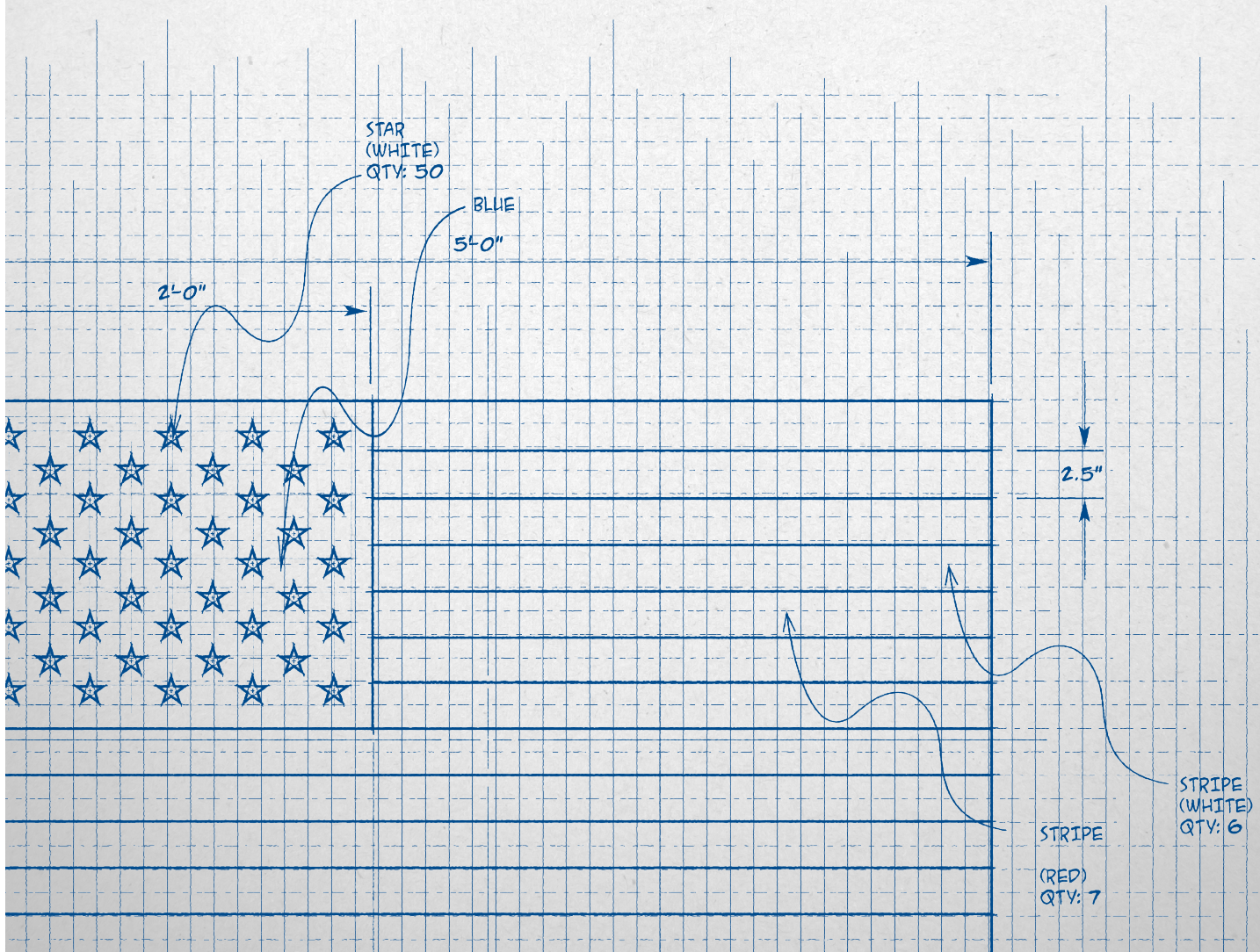
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## ADDITIONAL READING

- James Sherk, "NLRB Heralds Labor Day with an Attack on Workers' Rights," *The Daily Signal*, September 2, 2011.
- James Sherk, "Proposed Union Rules Harm Workers and Job Creation," Heritage Foundation *Backgrounders* No. 2584, July 20, 2011.



# Legislative Branch





# Eliminate Funding for Special Congressional Subsidies for Health Insurance in the Affordable Care Act's Health Insurance Exchange

## RECOMMENDATION

Eliminate funding for special congressional subsidies for health insurance in the Affordable Care Act's health insurance exchange. This proposal saves \$47 million in FY 2017.

## RATIONALE

Under Section 1312 (d)(3)(D) of the Affordable Care Act, Congress voted itself out of insurance coverage in the Federal Employees Health Benefits Program (FEHBP) and required Members and staff to obtain their health coverage through the law's health insurance exchange program.<sup>75</sup>

When Members of Congress realized that, in enacting Obamacare in 2010, they had voted themselves and their staffs out of their own health coverage, many urgently tried to find a way out of their predicament, preferably in the form of an administrative solution that would avoid the embarrassment of a recorded vote on the floor of the House or the Senate.<sup>76</sup>

President Obama provided regulatory relief in 2013: the provision of special taxpayer subsidies for Congress and staff to offset their higher insurance costs in the law's new health insurance exchange. On August 7, 2013, the Office of Personnel Management (OPM) ruled that Members of Congress and staff, even though they are no longer enrolled in the FEHBP, would henceforth receive FEHBP subsidies for coverage outside the FEHBP in the exchanges. The Administration took this regulatory action without statutory authority under either the Affordable Care Act or Title 5 of the U.S. Code, the law that governs the FEHBP.<sup>77</sup>

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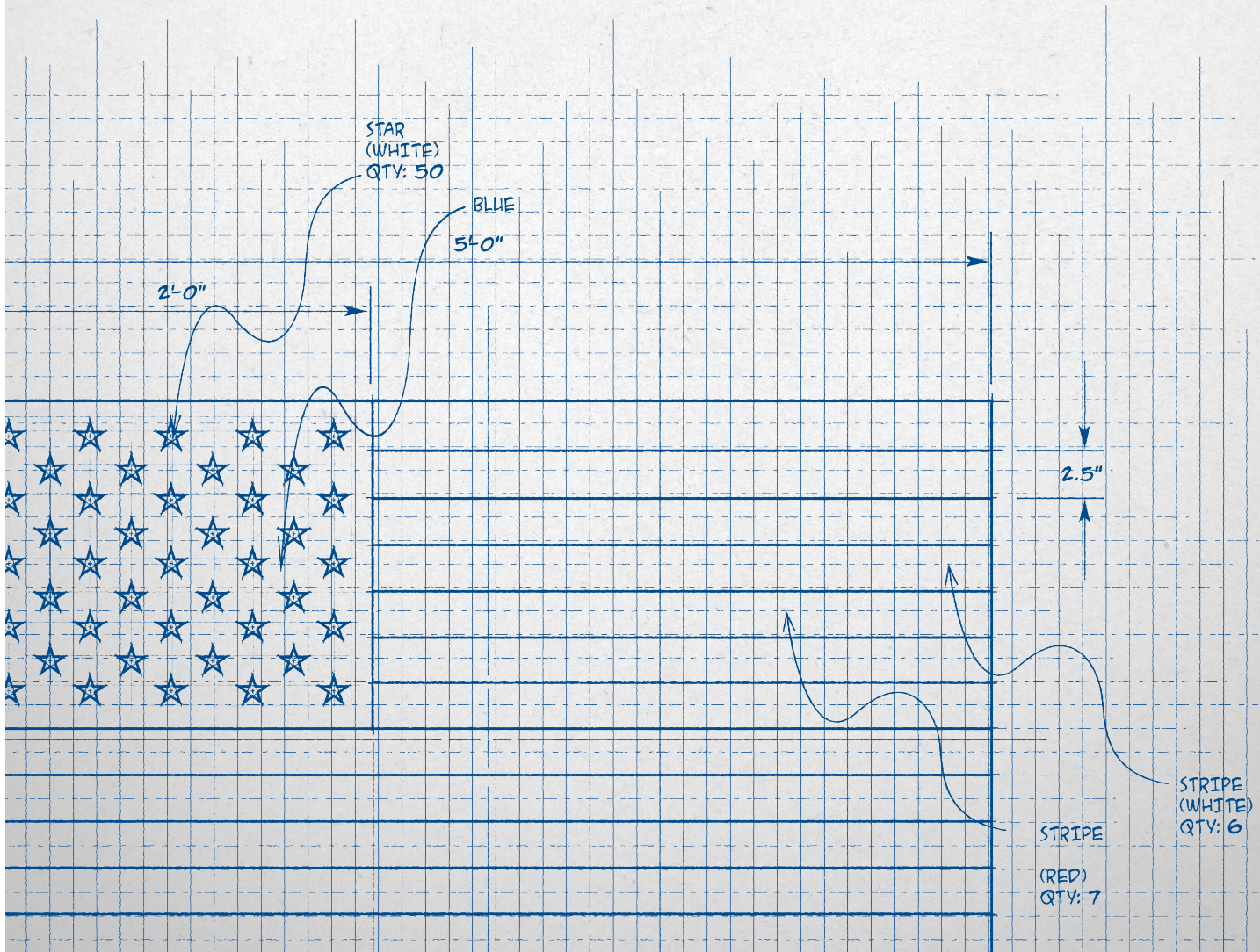
## CALCULATIONS

Savings are based on calculating the total cost of the government's FEHBP premium contribution for congressional members and staff, based on the average premium for a 31-year-old (the average age of a congressional staffer) purchasing a gold plan on the DC Small Business Health Options Program (SHOP) marketplace. The average premium for an individual is \$3,657 per year; \$8,959 per year for a family. The average federal contribution, which is 75 percent of the premiums, is \$2,743 for individuals and \$6,719 for families. These data are compiled from public releases of premium data and age, adjusted according to the designated age curve. For SHOP data, see HealthCare.gov, "2016 SHOP Health Plan Information for Small Businesses." To calculate the total cost, Heritage analysts multiplied the health insurance subsidy costs by the number of congressional staffers receiving those subsidies. We assume about 11,400 congressional staff members (in addition to the 535 congressional members), based on 2010 data available at "Vital Statistics on Congress," Brookings Institution, July 11, 2013.

We further assume that 90 percent of Members of Congress and staff members elect employer-provided health insurance, of whom 90 percent are not eligible for exchange subsidies and therefore receive the FEHB-equivalent premium subsidy.

Finally, we assume that 50 percent of employees who receive the subsidy have self-only coverage and 50 percent have family coverage. This results in an FY 2016 estimated cost of \$45.7 million, which was increased for discretionary spending growth in 2017 based on the CBO's most recent August 2015 baseline spending projections (to a level of \$46.6 million in FY 2017).

# State, Foreign Operations, and Related Programs



# End Funding for the United Nations Development Program

## RECOMMENDATION

End U.S. contributions to the United Nations Development Program (UNDP). This proposal saves \$64 million in FY 2017.

## RATIONALE

The UNDP conducts projects in more than 170 countries around the world and aspires to be the premier anti-poverty agency of the U.N. system. Between 2004 and 2011, the UNDP spent over \$8 billion on anti-poverty activities. However, according to 2012 report commissioned by the UNDP:

Poverty reduction remains the UNDP's core focus area, and the principal objective of its work. At the strategic planning level and at the executive board level, poverty reduction is accorded top priority. By the time the issue reaches the country level, however, the focus on poverty reduction often becomes diluted. So, even though the overriding UNDP priority is poverty reduction, a large part of the activities it undertakes at the country level, and the manner in which it undertakes them, does not conform to this priority. Many of its activities have only remote connections with poverty, if at all.<sup>78</sup>

Moreover, UNDP aid meant to assist suffering populations in many authoritarian countries

inadvertently helps perpetuate that very suffering. The UNDP has funded inappropriate activities in Iran, North Korea, Venezuela, and Zimbabwe.

In addition, UNDP management of resources is weak. A 2011 audit by the U.S. Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) identified numerous management and oversight failings and concluded: "Until these oversight and monitoring issues are addressed, there will continue to be concerns about the value of UNDP's services needed to provide the expected quantity, quality, and timeliness of progress in establishing and maintaining a viable police force."<sup>79</sup> Correspondence in 2014 between SIGAR and the UNDP indicate that these deficiencies remain and, more worryingly, the UNDP "appears to downplay UNDP's responsibility for overseeing LOTFA [Law and Order Trust Fund for Afghanistan] and fails to acknowledge the problems that continue to plague this program."<sup>80</sup>

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## ADDITIONAL READING

- Ambassador Terry Miller, "The United Nations and Development: Grand Aims, Modest Results," Heritage Foundation *Special Report* No. 86, September 22, 2010.
- Brett D. Schaefer, "Why Does UNDP Continue to Aid Repressive Regimes?" The Daily Signal, August 27, 2010.
- Brett D. Schaefer and Steven Groves, "Congress Should Withhold Funds from the U.N. Development Program," Heritage Foundation *WebMemo* No. 1783, January 26, 2008.
- Special Inspector General for Afghanistan Reconstruction, "2011 SIGAR Review of the Law and Order Trust Fund for Afghanistan," April 25, 2011.

## CALCULATIONS

Savings are expressed as budget authority and were calculated using the FY 2016 requested spending level of \$63 million as found on page 183 of "FY 2016 Congressional Budget Justification: Department of State, Foreign Operations, and Related Programs." Spending for FY 2017 has been increased at the same rate as discretionary spending for 2017, according to the CBO's most recent August 2015 baseline spending projections.



# Eliminate the Overseas Private Investment Corporation

## RECOMMENDATION

Eliminate the Overseas Private Investment Corporation (OPIC). While this recommendation is estimated to cost the government money, because OPIC generates more revenue than its operating costs, eliminating OPIC is consistent with the important goal of reducing the size and scope of government. This proposal increases net spending by \$268 million in FY 2017.

## RATIONALE

OPIC was created in 1969 at the request of the Nixon Administration to promote investment in developing countries. OPIC provides loans and loan guarantees; subsidizes risk insurance against losses resulting from political disruption, such as coups and terrorism; and capitalizes investment funds.

While there may have been legitimate need for government services of this kind in 1969, in today's global economy, many private firms in the developed and developing world offer investment loans and political-risk insurance. OPIC displaces these private options by offering lower-cost services using the faith and credit of the U.S. government (i.e., the taxpayers). Indeed, OPIC products may actually undermine development by accepting customers who might otherwise use financial institutions in middle-income countries, such as Brazil and India, which have reasonably sound domestic financial institutions. Moreover, OPIC's subsidized prices do not fully account for risk. By putting the taxpayer on the hook for this exposure, OPIC puts the profits in private hands but puts the ultimate risk on the taxpayer.

Worse, OPIC rewards bad economic policies. Countries that have the best investment climates are most likely to attract foreign investors. When OPIC guarantees investments in risky foreign environments, those countries have less reason to adopt policies that are friendly to foreign investors. Companies that want to invest in emerging markets should be free to do so, but they are not entitled to taxpayer support. Investors should base their decisions not on whether a U.S. government agency will cover the risks, but on whether investment in a country makes economic sense.

OPIC directs only a small share of its portfolio to least-developed countries even though OPIC was

established to “contribute to the economic and social progress of developing nations” that lack access to private investment, which today are overwhelmingly the least developed countries. Further undermining the basis for OPIC's continuation, the need for OPIC even in least-developed countries is decreasing, as private capital investment has been increasing in those countries.

Finally, it is far from clear that OPIC projects directly support U.S. economic security or interests. OPIC claims of support for U.S. jobs are dubious and, even if valid, cost hundreds of thousands of dollars per job “supported.” Thus, even if OPIC supports U.S. jobs, it is massively inefficient. Specific examples of projects OPIC supports should raise questions in Congress:

- \$67 million to finance 13 projects in the Palestinian territories while a unity government was formed with Hamas.
- Financing for Papa John's pizza franchises in Russia.
- \$50 million of financing for a Ritz-Carlton hotel in Istanbul, Turkey.
- According to the Competitive Enterprise Institute, “In recent years, OPIC has increasingly emphasized environmental factors in its investment decisions. In 2014, more than 40 percent of its resources went to renewable energy projects.”<sup>81</sup> These projects include \$46 million in insurance for an unnamed “Eligible U.S. Investor” for a Kenyan wind power project.

Milton Friedman criticized the agency in 1996 as follows: “I cannot see any redeeming aspect in the existence of OPIC. It is special interest legislation of the worst kind, legislation that makes the problem it is intended to deal with worse rather than better.... OPIC has no business existing.”

## ADDITIONAL READING

- Bryan Riley and Brett D. Schaefer, “Time to Privatize OPIC,” Heritage Foundation *Issue Brief* No. 4224, May 19, 2014.
- Brett D. Schaefer and Bryan Riley, “8 Reasons Congress Should End Taxpayer Support for the Overseas Private Investment Corporation,” *The Daily Signal*, September 30, 2015.
- Ryan Young, “The Case against the Overseas Private Investment Corporation: OPIC Is Obsolete, Ineffective, and Harms the Poor,” Competitive Enterprise Institute, *On Point* No. 208, September 24, 2015.

## CALCULATIONS

Calculations rely on the FY 2016 requested amount of \$262.5 million in net revenue, as found on page 5 of Overseas Private Investment Corporation, “Congressional Budget Justification: Fiscal Year 2016.” Net spending for FY 2017 (which, in this case, is negative) has been increased at the same rate as discretionary spending for FY 2017, according to the CBO’s most recent August 2015 baseline spending projections.

# Eliminate Funding for the United Nations Population Fund

## RECOMMENDATION

Eliminate funding for the United Nations Population Fund (UNFPA). This proposal saves \$36 million in FY 2017.

## RATIONALE

For years, the U.S. withheld funding to the UNFPA under the Kemp–Kasten amendment, which prohibits U.S. international aid from supporting coercive abortion procedures or involuntary sterilization.<sup>82</sup> In 2009, however, President Obama announced he would allow funding to be

reinstated to the organization, and the U.S. has since sent tens of millions of taxpayer dollars to the UNFPA, with the most recent allocation providing over \$30 million to the organization in FY 2014. Congress should eliminate all federal funding to the UNFPA.

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## ADDITIONAL READING

- Brett D. Schaefer, “Congress Should Renew the Report Requirement on U.S. Contributions to the U.N. and Reverse Record-Setting Contributions to the U.N.,” Heritage Foundation *WebMemo* No.3324, July 22, 2011.
- Sarah Torre, “Abortion: U.S. Taxpayers Fund It Here and Abroad,” The Daily Signal, January 23, 2013.
- Sarah Torre, “Almost 40 Million ‘Missing’ Girls Later, China’s One-Child Policy Is 31,” The Daily Signal, September 28, 2011.
- Sarah Torre, “Obama Budget Increases Taxpayer Funding of Abortion,” The Daily Signal, April 11, 2013.

## CALCULATIONS

Savings are expressed as budget authority and were calculated by using the FY 2016 requested spending level as found on page 183 of “FY 2016 Congressional Budget Justification: Department of State, Foreign Operations, and Related Programs.” Spending for FY 2017 has been increased at the same rate as discretionary spending for 2017, according to the CBO’s most recent August 2015 baseline spending projections.

# Enforce Cap on United Nations Peacekeeping Assessments

## RECOMMENDATION

Enforce the 25 percent cap on U.N. peacekeeping assessments. This proposal saves \$287 million in FY 2017.

## RATIONALE

Current U.S. law caps U.S. payments for U.N. peacekeeping at 25 percent of the budget, but the U.N. continues to assess the U.S. at over 28 percent. The U.S. has adopted appropriations bills allowing payments above the 25 percent cap in order to avoid arrears. Congress should end this practice. Under the current \$8.27 billion U.N. peacekeeping budget, enforcing the cap would result in approximately \$287 million in annual savings.<sup>83</sup>

Peacekeeping expenses were originally paid through the regular budget. However, disputes in the early 1960s over peacekeeping expenses and sharp political differences led a number of countries to withhold U.N. funding, and instigated an ad hoc peacekeeping-funding arrangement through special accounts in addition to the regular budget with discounts for developing countries subsidized through higher assessments for permanent Security Council members.

When a peacekeeping surge in the late 1980s and early 1990s resulted in unprecedented U.S. payments to the U.N., the U.S. demanded that the ad hoc arrangement for peacekeeping be changed to reduce its share of peacekeeping expenses. As President Bill Clinton stated before the General Assembly in 1993, “[T]he U.N.’s operations must not only be adequately funded, but also fairly funded.... [O]ur rates should be reduced to reflect the rise of other nations that can now bear more of the financial burden.”

In 1994, President Clinton signed Public Law 103-236, which capped U.S. contributions to U.N. peacekeeping at 25 percent. The discrepancy between this cap and the amount that the U.N. assessed to the U.S. for peacekeeping led to a rapid

accumulation of “arrears” (i.e., amounts the U.N. expected to receive from the U.S. that it did not receive) in the 1990s. This financial stress forced the U.N. and the other member states to agree to establish a formal peacekeeping assessment and, as testified by Ambassador Richard Holbrooke to the Senate, agree to a formula that would lower the U.S. peacekeeping assessment to 25 percent in exchange for payment of U.S. arrears.

Congress accepted these assurances in good faith and approved payment of the arrears. While Congress maintained the 25 percent cap as an incentive for the U.N. to follow through on its promise, it approved gradually diminishing increases in the cap to avoid accumulating arrears while the U.N. lowered the U.S. assessment to 25 percent. With the threat of the U.S. peacekeeping cap as an incentive, the U.N. began reducing the U.S. peacekeeping assessment, albeit not as rapidly as originally agreed, reaching 25.9624 percent in 2008 and 2009.

In 2010, however, the U.S. assessment rose sharply, costing taxpayers hundreds of millions of dollars. To avoid arrears, Congress and the Administration adopted temporary increases in the cap. The other U.N. member states interpreted this action as a weakening in U.S. resolve to lower its peacekeeping assessment and, unsurprisingly, have adopted more increases in the U.S. in the scale of assessment (in three-year increments) for the 2010-2012, 2013-2015, and 2016-2018 periods.

The U.S. should resume pressure on the U.N. to fulfill its commitment to lower the U.S. peacekeeping assessment to 25 percent by enforcing the 25 percent cap.



## ADDITIONAL READING

- Brett D. Schaefer, “Key Issues of U.S. Concern at the United Nations,” testimony before Subcommittee on Multilateral International Development, Multilateral Institutions, and International Economic, Energy, and Environmental Policy, Committee on Foreign Relations, U.S. Senate, May 6, 2015.
- Brett D. Schaefer, “U.S. Must Enforce Peacekeeping Cap to Lower America’s U.N. Assessment,” Heritage Foundation *Backgrounder* No. 2762, January 25, 2013.
- Brett D. Schaefer, “The U.S. Should Push for Fundamental Changes to the United Nations Scale of Assessments,” Heritage Foundation *Backgrounder* No. 3023, June 11, 2015.

## CALCULATIONS

The \$287 million in savings are the result of reducing the U.S. share from an average of 28.5 percent to 25 percent of the projected \$8.276 billion U.N. peacekeeping budget for July 1, 2015, to June 30, 2016. The projected shares for 2016–2018 are, respectively, 28.5671 percent, 28.4625 percent, and 28.3830 percent. United Nations General Assembly, “Approved Resources for Peacekeeping Operations for the Period from 1 July 2015 to 30 June 2016,” A/C.5/69/24, and Report of the Secretary-General, “Implementation of General Assembly resolutions 55/235 and 55/236,” A/70/331, August 19, 2015.

# Withhold Funding for the United Nations Relief and Works Agency for Palestine Refugees in the Near East

## RECOMMENDATION

Withhold funding for the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). This proposal saves \$398 million in FY 2017.

## RATIONALE

The UNRWA was established more than 60 years ago as a temporary initiative to address the needs of Palestinian refugees and to facilitate their resettlement or repatriation. It has become a permanent institution providing services to multiple generations of Palestinians, of whom a large majority live outside refugee camps, enjoy citizenship in other countries, or reside in the Palestinian-governed territories. Despite the presence of and activities funded through the UNRWA, the Palestinian refugee problem has only grown larger, in part due to the UNRWA's expanding definition of refugee.

The UNRWA abandoned its original mission of resolving the Palestinian refugee crisis decades ago. It too frequently violates the neutral comportment expected of international organizations. Its policies and actions have exacerbated the Israeli–Palestinian conflict. The U.S. could advance the long-term prospects for peace by fundamentally shifting U.S. policy to encourage reform and replacement of the UNRWA to facilitate its original purpose: ending the refugee status of Palestinians and facilitating their integration as citizens of their host states, where most were born and raised, or resettling them in the West Bank and Gaza, where the Palestinian government can assume responsibility for their needs.

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## ADDITIONAL READING

- Brett D. Schaefer and James Phillips, “Time to Reconsider U.S. Support of UNRWA,” Heritage Foundation *Backgrounder* No. 2997, March 5, 2015.

## CALCULATIONS

Savings are estimated based on the 2014 U.S. contribution level of \$398.7 million, as found on page 2 of U.S. Department of State, Bureau of Population, Refugees and Migration, “FY 2014 Summary of Major Activities,” November 20, 2014. Contributions are assumed to increase at the same rate as discretionary spending from FY 2014 to FY 2017, based on the CBO’s most recent August 2015 baseline spending projections—which results in a small decline in estimated spending, from \$398.7 million to \$398.3 million.

# Eliminate Funding for the Paris Climate Change Agreement

## RECOMMENDATION

Eliminate funding for the Paris Climate Change Agreement, also known as the Climate Investment Funds (CIF). This proposal saves \$235 million in FY 2017.

## RATIONALE

The CIF are intended “to initiate transformational change towards low-carbon and climate-resilient development” using grants, near-zero interest credit, and some competitive funding opportunities.<sup>84</sup> In 2014, Congress authorized \$235 million for the Climate Investment Funds.

Financing is managed by the Multilateral Development Banks, including the World Bank, which fund projects through two programs, the Clean Technology Fund and the Strategic Climate Fund (which itself manages the Forest Investment Fund, Pilot Program for Climate Resilience, and the Program for Scaling Up Renewable Energy in Low Income Countries). These programs were begun as a stop-gap measure until an agreement was made under the Paris Climate Change Agreement.

A 2013 report by Transparency International found several weak points in Climate Investment Funds management, citing concerns that protection for whistleblowers is not clearly stated. Further, “sanctions for condoning or sanctioning corrupt behavior, such as disaccreditation or project cancellation, are also absent. In this way, the Funds are missing a clear commitment to anti-corruption.”<sup>85</sup> On principle, the U.S. should not supply funds in any fashion to the U.N. climate agreement or climate banks unless and until the Senate is provided the opportunity to give or decline advice and consent to an international climate change agreement. The U.S. should not use taxpayer dollars to fund energy projects. The U.S. should commit to free-market principles that will provide affordable, reliable energy instead of government-picked technologies and energy sources. Free-market principles have a greater and long-lasting impact on alleviating poverty and creating opportunity for impoverished communities.

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## ADDITIONAL READING

- Steven Groves, “Obama’s Plan to Avoid Senate Review of the Paris Protocol,” Heritage Foundation *Backgrounder* No. 3055, September 21, 2015.
- David W. Kreutzer, “A Cure Worse than the Disease: Global Economic Impact of Global Warming Policy,” Heritage Foundation *Backgrounder* No. 2802, May 28, 2013.
- Nicolas D. Loris, “Economic Freedom, Energy, and Development,” in *2015 Index of Economic Freedom* (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2015), chap. 5.

## CALCULATIONS

Savings are expressed as budget authority and were calculated by using the FY 2016 requested spending levels for the Clean Technology Fund (\$170.7 million) and the Strategic Climate Fund as found on p. 122 of “FY 2016 Congressional Budget Justification: Department of State, Foreign Operations, and Related Programs.” Spending for FY 2017 has been increased at the same rate as discretionary spending for 2017, according to the CBO’s most recent August 2015 baseline spending projections.

# Eliminate Funding for the Global Environment Facility

## RECOMMENDATION

Eliminate funding for the Global Environment Facility (GEF). This proposal saves \$172 million in FY 2017.

## RATIONALE

The GEF manages the Special Climate Change Fund and Least Developed Countries Fund, with a heavy emphasis on global warming adaptation projects through grants and financing. For instance, GEF funds were used to place glacier monitoring stations in the Andes to inform agricultural adaptation practices and to develop water resources in China's agricultural Huang-Huai-Hai basin, allegedly threatened by global warming.<sup>86</sup>

Since its inception by the World Bank and U.N. in 1991, the GEF has given \$14 billion in grants and more than \$70 billion in financing to developing countries.<sup>87</sup> It has also been designated as the financial mechanism for a number of international agreements, including the U.N. Convention on Biological Diversity, the U.N. Framework Convention on Climate Change, the Stockholm Convention on

Persistent Organic Pollutants, the U.N. Convention to Combat Desertification, the Minamata Convention on Mercury, the Montreal Protocol on Substances that Deplete the Ozone Layer, and a number of international waters agreements, such as the U.N. Convention on the Law of the Sea.<sup>88</sup>

According to a 2014 Transparency International report, the GEF lacks transparency in public access to information, anti-corruption measures at the fund-recipient level, accountability at the executive level, and participation of project stakeholders.<sup>89</sup> The U.S. should not use taxpayer dollars to fund energy and international climate-change projects. The U.S. should commit to free-market principles that will provide affordable, reliable energy, not government-picked technologies and energy sources.

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## ADDITIONAL READING

- David W. Kreutzer, "A Cure Worse than the Disease: Global Economic Impact of Global Warming Policy," Heritage Foundation *Backgrounder* No.2802, May 28, 2013.
- Nicolas D. Loris, "Economic Freedom, Energy, and Development," in *2015 Index of Economic Freedom* (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2015), chap. 5.

## CALCULATIONS

Savings are expressed as budget authority and were calculated by using the FY 2016 requested spending level of \$168.3 million as found on p. 841 of Office of Management and Budget, "Fiscal Year 2016 Appendix Budget of the U.S. Government." Spending for FY 2017 has been increased at the same rate as discretionary spending for 2017, according to the CBO's most recent August 2015 baseline spending projections.

# End Funding for the United Nations Intergovernmental Panel on Climate Change

## RECOMMENDATION

End contributions to the U.N. Intergovernmental Panel on Climate Change (IPCC). This proposal saves \$10 million in FY 2017.

## RATIONALE

The IPCC is charged with the “preparation of comprehensive Assessment Reports about the state of scientific, technical and socio-economic knowledge on climate change, its causes, potential impacts and response strategies.”<sup>90</sup> The IPCC also produces Special Reports, which are an assessment on a specific issue and Methodology Reports, which provide practical guidelines for the preparation of greenhouse gas inventories.

These studies have been subject to bias, manipulation, and poor data. IPCC data and analysis should not be relied upon or disseminated unless they first meet the standards that Congress has set as a measure for the U.S. government in the Information Quality Act.

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## ADDITIONAL READING

- David W. Kreutzer, “A Cure Worse than the Disease: Global Economic Impact of Global Warming Policy,” Heritage Foundation *Backgrounder* No. 2802, May 28, 2013.
- David W. Kreutzer, “If IPCC Sea Level Numbers Aren’t Bad Enough, Try Tripling Them,” The Daily Signal, July 22, 2011.
- Brett D. Schaefer and Nicolas D. Loris, “U.S. Should Put U.N. Climate Conferences on Ice,” Heritage Foundation *Issue Brief* No. 3792, December 5, 2012.

## CALCULATIONS

Savings are expressed as budget authority and were calculated by using the FY 2016 requested spending level of \$10 million as found on p. 847 of Office of Management and Budget, “Fiscal Year 2016 Appendix Budget of the U.S. Government.” Spending for FY 2017 has been increased at the same rate as discretionary spending for 2017, according to the CBO’s most recent August 2015 baseline spending projections.

# Eliminate the U.S. Trade and Development Agency

## RECOMMENDATION

End funding for the U.S. Trade and Development Agency (USTDA). This proposal saves \$75 million in FY 2017.

## RATIONALE

The USTDA is intended to help

companies create U.S. jobs through the export of U.S. goods and services for priority development projects in emerging economies. The USTDA links U.S. businesses to export opportunities by funding project planning activities, pilot projects, and reverse trade missions while creating sustainable infrastructure and economic growth in partner countries.<sup>91</sup>

Its activities more properly belong to the private sector. The best way to promote trade and development is to reduce trade barriers. Another way is to reduce the federal budget deficit and thereby federal borrowing from abroad, freeing more foreign dollars to be spent on U.S. exports instead of federal treasury bonds. A dollar borrowed from abroad by the government is a dollar not available to buy U.S. exports or invest in the private sector of the U.S. economy.<sup>92</sup>

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## ADDITIONAL READING

- Patrick Louis Knudsen, “\$150 Billion in Spending Cuts to Offset Defense Sequestration,” Heritage Foundation *Backgrounder* No. 2744, November 15, 2012.
- Republican Study Committee Sunset Caucus, “Eliminate the U.S. Trade and Development Agency,” July 21, 2010.
- Brian M. Riedl, “How to Cut \$343 Billion from the Federal Budget,” Heritage Foundation *Backgrounder* No. 2483, October 28, 2010.

## CALCULATIONS

Savings are expressed as budget authority and were calculated by using the FY 2016 requested spending level of \$73.7 million as found on p. 130 of “FY 2016 Congressional Budget Justification: Department of State, Foreign Operations, and Related Programs.” Spending for FY 2017 has been increased at the same rate as discretionary spending for FY 2017, according to the CBO’s most recent August 2015 baseline spending projections.



# Enforce Funding Prohibition for the United Nations Educational, Scientific, and Cultural Organization

## RECOMMENDATION

In observance of U.S. law, the U.S. should provide no funding to the United Nations Educational, Scientific, and Cultural Organization (UNESCO). Under current law, this proposal has no savings, but reversal of the current policy could result in \$383 million in arrears payments and an annual assessment of \$57 million based on the current UNESCO budget.

## RATIONALE

Two U.S. laws enacted in the early 1990s (both set out as a note under 22 U.S. Code 287e) prohibit U.S. funding of any U.N. organization that “accords the Palestine Liberation Organization the same standing as member states” or “grants full membership as a state to any organization or group that does not have the internationally recognized attributes of statehood.”<sup>93</sup> These prohibitions have no waiver provision, and the U.S. suspended all funding to UNESCO in 2011 after the Palestinians were granted membership. Yet, UNESCO’s budget for 2016–2017 assesses the U.S. \$57 million per year, or 22 percent of the organization’s \$518 million budget.<sup>94</sup> If the U.S. changes its law to permit UNESCO funding, it will owe \$383 million in arrears in addition to its annual contribution of about \$57 million.<sup>95</sup>

This funding prohibition has created financial stress in UNESCO, and the organization and the Obama Administration have repeatedly sought to change the law to allow renewed U.S. funding of UNESCO on the dubious justification that UNESCO activities are central to U.S. interests. In fact, UNESCO is principally a facilitator, not an implementer. UNESCO’s draft 2016–2017 budget devoted 64 percent of all resources to staff costs, while a minority of the budget was dedicated to actual projects on the ground. Moreover, examination of examples offered by UNESCO of projects critical to U.S. interests reveals that they are often superfluous or merely convenient rather than critical.<sup>96</sup>

Worse, there is evidence that UNESCO has performed poorly and has had a number of judgement lapses beyond granting membership to the Palestinians, including electing Syria to the organization’s human rights committee in 2011 despite evidence that it was slaughtering its own citizens.

Representatives Ileana Ros-Lehtinen (R–FL) and Brad Sherman (D–CA) authored a bipartisan letter correctly opposing efforts to waive or amend the law because it is

vital in successfully derailing attempts...to seek de facto recognition of a Palestinian state from the UN via the granting of membership to “Palestine” in UN agencies.... A UN body that acts so irresponsibly—a UN body that admits states that do not exist—renders itself unworthy of U.S. taxpayer dollars.... Weakening U.S. law, on the other hand, would undermine our interests and our ally Israel by providing a green light for other UN bodies to admit “Palestine” as a member.<sup>97</sup>

America’s interest in supporting UNESCO is not critical, as President Reagan recognized when he decided in 1984 to withdraw from UNESCO because of its poor management and hostility to the “basic institutions of a free society, especially a free market and a free press.” The U.S. rejoined UNESCO in 2003 in recognition of reforms implemented to address some of those criticisms, and not because of any perceived damage to U.S. interests from non-participation in UNESCO. UNESCO’s decision to grant membership to the Palestinians trumps this goodwill gesture.

## ADDITIONAL READING

- Brett D. Schaefer, “Congress Should Challenge the Administration’s UNESCO and U.N. Peacekeeping Budget Request,” Heritage Foundation *Issue Brief* No. 3914, April 17, 2013.
- Brett D. Schaefer, “The U.S. Should Withdraw from UNESCO,” Heritage Foundation *Issue Brief* No. 3760, October 19, 2012.
- Brett D. Schaefer, “What Palestinian Membership Means for UNESCO and the Rest of the United Nations,” Heritage Foundation *Background* No. 2633, December 13, 2011.
- Brett D. Schaefer and James Phillips, “Provocative Palestinian U.N. Actions Require Strong U.S. Response,” Heritage Foundation *Issue Brief* No. 4329, January 12, 2015.

# Maintain the Prohibition on Funding United Nations Organizations that Grant Full Membership to the Palestinian Territories

## RECOMMENDATION

Maintain the prohibition on funding U.N. organizations that grant full membership to the Palestinians.

## RATIONALE

Current law prohibits U.S. funds from going to international organizations that grant full membership to the Palestinian territories. Although the Palestinians have threatened to seek membership in other U.N. specialized agencies, the only organization currently affected by this prohibition is UNESCO, which granted the Palestinians

full membership in 2011. The Administration has been seeking authority to waive this restriction since then. Waiving the restriction would reward UNESCO for its imprudent action and remove the most significant incentive for other organizations not to grant membership to the Palestinians.<sup>98</sup>

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## ADDITIONAL READING

- Brett D. Schaefer and James Phillips, "Provocative Palestinian U.N. Actions Require Strong U.S. Response," Heritage Foundation *Issue Brief* No. 4329, January 12, 2015.

# Oppose International Monetary Fund Reforms

## RECOMMENDATION

Oppose International Monetary Fund (IMF) reforms negotiated by IMF and the Administration.

## RATIONALE

The Administration's budget seeks congressional support for changes in the financial structure and governance that the IMF negotiated in 2010. The package would shift resources from an IMF supplementary fund, the New Arrangements to Borrow, to

the IMF's quota resources, where the U.S. has less influence than it does now. It would also allow the IMF membership to overrule the President's candidate for the U.S. seat on the IMF executive board.<sup>99</sup>

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## ADDITIONAL READING

- James M. Roberts, "Congress Should Block the Morally Hazardous IMF 'Reform' Package," Heritage Foundation *Issue Brief* No. 4124, January 14, 2014.

# Increase Oversight of International Organizations

## RECOMMENDATION

Increase oversight of international organizations.

## RATIONALE

United Nations system revenues nearly tripled between 2002 and 2012, and the U.N. received a total of more than \$312 billion over that period. The U.S. has been and remains the U.N. system's largest contributor, providing an average of about one-fifth of total contributions annually over that period—totaling approximately \$60 billion in eight years. Congress should demand that the Administration

conduct a cost-benefit analysis of U.S. participation in all international organizations, enact a permanent annual reporting requirement for all U.S. contributions to the U.N. system to be conducted by the Office of Management and Budget, and establish a dedicated unit for international organizations issues in the Office of Inspector General for the Department of State.<sup>100</sup>

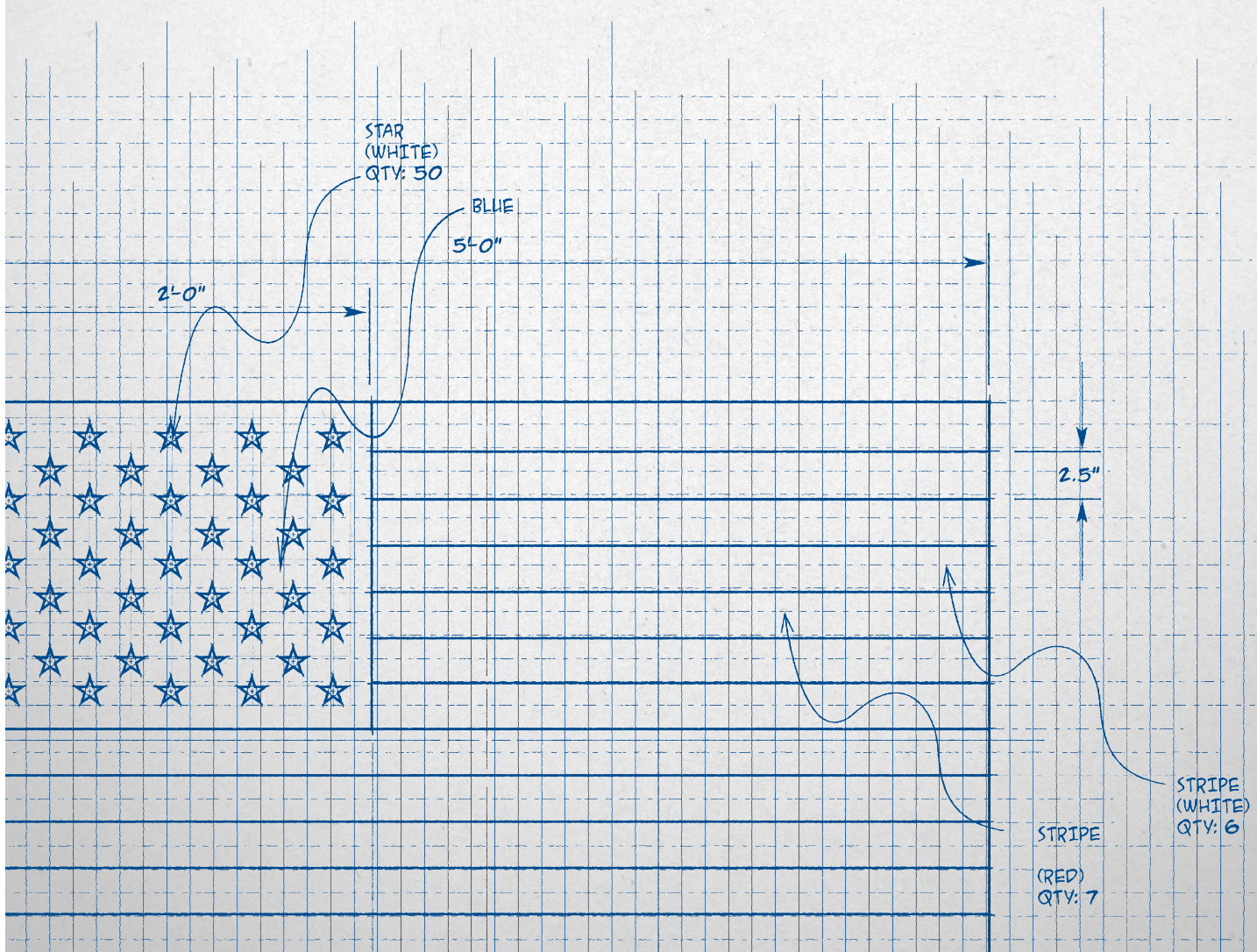
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## ADDITIONAL READING

- Brett D. Schaefer, "U.S. Should Demand Increased Transparency and Accountability as U.N. Revenues Rise," Heritage Foundation *Issue Brief* No. 4154, February 26, 2014.



# Transportation, Housing and Urban Development, and Related Agencies





# Eliminate the Essential Air Service Program

## RECOMMENDATION

Eliminate the Essential Air Service (EAS) program. This proposal saves \$179 million in FY 2017.

## RATIONALE

The EAS was established in 1978 as a temporary program to provide subsidies to rural airports following the deregulation of the airline industry. Despite its original intention as a temporary program, the EAS still provides millions of dollars in subsidies to airports that are not commercially viable and whose commuters could be served by other existing modes of transportation.

The EAS squanders federal funds on flights that are often empty: EAS flights typically are only half

full, and nearly one-third of the routes flew at least two-thirds empty. For example, the EAS provides \$2.5 million annually to continue near-empty daily flights in and out of Lancaster, Pennsylvania, even though travelers have access to a major airport (Harrisburg) just 40 miles away. The federal government should not engage in market-distorting and wasteful activities, such as the EAS. If certain routes are to be subsidized, they should be overseen by state or local authorities rather than the federal government.

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## ADDITIONAL READING

- Emily Goff, "How to Cut \$30 Billion More from the THUD Bill," Heritage Foundation *Issue Brief* No. 3984, July 1, 2013.
- Eli Lehrer, "EAS a Complete Waste of Taxpayer Money," The Heartland Institute, undated.

## CALCULATIONS

Savings are expressed as budget authority as authorized and found on page 596 of Consolidated Appropriations Act, 2016, Public Law 114-113. The FY 2016 authorized level of \$175 million was increased for discretionary spending growth in FY 2017, according to the CBO's most recent August 2015 baseline spending projections.

# Eliminate the Appalachian Regional Commission

## RECOMMENDATION

Eliminate the duplicative Appalachian Regional Commission. This proposal saves \$149 million in FY 2017.

## RATIONALE

The Appalachian Regional Commission was established in 1965 as part of Lyndon B. Johnson’s Great Society agenda. The commission duplicates highway and infrastructure construction under the Department of Transportation’s highway program, as well as diverts federal funding to projects of questionable merit, such as those meant to support “Heritage tourism and crafts industries.”<sup>101</sup> The

program directs federal funding to a concentrated group of 13 states where funds are further earmarked for specific projects at the community level. If states and localities see the need for increased spending in these areas, they should be responsible for funding it. This duplicative carve-out should be eliminated.

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## ADDITIONAL READING

- Emily Goff, “How to Cut \$30 Billion More from the THUD Bill,” Heritage Foundation *Issue Brief* No. 3984, July 1, 2013.

## CALCULATIONS

Savings are expressed as budget authority as authorized and found on p. 178 of Consolidated Appropriations Act, 2016, Public Law 114–113. The FY 2016 authorized level of \$146 million was increased for discretionary spending growth in FY 2017, according to the CBO’s most recent August 2015 baseline spending projections.

# Eliminate Subsidies for the Washington Metropolitan Area Transit Authority

## RECOMMENDATION

Eliminate the subsidies for the Washington Metropolitan Area Transit Authority (WMATA). This proposal saves \$153 million in FY 2017.

## RATIONALE

Congress has been directly subsidizing the WMATA, Washington, DC's local transit authority, for decades. Even with billions in federal subsidies, the low-performing agency (named the nation's worst transit agency by the Cato Institute's Randal O'Toole<sup>102</sup>) has been plagued by increasingly poor service and financial instability.

Federal subsidies for the WMATA decrease incentives for the transit agency to control costs, optimize service routes, and set proper priorities for maintenance and updates. Indeed, Metro rail service has become markedly worse in 2015, with on-time performance dropping below 80 percent, down over 10 percentage points from just a year before. This decline in service comes as fewer people are riding Metro, as rail ridership saw a 5 percent decrease since 2010 (even while the

Washington metropolitan area grew by over 6 percent through 2014). Even Metro has acknowledged that "Metrorail is also struggling to provide reliable service to customers,"<sup>103</sup> and together with safety concerns stemming from high-profile incidents, may have had a negative impact on ridership.

The federal subsidies for WMATA (together with funding from competitive grant programs, such as New Starts) have hindered Metro's incentives to react to market signals and properly address service and maintenance concerns. While receiving subsidies, the WMATA's services fundamentally lack accountability to those who pay for them, and more importantly, those who ride them. Congress should eliminate subsidies to the WMATA, furthering market incentives to turn the WMATA into a more effective transit agency.

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## ADDITIONAL READING

- Emily Goff, "How to Cut \$30 Billion More from the THUD Bill," Heritage Foundation *Issue Brief* No. 3984, July 1, 2013.
- Randal O'Toole, "The Nation's Worst-Managed Transit Agency," Cato Institute *At Liberty*, October 1, 2015.
- Ronald Utt, "Washington Metro Needs Reform, Not a Federal Bailout," Heritage Foundation *WebMemo* No. 1665, October 16, 2007.

# Phase Out the Federal Transit Administration

## RECOMMENDATION

Phase out the Federal Transit Administration (FTA) by putting the agency and its funding level on a five-year phase-out plan. This proposal saves \$4.013 billion in FY 2017.

## RATIONALE

Called the Urban Mass Transit Administration when created in 1964, the agency now known as the Federal Transit Administration provides grants to state and local governments and transit authorities to operate, maintain, and improve transit systems (such as for buses and subways).

The federal government has subsidized mass transit since the 1960s, and it began using federal gas tax (user fees) paid by drivers into the Highway Trust Fund (HTF) to pay for transit in 1983. The transit diversion within the HTF marks the largest such diversion. The reasons for funding transit were to offer mobility to low-income citizens in metropolitan areas, reduce greenhouse gas emissions from cars, and relieve traffic congestion. Yet transit has failed in all of these areas despite billions of dollars in subsidies over the past few decades. Transit’s use is concentrated in just six cities: Boston, Chicago, New York, Philadelphia, San Francisco, and Washington. Over half of all transit work commuting trips are to these cities, but outside these cities, people choose to travel in automobiles in overwhelming numbers.

The FTA, a federal agency, has been subsidizing purely local or regional activities when it grants subsidies for streetcars, subways, and buses. Transit is inherently local, not national, in nature, and it would be more appropriately funded at the local or regional level. Motorists in Montana or Texas should not have to see the gas tax dollars they send to Washington diverted to buses and subways, when they expect them to be spent on road and bridge improvements.

Transit should not be a federal priority, particularly given current federal budget constraints. The federal government should phase out the federal transit program over five years. It should reduce federal funding for transit by one-fifth per year, and simultaneously reduce the FTA’s operating budget by the same amount. Phasing out the program would allow state and local governments the time to determine the level of funding they want to dedicate to transit going forward—if any. It would also give them time to adopt policy changes that improve their transit systems’ cost-effectiveness and performance.

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## ADDITIONAL READING

- Wendell Cox, “Transit Policy in an Era of the Shrinking Federal Dollar,” Heritage Foundation *Backgrounder* No. 2763, January 31, 2013.

## CALCULATIONS

Savings are expressed as budget authority and were calculated using the budget authority spending levels as found on page 286 of Office of Management and Budget, “The President’s Budget for Fiscal Year 2016,” 29.1. “Federal Budget by Agency and Account, Explanatory Note,” FY 2016. The FY 2017 savings expressed represent a 20 percent reduction in the specified FY 2017 spending level of \$20.065 billion.

# Eliminate Grants to the National Rail Passenger Service Corporation (Amtrak)

## RECOMMENDATION

Eliminate the federal operating subsidy and phase out the capital programs over five years. This proposal saves \$519 million in FY 2017.

## RATIONALE

The National Railroad Passenger Corporation, now known as Amtrak, was created by the federal government to take over bankrupt private passenger rail companies. It began service on May 4, 1971. In FY 2015, it received an operating grant of \$250 million and a capital and debt-service grant of \$1.14 billion. Amtrak has received about \$70 billion (in 2015 dollars) in taxpayer-funded federal grants since its inception.

Amtrak is characterized by an unsustainable financial situation and management that often appears more focused on lobbying Congress for more money rather than improving its performance and service for customers. Amtrak has a monopoly on passenger rail service, which stifles reform efforts. Labor costs, driven by the generous wages and benefits required by union labor agreements, constitute half of Amtrak's operating costs; this is an area ripe for reform. Amtrak trains are also notoriously behind schedule, evidenced by Amtrak's poor on-time performance rates. For example, the August 2015 Monthly Performance Report showed an on-time performance score of just 71 percent, which was 14 percentage points below its target rate of 85

percent. The railroad's long-distance lines fared substantially worse, arriving on time less than 50 percent of the time.

Congress should eliminate Amtrak's operating subsidies immediately in FY 2017, while phasing out its capital subsidies over five years, to give Amtrak's management time to modify business plans, work more closely with the private sector, reduce labor costs, change its marketing, and eliminate any money-losing lines. Simultaneously, the Secretary of Transportation should set up a task force to work with Amtrak's management to lay out a future for Amtrak, including but not limited to selling routes and equipment to the private sector, transferring Amtrak ownership to its employees, asking states to assume ownership and responsibility over routes, and discontinuing routes that are unprofitable and that a state does not want to fund. During this phase-out, Congress should repeal Amtrak's monopoly on passenger rail service, allowing private companies to enter the market and provide passenger rail service where they see a viable commercial market.

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## ADDITIONAL READING

- Tad DeHaven, "Downsizing the Federal Government: Privatizing Amtrak," Cato Institute, June 2010.
- Ronald D. Utt, "Chairman Mica's New Amtrak Proposal Would Use the Private Sector to Reform Passenger Rail," Heritage Foundation *WebMemo* No. 3290, June 13, 2011.

## CALCULATIONS

Savings are expressed as budget authority as authorized and found on pages 612–613 of Consolidated Appropriations Act, 2016, Public Law 114–113. The FY 2016 authorized levels of \$288.5 million for operating grants and \$1.102 billion for capital/debt service were increased for discretionary spending growth in FY 2017, according to the CBO's most recent August 2015 baseline spending projections. The savings include the full operating grant amount and 20 percent of the FY 2017 capital/debt spending, according to the proposed five-year phase out.

# Close Down the Maritime Administration and Repeal the Maritime Jones Act

## RECOMMENDATION

Eliminate the Maritime Administration (MARAD) and repeal the maritime Jones Act. Eliminating MARAD saves \$214 million in FY 2017. No savings are included for repeal of the maritime Jones Act.

## RATIONALE

Created in 1950, MARAD's purpose is to maintain a maritime fleet to be used during a national emergency. Decades later, it continues to oversee and implement outdated, Depression-era laws, which prevent foreign maritime industry companies from competing with those in the United States.

MARAD and the laws it implements are steeped in protectionism and subsidies. For example, taxpayers continue to pay for an Operating Differential Subsidy program that guarantees U.S.-flag vessel operators a payment to make up for the difference between shipping cargo on a U.S. vessel compared to a foreign vessel (the former being more expensive). Another program, the Ocean Freight Differential program, subsidizes part of the costs associated with having to transport food aid cargo on more expensive U.S.-flagged vessels, again as opposed to shipping them on foreign vessels. Finally, the

maritime Jones Act—established nearly a century ago in 1920—requires unreasonable and overly burdensome standards: Any cargo (or people) shipped between two U.S. cities must be on a U.S.-built and U.S.-flagged vessel with at least 75 percent of its crew from the U.S.

Congress should close down the Maritime Administration, transferring its international regulatory roles to another agency. The federal government should sell the government-owned ships in the Defense Ready Reserve Fleet and transfer funding for this program to the Department of Defense. Simultaneously, Congress should repeal the maritime Jones Act, the Operating Differential Subsidy program, and Ocean Freight Differential program, which have spent billions of taxpayer dollars and stifled innovation of the U.S. domestic maritime industry.

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## ADDITIONAL READING

- Wendell Cox and Ronald D. Utt, "How to Close Down the Department of Transportation," Heritage Foundation *Background* No. 1048, August 17, 1995.
- Brian Slattery, Bryan Riley, and Nicolas Loris, "Sink the Jones Act: Restoring America's Competitive Advantage in Maritime-Related Industries," Heritage Foundation *Background* No. 2886, May 22, 2014.

## CALCULATIONS

Only the savings from closing down the MARAD are included. These savings are expressed as budget authority as authorized and found on page 618 of Consolidated Appropriations Act, 2016, Public Law 114-113. The FY 2016 authorized level of \$210 million was increased for discretionary spending growth in FY 2017, according to the CBO's most recent August 2015 baseline spending projections.

# Eliminate the New Starts Transit Program

## RECOMMENDATION

Eliminate the New Starts Transit Program, also known as Capital Investment Grants. This proposal saves \$2.221 billion in FY 2017.

## RATIONALE

The New Starts program was created in 1991 as part of the Intermodal Surface Transportation Efficiency Act, with the purpose of giving transit agencies grants for building transit projects. In fact, it gives them the incentives to build costly transit systems they can ill afford to operate, much less fund for capital improvements. This comes at the expense of maintaining existing infrastructure, exacerbating the already large maintenance backlogs in many major cities.

Criteria for eligible projects include “congestion relief,” “environmental benefits,” and “economic development effects,” but no longer include “operating efficiencies,” as the research of the Cato Institute’s Randal O’Toole shows.<sup>104</sup> In some cases, such as when a streetcar receives a New Starts grant, the project will *increase* traffic congestion by blocking a lane and slowing down cars using the road. Streetcars also can duplicate existing bus routes; the H Street Streetcar recently constructed in Washington, DC, is an example. Another DC example—the Silver Line addition to the Washington Metropolitan Area Transit Authority’s rail system—refutes the economic development effects claim. In this case, the Reston and Tysons areas were booming commercially years before the rail line was built and began operating.

As opposed to distributing New Starts funds via formulas to the states, as highway funding is deployed, Congress chose to set up New Starts as a competitive grant program to which transit agencies apply for available funds. Transit agencies, therefore, have the incentive to pursue overly expensive transit projects and expand their bus, transit, or streetcar services even without sufficient demand for these services. Further, this program can become nothing more than one that funds earmarks selected at the discretion of the executive branch, much as the Obama Administration has used New Starts to advance its “smart growth” (read: anti-driver) agenda.

Congress should terminate the New Starts program immediately, and reduce future authorizations for transit by the amount that would otherwise have gone to New Starts. Such a reform should also be a part of ending the federal transit program and allowing the states and private sector to manage and fund transit systems where they value them and can afford them. Local, not federal, taxpayers, as well as a transit system’s users who benefit from the service, should fund urban transit systems.

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## ADDITIONAL READING

- Randal O’Toole, “Paint Is Cheaper than Rails: Why Congress Should Abolish New Starts,” Cato Institute *Policy Analysis* No. 727, June 19, 2013.
- Randal O’Toole, Cato Institute, testimony before the Subcommittee on Highways and Transit, Transportation and Infrastructure Committee, U.S. House of Representatives, December 11, 2013.

## CALCULATIONS

Savings are expressed as budget authority as authorized and found on page 616 of Consolidated Appropriations Act, 2016, Public Law 114–113. The FY 2016 authorized level of \$2.177 billion was increased for discretionary spending growth in FY 2017, according to the CBO’s most recent August 2015 baseline spending projections.



# Privatize the Saint Lawrence Seaway Development Corporation

## RECOMMENDATION

Privatize the Saint Lawrence Seaway Development Corporation (SLSDC). This proposal saves \$29 million in FY 2017.

## RATIONALE

Created in the Wiley–Dondero Act of 1954, the SLSDC is a government-owned entity charged with maintaining and operating a part of the Saint Lawrence Seaway that is within United States territory. The seaway opened in 1959.

Canada, which also borders the seaway, privatized its section in 1998, eliminating any future taxpayer funding for its maintenance and operation activities. Privatization of this kind in the U.S. would encourage productivity and competitiveness and reduce the burden on taxpayers. Congress should follow Canada’s example and privatize the SLSDC—a reform that is long overdue.

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## ADDITIONAL READING

- Chris Edwards, “Downsizing the Federal Government: Department of Transportation, Timeline of Growth,” Cato Institute, undated.
- Emily Goff, “How to Cut \$30 Billion More from the THUD Bill,” Heritage Foundation *Issue Brief* No. 3984, July 1, 2013.

## CALCULATIONS

Savings are expressed as budget authority as authorized and found on page 618 of Consolidated Appropriations Act, 2016, Public Law 114–113. The FY 2016 authorized level of \$28.4 million was increased for discretionary spending growth in FY 2017, according to the CBO’s most recent August 2015 baseline spending projections.

# Eliminate the Transportation Investment Generating Economic Recovery Grant Program

## RECOMMENDATION

Eliminate the Transportation Investment Generating Economic Recovery (TIGER) grant program, also called the National Infrastructure Investment Program. This proposal saves \$510 million in FY 2017.

## RATIONALE

TIGER is a competitive grant program administered by the U.S. Department of Transportation. It began as part of the 2009 stimulus bill and was intended to be a temporary program that funded road, rail, transit, and port projects in the national interest.

Six years later, this “temporary” program has proved too tempting a spending opportunity for Congress and the Administration to give up, and has remained a permanent fixture.

Through TIGER, Washington sends federal dollars to purely local, not federal, projects—one reason why it merits elimination. Past projects include a \$16 million, six-mile pedestrian mall in Fresno, California, and a \$10.4 million “Complete Street Initiative” (read: more congestion) project in Lee County, Florida.

Moreover, TIGER grants can amount to “administrative earmarks,” because federal bureaucrats choose the criteria that a project must meet, and in turn choose which projects will receive grants. That gives cities perverse incentives to pander to Washington, asking for money for projects that may not even be aligned with their priorities at home.

The TIGER grant program adds to government bureaucracy, duplicates programs at state and local transportation agencies, and misallocates money to projects of the government’s choosing, not where private investors in a free market might put resources.

These projects would be more appropriately funded by the local communities that benefit from them. Congress should eliminate the TIGER program.

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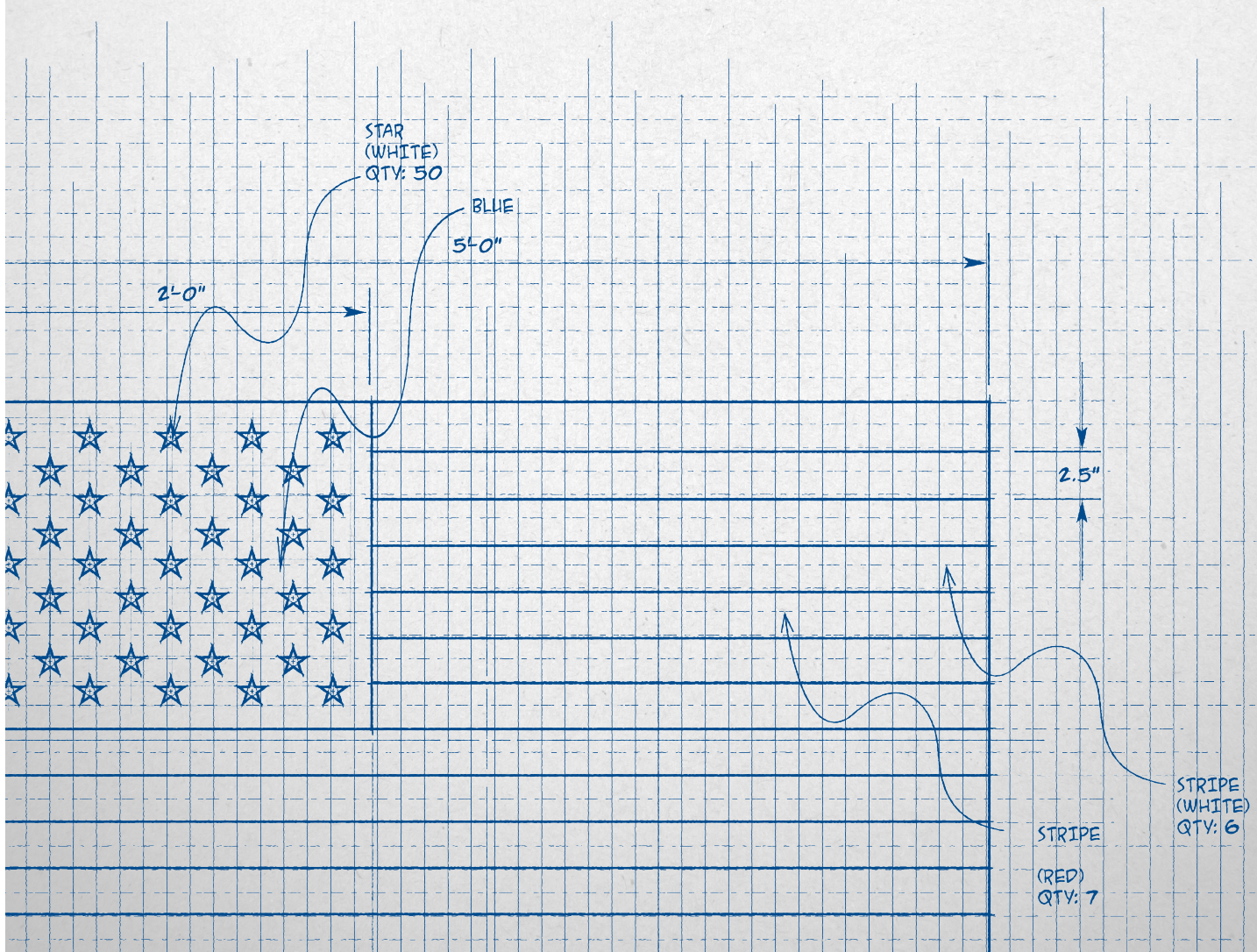
## ADDITIONAL READING

- Baruch Feigenbaum, “Evaluating and Improving TIGER Grants,” Reason Foundation *Policy Brief* No. 99, April 2012.

## CALCULATIONS

Savings are expressed as budget authority as authorized and found on page 594 of Consolidated Appropriations Act, 2016, Public Law 114–113. The FY 2016 authorized level of \$500 million was increased for discretionary spending growth in FY 2017, according to the CBO’s most recent August 2015 baseline spending projections.

# Multiple Subcommittees



# Stop Paying Federal Employees to Work for Outside Organizations While on the Clock

## RECOMMENDATION

Congress should stop allowing federal employees to work for labor unions while on the clock as federal employees and should charge unions for space they use within federal buildings. This proposal saves \$156 million in FY 2017.

## RATIONALE

Federal law requires federal agencies to negotiate “official time” with federal labor unions. This allows federal employees to work for their labor union while on the clock as a federal employee. Taxpayers pay for federal unions to negotiate collective bargaining agreements, file grievances, and to lobby the federal government. Most agencies also provide unions with free “official space” in federal buildings to do union work. These practices provide no public

benefit but directly subsidize the operations of government unions.

The government should require union officers to clock out when they are doing union work. The government should also charge unions fair market value for the office space they use. These changes would save approximately \$200 million a year.

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## ADDITIONAL READING

- James Sherk, “Official Time: Good Value for the Taxpayer?” testimony before the Oversight and Government Reform Committee, U.S. House of Representatives, June 3, 2011.

## CALCULATIONS

The Office of Personnel Management estimates that the federal government gave federal unions \$156 million in official time in 2012, the most recent year for which data are available. Office of Personnel Management, “Labor-Management Relations in the Executive Branch,” October 2014. No estimates exist for official space gifts. Thus, no office space savings are included in this estimate.



# Repeal the Davis–Bacon Act

## RECOMMENDATION

Congress should repeal the Davis–Bacon Act and prevent states from imposing prevailing wage restrictions on federally funded construction projects. This proposal saves \$8.767 billion in FY 2017.

## RATIONALE

The Davis–Bacon Act requires federally financed construction projects to pay “prevailing wages.” In theory, these should reflect going market rates for construction labor in that area. However, the GAO and Inspector General have repeatedly criticized the Labor Department for using self-selected statistically unrepresentative samples to calculate the prevailing wage rates. Consequently, actual Davis–Bacon rates usually reflect union rates that average 22 percent above actual market wages.

The Davis–Bacon Act requires taxpayers to overpay for construction labor. Construction unions lobby heavily to maintain this restriction—it reduces the cost advantage of their non-union competitors. But

it needlessly inflates the total cost of building infrastructure and other federally funded construction by 10 percent.

The CBO has estimated that the Davis–Bacon Act applies to a third of all government construction—many state and local projects are partially or wholly funded with federal dollars. Without prevailing wage restrictions these projects would have cost substantially less. Congress should repeal the Davis–Bacon Act and prohibit states from imposing separate prevailing wage restrictions on federally funded construction projects. Doing so would save taxpayers billions of dollars every year.

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## ADDITIONAL READING

- James Sherk, “Examining the Department of Labor’s Implementation of the Davis–Bacon Act,” testimony before the Committee on Education and the Workforce, U.S. House of Representatives, April 14, 2011.

## CALCULATIONS

Savings are expressed as budget authority and were calculated by comparing current public construction spending of \$277 billion annually (as found in U.S. Census Bureau, “Construction Spending: Value of Construction Put in Place at a Glance November 2014,” January 2015) to spending levels in the absence of Davis–Bacon. Davis–Bacon increases construction costs by 9.9 percent, as documented in Sarah Glassman et al., “The Federal Davis–Bacon Act: The Prevailing Mismeasure of Wages,” The Beacon Hill Institute, February 2008. The CBO estimates extend to 32 percent of all public construction spending. Thus, the absence of Davis–Bacon is estimated to reduce total public construction spending by 3.2 percent. Assuming that public construction spending increases at the same rate as discretionary spending growth from 2014 to 2017 (to a total of \$276.7 billion) and federal taxpayers capture all the value of the savings from eliminating Davis–Bacon, this proposal saves \$8.767 billion in FY 2017.

# Eliminate Spending on Public Relations

## RECOMMENDATION

Congress should prohibit all federal agencies from spending money on public relations (PR) to promote their images. This saves \$262 million in FY 2017.

## RATIONALE

Federal agencies are intended to serve a specific, limited purpose. Self-promotion is not among those limited purposes. Nevertheless, the federal government employs more than 3,000 Public Affairs Officers, for a total cost of \$307 million in FY 2014. Federal agencies spent another \$262 million on public relations contracts, for a total of \$569 million in FY 2014.<sup>105</sup> These funds include spending on programs such as a \$1 Presidential Gold Coin stakeholders outreach initiative, Forest Service messaging to parents of Spanish-speaking Tweens encouraging them to “discover the forest,” and cooking videos to promote U.S. agriculture products overseas.

This spending is not in line with the goals of federal spending. In fact, Public Affairs Officers are called such—as opposed to “public relations officer” or “publicity officer”—because of the Gillet Amendment, which was part of the 1913 Appropriations Act for the U.S. Department of Agriculture. The Gillet Amendment (5 U.S. Code 3107) states: “Appropriated funds may not be used to pay a publicity expert unless specifically appropriated for that purpose.”<sup>106</sup>

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## ADDITIONAL READING

- Adam Andrzejewski and Tom Coburn, “The Department of Self-Promotion: How Federal Agency PR Spending Advances Their Interests Rather than the Public Interest, Fiscal Years 2007–2014: Oversight Study,” Open the Books, November 2015.

## CALCULATIONS

Savings are estimated based on an Open the Books report on PR spending from 2007 to 2014: Adam Andrzejewski and Tom Coburn, “The Department of Self-Promotion: How Federal Agency PR Spending Advances Their Interests Rather than the Public Interest, Fiscal Years 2007–2014: Oversight Study,” Open The Books, November 2015. The FY 2014 spending is assumed to increase at the same rate as discretionary spending (despite an average annual growth rate of 5 percent between 2007 and 2014), according to the CBO’s most recent August 2015 baseline spending projections.

# End All Energy Subsidies

## RECOMMENDATION

Congress should end all energy subsidies. This proposal saves \$28.113 billion in FY 2017.

## RATIONALE

No taxpayer dollars should be used for energy production, storage, efficiency, infrastructure, or transportation for non-government consumers, including the extension of existing programs. Targeted energy subsidies significantly obstruct the long-term success and viability of the very technologies and energy sources that they were intended to promote. Instead of relying on a process that

rewards competition, taxpayer subsidies prevent a company from truly understanding the price point at which the technology will be economically viable. An energy sector based on free enterprise would benefit consumers by delivering reliable, affordable energy while eliminating government favoritism to special interests.<sup>107</sup>

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## ADDITIONAL READING

- Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Backgrounder* No. 2668, March 23, 2012.
- Nicolas D. Loris, "Free Markets Supply Affordable Energy and a Clean Environment," Heritage Foundation *Backgrounder* No. 2966, October 31, 2014.
- Nicolas D. Loris, "No More Energy Subsidies: Prevent the New, Repeal the Old," Heritage Foundation *Backgrounder* No. 2587, July 26, 2011.

## CALCULATIONS

Savings are expressed as budget authority and were calculated based on the FY 2013 total subsidies of \$29.258 billion less the \$449 million for federal and RUS electricity subsidies (eliminated as part of a separate proposal) as reported on pages xiv–xv of U.S. Energy Information Administration, "Direct Federal Financial Interventions and Subsidies in Energy in Fiscal Year 2013," March 2015. The FY 2013 spending levels were increased at the same rate as discretionary spending growth through FY 2017 based on the CBO's most recent August 2015 baseline spending projections. (This resulted in a net decline in total subsidies from \$29.258 billion to \$28.551 billion, and a decline in the federal and RUS subsidies from \$449 million in FY 2013 to \$438 million in FY 2017.)



# Maintain Existing Definition of “Fill Material” and “Discharge of Fill Material” Under Clean Water Act Regulations

## RECOMMENDATION

Congress should maintain the existing definition of “fill material” and “discharge of fill material” under Clean Water Act (CWA) regulations.

## RATIONALE

Under the CWA, permits may be required for certain activities that could impact waters across the United States. The Army Corps of Engineers and the Environmental Protection Agency may redefine “fill material” and “discharge of fill material” in a manner that would require mining companies to secure Section 402 permits (as opposed to Section 404 permits) for various mining activities.<sup>108</sup> While there are certainly obstacles to securing Section

404 permits, Section 402 permits are even more stringent, and industry groups have argued that it would effectively prohibit numerous mining activities.<sup>109</sup> Existing regulations provide ample environmental protection without imposing unnecessary restrictions that could harm the mining industry and the communities that benefit from mining operations.<sup>110</sup>

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## ADDITIONAL READING

- Robert Gordon and Diane Katz, *Environmental Policy Guide: 167 Recommendations for Environmental Policy Reform* (Washington, DC: The Heritage Foundation, 2015).
- John Gray, Nicolas Loris, and Daren Bakst, “FY 2016 House Interior and Environment Appropriations Bill: Right on Regulations, Wrong on Spending,” Heritage Foundation *Issue Brief* No. 4226, June 26, 2015.

# Limit Application of the Recapture Provision for Dredge-and-Fill Permits

## RECOMMENDATION

Congress should limit application of the recapture provision for dredge-and-fill permits.

## RATIONALE

Under the CWA, Section 404 permits are not required for normal farming activities, construction of stock ponds, and other related activities. However, there are exceptions, including under what is referred to as the “recapture” provision.<sup>111</sup> In recent testimony, a member of the American Farm Bureau Federation explained this provision:

[W]here discharges of dredged or fill material are used to bring land into a new use (e.g. making wetlands amenable to farming) and *impair the*

*reach or reduce the scope of jurisdictional waters*, those discharges are not exempt. The Agencies have broadly interpreted the “recapture” provision to apply even when the “new use” is simply a change from one crop to another crop.<sup>112</sup>

By limiting the application of the recapture provision, Congress can help to prevent the weakening of the exemptions that are critical for farmers and ranchers.

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## ADDITIONAL READING

- Robert Gordon and Diane Katz, *Environmental Policy Guide: 167 Recommendations for Environmental Policy Reform* (Washington, DC: The Heritage Foundation, 2015).
- John Gray, Nicolas Loris, and Daren Bakst, “FY 2016 House Interior and Environment Appropriations Bill: Right on Regulations, Wrong on Spending,” Heritage Foundation *Issue Brief* No. 4226, June 26, 2015.

# Restrict Federal Funding for Sanctuary Cities

## RECOMMENDATION

Congress should restrict federal funding to sanctuary cities.

## RATIONALE

Congress should prohibit the Department of Homeland Security and the Department of Justice from providing grant money to cities that resist the enforcement of immigration law, known as sanctuary cities. Federalism gives local governments some

latitude in choosing to oppose or not assist the federal government in enforcing immigration law, but the federal government does not have to reward or pay for the results of such policies.

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## ADDITIONAL READING

- Hans A. von Spakovsky, "Sanctuary Cities Put Law-Abiding Citizens at Risk," *Heritage Foundation Commentary*, December 9, 2015.

# Prohibit Government Discrimination in Tax Policy, Grants, Contracting, and Accreditation

## RECOMMENDATION

Congress should prohibit government discrimination against any person or group in tax policy, grants, contracting, and accreditation, simply because they speak or act on the belief that marriage is the union of one man and one woman.

## RATIONALE

Congress should prohibit funding of any federal agency or program that discriminates against any individual or group in tax policy, grants, contracts, licensing, or accreditation based on the individual or group's belief that marriage is the union of one

man and one woman, or that sexual relations are reserved for such a marriage.<sup>113</sup> Preventing discrimination in this way does not relieve the federal government of its duty to provide any benefit or service under federal law.

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## ADDITIONAL READING

- Ryan T. Anderson, "First Amendment Defense Act Protects Freedom and Pluralism after Marriage Redefinition," Heritage Foundation *Issue Brief* No. 4490, November 25, 2015.
- "People of Faith Deserve Protection from Government Discrimination in the Marriage Debate," Heritage Foundation *Factsheet* No. 160, July 2, 2015.

# Prohibit Any Agency from Regulating Greenhouse Gas Emissions

## RECOMMENDATION

Congress should prohibit any agency from regulating greenhouse gas emissions.

## RATIONALE

The Obama Administration has proposed and implemented a series of climate change regulations, pushing to reduce greenhouse gas emissions from vehicles, heavy-duty trucks, airplanes, hydraulic fracturing, and new and existing power plants. More than 80 percent of America's energy needs are met through conventional carbon-based fuels.

Restricting opportunities for Americans to use such an abundant, affordable energy source will only bring economic pain to households and businesses—with no climate or environmental benefit to show for it. The cumulative economic loss will be hundreds of thousands of jobs and trillions of dollars of gross domestic product.

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## ADDITIONAL READING

- Nicolas D. Loris, "Congress Should Stop Regulations of Greenhouse Gases," Heritage Foundation *Issue Brief* No. 4053, September 23, 2013.
- Nicolas D. Loris, "The Many Problems of the EPA's Clean Power Plan and Climate Regulations: A Primer," Heritage Foundation *Background* No. 3025, July 7, 2015.
- Nicolas D. Loris, "Methane Regulations Add to the Price Tag of the Administration's Climate Plan," Heritage Foundation *Issue Brief* No. 4341, February 3, 2015.

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# Prohibit Funding for the “Waters of the United States” Rule

## RECOMMENDATION

Congress should prohibit funding for the “waters of the United States” (WOTUS) rule.

## RATIONALE

The EPA and Army Corps’ controversial WOTUS rule would greatly expand the types of waters that could be covered under the Clean Water Act—from certain man-made ditches to so-called waters that are actually dry land most of the time. The appropriations process is particularly critical for addressing this rule because President Obama has vetoed

a Congressional Review Act Disapproval Resolution.<sup>114</sup> Absent congressional action, this attack on property rights and state power could soon move forward. Fortunately, the Sixth Circuit Court issued a stay,<sup>115</sup> blocking implementation of the rule, but this stay may be short-lived; the court has not yet determined if it even has jurisdiction in the case.<sup>116</sup>

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## ADDITIONAL READING

- Daren Bakst, “EPA and the Corps Ignoring Sound Science on Critical Clean Water Act Regulations,” Heritage Foundation *Issue Brief* No. 4122, January 8, 2014.
- Daren Bakst, “The EPA’s Water Power Grab: Lawmakers Can Use the Appropriations Process to Stop It,” The Daily Signal, December 4, 2015.
- Daren Bakst, “What You Need to Know About the EPA/Corps Water Rule: It’s a Power Grab and an Attack on Property Rights,” Heritage Foundation *Background* No. 3012, April 29, 2015.

# Enforce Data Quality Standards

## RECOMMENDATION

Congress should pass laws to help enforce data quality standards.

## RATIONALE

No funds should be used for any grant for which the recipient does not agree to make all data produced under the grant publicly available in a manner consistent with the Data Access Act (Title III, OMB, of Public Law 105–277), as well as in compliance with the standards of the Information Quality Act (44 U.S. Code 3516 note). The Data Access Act requires federal agencies to ensure that data produced under grants to and agreements with universities, hospitals, and nonprofit organizations are available to the public. The Information Quality Act requires

the Office of Management and Budget with respect to agencies “issue guidelines ensuring and maximizing the quality, objectivity, utility, and integrity of information (including statistical information) disseminated by the agency.”<sup>117</sup> However, the Office of Management and Budget has unduly restricted the Data Access Act, and there is little accountability that could ensure agency compliance with the Information Quality Act. Credible science and transparency are necessary elements of sound policy.<sup>118</sup>

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## ADDITIONAL READING

- Robert Gordon and Diane Katz, *Environmental Policy Guide: 167 Recommendations for Environmental Policy Reform* (Washington, DC: The Heritage Foundation, 2015).
- Diane Katz, “An Environmental Policy Primer for the Next President,” Heritage Foundation *Backgrounder* No. 3079, December 14, 2015.



# Withhold Grants for Seizure of Private Property

## RECOMMENDATION

Congress should withhold grants for seizure of private property.

## RATIONALE

On June 23, 2005, the United States Supreme Court held in *Kelo v. City of New London* that the government may seize private property and transfer it to another private party for economic development. This type of taking was deemed to be for a “public use” and allowed under the Fifth Amendment of the United States Constitution. Congress has failed to take meaningful action in the decade since this landmark decision and should, to the extent it is within the power of Congress, provide property owners in all states necessary protection from economic development and closely related takings, such as blight-related takings.

Since there is a subjective element to determining whether a taking is for economic development, the condemnor should be required to establish that a

taking would not have occurred but for the economic-development reason. Local governments often use broad definitions of “blight” to seize private property, including seizing non-blighted property that is located in an allegedly blighted area. Only property that itself is legitimately blighted, such as posing a concrete harm to health and safety, should be allowed to be seized. Congress should withhold grants for infrastructure development to states or other jurisdictions that invoke eminent domain to (1) seize private property for economic development, unless the condemnor can demonstrate that the taking would have occurred but for economic development and is for a public use, or (2) address blight unless the property itself poses a concrete harm to health and safety.<sup>119</sup>

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  - "The United States shall not make any voluntary or assessed contribution: (1) to any affiliated organization of the United Nations which grants full membership as a state to any organization or group that does not have the internationally recognized attributes of statehood, or (2) to the United Nations, if the United Nations grants full membership as a state in the United Nations to any organization or group that does not have the internationally recognized attributes of statehood, during any period in which such membership is effective." (Adopted as Public Law 103-236 in 1994.)
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# Chapter 3:

## Budget Process Reforms

The budget process provides the framework for regular and orderly debate of fiscal issues with the goal of guiding legislative action. The budget process determines the steps that are necessary for adopting a budget and for adopting or changing legislation. A well-functioning budget process would encourage debate on fiscal issues and set in motion negotiations over the trade-offs and considerations for congressional spending and taxing.

For too many years, congressional budgets have served as party platforms without implementing legislation. The budget process should serve its original intent of driving congressional decision making toward achieving fiscal sustainability. Congress should immediately adopt several key reforms to enforce budget discipline and to increase transparency and accountability in congressional budgeting:

**Enact a Statutory Spending Cap Enforced by Sequestration.** Congress should enforce fiscal discipline with spending caps. Spending caps motivate Congress to prioritize among competing demands for resources. Designed properly, spending caps curb excessive spending growth over the long run. Congress should adopt a statutory spending cap that encompasses all non-interest outlays and achieves budget balance—given current projections about the economy, revenues, and interest costs—by the end of the decade, or before.

Spending-cap enforcement by sequestration promises to spur negotiations to avoid automatic spending reductions in favor of a more deliberate approach. In the absence of legislative agreement, sequestration ensures that spending reductions take

place regardless of the adoption of targeted reforms. This process should spur fiscal reforms to limit the growth in government and achieve budget balance.

Once the budget balances, spending should be capped at a level that maintains balance, allowing for certain annual adjustments. In the long run, during periods of normal economic activity and absent exigent national security demands, the spending cap should grow no faster than the U.S. population and inflation. The cap should bind more stringently when debt or deficits exceed specific targets.

**Move Toward a Balanced Budget Amendment.** One limitation of the value of a statutory law imposing an aggregate cap on non-interest spending is that a future Congress can amend the law. Deficit spending almost always favors the current generation over future generations, who will pay for the spending of today. Therefore, a balanced budget amendment ultimately would be needed to constrain future attempts to eliminate the spending cap.

The balanced budget amendment is not a mechanism to achieve balance and should not be viewed by Congress as a substitute for making necessary reforms to federal programs nor as an excuse for avoiding making the tough decisions now that are necessary to balance the budget. Rather, a balanced budget amendment should be used to guarantee that the hard work of reforming programs cannot be easily undone in the future.

A balanced budget amendment to the U.S. Constitution is important because it can help to bring long-term fiscal responsibility to America's future. America cannot raise taxes to continue its overspending



because tax hikes take money from people, shrink the economy, and expand government. America cannot borrow more to continue overspending because borrowing puts an enormous financial burden on the American children of tomorrow and expands the government. America needs its government to spend *less*—because less government spending will advance the interests of the American people through limited government, individual freedom, and free enterprise.

The balanced budget amendment must control spending, taxation, and borrowing; ensure the defense of America; and enforce the requirement to balance the budget. The constitutional-amendment-ratification process may take time: The fastest ratification took less than four months (the Twenty-Sixth Amendment on the voting age of 18), and the slowest took 202 years (the Twenty-Seventh Amendment on congressional pay raises). Thus, House and Senate passage of a balanced budget amendment must be in addition to, not an excuse to avoid, current hard work to cap and cut federal spending, balance the federal budget through congressional self-discipline, and reform and reduce taxation.

**Eliminate the Use of CHIMPs to Evade Discretionary Spending Limits.** Appropriations bills typically include provisions that reduce mandatory budget authority without reducing spending. These provisions typically affect programs where the agency has been provided with spending authority, but there are few recipients for the program and therefore no spending would take place. However, the appropriations bills redistribute the spending authority to programs that will spend money, therefore increasing actual spending. These provisions, called changes in mandatory programs (CHIMPs), are budget gimmicks that allow Congress to evade limits on discretionary spending.

Claiming false savings reduces accountability and transparency in congressional budgeting and drives up spending. The fiscal year (FY) 2016 Conference Budget Resolution took a first step in limiting CHIMP savings by placing a limit on the amount that can be used in each of the next four years and then phasing out CHIMPS entirely. Congress should fast-track this process by eliminating the use of CHIMPS immediately.

**Discontinue Spending on Unauthorized Appropriations.** House and Senate rules require that an authorization for a federal activity precede the appropriation that allows agencies to obligate

federal funds for that activity. When appropriation bills provide new budget authority for activities whose statutory authorization (the legal authority for the program to continue) has expired, or which were never previously authorized, this is known as an unauthorized appropriation. In FY 2015, lawmakers appropriated about \$294 billion for programs and activities whose authorizations of appropriations had expired.<sup>1</sup> This practice is a violation of congressional rules and evades prudent deliberation of federal funding priorities.

Lawmakers should discontinue funding for unauthorized appropriations because it evades the careful congressional scrutiny of programs normally involved in the authorization process. Congress should authorize only those programs that represent federal constitutional priorities, and eliminate funding for activities that the federal government should not undertake.

Congress should reduce the discretionary spending limits provided by the Budget Control Act of 2011 by the amount of the unauthorized appropriations. Congress would then provide for a cap adjustment up to 90 percent of the previous year's funding level if the program is reauthorized. Instead of cutting all reauthorizations across the board, Congress may prioritize among reauthorizations as it deems most appropriate. If adopted, this policy would discourage Congress from appropriating money for unauthorized programs because they would be forced to cut funding for authorized programs to provide an appropriation.

**Put the GSEs on Budget—Toward Their Elimination.** Until their elimination, putting government-sponsored enterprises (GSEs) immediately on budget to account for the risks that taxpayers face—and bailouts they fund—from Fannie Mae's and Freddie Mac's involvement in the mortgage market is an important first step. The federal budget should reflect the net impacts of the programs administered by Fannie Mae and Freddie Mac.

The Office of Management and Budget treats the GSEs as off-budget entities because they are considered separate private entities under *temporary* federal conservatorship.

According to the 1967 Commission on Budget Concepts, inclusion of an entity's assets and liabilities in the federal budget depends on three basic factors: ownership, control, and permanence. The Treasury largely owns and controls the GSEs after taking Fannie Mae and Freddie Mac under conservatorship in

2008 after the market crash. This arrangement will continue for the indefinite future as the agreement lacks a clear exit clause beyond the vague guidance of “until the firms reach a sound and solvent condition.”<sup>2</sup>

The most likely scenario suggests that Fannie and Freddie will remain under government control until Congress changes their status. Therefore, the arrangement between Treasury and the GSEs should be considered permanent for budgetary purposes.

Putting the GSEs on budget would enhance budgetary accountability and transparency by eliminating the billions of dollars in seeming windfall payments that the Treasury is receiving from Fannie Mae and Freddie Mac, and by confronting Congress with the risks of default of GSE-backed loans. Given the GSEs’ current treatment, any profits are counted as offsetting receipts and reduce the reported budget deficit, while any estimated losses are ignored. This encourages higher spending. Establishing the GSEs as on-budget entities would subject them to the Federal Credit Reform Act of 1990, as is the case for most other federal credit programs.

**Use Fair-Value Accounting for Federal Credit Programs.** Congress should update the budgetary accounting for federal credit programs, governed by the Federal Credit Reform Act (FCRA) of 1990, to incorporate market risk. The FCRA specifies that the estimated net costs of federal credit programs on an accrual basis be used for scorekeeping purposes, instead of the annual cash flows that happen during the period of a loan term. For those loans for which the government expects to incur a loss, a subsidy cost is used to identify the budgetary impact. Reversely, programs that are expected to incur a gain for the government offset other spending.

How the government estimates whether it will incur a loss or a gain from a certain federal credit program matters. Currently, the government assumes

that federal credit programs are just as safe and reliable as the payout on U.S. Treasury bonds. This underestimates the real market risk associated with certain loans, which is especially true and worrying during economic downturns.

Congress should adopt fair-value accounting to increase transparency and accountability in the congressional budget. Fair-value accounting more accurately confronts Congress with the risks it assumes and the subsidies it provides through credit programs. This information is crucial for lawmakers when considering whether a certain program is in the public’s interest. Since incorporating market risk in estimates of federal credit programs’ budgetary impact would increase reported spending, Congress may adjust the Budget Control Act’s discretionary spending cap to better reflect the cost of federal credit programs to taxpayers without necessitating additional cuts in spending.

## A FIRST STEP

The near-complete breakdown of congressional budgeting—at a time when fiscal discipline is growing ever more important, and as automatic spending on entitlement programs threatens to overwhelm the federal budget and the U.S. economy—shows the need for a fundamental reform of the budget process. Congress can begin this important journey toward a regular and deliberate budgetary order and greater fiscal discipline by implementing a few key reforms right away: a broad spending cap enforced by sequestration, a balanced budget amendment, the elimination of unauthorized appropriations, the elimination of changes in mandatory programs as budget gimmicks, and the adoption of more accurate accounting for federal credit programs, including the operations of Fannie Mae and Freddie Mac.

## ENDNOTES

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# Summary Table of Recommendations

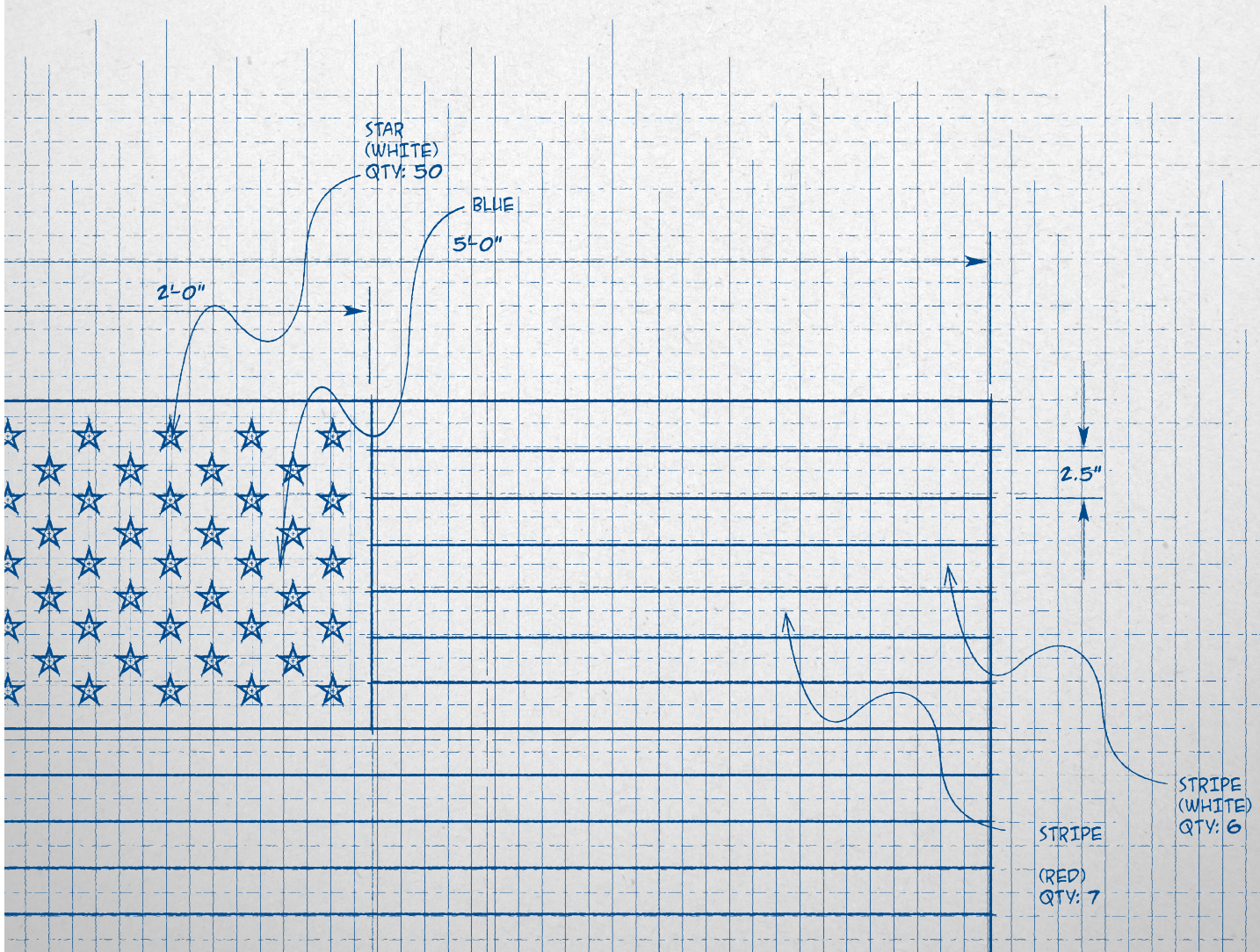


TABLE 1

**Savings from Recommendations (Page 1 of 3)**

Subcommittee	Recommendation	Savings (millions)
<b>Agriculture, Rural Development, Food and Drug Administration, and Related Agencies</b>	Repeal the USDA Catfish Inspection Program	\$14.0
	Eliminate the Conservation Technical Assistance Program	\$747.9
	Eliminate the Rural Business-Cooperative Service's (RBCS's) Discretionary Programs	\$145.9
	Prohibit Funding for National School Lunch Program Standards	\$0
	Withhold Funding for Federal Fruit and Vegetable Supply Restrictions	\$0
<b>Commerce, Justice, Science, and Related Agencies</b>	Eliminate the Office of Community Oriented Policing Services (COPS)	\$310.0
	Eliminate Grants within the Office of Justice Programs (OJP)	\$1,511.0
	Eliminate Violence Against Women Act (VAWA) Grants	\$480.0
	Eliminate the Legal Services Corporation	\$392.8
	Reduce Funding for Four Programs in the Department of Justice	\$366.0
	Eliminate Five Corporate Welfare Programs in the Commerce Department	\$910.2
	Eliminate Census Bureau Funding for the Annual Supplemental Poverty Measure (SPM) Report	\$0
<b>Defense</b>	Cut Funding for Non-Combat Research	\$334.9
	Cut Commissary Subsidies	\$322.0
	Close Domestic Dependent Elementary and Secondary Schools (DDESS)	\$633.0
	Reform Military Health Care	\$3,800.0
	Place a High Priority on Missile Defense	\$0
	End Renewable Energy Mandates in the Department of Defense	\$0
<b>Energy and Water Development and Related Agencies</b>	Focus the Department of Energy's National Nuclear Security Administration Spending on Weapons Programs	\$780.0
	Return Funding for the DOE Office of Nuclear Physics to FY 2008 Levels	\$116.7
	Return Advanced Scientific Computing Research to FY 2008 Levels	\$230.0
	Eliminate the DOE Advanced Research Projects Agency-Energy (ARPA-E) Program	\$296.9
	Eliminate the DOE Biological and Environmental Research (BER) Program	\$622.4
	Reduce DOE Basic Energy Sciences (BES) Funding	\$391.4
	Eliminate DOE Energy Innovation Hubs	\$25.0
	Eliminate the DOE Office of Electricity Deliverability and Energy Reliability (OE)	\$155.4
	Eliminate the DOE Office of Energy Efficiency and Renewable Energy (EERE)	\$1,989.7
	Eliminate the DOE Office of Fossil Energy (FE)	\$844.3
	Reduce Funding for the DOE Office of Nuclear Energy	\$340.3
	Eliminate Subsidies for Power Marketing Administrations (PMAs), Tennessee Valley Authority (TVA), and Rural Utilities Service (RUS)	\$438.0
	Eliminate DOE Funding for Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Programs	\$194.0
	Maintain Funding for Yucca Mountain Nuclear Materials Repository Licensing Review	-\$50.0
<b>Financial Services and General Government</b>	Eliminate the Small Business Administration Disaster Loans Program (DLP)	\$190.7
	Reform the Securities and Exchange Commission (SEC)	\$75.5
	Eliminate the Community Development Financial Institutions Fund	\$238.3
	Eliminate the Export-Import Bank	\$200.0
	Eliminate Funding for the Multi-State Plan (MSP) Program	\$0
	Protect Freedom of Conscience in the District of Columbia	\$0
	Expand the DC Opportunity Scholarship Program (OSP)	\$0

TABLE 1

**Savings from Recommendations (Page 2 of 3)**

<b>Subcommittee</b>	<b>Recommendation</b>	<b>Savings (millions)</b>
<b>Homeland Security</b>	Eliminate Fire Grants	\$612.2
	Reduce Funding for FEMA's Disaster Relief Fund (DRF)	\$2,000.0
	Ensure an Effective Vetting Process for Syrian Refugees	\$0
<b>Interior, Environment, and Related Agencies</b>	Eliminate Nine Climate Programs	\$3,682.0
	Reduce Funding for Four Environmental Protection Agency (EPA) Research Programs	\$130.6
	Reduce EPA Infrastructure Needs	\$45.5
	Eliminate or Reduce Six Redundant EPA Programs	\$421.0
	Reduce the EPA's Civil Enforcement Program	\$57.8
	Reduce Funding for the EPA's Civil Rights/Title VI Compliance Office	\$6.0
	Reduce the EPA's Legal Advice Environment Program	\$16.0
	Eliminate the EPA's Stratospheric Ozone Multilateral Fund	\$9.2
	Eliminate the EPA's Information Exchange/Outreach	\$158.8
	Lease Out or Sell Underused EPA Space	\$21.6
	Permanently End/Close the Land and Water Conservation Fund (LWCF)	\$19,859.2
	Eliminate the National Clean Diesel Campaign (NCDC)	\$10.0
	Eliminate Environmental Justice Programs	\$14.0
	Eliminate the National Endowment for the Humanities (NEH)	\$151.0
	Eliminate the National Endowment for the Arts (NEA)	\$151.0
	Rein in the EPA's Ozone Standard	\$0
	Allow Development of Natural Resources	\$0
Prohibit a Net Increase in Federal Lands	\$0	
<b>Labor, Health and Human Services, Education, and Related Agencies</b>	Privatize the Corporation for Public Broadcasting (CPB)	\$445.0
	Eliminate Job Corps	\$1,723.0
	Eliminate Workforce Innovation and Opportunity Act (WIOA) Job-Training Programs	\$3,435.0
	Let Trade Adjustment Assistance (TAA) Expire	\$878.5
	Bring National Labor Relations Board (NLRB) Funding in Line with Caseloads	\$138.0
	Sunset Head Start to Make Way for Better State and Local Alternatives	\$935.5
	Eliminate Competitive/Project Grant Programs and Reduce Spending on Formula Grants	\$3,766.0
	Eliminate Redundant Department of Labor Agencies	\$205.0
	Redirect Funding from Planned Parenthood to Health Centers Not Entangled with Abortion Services	\$0
	Restrict Risk-Corridor Funding	\$0
	Direct the Department of Education to Rescind the "Gainful Employment" Regulations Promulgated on For-Profit Higher Education Institutions	\$0
	Protect Freedom of Conscience in Health Care	\$0
	Stipulate the Use of Fair-Value Accounting	\$0
	Eliminate the Cap on Coverdell Savings Accounts	\$0
	Halt Implementation of the Union-Persuader Regulations	\$0
	Halt Implementation of Occupational Safety and Health Administration (OSHA) Recordkeeping Regulations	\$0
	Halt Implementation of New Overtime Regulations	\$0
	Stop the National Labor Relations Board (NLRB) from Using the Joint Employer Redefinition	\$0
	Give Workers Time to Make an Informed Choice in Union Elections	\$0
	Stop Gerrymandered Bargaining Units	\$0



TABLE 1

**Savings from Recommendations (Page 3 of 3)**

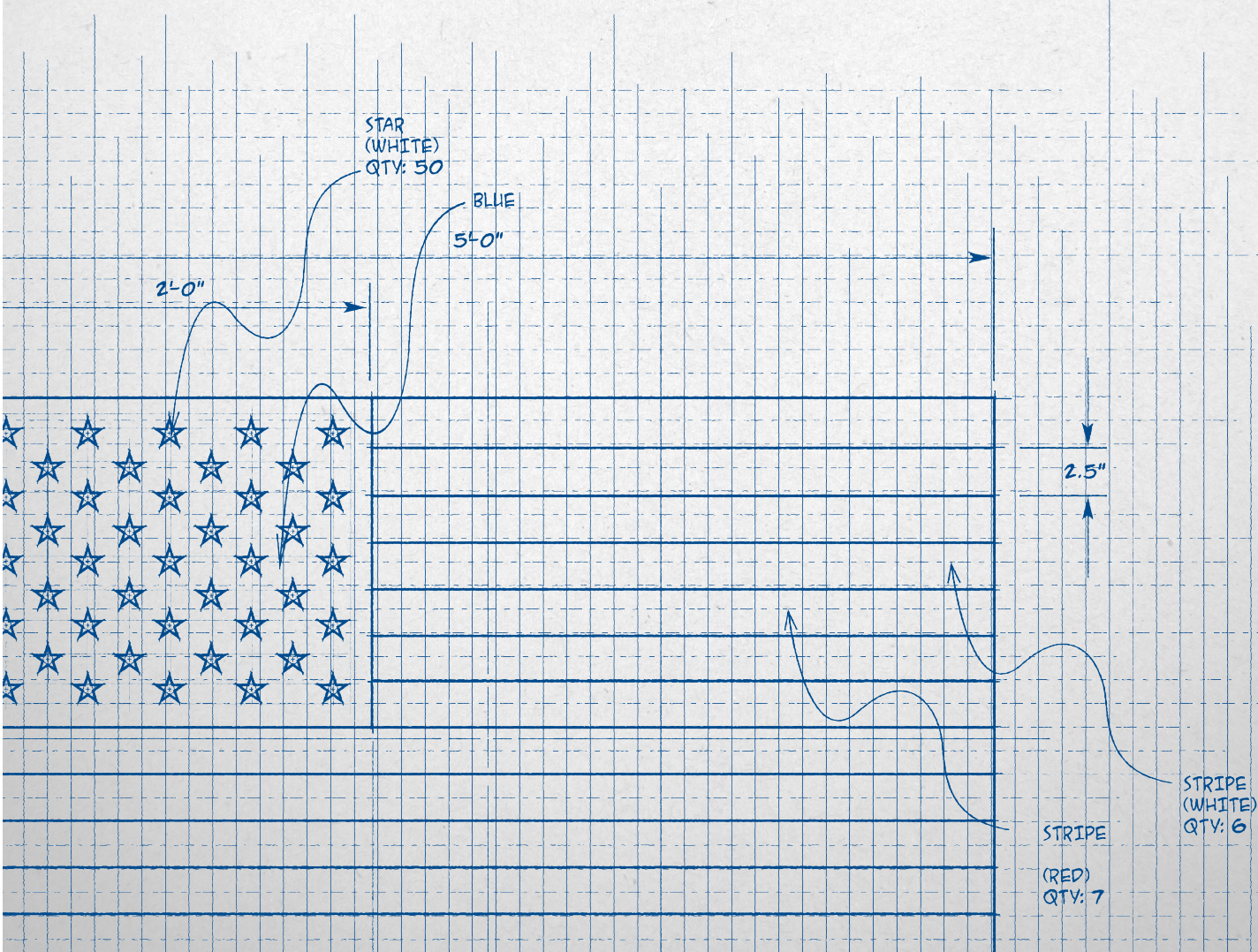
Subcommittee	Recommendation	Savings (millions)
<b>Legislative Branch</b>	Eliminate Funding for Special Congressional Subsidies for Health Insurance in the Affordable Care Act’s Health Insurance Exchange	\$46.6
	End Funding for the United Nations Development Program (UNDP)	\$64.3
	Eliminate the Overseas Private Investment Corporation (OPIC)	-\$267.8
	Eliminate Funding for the United Nations Population Fund (UNFPA)	\$35.7
	Enforce Cap on United Nations Peacekeeping Assessments	\$287.0
<b>State, Foreign Operations, and Related Programs</b>	Withhold Funding for the United Nations Relief and Works Agency (UNRWA) for Palestine Refugees in the Near East	\$398.3
	Eliminate Funding for the Paris Climate Change Agreement	\$235.0
	Eliminate Funding for the Global Environment Facility (GEF)	\$172.0
	End Funding for the United Nations Intergovernmental Panel on Climate Change (IPCC)	\$10.2
	Eliminate the U.S. Trade and Development Agency (USTDA)	\$75.2
	Enforce Funding Prohibition for the United Nations Educational, Scientific, and Cultural Organization (UNESCO)	\$0
	Maintain the Prohibition on Funding United Nations Organizations that Grant Full Membership to the Palestinian Territories	\$0
	Oppose International Monetary Fund (IMF) Reforms	\$0
	Increase Oversight of International Organizations	\$0
	<b>Transportation, Housing and Urban Development, and Related Agencies</b>	Eliminate the Essential Air Service Program
Eliminate the Appalachian Regional Commission		\$149.0
Eliminate Subsidies for the Washington Metropolitan Transit Authority (WMATA)		\$153.1
Phase Out the Federal Transit Administration (FTA)		\$4,013.0
Eliminate Grants to the National Rail Passenger Service Corporation (Amtrak)		\$519.2
Close Down the Maritime Administration (MARAD) and Repeal the Maritime Jones Act		\$214.3
Eliminate the New Starts Transit Program		\$2,221.3
Privatize the Saint Lawrence Seaway Development Corporation (SLSDC)		\$29.0
Eliminate the Transportation Investment Generating Economic Recovery (TIGER) Grant Program		\$510.0
Stop Paying Federal Employees to Work for Outside Organizations While on the Clock		\$156.0
<b>Multiple Subcommittees</b>	Repeal the Davis-Bacon Act	\$8,767.0
	Eliminate Spending on Public Relations	\$262.0
	End All Energy Subsidies	\$28,113.2
	Maintain Existing Definition of “Fill Material” and “Discharge of Fill Material” Under Clean Water Act (CWA) Regulations	\$0
	Limit Application of the Recapture Provision for Dredge-and-Fill Permits	\$0
	Restrict Federal Funding for Sanctuary Cities	\$0
	Prohibit Government Discrimination in Tax Policy, Grants, Contracting, and Accreditation	\$0
	Prohibit Any Agency from Regulating Greenhouse Gas Emissions	\$0
	Prohibit Funding for the “Waters of the United States” (WOTUS) Rule	\$0
	Enforce Data Quality Standards	\$0
Withhold Grants for Seizure of Private Property	\$0	

**Source:** Heritage Foundation calculations using data from various governmental agencies and the Office of Management and Budget.





# Appendix



APPENDIX TABLE 1

## How Blueprint for Balance Compares to CBO Projections

### OUTLAYS BY MAJOR CATEGORY (BILLIONS)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017-2026
Social Security	922	971	1,028	1,085	1,148	1,211	1,278	1,344	1,412	1,484	11,883
Medicare	547	553	566	592	618	641	655	694	726	760	6,353
Medicaid, Other Mandatory	811	738	732	737	740	757	749	743	782	831	7,621
Discretionary (Base)	1,009	994	1,004	1,018	1,033	1,049	1,066	1,084	1,101	1,119	10,476
Defense	572	591	609	625	642	658	676	693	711	729	6,506
Non-Defense	437	403	396	393	391	390	390	390	390	390	3,970
Global War on Terrorism	61	27	26	26	25	10	3	0	0	0	178
Net Interest	304	354	400	433	455	473	490	497	499	510	4,413
Total Outlays	3,654	3,636	3,757	3,891	4,018	4,140	4,241	4,362	4,521	4,704	40,925

### DEBT HELD BY THE PUBLIC

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017-2026
Debt Held by the Public (in Billions of Dollars)	14,137	14,297	14,465	14,597	14,697	14,759	14,757	14,698	14,605	14,518	n/a
Debt Held by the Public (as Percentage of GDP)	73.3%	71.0%	69.2%	67.2%	65.1%	62.7%	60.2%	57.6%	55.0%	52.5%	n/a

### PROJECTED DEFICITS (BILLIONS)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017-2026
Outlays	3,654	3,636	3,757	3,891	4,018	4,140	4,241	4,362	4,521	4,704	40,925
Revenue	3,432	3,534	3,640	3,802	3,953	4,112	4,279	4,458	4,657	4,843	40,710
Deficit/Surplus	222	102	117	89	65	28	-38	-96	-136	-139	215

### BLUEPRINT FOR BALANCE VS. CBO: DEFICITS (BILLIONS)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017-2026
Outlays	-418	-570	-728	-836	-950	-1,148	-1,257	-1,337	-1,523	-1,697	-10,463
Revenue	-79	-99	-107	-115	-123	-132	-142	-152	-161	-192	-1,302
Deficit/Surplus	-339	-471	-621	-721	-827	-1,016	-1,115	-1,185	-1,362	-1,505	-9,161

### BLUEPRINT FOR BALANCE VS. CBO: DEBT HELD BY THE PUBLIC

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017-2026
Debt Held by the Public (in Billions of Dollars)	-476	-947	-1,568	-2,289	-3,116	-4,132	-5,246	-6,431	-7,794	-9,299	n/a
Debt Held by the Public (as Percentage of GDP)	-2.4%	-4.7%	-7.5%	-10.6%	-13.7%	-17.6%	-21.5%	-25.2%	-29.3%	-33.6%	n/a

**Notes:**

**Social Security.** This blueprint recommends increasing the eligibility age for the Social Security program, and then indexing it for longevity; transitioning the payment to a flat, anti-poverty benefit focused on individuals who need it most; and replacing the current cost-of-living adjustment with the more accurate chained consumer price index. We expect these policies to generate savings of approximately \$500 billion over the FY 2017–FY 2026 period. To achieve a similar level of savings to the flat benefit, policymakers could also adopt progressive price indexing of the primary-insurance-amount (PIA) factors, beginning with newly eligible beneficiaries, and reduce benefits for individuals with significant modified adjusted gross incomes from non-Social Security sources.

**Medicare.** The Medicare estimates assume a two-stage approach to fixing the program’s financing. The first stage involves adding catastrophic protection to Medicare coverage, reforming Medicare’s cost-sharing arrangements, creating a new temporary premium for Medicare Part A, increasing the beneficiaries’ share of the premium for Medicare Parts B and D from 25 percent to 35 percent, and phasing out taxpayer subsidies completely for individual seniors with significant modified adjusted gross incomes. The first stage includes indexing the eligibility age. The second stage of the Medicare proposal involves transitioning to premium support over a five-year period.

**Source:** Heritage Foundation calculations based on data from the Congressional Budget Office’s January 2016 baseline. Figures are for fiscal years.

**Medicaid and Other Mandatory.** All other mandatory spending falls under the aggregate spending cap, which is estimated by assuming that spending on the major mandatory programs is consistent with their level over the past business cycle adjusted for population growth.

**Discretionary (Base).** The proposal assumes that the separate spending caps for defense and non-defense discretionary are replaced with an aggregate spending cap. However, defense spending is assumed to grow by inflation each year from a base level of \$582 billion in FY 2016 (total budget authority for defense in FY 2017 is \$600 billion, outlays are \$572). Non-defense discretionary spending is adjusted for the savings provided in the proposals found in Chapter 2 of this book, based on levels from the Budget Control Act prior to its 2015 amendment.

**Global War on Terrorism.** The Overseas Contingency Operations (OCO) funds for FY 2017 are from the Bipartisan Budget Act of 2015, while OCO funds for the rest of the period are from the House’s FY 2016 budget.

**Net Interest.** Total net interest is based on changes in the primary deficit relative to the CBO’s January 2016 baseline as well as interest rates under the CBO’s January baseline.

Figures may not sum to totals due to rounding.

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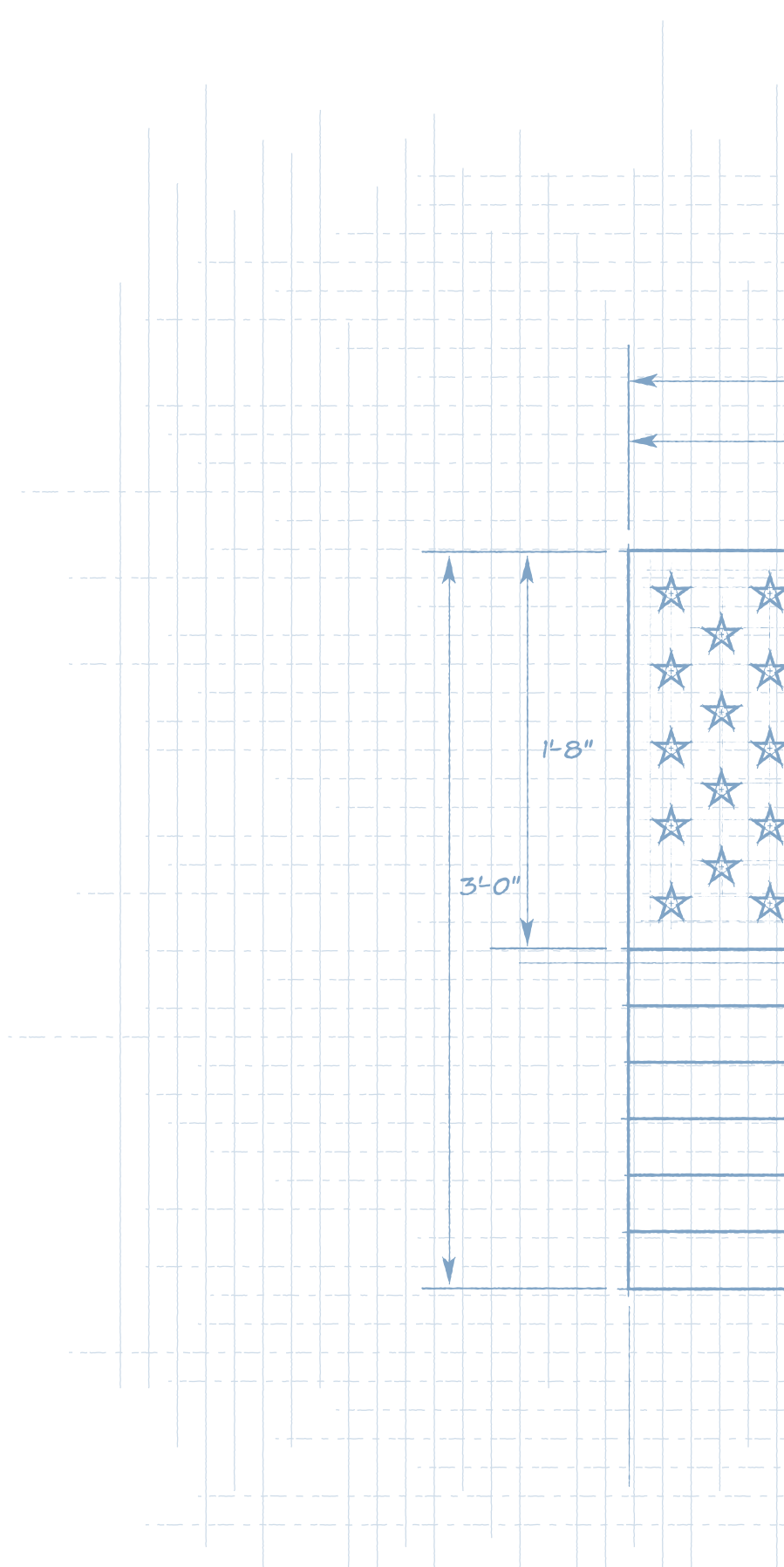
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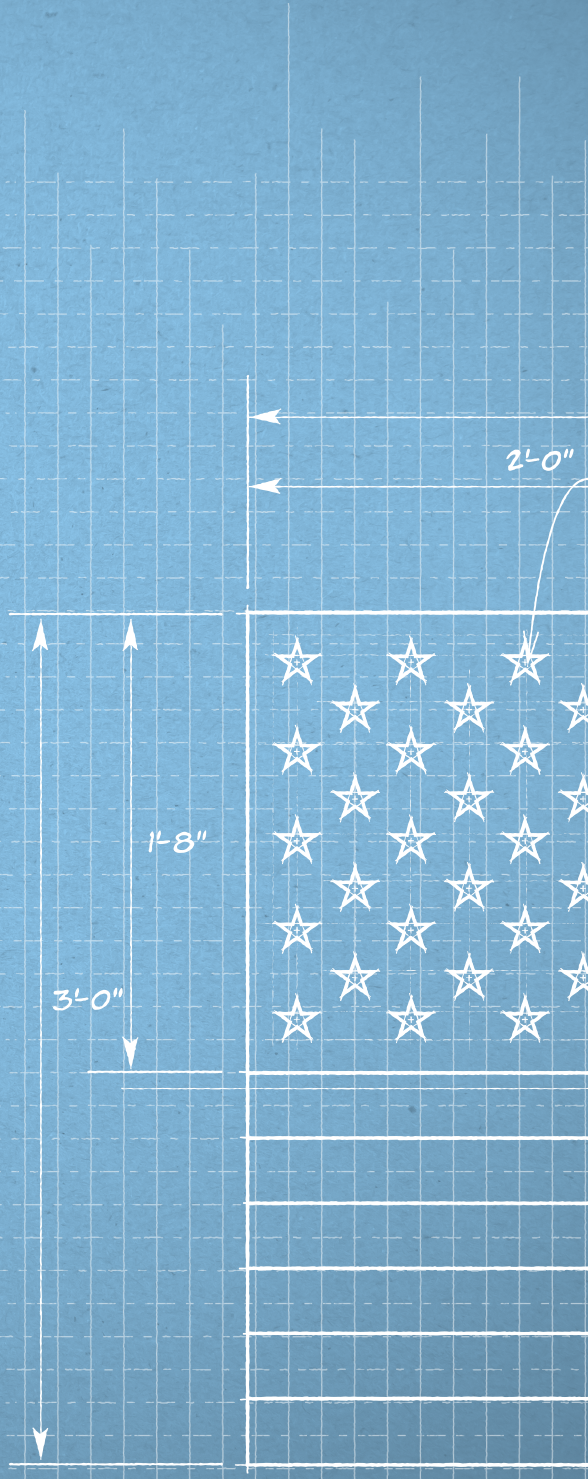
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