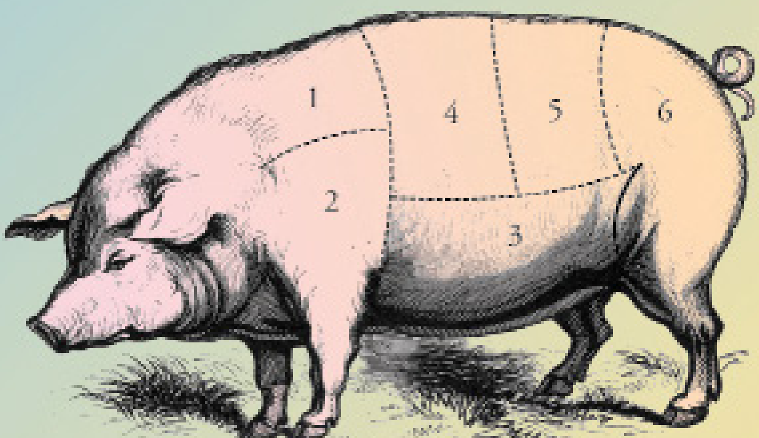
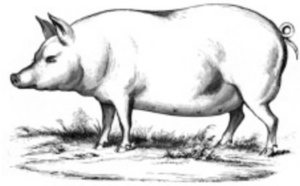
Citizens Against Government Waste

Prime Cuts Summary



April 2015



INTRODUCTION

The November 2014 elections gave the Republican Party control of the Senate and a larger majority in the House. Congress now has a clear mandate to reduce spending by eliminating waste, fraud, abuse, and mismanagement. Hanging over Capitol Hill during this shift in power is the nation's record $18.2 trillion national debt, which is a constant reminder of profligate spending in Washington.

As Congress considers the fiscal year (FY) 2016 budget, Citizens Against Government Waste (CAGW) is releasing *Prime Cuts 2015*. CAGW has been publishing the document since 1993. This year's version contains 601 recommendations that would save taxpayers $639 billion in the first year and $2.6 trillion over five years. Since the organization's inception in 1984, the implementation of CAGW's recommendations has helped save taxpayers $1.4 trillion.

Prime Cuts 2015 can serve as a valuable resource for paring down a bloated federal budget. No area of government spending is spared. For example, the report proposes eliminating the Market Access Program (MAP), which aims to help agricultural producers promote U.S. products overseas. However, MAP is a really a corporate welfare program that funnels millions of dollars to large, profitable corporations and trade associations that can well afford to pay for their own ads. Eliminating MAP would save taxpayers $1 billion over five years.

The recommendations also include long-standing proposals to eliminate the sugar, dairy, and peanut programs; reduce Medicare improper payments by 50 percent; replace the $1 bill with the $1 coin; and increase the use of software asset management tools.

Finally, numerous cuts could be made to the Department of Defense (DOD) without jeopardizing national security, including eliminating congressional add-ons for the M1 Abrams tank retrofit program. In 2011, Army Chief of Staff General Ray Odierno told Congress that the Army had a sufficient number of tanks; the Pentagon proposed suspending production until 2017, saving $3 billion. However, due to the tank's many suppliers spread across numerous congressional districts, legislators have continually added earmarks for the program, including one worth $120 million in FY 2015.

While some in Congress consider DOD spending to be sacrosanct, U.S. military brass is on board with the more effective use of resources at the Pentagon. In August 2013, Navy Vice Admiral David Dunaway stated, "In the face of decreasing budgets, rapidly evolving threats, and a shift in national defense strategy that demands more than ever from our naval forces, it's imperative that every dollar spent increase warfighting capability."

By following the blueprint provided by CAGW's *Prime Cuts 2015*, wasteful government spending can be cut and the nation can start on a path toward fiscal sanity. *Prime Cuts 2015* is essential reading for taxpayers, the media, and legislators.

I. AGRICULTURE

Eliminate the Rural Utilities Service

1-Year Savings: $9.6 billion
5-Year Savings: $48.1 billion

The Rural Electrification Administration (REA) was established in 1935 to bring electricity to America's rural communities. By 1981, 98.7 percent electrification and 95 percent telephone service coverage was achieved. Rather than declaring victory and shutting down the REA, the agency was transformed into the Rural Utilities Service (RUS) in 1994, and then expanded to provide loans and grants for other utilities including telephone service to underserved areas of the country. That mission was further expanded under the 2002 Farm Bill to provide broadband services to unserved or underserved rural areas, which are generally defined as communities with populations of less than 20,000. These services are provided in part through the Rural Broadband Access Loan and Loan Guarantee Program (BAP).

Some of the BAP's wasteful projects include the $667,120 given to Buford Communications of LaGrange, Arkansas (population 122) in 2009 to build a hybrid fiber coax network and a new community center. This equates to $5,468 per resident of LaGrange.

Another RUS program that has been rife with waste is the Water and Waste Disposal System Loans and Grants Program (WWD), which was intended to improve quality of life and create jobs in rural communities. According to a July 2012 Department of Agriculture Inspector General (IG) report, "as of September 30, 2011, RUS had obligated $3.3 billion in grants and loans to fund 854 WWD projects throughout the United States." Only three of the 22 projects examined by the IG were completed on time, and the majority of the projects were started five to 30 months after the funds were obligated. The RUS created only 415 new jobs through the WWD, which is "less than 20 percent of the actual jobs identified in planning estimates."

The time has come to unplug and dispose of the RUS.

Eliminate the Sugar Subsidy

1-Year Savings: $1.2 billion
5-Year Savings: $6 billion

The U.S. sugar program is an outdated, Soviet-style command-and-control program that uses import quotas, loans, marketing allotments, price supports, and tariffs to artificially inflate the price of sugar. The federal government establishes a minimum price for sugar in the U.S., which averages roughly double the world price. The government also imposes marketing controls, limiting how much sugar processors are allowed to sell. These allotments are enforced and administered by a small cartel of sugar processors.

Consumers are paying about $3.5 billion more each year in artificially inflated prices for commodities that use sugar, including baked goods, beverages, candy, cereal, dairy products, snack foods, and hundreds of other products. The program has been costly to the economy as well. Between 1997 and 2011, nearly 127,000 jobs were lost in sugar-using industries. For every sugar growing job that is protected under the program, about three manufacturing jobs are lost.

Few examples exist of more conspicuous public regulation for the benefit of entrenched special interests at the expense of taxpayers than the U.S. sugar program. The program is often justified as providing assistance to small farmers; however, 60 percent of all sugar program benefits go to the wealthiest 1 percent of farmers.

The sweet deal for sugar leaves a sour taste for consumers and taxpayers. The program should be replaced with market-oriented reforms in order to help consumers, food manufacturers, taxpayers, producers, and the environment.

Eliminate the Dairy Subsidy

1-Year Savings: $1.1 billion
5-Year Savings: $5.7 billion

The U.S. dairy market is a complex tangle of subsidies and price supports. Through a series of federal Milk Marketing Orders, which are based historically on the distance from Eau Claire, Wisconsin, to where the milk is produced, the government sets minimum prices that producers must pay for Grade A milk. These vary from region to region, and milk producers are forbidden to sell their product in another region.

While taxpayers dodged a bullet when the 2014 Farm Bill did not include the proposed Dairy Market Stabilization Program, the conference agreement instead created a new Dairy Product Donation Program, which allows the purchase of dairy products at market prices "for donation to public and private nonprofit organizations that provide nutrition assistance to low-income populations." The program, which was never considered in the House or Senate, would require the Department of Agriculture (USDA) to buy dairy goods when market prices drop below a certain threshold and continue these purchases until market prices resurface above the established threshold.

The best solution for taxpayers and consumers is for milk markets to be deregulated and made to resemble other competitive industries.

Eliminate the Market Access Program (MAP)

1-Year Savings: $200 million
5-Year Savings: $1 billion

Formerly known as the Market Promotion Program, MAP is one of the federal government's most blatant examples of corporate welfare. Over the past decade, MAP has provided nearly $2 billion in taxpayer money to help agriculture trade associations, farmer cooperatives, and individual companies advertise their products overseas. Previous beneficiaries have included successful companies such Blue Diamond, Sunkist, Tyson, and Welch Foods.

President Obama's FY 2012 budget proposed a 20 percent cut in MAP, but an amendment to achieve even that limited objective was struck down in the Senate.

A June 2012 report on MAP by former Sen. Tom Coburn (R-Okla.) disclosed that some of the $20 million that was given to the Cotton Council International (CCI) in 2011 was used to create an Indian reality TV show in which designers create clothing made from cotton. The show was intended to promote the use of cotton generally, not necessarily cotton from the U.S. Indeed, India does not have any need for U.S. cotton, as it is a net exporter of the product, producing twice the amount of U.S. cotton growers. MAP has provided more than $169 million to CCI over 10 years.

It is long past time to eliminate MAP.

Eliminate the Peanut Subsidy

1-Year Savings: $55 million
5-Year Savings: $275 million

Programs designed to support the peanut industry have existed in some form since the early 1900s. Originally, peanuts were subsidized with a production quota; only those who owned or leased production quotas from the government were allowed to produce. These valuable quotas drove the cost of peanuts to nearly twice the world price. The 2002 Farm Bill eliminated production quotas, but Congress chose to create a new direct payment program in order to compensate farmers for removing this "resource," costing taxpayers $1.3 billion over five years.

The direct payment program created a system of payments and counter-cyclical payments to "historic peanut producers," or those who grew peanuts from 1998-2001. Unbelievably, the farmers were paid regardless of whether or not they currently produced peanuts.

The 2014 Farm Bill eliminated direct payments, but greatly expanded crop insurance in an effort to make up for the loss of such payments. Producers of covered commodities, including peanuts, chose in late 2014 to participate in either the Agriculture Risk Coverage (ARC) program or the Price Loss Coverage (PLC) program. Under the PLC program, payments are made to farmers when the price for a crop dips below its "reference price." The Farm Bill set the reference price for peanuts at $535 per ton. Under the ARC, USDA makes a payment for a covered crop in any year that "actual crop revenue" for the commodity is less than its "agriculture risk guarantee."

Many economists believe that the cost of the expanded crop insurance programs will significantly exceed initial estimates, as crop prices are beginning to fall much sooner than projected. On January 26, 2015, the Congressional Budget Office (CBO) released a revised baseline that showed annual payments to farmers could average $4.8 billion over the next decade. This represents a nearly 50 percent increase over CBO's estimate following passage of the 2014 Farm Bill.

II. COMMERCE

Eliminate the Hollings Manufacturing Extension Partnership

1-Year Savings: $143 million
5-Year Savings: $715 million

Started at the behest of Senator Ernest "Fritz" Hollings (D-S.C.) in 1988, the Hollings Manufacturing Extension Partnership (HMEP) was designed to increase the efficiency and profitability of American manufacturing firms. Fees from clients were supposed to make the program self-sufficient, but historically have covered a third of its costs. In practice, the HMEP amounts to corporate welfare for advisors and consultants.

The CBO 2009 "Budget Options" report stated that "about half of the partnership's clients believe the services they obtained from HMEP are available other places, although at a higher cost." But there is no such thing as a free lunch. HMEP services cost less because taxpayers are charged for the difference. Non-manufacturing industries get by without this special favor from the government. Manufacturing should do the same.

III. DEFENSE

Eliminate Unrequested Funding for Retrofit of M1 Abrams Tank to the M12A SEP Variant

1-Year Savings: $120 million
5-Year Savings: $3 billion

Over the objections of senior DOD officials, members of Congress have for many years been earmarking funds for the M1 Abrams tank retrofit program. In his testimony before the House Armed Services Committee (HASC) on February 17, 2012, Army Chief of Staff General Raymond Odierno said that the U.S. possesses more than enough tanks to meet the country's needs. In fact, the Army has so many M1 tanks that 2,000 of them are parked in a California desert.

The army intended to retrofit the remainder of the 2,384 M1 tanks it needed by the end of 2013, after which it would delay the upgrade program until 2017, saving taxpayers $3 billion. During this timeframe, the DOD would focus on designing the next generation of tanks, which would be better equipped for the changing nature of warfare. Intended to take on other tanks, the M1 Abrams proved susceptible to asymmetric tactics such as improvised explosive devices employed by insurgents in Iraq and Afghanistan. General Odierno stated that warfare has changed: "…we don't believe we will ever see a straight conventional conflict again in the future."

Unfortunately, members of Congress have different ideas. On April 20, 2012, a bipartisan letter insisting on the continuation of the program from 173 representatives reached the desk of Secretary of Defense Leon Panetta. Although the main tank plant is located in Lima, Ohio, suppliers are spread across the country, which helps to explain the extensive support.

The FY 2015 DOD Appropriations Act contained a $120 million earmark for the program, and hinted at a parochial incentive for continuing the program, stating that the funding will be used to "maintain [the] critical industrial base." There's nothing like a good old-fashioned jobs program disguised as national security. Since FY 1994, there have been 38 earmarks for the M1 Abrams program, requested by at least 13 members of Congress, costing taxpayers $906.6 million. As Congress continues to ignore the DOD, taxpayers will continue to foot the bill for modifications to what Gen. Odierno described as "280 tanks that we simply do not need."

Reduce Cost Growth in the Major Defense Acquisition Portfolio (MDAP) by 20 Percent over Five Years

1-Year Savings: $504 million
5-Year Savings: $2.5 billion

The MDAP is made up of 80 defense programs that require either a total expenditure of more than $365 million for research, testing, development, and evaluation, or more than $2.19 billion for procurement. The 80 programs contained in the 2014 version of the MDAP will cost taxpayers $1.5 trillion to complete.

The Government Accountability Office (GAO) released its annual report on the MDAP in March 2014, stating that the cost of these programs increased by $14.1 billion from the prior year's estimates. GAO said that compared to all of the MDAP "programs' first full estimates, the total acquisition cost of the current portfolio has grown by $447.8 [billion], or nearly 42 percent," and the "average time to deliver initial capability to the warfighter" increased from 26 to 28 months.

While the GAO report contained positive news on the DOD's largest acquisition program, the F-35 Joint Strike Fighter, which experienced an $11.5 billion reduction in cost due to efficiencies found within the program, the Pentagon can still improve its performance in a number of areas. According to the report, most of the 38 programs that the GAO evaluated in detail were not "fully following a knowledge-based acquisition approach." The report went on to say, "This held true for the seven programs that passed through one of three key decision points in the past year. Each implemented some knowledge based practices but practices—such as fully maturing technologies prior to development start and bringing all manufacturing processes under control—were not implemented. As a result, many of the 38 programs will carry unwanted risk into subsequent phases of acquisition that could result in cost growth or schedule delays."

In other words, programs are advancing based upon designs that might be flawed, which will contribute to future cost growth.

Sell the Southeastern Power Administration and Related Power-Generating Assets

1-Year Savings: $0
5-Year Savings: $1.2 billion

The Department of Energy owns and operates four Power Marketing Administrations (PMAs). The largest is the Southeastern Power Administration, which consists of 23 hydroelectric projects in Alabama, Florida, Georgia, southern Illinois, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia. The PMAs sell energy at low, subsidized rates, but these rates are not targeted to low-income areas or disadvantaged consumers. In fact, according to a 2009 CBO "Budget Options" report, the communities that receive PMA service "are similar to neighboring communities that do not," and they "meet only a small share of the total power needs of households in the regions served."

Selling Southeastern would allow it to operate in the private sector, where it should have been all along. The sale would be an important step in reducing the size and scope of the Department of Energy, which has expanded well beyond its original mission, and would be relatively painless for customers served by Southeastern. A 1999 GAO report stated that users "would see their monthly electricity bill increase by less than $1, while the maximum increase in their electricity bill would range in most states between $1 and $8."

Selling the Southeastern Power Administration makes fiscal sense, as there is precedent for unloading PMAs: the Alaska Power Administration was privatized in 1996.

Sell the Tennessee Valley Authority's Electric Power Assets and Privatize its Non-Power Functions

1-Year Savings: $-5 million
5-Year Savings: $1.1 billion

The Tennessee Valley Authority (TVA) is a multibillion-dollar federally owned and operated corporation that was established in 1933 in an effort to bring electricity and development to some of the most underdeveloped parts of the Southeastern United States. TVA's non-power responsibilities include recreational programs, the promotion of public use of federal land and water resources, and the operation of a national fertilizer research center. Congress appropriates nearly $140 million annually for these non-power duties.

As the CBO pointed out in its FY 2011 "Spending and Revenue Options" report, "unlike private utilities, TVA does not have to provide a return to equity holders – in this case, the taxpayers, who are exposed to the risk of having to make up for future revenue shortfalls." According to a March 6, 2014 report by Janney Corporate Credit, TVA's debt will likely reach $26.5 billion in FY 2015, bringing it much closer to the $30 billion debt cap established by Congress. Despite this huge debt, the TVA has not relinquished its hold on electric utilities across the Southeast by turning its duties over to the private sector.

Many TVA supporters mistakenly believe that privatization would lead to rate hikes that might harm consumers, especially in low-income areas. In reality, the TVA charges rates that are in line with what the private sector would charge. Because of the TVA's poor financial position, savings would be minimal in the first year after the sale and privatization of TVA assets and functions, but would reach $1.1 billion after five years.

V. ENVIRONMENTAL PROTECTION AGENCY

Eliminate Targeted Water Infrastructure Grants

1-Year Savings: $157 million
5-Year Savings: $785 million

In his FY 2012 budget, President Obama proposed eliminating targeted water infrastructure grants because they "are duplicative of funding available for such projects through the Clean Water and Drinking Water State Revolving Funds (SRFs), but are not subject to the State priority-setting process for these programs, which typically funds cost-effective and higher priority activities first." In other words, the grants are another example of the hundreds of redundant federal programs that should be eliminated. Since FY 1996, 1,823 earmarks costing taxpayers $1.1 billion have gone toward water infrastructure.

Eliminate the ENERGY STAR Program

1-Year Savings: $52 million
5-Year Savings: $260 million

The ENERGY STAR program, a joint venture between the Energy Department (DOE) and the Environmental Protection Agency (EPA), started in 1992 as a voluntary labeling program to identify energy-efficient products. It includes a "Change the World, Start with ENERGY STAR" messaging program and funded the construction of exhibit houses in nine cities in an effort to convince more Americans to use energy-efficient products.

The program's website brags, "ENERGY STAR has been a driving force behind the more widespread use of such technological innovations as efficient fluorescent lighting, power management systems for office equipment, and low standby energy use." Others would argue that high energy prices and a more environmentally-conscious society have been far more responsible for increasing energy efficiency. In other words, taxpayers do not need federal bureaucrats telling them how to save energy.

A March 2010 GAO report found that the ENERGY STAR program is vulnerable to fraud and abuse. The GAO submitted 20 phony products for certification, 15 of which were cleared, including a gas-powered alarm clock. Indicating how much reliance consumers place on ENERGY STAR labels, "two of the bogus Energy Star firms developed by GAO received requests from real companies to purchase products because the bogus firms were listed as Energy Star partners." GAO reported that "certification controls were ineffective primarily because Energy Star does not verify energy-savings data reported by manufacturers."

Only four of the 20 products submitted, or 20 percent, were required by ENERGY STAR to be cleared by an independent third party. Taxpayers should not be forced to tolerate ENERGY STAR results that are close to the Mendoza Line.

Reduce Medicare Improper Payments by 50 Percent over Five Years

1-Year Savings: $0
5-Year Savings: $24 billion

Medicare is plagued with the highest reported amount of improper payments of any federal program. According to the Centers for Medicare and Medicaid Services' (CMS) FY 2014 Comprehensive Error Rate Testing Report, the improper payment rate was 12.7 percent and the improper payment amount was $46 billion. Because of its chronic vulnerability to fraud, waste, abuse, and mismanagement, GAO has for 20 years designated the Medicare program as "high risk."

In a bipartisan effort to reduce improper payments and help stave off the impending bankruptcy of the Medicare Trust Fund, Congress first implemented a Recovery Audit Contractor (RAC) demonstration project for Medicare Parts A and B that ran from 2005 to 2008 and recovered more than $900 million in overpayments to providers. Congress enacted legislation to expand the program nationwide and make it permanent, a process that began in early 2009 and was fully implemented by September 2010.

In 2010, Congress further expanded the scope of RACs in the Affordable Care Act to include auditing for Medicare Parts C and D. The legislation also required states and territories to establish RAC programs for Medicaid, noting that the RAC program was a proven, valuable tool in reducing improper payments.

Since the beginning of the RAC program, $9.7 billion has been returned to the Medicare Trust Fund. In FY 2013 alone, RACs collected $3.65 billion, according to the Medicare Trustees' report to Congress on the program. Only $57.6 million of that amount, or 1.6 percent, was overturned at the first level of appeal. In addition, only 9.3 percent of all claims that reached the top level of appeal to administrative law judges were overturned in FY 2013.

RACs have an average accuracy rate of 96 percent, which makes them far and away the most successful tool Congress has ever implemented to protect taxpayers and Medicare beneficiaries from rampant improper payments.

The Trustees' report called the RAC program "an important initiative in CMS's goal to reduce improper payments and pay claims accurately."

Ironically, the Trustees' FY 2013 RAC report came out one month after CMS suspended certain audits. The suspension was extended several times and is scheduled to expire on March 31, 2015. In other words, since October 2013, about $1 billion per quarter in erroneous hospital claims is not being collected for the Medicare Trust Fund.

The benching of the RAC program has given hospitals an extended "oversight holiday" for claims related to short inpatient stays, which constituted the vast majority of the claims that RACs were auditing. Congress has jumped into the fray by extending the CMS audits as part of a bill to temporarily patch Medicare's sustainable growth rate (SGR). The SGR patch must be extended or permanently fixed on or before March 31, 2015.

All of these attempts to gut the RAC program contravene CMS's own data that the RAC program led to a reduction in the error rate of Medicare improper payments. After they dropped from 10.8 percent in FY 2009 to 8.5 percent in FY 2012, the rate of improper payments rose, as previously noted, to 12.7 percent in FY 2014.

Criticism of the RACs by hospitals and other providers have been a significant factor in pushing both CMS and Congress into suspending audits. These complaints are both overblown and inaccurate. RACs only audit 2 percent of claims and must receive pre-approval of audits by CMS. Each audit is overseen by a medical professional.

The suspension of the RAC program is a subversion of the will, if not the letter, of the law. Members of Congress should not only stop giving in to pressure to gut the RAC program, they should reinstate and safeguard the RACs. Otherwise, Medicare will have little chance of dropping down from its current – and growing – position as number one in improper payments.

Raise the Retirement Age for Social Security Beneficiaries

1-Year Savings: $100 million
5-Year Savings: $12.2 billion

Currently, retirees are eligible to begin receiving Social Security benefits at age 62 under "early" retirement, but these beneficiaries receive smaller payments over the rest of their lives. The current Normal Retirement Age (NRA) is 65 for workers born before 1938, and increases in two-month increments until it becomes 66 for those born between 1943 and 1954. It is slated to reach 67 for workers born in 1960 or later.

According to the 2014 Social Security and Medicare Boards of Trustees annual report, the two social programs ate up 41 percent of federal expenditures in FY 2013. Social Security's expenditures have exceeded non-interest income since 2010, and the trustees estimate that this will continue throughout the 75-year projection period. According to the report, the trustees "project that this annual cash-flow deficit will average about $77 billion between 2014 and 2018 before rising steeply as income growth slows to its sustainable trend rate after the economic recovery is complete while the number of beneficiaries continues to grow at a substantially faster rate than the number of covered workers."

The report stressed that "neither Medicare nor Social Security can sustain projected long-run program costs in full under currently scheduled financing, and legislative changes are necessary to avoid disruptive consequences for beneficiaries and taxpayers. If lawmakers take action sooner rather than later, more options and more time will be available to phase in changes so that the public has adequate time to prepare."

According to the U.S. Census, average life expectancy at birth for all Americans increased from 59.1 years in 1935, the year Social Security was established, to 77.9 years in 2007, the most recent year for which life expectancy data are available. But the eligibility age for Social Security has hardly moved. Reforming the NRA so that it reaches 67 for workers born in 1951 and 70 for workers born in 1969, and raising it by one month every other year thereafter until it reaches 70 for all retirees, would save taxpayers $119.9 billion over the next 10 years, according to a March 10, 2011 CBO report.

Raise the Eligibility Age for Medicare Recipients

1-Year Savings: $0 billion
5-Year Savings: $7.8 billion

The populations that receive Medicare and Social Security are identical; thus, it makes sense that the eligibility age for each should be raised simultaneously. Medicare alone is expected to cost more than $1 trillion annually by 2020 and will become insolvent by 2030. The 2014 Medicare Trustees Report projects Medicare spending as a percentage of the economy to increase from 3.4 percent in 2014 to 6.3 percent in 2085.

Under current law, Medicare recipients can begin collecting benefits at the age of 65. According to a March 10, 2011, CBO report, using 2017 as the starting point to increase Medicare's eligibility age by two months annually until it reaches 67 would reduce Medicare costs by 10 percent by 2035. It would reduce federal spending by $124.8 billion over the next 10 years. As life expectancies (happily) keep growing, raising the eligibility age is likely to be the easiest, least controversial method of reining in Medicare costs.

Eliminate Community Development Block Grants (CDBGs)

1-Year Savings: $4 billion
5-Year Savings: $20 billion

In the 1970s, many American cities suffered from destitution and blight.

For a variety of reasons, including rent control and inept local governance, America's urban centers looked very different than they do today. During the 1974 World Series, swathes of New York City's South Bronx burned to the ground as Howard Cosell narrated on national television. Before the end of that year, Congress created CDBGs in an effort to revitalize low-income areas in cities across the country.

The money was intended for infrastructure investments, housing rehabilitation, job creation, and public services in metropolitan cities and urban counties. The program was intended to be flexible, but more than $100 billion given away to local governments over the last 35 years has fallen short on both accountability and results. Buffalo, New York, has received more than $500 million in CDBGs over the last 30 years, with little to show for it, and Los Angeles handed out $24 million to a dairy that went bust 18 months later.

The CDBG formula for eligibility does not take a community's average income into account. As a result, several very wealthy cities with robust tax bases, such as Greenwich, Connecticut, have received CDBG dollars. A September 2012 GAO report found that "some cities with higher unemployment rates received less funding per unemployed person than other cities with lower unemployment rates." Even President Obama has recommended reducing CDBG funding because "the demonstration of outcomes [is] difficult to measure and evaluate."

Eliminate the Neighborhood Reinvestment Corporation (NeighborWorks America)

1-Year Savings: $167.7 million
5-Year Savings: $838.5 million

Congress established the Neighborhood Reinvestment Corporation in 1978 to revitalize "older urban neighborhoods by mobilizing public, private and community resources at the neighborhood level." In 2005, the name was changed to NeighborWorks America.

In 2010, GAO found that NeighborWorks America was one of many federal programs to have supplied grants to ACORN, the community organizing group accused in recent years of voter fraud and other scandalous behavior. ExpectMore.gov, the George W. Bush administration's rating system for federal programs that was managed by the Office of Management and Budget (OMB), called NeighborWorks America only "moderately effective," and stated that it "lacks measures that focus on neighborhood change or outcomes in the lives of those it assists." According to CBO, NeighborWorks duplicates low-income housing, community development, and homeownership programs that already exist within the Department of Housing and Urban Development (HUD).

Eliminate the Brownfield Economic Development Initiative

1-Year Savings: $18 million
5-Year Savings: $90 million

The Brownfield Economic Development Initiative is intended to facilitate the redevelopment of abandoned or underused industrial and commercial facilities. However, according to the President's FY 2012 budget, "Existing larger programs to address the same needs are more efficient and require a lower administrative burden" on HUD. The budget recommended that the program be terminated, and suggested that local governments can access other public and private funding designed to address the same issues.

VIII. INTERIOR

Open the Coastal Plain of the Arctic National Wildlife Refuge (ANWR) to Leasing

1-Year Savings: $0
5-Year Savings: $2.5 billion

The 1980 Alaska National Interest Lands Conservation Act (ANILCA) created 104 million acres of wilderness areas, national parks, and wildlife refuges, including the 19 million-acre ANWR. ANILCA stipulated that potential petroleum reserves should be researched. In 2009, the CBO stated that "According to the U.S. Geological Survey, [ANWR] appears to have the most promising potential for oil production of any unexplored onshore area in the United States."

A February 2012 CBO report found that leasing portions of ANWR to private firms for oil and natural gas production would result in a decrease of $2.5 billion in direct spending by the federal government, even before post-extraction royalties. ANWR drilling would reduce America's dependence on foreign energy while lowering gas and oil prices. The area that would be drilled makes up less than 1 percent of ANWR, making the protests against drilling seem small and unimportant.

VIII. INTERIOR (continued)

Suspend Federal Land Purchases

1-Year Savings: $466 million
5-Year Savings: $2.3 billion

The federal government currently owns roughly one-third of all U.S. land, including more than 80 percent of Alaska and Nevada and more than half of Idaho, Oregon, and Utah. A March 2000 CBO report stated that the National Park Service (NPS), the Forest Service, and the Bureau of Land Management might better meet "environmental objectives such as habitat protection and access to recreation … by improving management in currently held areas rather than providing minimal management over a larger domain." In 2003, the GAO reported that the NPS's maintenance backlog was more than $5 billion. Since then, federal land acquisitions have accelerated, placing even greater burdens on an obviously inefficient and overstrained system.

Eliminate Land and Water Conservation Fund (LWCF) State Recreation Grants

1-Year Savings: $42.1 million
5-Year Savings: $210.5 million

Since 1965, LWCF state recreation grants have provided matching funds to state and local governments that improve or purchase lands for parks. The amounts have fluctuated from as low as zero in 1996 to a high of $140 million in 2002.

It makes no sense to tax people all over the U.S. to pay for public parks that will benefit only local residents. State and local governments should pay for the land purchases and upkeep necessary to support their own parks.

IX. JUSTICE

Terminate Community Oriented Policing Services (COPS)

1-Year Savings: $829.1 million
5-Year Savings: $4.1 billion

A signature plan of the Clinton administration, COPS was intended to reduce rising crime rates in the early 1990s by providing federal grant money for the hiring of 100,000 police officers to patrol American streets. Nineteen years later, the program has failed to reach its stated goals and has fallen victim to hundreds of millions of dollars in waste, fraud, and abuse.

On top of the waste and mismanagement, COPS requires that recipient cities keep the program running on their own dime for at least one year after the grant money runs out, which creates another unfunded mandate for local governments already strapped for cash.

A July 2012 GAO report found substantial overlap among DOJ's grant programs, which in many instances perform the same function. The GAO suggested that DOJ perform an assessment of the programs to find "where a consolidation of programs may be more efficient." COPS would be a great place to start. A September 2010 CRS report found that the costs of the program outweighed the benefits by more than $1 billion.

COPS has also long been a prime repository for pork; since FY 1998, members of Congress have crammed 2,872 earmarks costing taxpayers $1.8 billion into the Commerce, Justice, Science, and Related Agencies Appropriations bills.

Eliminate Edward Byrne Memorial Justice Assistance Grants (JAG)

1-Year Savings: $519 million
5-Year Savings: $2.6 billion

The JAG program has been around since 1988 in one form or another.

In 2005, Congress merged several DOJ grant programs under the JAG umbrella. Unfortunately, the program gives away money with too much flexibility, no effective targeting strategy, weak oversight, and few consequences for mismanagement of the funds. JAG funds have been frequently earmarked, with 2,449 earmarks costing $1.8 billion since FY 2001, and the program has turned into an open-ended subsidy for states' routine operational law enforcement expenses.

In a June 19, 2008, *Washington Post* article, Sen. Claire McCaskill (D-Mo.) said, "Some bureaucrat cannot decide on a whim who gets precious tax dollars. It's insulting to all the programs that work hard on their applications to have merit take a back seat to who you know."

The Bush administration's ExpectMore.gov described the Byrne grants as "a variety of potential local law enforcement activities rather than a clearly defined, specific or existing problem, interest, or need. … With program funds eligible to be used for multiple purposes, the Department of Justice cannot target the funds to high priority uses. There are no meaningful goals for the program. Performance measures are still under development. Grantees are not required to report on performance. As a result, it is difficult to determine what the program is accomplishing."

JAGs are certainly accomplishing government waste and, therefore, the program should be terminated.

Terminate Funding for the State Justice Institute

1-Year Savings: $5.1 million
5-Year Savings: $25.5 million

The State Justice Institute was created by Congress in 1984 to "improve the quality of justice in State courts, facilitate better coordination between State and Federal courts, and foster innovative, efficient solutions to common issues faced by all courts." To accomplish this mission, it provides grants for research on criminal justice issues. However, the institute is duplicative of other programs within the DOJ. House Republican leaders have repeatedly suggested eliminating the program.

Repeal the Davis-Bacon Act

1-Year Savings: $512 million
5-Year Savings: $6.3 billion

The Davis-Bacon Act, passed in 1931, requires that contractors pay their employees the "prevailing wage" on federal projects costing more than $2,000. The mandate raises the cost of government projects by 15 percent and costs taxpayers $512 million annually. Davis-Bacon has been touted by labor unions and politicians as essential to ensuring fair compensation on government jobs. In reality, the "prevailing wage" tends to correspond to union wages, especially in urban areas. This effect is no accident. Davis-Bacon was passed as part of an effort by high-skilled, high-wage, mostly white workers to keep out lower-paid, non-union, minority competition. In 1931, Rep. Miles Allgood (D-Ala.), arguing for the act's passage, complained of "that contractor [who] has cheap colored labor which he transports … and it is labor of that sort that is in competition with white labor throughout the country."

Davis-Bacon supporters have argued that hiring low-wage workers would result in shoddy work. But the federal government is aware that this is not accurate. Davis-Bacon was suspended in the aftermath of Hurricanes Andrew and Katrina to facilitate reconstruction, and the GAO reported in September 2009 that many stimulus projects were delayed for months because of onerous Davis-Bacon requirements. A January 27, 2010, Heritage Foundation study found that suspension of Davis-Bacon under the stimulus "would allow the government to build more and hire 160,000 new workers without increasing the deficit."

The U.S. Chamber of Commerce also supports repealing Davis-Bacon. Its elimination would "spur local economic growth by making it easier for state and local governments to fund federally subsidized projects such as school construction and improvements to the transportation infrastructure," and "create an estimated 31,000 new construction jobs and remove a barrier that keeps many smaller and minority owned construction firms from bidding on federally funded construction projects."

End Susan Harwood Training Grants

1-Year Savings: $3 million
5-Year Savings: $15 million

The Occupational Safety and Health Administration (OSHA) offers Harwood grants to nonprofit organizations to provide safety training to workers. Although the grants are competitively awarded, President George W. Bush repeatedly targeted this program for elimination for three reasons: it duplicates more cost-effective OSHA education activities; there was no data proving the program was successful; and, grantees found it difficult to get workers to attend the training programs. Two projects funded in FY 2012 provide more justification for termination: a combined $418,472 to four different organizations to teach employees how to avoid falling and $120,000 to Kansas State University for a program on "Grain Handling Operations."

Eliminate Federal Subsidies for Amtrak

1-Year Savings: $1.4 billion
5-Year Savings: $7.1 billion

On May 1, 2011, Amtrak kicked off its 40th anniversary celebration. The festivities did not mention the fact that over that period of time Amtrak had cost taxpayers $37 billion, a figure that has now exceeds $40 billion. The railroad was supposed to earn a profit when it was created by the government in 1971, but the money never materialized. According to an October 2009 Pew report, 41 of the 44 lines Amtrak operated in 2008 lost money, leading to a $32 loss per passenger.

By booking a month in advance, it is possible to buy a round-trip plane ticket from New Orleans to Los Angeles and back for less than the $437.82 that Amtrak loses per passenger on a one-way trip between those same locations. To make matters worse, *The New York Times* reported in August, 2012, that Amtrak lost $834 million on food service alone since 2002, largely due to employee theft.

Unfortunately, the waste and abuse does not end with food sales. The Amtrak Office of the Inspector General (OIG) has issued several reports detailing inadequate supervision, including a September 2012 report that investigated two employees who received fraudulent pay for hours they never worked. One employee was paid $5,600 in regular and overtime pay "when he was actually off Amtrak property officiating at high school sporting events." Another employee was observed for 84 days, and it was discovered that "$16,500 of the $27,000, or 61 percent of the overtime wages he was paid were fraudulent." The OIG concluded that since it is likely that this employee had a history of fraudulent overtime pay, the amount of fraudulent pay "would be approximately $143,300 of the $234,928 that he was paid."

Amtrak boasts that ridership continues to increase by 3.5 percent a year. However, in Amtrak's FY 2013 budget, the rail line revealed that only five of the 46 lines it operates would turn a profit, all of them located in the Northeast

Corridor. None of the long distance, lesser-used routes were projected to turn a profit. In fact, Amtrak stated that these lines cost the most to operate and bring in the least amount of revenue. Given this information, any well-managed privately owned business would have shut down these lines years ago.

Even previous supporters of Amtrak have voiced skepticism. Former Amtrak spokesman and rail expert Joseph Vranich asserted that "Amtrak is a massive failure because it's wedded to a failed paradigm. It runs trains that serve political purposes as opposed to being responsive to the marketplace. America needs passenger trains in selected areas, but it doesn't need Amtrak's antiquated route system, poor service and unreasonable operating deficits." Even the so-called "Father of Amtrak," Anthony Haswell, regrets his involvement, stating, "I feel personally embarrassed over what I helped to create."

XI. TRANSPORTATION (continued)

End the Essential Air Service (EAS)

1-Year Savings: $150 million
5-Year Savings: $750 million

The EAS was created in the 1970s after airline deregulation in an effort to retain air service in smaller communities. Today, it provides subsidies to 153 rural communities in 35 states and Puerto Rico. Unfortunately, what was intended to be a temporary program has morphed into a funnel for subsidies to support largely empty flights that otherwise would never leave the ground.

According to a September 19, 2009, article in *The Los Angeles Times*, EAS "spends as much as thousands per passenger in remote areas" and "provides service to areas with fewer than 30 passengers a day." Among the most absurd recipients of EAS subsidies is an airport in Johnstown, Pennsylvania, tirelessly defended by the late Rep. John Murtha (D-Pa.), from which just 18 flights leave each week. Johnstown is only two hours east of Pittsburgh International Airport by car.

A May 2012 investigation by Scripps Media "exposed one flight between Baltimore and Hagerstown, Maryland – just about 75 miles apart – [that] was so sparse the captain allowed the only other passenger who wasn't our producer to sit in the co-pilot's seat," and cited two other flights on the same route with just one passenger each. The investigative team found that "A 19-seat plane from Cleveland to Dubois, Pennsylvania, about 180 miles east, had just one passenger as well."

Fortunately, the Federal Aviation Administration funding bill that passed in February 2012 limited EAS funding recipients to airports that are more than 175 miles from a major hub and that move more than 10 passengers a day. Limits are insufficient; the EAS needs to be grounded.

XII. TREASURY

Replace the $1 Bill with a $1 Coin

1-Year Savings: $146 million
5-Year Savings: $730 million

The advantages of using a $1 coin instead of a $1 bill are substantial and well-documented. The Bureau of Engraving and Printing produces approximately 3.4 billion $1 bills each year, each of which costs 4.2 cents to manufacture. Each bill has a lifespan of approximately 21 months. By comparison, the $1 coin costs between 12 and 20 cents but has a lifespan of 30 years or more.

Other benefits of the conversion to $1 coins include savings on the processing of money by banks and businesses. Coins cost 30 cents per thousand pieces to process at Federal Reserve Banks, compared to 75 cents per thousand for $1 notes. Large-scale, private-sector users would experience even more savings. Processing bills costs more than 500 percent more than processing coins. Coins are also much more difficult to counterfeit.

A November 2012 GAO report noted that the GAO has concluded six different times that switching to the $1 coin "would result in net financial benefits to the government of hundreds of millions of dollars annually," and added that the GAO "continue[s] to believe that replacing the note with a coin is likely to provide a financial benefit to the government." The same report pointed out that many countries around the world have switched to coins from low denomination notes in the interest of cost savings. For example, the Canadian government "saved $450 million (Canadian) over 5 years by converting to the $1 coin."

A potentially negative public reaction has often been cited as a reason to avoid switching to dollar coins. However, the GAO report found that "stopping production of the note combined with stakeholder outreach and public education were important to overcome public resistance, which dissipated within a few years after transitioning to the low denomination coins." Indeed, Americans already are behind the idea of switching to the dollar coin. A January 2011 poll conducted by the Tarrance Group and Hart Research found that when Americans are informed of the potential cost savings, 65 percent support replacing the $1 bill with the $1 coin.

XIII. OTHER RECOMMENDATIONS

Eliminate the Legal Services Corporation (LSC)

1-Year Savings: $420 million
5-Year Savings: $2.1 billion

Established in 1974, the LSC functions as a nonprofit organization, but receives the bulk of its funding from the federal government. Its board is appointed by the President. Although the LSC claims to be the largest provider of legal aid for the poor, questions exist as to whether the corporation has the systems in place to evaluate its ability to fulfill its mandate and ensure that taxpayer funds are used wisely. Further, the LSC has long been accused of having an ideological bias and funding causes unrelated to counseling the poor.

A 2007 GAO report criticized LSC's governance and accountability, noting, "LSC has not kept up with evolving reforms aimed at strengthening internal control over an organization's financial reporting process and systems." A June 2010 GAO report took issue with LSC's grant management systems and noted that while LSC "has taken steps" to address previous GAO recommendations, "several have yet to be fully addressed."

The Sixth Amendment to the Constitution guarantees defendants the right to be represented by counsel, but it does not guarantee funds for private nonprofit organizations. If Congress seeks to ensure better counsel for the poor, a more appropriate method would be to improve the capabilities of court-appointed attorneys. Funneling taxpayer dollars into private hands like the nonprofits funded by the LSC invites corruption and the politicization of federal outlays.

Eliminate the AmeriCorps Program

1-Year Savings: $346 million
5-Year Savings: $1.7 billion

Created in 1993, AmeriCorps, which was heralded as a domestic version of the Peace Corps, is the largest national and community service program since the Civilian Conservation Corps of the 1930s. The program has three statutory goals for its more than 75,000 service members: to advance youth volunteerism; to use volunteers to address pressing community problems; and to leverage private sector financial support using Corporation for National Service (its parent organization) grants as seed money.

The recruits hired by AmeriCorps cost taxpayers a bundle. An August 1995 GAO audit of 93 AmeriCorps grantees found that "programs operated by nonprofit, state, and local agencies received about $25,800 in cash and in-kind contributions per participant. In contrast, programs sponsored by federal agencies received about $31,000 in cash and in-kind contributions per participant--about 20 percent more than programs administered by nonfederal grantees."

When it was started, AmeriCorps was hailed by President Clinton as a catalyst for strengthening community service and youth volunteerism. Instead, it has become a taxpayer-subsidized operation with amorphous goals and little to no measurement of its accomplishments. For almost $350 million, Americans deserve better than a glorified résumé booster.

Eliminate the National Endowment for the Humanities (NEH) and the National Endowment for the Arts (NEA)

1-Year Savings: $335 million
5-Year Savings: $1.7 billion

Created in 1965, the NEA and NEH have become examples of dabbling in fields that should be entirely free from government intervention. As lawmakers look to downsize the federal budget, NEA and NEH should be easy cuts. But getting them on the chopping block will be difficult, because special interest groups and their political allies fight for every drop of funding.

For example, Senate Majority Leader Harry Reid (D-Nev.) helped defeat H.R. 1, the Full-Year CR for Fiscal Year 2011, which, among other spending reductions, defunded the NEA and the NEH. On March 8, 2011, Sen. Reid described the proposed termination in a Senate floor speech as "mean-spirited," stating that were it not for the NEH's federal money, the Cowboy Poetry Festival and "the tens of thousands of people who come there every year, would not exist." This earned Sen. Reid CAGW's "Porker of the Month" in March 2011.

Plays, paintings, pageants, and scholarly articles, regardless of their merit or attraction, should not be forcibly financed by taxpayers. 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. Anything else is anathema to taxpayers.

XIII. OTHER RECOMMENDATIONS (continued)

Eliminate the Appalachian Regional Commission (ARC)

1-Year Savings: $76 million
5-Year Savings: $380 million

The ARC was created by Congress in 1965 to "bring the 13 Appalachian states into the mainstream of the American economy." The commission represents a partnership of federal, state, and local governments, and covers all of West Virginia along with portions of Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia. The ARC provides funding for several hundred highways and development projects throughout the Appalachian region. The commission is duplicative of dozens of other programs that exist at the federal, state, and local levels, and unfairly focuses on a region of the country that is no more deserving than other impoverished areas.

Since FY 1995, the ARC has received seven earmarks totaling $170.5 million for projects in Alabama, Kentucky, North Carolina, Ohio, South Carolina, Tennessee and West Virginia.

Eliminate the Denali Commission

1-Year Savings: $10 million
5-Year Savings: $50 million

Congress created the Denali Commission in 1998 to build infrastructure in rural Alaska. President Obama targeted the commission's federal funding for elimination in his FY 2012 budget. The administration argued that Denali projects are not funded through a competitive or merit-based system. The White House also pointed out that at least 29 other federal programs could fulfill the commission's mandate. The commission's inspector general, Mike Marsh, stated in September 2013 that "I have concluded that [my agency] is a congressional experiment that hasn't worked out in practice. … I recommend that Congress put its money elsewhere."

A September 2014 GAO report found that the Denali Commission Office of Inspector General (OIG) provided extremely limited oversight of the commission's major programs during FYs 2011-2013. According to the report, "analysis of the 12 inspections completed by the OIG found that the OIG provided oversight for $150,000 of the $167 million in grant funds disbursed during fiscal years 2011 through 2013." The amount of funding inspected by the OIG added up to less than 1 percent of grants awarded by the Denali Commission over this period.

Regular readers of CAGW's *Congressional Pig Book* know that the program has long been heavily earmarked. Since FY 2000, 27 projects worth $335.1 million have been earmarked for the Denali Commission, including requests by Senate Energy and Water Appropriations Subcommittee member Lisa Murkowski (R-Alaska), Sen. Mark Begich (D-Alaska), Rep. Don Young (R-Alaska), and the late Sen. Ted Stevens (R-Alaska).

The commission's statutory authorization expired on October 1, 2009. It is time for the federal appropriation to disappear as well.

Privatize Fannie Mae and Freddie Mac

1-Year Savings: $1.5 billion
5-Year Savings: $6.7 billion

When they were taken under government conservatorship in 2008, Fannie Mae and Freddie Mac were government-sponsored enterprises (GSEs) with special benefits not afforded to other firms in the secondary mortgage market, including lines of credit through the U.S. Treasury, exemption from income taxes, and some freedom from Securities and Exchange Commission oversight. Their biggest advantage was their implicit federal guarantee; in a crisis, Uncle Sam was assumed to be willing to step in to bail out the mortgage giants, which allowed Fannie and Freddie to borrow at lower rates than would otherwise have been possible.

By 2003, Fannie and Freddie had accrued more than $4 trillion in debt, but supporters in Congress were unfazed. Former Rep. Barney Frank (D-Mass.) stated that the two GSEs do what "the market in and of itself will not do," and added that he would like to "roll the dice a little bit more in this situation towards subsidized housing." On September 6, 2008, with their shares having lost 90 percent of their value, the GSEs were placed in conservatorship by the U.S. Treasury. Then-Treasury Secretary Henry Paulson attributed the need for the action "primarily to the inherent conflict and flawed business model embedded in the GSE structure." To date, Fannie and Freddie have cost taxpayers $187.5 billion.

On June 2, 2011, the CBO asserted that, in the end, the U.S. might need to provide up to $317 billion to cover losses at Fannie and Freddie, a figure that includes the $187.5 billion already spent. Given the bailout threat posed by the GSEs and their "too big to fail" status in America's mortgage market, these albatrosses must be jettisoned at the first possible opportunity.

Reform the Federal Housing Administration

1-Year Savings: $0
5-Year Savings: $0

The Federal Housing Administration runs a $1 trillion mortgage insurance program that was originally designed to help low and moderate income individuals buy a house if they cannot provide a 20 percent down payment. FHA is the largest single provider of mortgage insurance and has a 100 percent guarantee of payment to lenders should the homeowner default.

Historically, FHA has controlled about 10-20 percent of the mortgage market. But after Congress increased the size of mortgages the agency could insure from $360,000 to $625,000, FHA controlled about 60 percent of the low down payment mortgage market from 2008-2010. That means the income eligible for FHA mortgage insurance went from the national average of about $64,000 to $110,000. Put another way, more than twice as many people can get FHA insurance than they could before the limit was raised.

At the same time that eligibility has exploded, FHA has faced serious solvency problems, culminating in a $1.7 billion bailout from the Treasury at the end of 2013. Overall, CBO estimates that FHA insurance cost taxpayers $15 billion from 2009-2012. Nonetheless, the agency's website falsely claims it is the only federal entity that is operates entirely on fees and costs the taxpayers nothing.

Even with all of the taxpayer money that has been thrown at the agency, the FHA is seriously undercapitalized. The law says the agency needs to keep 2 percent cash on hand, or about $18-$20 billion, but as of the beginning of 2015, it had only less than half of one percent, or $4.7 billion.

FHA could be self-sustaining if it charged enough in premiums and fees. Instead, on January 28, 2014, FHA lowered its mortgage insurance premium by 37 percent, from 1.35 to .85 and now estimates it will be sometime in 2016 before it reaches the required 2 percent capitalization.

During 2014, private mortgage insurers made headway in chipping away at FHA's market dominance, going from rough equilibrium to recapturing about 10 percent or more of FHA's business by year end.

But the premium reduction makes FHA insurance cheaper and preferred for lots of borrowers that would have otherwise used private mortgage insurance. And as always, FHA insurance can be transferred to a new owner when a home is sold, unlike private insurance.

FHA should return to its original mission: insure loans for individuals of modest means, either through income tests or limits on the size of the mortgage. The private sector and private capital is perfectly capable of taking care of everything else.

Privatize the United States Postal Service (USPS)

1-Year Savings: $0
5-Year Savings: $0

"The stark reality is that USPS's business model is broken" comes from a September 2011 GAO report. Indeed, as many countries around the world have moved away from state-owned to private postal services, the USPS remains intransigent. Even worse, the agency wants to double down and enter into a series of new ventures that compete with existing private-sector businesses, rather than transition its core operations into private hands.

The "broken" business model includes massive financial and management failures. In FY 2014, the USPS lost $5.5 billion, a 10 percent increase over the $5 billion loss in FY 2013. The FY 2015 loss is projected to be $6.1 billion.

The cumulative annual losses have caused liabilities to exceed assets by approximately $45 billion, leaving the agency with 34 cents of assets to cover every dollar of liabilities. And even these numbers don't tell the whole story because they do not include approximately $46 billion in additional obligations for pensions and retiree health benefits. In addition, the USPS has reached its statutory borrowing limit of $15 billion.

The agency projects that total mail volume will decline by 2.2 billion pieces, or 1.4 percent, from FY 2014 to FY 2015. According to a September 22, 2014 Congressional Research Service report, since FY 2006, "…mail volume has dropped sharply — to 158.4 billion pieces in FY 2013. Mail volume, then, was 21.7 percent lower in FY 2013 than in FY 2003, and 25.7 percent below its FY 2006 peak." Volume is projected to continue the decline as a result of the ongoing migration of communications and transactions to overnight services and the Internet.

According to a November 2014 GAO report, USPS has a $72 billion operating budget and labor costs are $56 billion, or 78 percent of the total. According to GAO, between 2006 and 2013, the USPS winnowed it workforce from approximately 796,000 to 618,000 employees, or about 22 percent. Total work hours also decreased by approximately 24 percent, from 1.5 billion hours to 1.1 billion hours, during that timeframe. Yet, the agency's personnel expenses didn't decline concomitantly. Instead, increased cost-of-living allowances, richer benefit packages negotiated with its unions, and a steady rise in healthcare costs will cause the USPS to spend $2 billion more for personnel in FY 2015 than it did in FY 2014.

Reforming the USPS and moving its operations to the private sector will require restricting the agency to its statutory mail delivery mission; granting appropriate flexibility to downsize and reconfigure its workforce; modernizing its sclerotic, inefficient internal operations and work rules; and outsourcing more of its operations to cost-efficient private contractors. In addition, the agency's finances must be made far more transparent in order to assure that it adheres to the statutory prohibition against using funds from its monopoly operations to start new businesses.

Unfortunately, the agency's regulator, the Postal Regulatory Commission (PRC), seems more interested in allowed the Postal Service to engage in questionable ventures, such as the overnight delivery of groceries and other packaged goods than in fixing its core problems. The PRC approved the new delivery business in October, 2014, despite the abject failure of a "Metro Post" service in New York and San Francisco that earned a meager $760 while incurring costs of $10,288 after delivering 95 packages over five months. Beyond these ventures, both the USPS inspector general and several members of Congress have suggested that the USPS expand its "financial" services from money order to non-banking financial services such as bill paying, check cashing, and payday loans.

The USPS has enough trouble doing what it is supposed to do – deliver the mail. It should not be trying to deliver anything else.

Prohibit the Federal Communications Commission (FCC) from Increasing Regulations on the Internet

1-Year Savings: $0
5-Year Savings: $0

The FCC has embarked on its third attempt to impose increased regulations over the Internet. The first two attempts were ruled unconstitutional by the U.S. Court of Appeals for the D.C. Circuit. On February 26, 2015, the three Democratic commissioners at the FCC essentially ignored the court's decisions by voting to use Title II of the Communications Act of 1934 to regulate the Internet as a "common carrier." In other words, the vibrant and competitive Internet would be regulated like the stodgy American Telephone and Telegraph Company when it was as a monopoly telephone provider.

The FCC's Open Internet Order came just two months after President Obama announced his support on November 10, 2014 for reclassifying the Internet as a Title II Telecommunications Service. The Order enables the agency to run the Internet like a public utility, subject to extreme regulatory intervention that would stem broadband innovation and growth.

Title II gives the FCC the authority to subject Internet service providers (ISPs) to rate regulation and force consumers to pay higher costs for the same fees that apply to telephones, including the Universal Service Fund. The imposition of these regulations are so draconian and unprecedented that even some of the strongest advocates of Title II are having "buyer's remorse" about the decision.

Others who have always objected to Title II were quite clear about their view of the decision. FCC Commissioner Ajit Pai warned:

> The Commission's decision to adopt President Obama's plan marks a monumental shift toward government control of the Internet. It gives the FCC the power to micromanage virtually every aspect of how the Internet works. It's an overreach that will let a Washington bureaucracy, and not the American people, decide the future of the online world.

> One facet of that control is rate regulation. For the first time, the FCC will regulate the rates that ISPs may charge and will set a price of zero for certain commercial agreements. And the Order goes out of its way to reject calls to forbear from section 201's authorization of rate regulation and expressly invites parties to file such complaints with the Commission. A government agency deciding whether a rate is lawful is the very definition of rate regulation.

FCC Commissioner Mike O'Rielly stated,

> There is a reason that Title II has been called the nuclear option. No matter what the FCC tries to do to limit the fallout (and it is not trying very hard to do that here) the decision will still impact investments. As one analyst reportedly wrote just last week, 'terminal growth rate assumptions need to be lowered. …Title II is about price regulation. It would be naïve to believe that the imposition of a regime that is fundamentally about price regulation, in an industry that the FCC has now repeatedly declared to be non-competitive, wouldn't introduce risk to future pricing power.'"

The Internet has flourished thus far largely due to a "light regulatory touch" and lack of government interference that began during the Clinton administration. According to U.S. Telecom, the private sector has invested more than $1.3 trillion in broadband since 1996, $690 billion of which was used to build wireline infrastructure. In 2013, private sector broadband investment reached $75 billion. The looming threat to limit the amount that companies can charge and to whom those charges will apply will undoubtedly discourage the type of large investments that have helped the Internet expand so rapidly.

Forcing wireless carriers to open their networks to data-heavy applications (such as streaming video, graphic-rich games, and downloads of movies and music) will only exacerbate the problem, slowing service and potentially causing other disruptions for customers.

The odds are that the FCC has once again gotten it wrong and will lose in court. Rather than wasting time and tax dollars with its Order, the agency should defer to Congress, where steps are being taken to overhaul outdated telecommunication laws. In addition, members should consider how the FCC itself needs to be reformed.

Sell Excess Federal Real Property and Reform Leasing Practices

1-Year Savings: $3 billion
5-Year Savings: $15 billion

Due to a combination of negative incentives and unnecessary red tape, selling federal real estate is a long, costly process. Reforms are essential, because Uncle Sam owns more real property than any other entity in America: 900,000 buildings and structures covering 3.38 billion square feet. In June, 2010, then-OMB Director Peter Orszag estimated that 55,000 federally-owned properties are underutilized or entirely vacant, and that maintenance on those properties cost taxpayers $1.7 billion annually.

When the General Services Administration (GSA) Public Buildings Service reports a property as excess, that property must first be screened for use by other federal agencies. If another agency wants it, that agency gets it. If the property goes unclaimed by every eligible agency, according to Title 40 of the U.S. Code and the McKinney-Vento Homeless Assistance Act, it must be screened for use by providers of homeless shelters, who can use the property for free. If shelters are not interested, the property is screened for other public uses and sold for up to a 100 percent discount of market value. Finally, if no public use can be identified, the property is auctioned and sold. That process is upside down: the government should first try to sell the property and give it away only if there is no other alternative.

The government's current leasing practices are also problematic; they have been on the GAO's high risk list since January 1, 2003. A March 2014 GAO report reviewed case study projects from four agencies which rank in the top 10 in federal real property holdings. The GAO found that the federal government can end up spending more money on renovation costs and lease payments over the course of a long-term lease than it would if it just paid the initial contract price and bought the building outright.

The GSA also operates the Federal Buildings Fund (FBF), which is funded by rent received from other agencies. The balance of the FBF, which is used to fund alterations, repairs and construction projects, increased from $56 million in FY 2007 to $4.7 billion at the end of FY 2013, since Congress has provided less money than requested by the executive branch and generated by the FBF. The obligational authority for repairs and alterations has declined from $855 million in 2005 to $280 million in 2012 and, as a result, even though the agency has access to a large amount of money, it claims to be unable to provide sufficient resources to handle all needed alterations, repairs, and construction.

Eliminate the Export-Import Bank (Ex-Im Bank) and the Overseas Private Investment Corporation (OPIC)

1-Year Savings: $0
5-Year Savings: $0

The Ex-Im Bank is an independent government agency founded in 1934 in an effort to encourage U.S. exports. In FY 2012, the Ex-Im Bank provided a record $35.8 billion (a 9 percent increase over the previous record level of $32.7 billion in 2011) in taxpayer-backed direct loans, guarantees, and export-credit insurance to private firms and foreign governments. In FY 2013, the bank provided $27 billion in support.

Ex-Im Bank's supporters claim that the bank does not cost anything. By using the accounting method prescribed by the Federal Credit Reform Act of 1990 to evaluate the bank's cost, proponents claim the bank will save taxpayers $14 billion over the next decade. However, a May 2014 Congressional Budget Office (CBO) report found that when the more traditional fair value accounting method is used, Ex-Im Bank is estimated to have a 10-year cost of $2 billion.

Proponents of the bank also state that Ex-Im makes loans that private sector lenders would not, creates jobs, and costs taxpayers nothing. Each of these statements is untrue. The largest beneficiaries of Ex-Im Bank's largesse are major corporations that have no trouble receiving financing from private sources. The bank has become one of the most egregious examples of corporate welfare in the country. It has been referred to as "Boeing's Bank," partly because Boeing received 65 percent of Ex-Im Bank's $15.3 billion in 2010 financing. The Ex-Im Bank has also made loans to Caterpillar, Chevron, Dell, Emirates Airlines, and Halliburton, all of which borrow regularly from private lenders and are stable, profitable concerns.

OPIC attempts to augment the Ex-Im Bank's import insurance program by providing financing and insurance against political risk in countries where American firms invest. In doing so, the U.S. government subsidizes multinational corporations' risky investments in unstable places where they are less likely to pay off. OPIC loans and insurance subsidies go to companies such as Kimberly-Clarke, Levi-Strauss, and Magma Copper Company, which have no trouble getting private loans and insurance.

Critics of OPIC range from the Cato Institute and the Heritage Foundation on the right to Corporate Welfare Watch on the left. Ending taxpayer support for both OPIC and the Ex-Im Bank would be an essential step away from corporatism toward free markets.

While there was widespread speculation that the House of Representatives might eliminate the Ex-Im Bank when its authorization expired on September 30, 2014, Congress extended the bank's charter through June 30, 2015.

Increase Use of Software Asset Management (SAM)

1-Year Savings: $0
5-Year Savings: $0

The federal government can save money by reducing the number of unnecessary or excessive IT software licenses, many of which are bought because the government is unable to keep track of which licenses its agencies currently own or use. On July 19, 2011, GAO issued a report criticizing government agencies' inventory management of data centers, noting that 15 federal agencies did not list all their software assets in their reports.

The procurement and utilization of software licenses should be routinely and systematically managed through the use of SAM tools. SAM auditing systems can ensure that chief information officers and purchasing agents are aware of existing software licenses and document usage in order to make smarter purchasing decisions. In other words, SAM can prevent agencies from buying products that they already possess and protect licensing agreements from being violated by ensuring that only authorized users are working with the software.

Provisions to improve SAM within the federal government were included in the House-passed version of H.R. 1232, the Federal Information Technology Acquisition Reform Act (FITARA). However, this provision was removed from the final version of FITARA that was included in the cromnibus appropriations bill that was signed into law on December 16, 2014.

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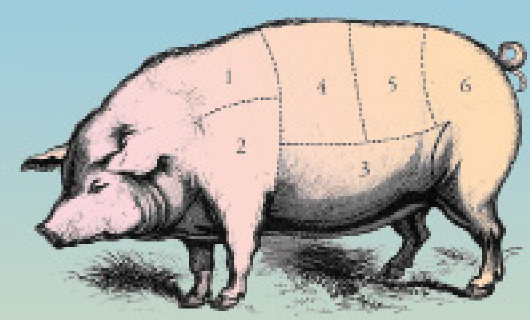

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