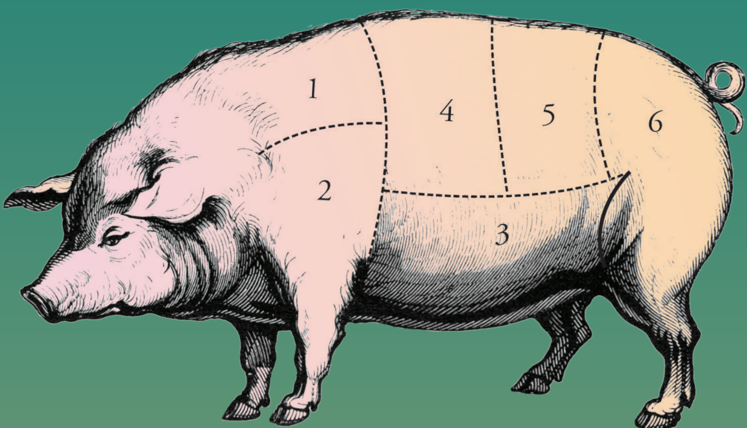
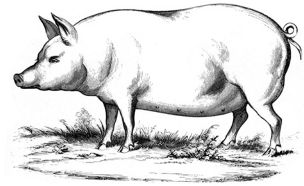
CITIZENS AGAINST GOVERNMENT WASTE



PRIME CUTS

SUMMARY

OCTOBER 2020



INTRODUCTION

The United States faces a catastrophic fiscal crisis.

The current national debt of $26.8 trillion is set to grow at a record pace over the next decade. A January 2020 Congressional Budget Office (CBO) report forecast an average annual deficit of $1.3 trillion between fiscal years (FY) 2021 and 2030, rising to $1.7 trillion by the end of the decade, adding $13 trillion to the national debt and bringing it to $39.8 trillion. The underlying cause of this fiscal morass was the two-year budget deal signed by President Trump on August 2, 2019, which increased military and non-military spending by $320 billion above the budget caps imposed by the Budget Control Act of 2011.

While the January estimates were bad enough, after assessing the harm to the economy brought on by the global pandemic, a September 2020 CBO report estimated that the budget deficit will reach $3.3 trillion in FY 2020, three times the FY 2019 deficit, and 16 percent of gross domestic product (GDP). This would be the largest deficit relative to the economy since 1945. The FY 2021 deficit will be 8.6 percent of GDP, the third-highest since the end of World War II. The report also noted that debt held by the public will reach 98 percent of GDP by the end of 2020, rising to 195 percent by 2050, 15 percentage points greater than the 180 percent estimated in the January 2020 report.

While a response to the pandemic was necessary, the government to date has committed approximately $2.9 trillion in fiscal support, including $1.9 trillion in direct spending, $554 billion in credit enhancements like loan guarantees, and $502 billion in tax relief. Although tens of billions of dollars remain unspent, the House of Representatives passed the $3 trillion HEROES Act on May 15, 2020, which would both double the cost of the response and dramatically increase the already disastrous CBO projections.

To help mitigate the fiscal tsunami, Citizens Against Government Waste (CAGW) is releasing *Prime Cuts 2020*, which has been published since 1993. The 2020 version contains 593 recommendations that would save taxpayers $444.3 billion in the first year and $4 trillion over five years.

Prime Cuts 2020 addresses every area of government spending. For example, the report proposes eliminating the Market Access Program (MAP), which aims to help agricultural producers promote U.S. products overseas. MAP is 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 advertisements. Eliminating MAP would save taxpayers $870 million over five years.

Numerous cuts can be made at the Pentagon without jeopardizing national security, including eliminating congressional add-ons for the F-35 Joint Strike Fighter program. The F-35 is $195 billion over budget, nine years behind schedule, and on pace to become the most expensive weapon system in history, with an estimated lifetime cost of $1.7 trillion. Eliminating earmarks for the F-35 would save $2.1 billion annually.

The recommendations also include long-standing proposals to eliminate the sugar, dairy, and peanut programs; reduce Medicare improper payments by 50 percent; and, sell excess federal property.

The *Prime Cuts Summary* contains 18 recommendations, in order of one-year savings, that would save $94.1 billion in the first year and $470.8 billion over five years. The full database of recommendations can be accessed at CAGW.org/PrimeCuts.

By following the blueprint provided by CAGW's *Prime Cuts 2020*, wasteful government spending can be reined in and the nation can begin to chart a path toward fiscal sanity. *Prime Cuts 2020* is essential reading for taxpayers, the media, and legislators alike.

Eliminate Funding for the Overseas Contingency Operations (OCO) Account

1-Year Savings: $70.7 billion
5-Year Savings: $353.5 billion

Created in 2001 to fund the war in Afghanistan and other associated costs of the Global War on Terror, the OCO account was intended to be a one-time emergency supplemental appropriation. Over time, the account transitioned into a slush fund designed to inflate spending at the Department of Defense (DOD) far above the baseline budget and for purposes unrelated to the wars in Afghanistan and Iraq, and military operations in other countries, like Syria. Following the passage of the Budget Control Act of 2011, members of Congress used the OCO to bypass the spending restraints applied to the Pentagon.

OCO spending has long outpaced the military's presence in combat zones. In FY 2008, the U.S. was actively fighting wars in Afghanistan and Iraq, and deployed an average of 187,000 troops in these countries. OCO spending topped $187 million in that year, equating to $1,000 per service member. In 2020, the U.S. has approximately 14,400 troops stationed in Afghanistan, Iraq, and Syria, meaning the $70.7 billion for the OCO in FY 2020 equates to $4.9 million in funding per service member, nearly 5,000 times the amount in FY 2008. With President Trump planning to further reduce the military's footprint in Afghanistan, the trend of outsized OCO spending relative to troops abroad is likely to continue in FY 2021.

The level of OCO spending has remained higher than needed for its underlying purposes for many years because much its spending belongs in the base Pentagon budget. In FY 2015, approximately 50 percent of OCO funding was for nonemergency items. An October 2018 CBO report found that, on average, the OCO provided $50 billion toward enduring activities (like regular maintenance activities supporting foreign operations that will continue regardless of force) between 2006 and 2018. This trend is set to continue into the future. An August 2019 CBO report noted that approximately 85 percent of funding for the OCO in FYs 2020 and 2021 "is designated for base-budget and 'enduring' activities."

Compared to historical emergency spending, the use of the OCO for that purpose is unprecedented. Emergency funding outside of the base budget made up around 2 percent of DOD spending between 1970 and 2000. Between 2001 and 2018, the OCO has constituted on average approximately 20 percent of the DOD's annual budget.

Beyond the problems associated with using a loophole to fund the DOD, the OCO does not allow the Pentagon to factor its funding into the normal budgetary process, which involves planning for multiple years. For this reason, top DOD officials have expressed their disappointment in the system, and have argued for the incorporation of OCO funding back into the DOD baseline budget. Then-DOD Secretary Ashton Carter stated in a March 18, 2015 House Armed Services Committee (HASC) hearing that the OCO, "doesn't work because to have the defense we need and the strategy that we have laid out, we need the budget that we have laid out not just in one year, but in the years to come … and so, budgeting one year at a time, and this proposal is a one-year-at-a-time thing, doesn't work for national defense. It's not going to permit us to carry out the strategy as we've planned."

The DOD has received approximately $1.9 trillion via the OCO since 2001. Members of Congress have become so adept at pumping the account full of money that the $70.7 billion provided for the OCO in FY 2020 would make it the fourth largest federal agency (behind the DOD, the Department of Health and Human Services, and the Department of Veterans Affairs), were it considered as such. Congress could restore some semblance of order and rationality in the Pentagon's budget by eliminating the OCO.

Reduce Medicare Improper Payments by 50 Percent over Five Years

1-Year Savings: $3.6 billion
5-Year Savings: $18.1 billion

Medicare is plagued with the second-highest reported amount of improper payments of any federal program. According to the Centers for Medicare and Medicaid Services' (CMS) 2019 Estimated Improper Payments Report, the improper payment rate was for Medicare fee-for-service and Part C was 7.56 percent and the improper payment amount was $45.64 billion. Because of its chronic vulnerability to waste, fraud, abuse, and mismanagement, the Government Accountability Office (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, $11 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 was overturned in FY 2013.

RACs boasted 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' FY 2013 RAC report called the RAC program "an important initiative in CMS's goal to reduce improper payments and pay claims accurately."

Unfortunately for taxpayers, Congress and CMS have caved to relentless pressure from hospitals and their state and national trade associations, which aggressively opposed the program from its inception, and quietly permitted the RAC program to shrink to a shadow of its former self. The volume of claims that RACs are now permitted to review has been reduced from a high of 2 percent, which is meager to begin with for a $568 billion agency that processes more than one billion claims per year, to a statistically insignificant .5 percent. The claims areas RACs are permitted to review, which CMS must approve in advance, have dropped from 800-plus to 163. Not surprisingly, the undermining of the program has drastically reduced monetary recoveries to the Trust Fund.

Hospitals have been granted a RAC oversight holiday and Congress has allowed tens of billions in improper payments to continue to hemorrhage out of Medicare. CMS Administrator Seema Verma has publicly praised the RAC program, acknowledging its value to taxpayers and Medicare patients, so it is puzzling that the Trump administration is, in practice, abandoning this efficient and highly successful anti-waste tool.

Members of Congress should not only stop giving in to pressure to weaken the RAC program, they should also reinstate and safeguard the RACs. Otherwise, Medicare will have little chance of dropping down from its current position as number two in improper payments.

Eliminate Community Development Block Grants (CDBGs)

1-Year Savings: $3.4 billion
5-Year Savings: $17.1 billion

In the 1970s, many American cities suffered from destitution and blight. In 1974, Congress created the CDBG program in an effort to revitalize low-income areas in cities across the country. Three years later during the 1977 World Series, swathes of New York's South Bronx burned to the ground as Howard Cosell narrated on national television.

The CDBG program was intended for infrastructure investment, housing rehabilitation, job creation, and public services in metropolitan cities and urban counties. Use of the grants was intended to be flexible, but the 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. 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, like 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."

Former President Obama routinely recommended reducing CDBG funding because "the demonstration of outcomes [is] difficult to measure and evaluate." President Trump's budgets between FYs 2018 and 2021 recommended eliminating the entire CDBG program. Despite its lengthy record of failing to achieve its objectives and wasting the taxpayer's money, Congress decided the program was vital to helping the country recover from the COVID-19 pandemic. The Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed by President Trump on March 27, 2020, provided $2 billion for the CDBG program, which is a 58.8 percent increase over the $3.4 billion already being spent on the program in FY 2020.

Sell Excess Federal Real Property

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: approximately 267,000 buildings and structures covering 1.9 billion square feet of office space. An October 31, 2017, Congressional Research Service (CRS) report found that, "In FY 2016, federal agencies owned 3,120 buildings that were vacant (unutilized), and another 7,859 that were partially empty (underutilized)."

In FY 2019, the General Services Administration (GSA) reported total assets of $44.7 billion, an increase of $1.7 billion from FY 2018. These include "376.9 million square feet of space in 9,600 buildings in more than 2,200 communities nationwide."

When the 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 that 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.

A July 15, 2015, GAO report found that "GSA's progress toward a sustainable portfolio is unclear because GSA has not assessed the gap between the performance the portfolio needs to exhibit to be sustainable and its current performance."

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 $11.7 billion at the end of FY 2017, because Congress has provided less money than requested by the executive branch and generated by the FBF. The obligational authority for repairs and alterations declined from $855 million in 2005 to $10.4 million in FY 2021 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.

There are some signs of progress. On December 12, 2016, President Obama signed into law the Federal Property Management Reform Act of 2016. The act requires the U.S. Postal Service to annually provide a list of properties with available space for federal agencies and establishes the Federal Real Property Council to help guide and implement an "efficient and effective real property management strategy," reduce expenses, and determine how to better manage assets and property. It also requires federal agencies to assess space that is not fully occupied and provide an annual list of real property under their control, along with its condition. On December 20, 2017, GSA released an extensive inventory of all federal real property. Everything was identified: 5,066 bathrooms, 16,570 parking lots and garages, along with more than 1,500 prisons, nearly 17,000 warehouses, 766 hospitals and 2,427 schools. The transparency provided in this report is a positive step in providing the federal government with the necessary tools to better identify and eliminate vacant, wasteful property.

Reduce the U.S. Annual Contribution to the United Nations (UN) by 25 Percent

1-Year Savings: $2.5 billion
5-Year Savings: $12.5 billion

The U.S. is the largest contributor to the UN, funding 22 percent of the regular UN budget and 28 percent of the UN peacekeeping budget. In FY 2018, the U.S. forked over $10 billion to the UN. The FY 2018 contribution represented a 57 percent increase over the FY 2009 contribution of $6.35 billion and a 212 percent increase over the $3.2 billion contributed in FY 2001. Since 2001, the UN's regular budget has more than doubled and its peacekeeping budget has more than tripled, a rate of growth that is much faster than the economies of its member nations.

As the U.S. attempts to grapple with mounting deficits and debt, organizations like the UN should not be spared the knife when it comes to trimming the budget fat. On December 26, 2017, then-UN Ambassador Nikki Haley proposed a "historic budget cut" of $285 million over two years in U.S. contributions for FY 2019.

Because UN spending has increased so dramatically and the organization continues to be bloated and inefficient, it makes sense to cut U.S. spending by another 25 percent. After all, former UN Secretary General Boutros Boutros-Ghali once estimated that "perhaps half of the UN work force does nothing useful."

Eliminate Earmarks for the F-35 Joint Strike Fighter (JSF) Program

1-Year Savings: $2.1 billion
5-Year Savings: $10.5 billion

The perennial posterchild of a broken acquisition system, the JSF program has been in development for nearly 19 years and is nine years behind schedule. Total acquisition costs now exceed $428 billion, nearly double the initial estimate of $233 billion. The total costs for the F-35 are estimated to reach $1.727 trillion over the lifetime of the program. Of this total, $1.266 trillion will be needed for operations and support.

On April 26, 2016, then-Senate Armed Services Committee (SASC) Chairman John McCain (R-Ariz.) called the JSF program "both a scandal and a tragedy with respect to cost, schedule, and performance." In February 2014, then-Under Secretary of Defense for Acquisition, Technology, and Logistics Frank Kendall referred to the purchase of the F-35 as "acquisition malpractice," a description that has yet to be improved upon.

The JSF has been plagued by a staggering array of persistent issues, many of which were highlighted in the FY 2019 DOD Operational Test and Evaluation Annual Report, which revealed 873 unresolved deficiencies including 13 Category 1 items, involving the most serious flaws that could endanger crew and aircraft. While this is an overall reduction from the 917 unresolved deficiencies and 15 Category 1 items found in September 2018, the report stated that "although the program is working to fix deficiencies, new discoveries are still being made, resulting in only a minor decrease in the overall number of deficiencies."

Cost overruns resulting from the ongoing problems have plagued the F-35. The first comprehensive cost review of the program since 2012 found a funding gap of $10 billion over the next five years. On September 11, 2020, Bloomberg News reported on an internal DOD review of the JSF program labeled "For Official Use Only." Dated June 17, 2020, the report estimates that $88 billion for research and development, procurement, and operations and maintenance will be needed over the next five fiscal years. The DOD has officially called for $78 billion for these purposes.

According to the DOD report, much uncertainty exists regarding the final cost of the JSF because the aircraft has only logged about 2 percent of the total flight hours it will accrue over its lifecycle. In addition, the DOD's goal to reduce the F-35's cost per hour of flight by $10,000 to $25,000 over the next five years "is likely to prove unachievable" because of "a lack of defined actions" to cut costs.

The overall poor performance of the F-35 contributed to the Air Force's decision on May 7, 2020 to scrap the 80 percent mission-capable rate directive established three years prior, but moving the goalposts will not fix the situation.

Many of the problems with the F-35 program can be traced to the decision to develop and procure the aircraft simultaneously. Whenever problems have been identified, contractors needed to go back and make changes to planes that were already assembled, adding to overall costs. Speaking at the Aspen Security Forum on July 24, 2015, then-Air Force Secretary Deborah Lee James stated, "The biggest lesson I have learned from the F-35 is never again should we be flying an aircraft while we're building it."

Other dilemmas relating to the JSF's utility in future conflict have also cropped up. A May 2018 HASC report revealed that the Navy's JSF, the F-35C, may lack sufficient range to function adequately in a future war. The high cost, delays, and underperformance of the JSF has also created a readiness gap, which has forced the Air Force to purchase older aircraft as a stopgap.

Of course, the program's many problems have not stopped the Pentagon from asking for funding, and members of Congress from supplying it, oftentimes exceeding the request from the DOD. This trend continued in FY 2020, when legislators added $2.1 billion to fund the acquisition of 22 JSFs beyond the amount requested by the Pentagon. Upon completion of the development phase, additional funding will be needed to retrofit the JSFs purchased via earmarks in FY 2020, adding to overall program costs.

Members of Congress are already gearing up to add more earmarks for the F-35 in FY 2021. In a March 17, 2020 letter to the chairman and ranking members of the HASC and Defense Appropriations Subcommittee, the Congressional JSF Caucus argued that the Pentagon must purchase 19 additional aircraft in FY 2021 beyond the 79 it intended to acquire.

The letter is authored by the four co-chairs of the caucus, House Appropriations Committee member Martha Roby (R-Ala.); HASC member Michael Turner (R-Ohio); Rep. John Larson (D-Ct.); and Rep. Marc Veasey (D-Texas); and co-signed by 126 other members of Congress. The letter encouraged a 24 percent increase in the number of JSFs to be purchased and inexplicably suggested this would "further reduce overall program costs." The authors revealed their motive for requesting the acquisition of more JSFs by stating that the platform "bolsters our domestic economy by supporting more than 1,800 suppliers and more than 254,000 direct and indirect jobs across the country."

Since FY 2001, members of Congress have added 29 earmarks for the JSF program, costing $8.9 billion.

Eliminate Federal Subsidies for Amtrak

1-Year Savings: $2 billion
5-Year Savings: $8.4 billion

Since Amtrak was created in 1971, it has cost taxpayers more than $40 billion. The railroad was supposed to earn a profit but has continuously failed to do so. In some cases, it is less expensive to use other forms of transportation. A 2009 study found that taxpayers paid $32 in subsidies per Amtrak passenger. By booking a month in advance, it is possible to buy a round-trip plane ticket from New Orleans to Los Angeles for less than the $437.82 that Amtrak loses per passenger on a one-way trip between those same locations.

A January 2018 Ernst and Young audit found that "the Company has a history of operating losses and is dependent upon substantial Federal Government subsidies to sustain its operations and maintain its underlying infrastructure." An August 2012 *New York Times* article reported that Amtrak had 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 Inspector General (IG) 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 IG 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 has also failed to control costs on key expansion projects. The overhaul of Union Station in Washington, D.C., "faces significant risks of coming in over budget and behind schedule," according to an August 1, 2018 IG report. Projects in Virginia were cited for poor staff communications and project delays.

Amtrak boasts that ridership continues to increase by 3.5 percent a year, the majority of which comes from its Northeast corridor routes. Amtrak admits that those same routes are the only ones turning a "net profit." None of the long-distance, lesser-used routes were projected to be profitable. They 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. As a consequence of this mismanagement, Amtrak's FY 2019 net loss was $880.9 million, or $63.7 million more than FY 2018. The impact of COVID-19 on ridership will greatly exacerbate the railroad's financial distress.

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."

Unfortunately, legislators threw good money after bad in the CARES Act, which awarded Amtrak $1 billion, a 50 percent increase above its $2 billion FY 2020 appropriation. That may keep the trains running, but it will not keep the railroad on track to turn a profit.

Eliminate Funding for the M1A2SEP Abrams Tank Upgrade Program

1-Year Savings: $1.7 billion
5-Year Savings: $8.7 billion

Over the objections of senior DOD officials, members of Congress have for many years been providing funding for the M1 upgrade program. Since FY 1994, there have been 41 earmarks for the M1 Abrams, requested by at least 13 members of Congress, costing taxpayers $1.5 billion.

Although the tank plant is in Lima, Ohio, its suppliers are spread across the country, which helps to explain the widespread support. In fact, past versions of the DOD Appropriations Act, including the FYs 2016 and 2017 versions, hinted at a parochial incentive for the program's continuance: industrial base support. There's nothing like an old-fashioned jobs program disguised as a national security priority.

In FY 2019, the Trump administration increased its funding request for the M1 Abrams by $1.4 billion over the level provided in FY 2018. On March 20, 2019, President Trump went to the Joint Systems Manufacturing Center in Lima and opened the event by stating, "You better love me – I kept this place open."

In this climate, it is worth revisiting why the Pentagon has long objected to finite resources being wasted on an unwanted project. In testimony before the HASC on February 17, 2012, then-Army Chief of Staff General Raymond Odierno told Congress that the U.S. possesses more than enough tanks to meet the country's needs, stating "our tank fleet is in good shape." In fact, the Army has so many M1 tanks that 2,000 of them are parked in a California desert.

The DOD had intended to focus on designing the next generation of tanks, which would be better equipped for the changing nature of warfare. Designed to take on other tanks, the M1 Abrams has proven susceptible to asymmetric tactics such as improvised explosive devices employed by insurgents in Iraq and Afghanistan. Given these vulnerabilities, the tank's usefulness in future counterinsurgency warfare has been openly questioned. In his testimony, General Odierno stated that, "we don't believe we will ever see a straight conventional conflict again in the future." Instead, the

U.S. will likely face adversaries implementing a mix of conventional and unconventional tactics.

Unfortunately, by continuing to commit vast resources toward an unnecessary upgrade program, President Trump and members of Congress have made moving on from the Abrams much more difficult. As elected officials in Washington continue to ignore the DOD, taxpayers will carry on footing the bill for upgrades to what General Odierno described as "tanks that we simply do not need."

Eliminate Earmarks for the Defense Health Program (DHP)

1-Year Savings: $1.6 billion
5-Year Savings: $8.1 billion

Members of Congress have for years loaded up the DHP with pork, including $1.6 billion for 36 earmarks in FY 2020, the most ever earmarked for the program. Since FY 1996, members of Congress have added 772 earmarks for the DHP, costing taxpayers $14.9 billion.

A March 14, 2012 *Washington Post* article stated that then-DOD Comptroller Robert Hale proposed decreasing the Pentagon health budget in part by eliminating "one-time congressional adds," which he said totaled $603.6 million in FY 2012 for the Congressionally Directed Medical Research Program.

The late Sen. Tom Coburn's (R-Okla.) November 2012 "The Department of Everything" report pointed out that the DOD disease earmarks mean that "fewer resources are available for DOD to address those specific health challenges facing members of the armed forces for which no other agencies are focused." According to the report, in 2010 the Pentagon withheld more than $45 million for overhead related to earmarks, which means those funds were unavailable for national security needs or medical research specifically affecting those serving in the military.

On June 17, 2015, then-SASC Chairman John McCain (R-Ariz.) suggested that funding for medical research should only be included in the DOD bill if the secretary of defense determined it was directly related to the military. He said that "over the past two decades, lawmakers have appropriated nearly $7.3 billion for medical research that was 'totally unrelated' to the military." In a response that explains why legislators continue to believe that they have the knowledge, privilege, and right to earmark billions of dollars for the DHP, Senate appropriator Dick Durbin (D-Ill.) claimed that none of the secretaries of defense that he had known, despite being "talented individuals," were qualified to decide whether any of this research is related to the military.

Eliminate Sugar, Dairy, and Peanut Subsidies

1-Year Savings: $1.4 billion
5-Year Savings: $6.9 billion

The U.S. operates a number of antiquated agricultural subsidy programs that should be scrapped. These include the sugar program, 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.

A November 2017 American Enterprise Institute analysis found that, "The welfare transfer to sugar growers and processors is quite large in the aggregate, hovering around $1.2 billion. Losses to households are diffused, about $10 per person per year but large for the population as a whole, in the range of $2.4–$4 billion."

The program has been costly to the economy as well. According to the Department of Commerce, "Between 1997 and 2014, 132,000 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 sweet deal for sugar leaves a sour taste for consumers and taxpayers. The program should be replaced with market-oriented reforms to help consumers, food manufacturers, taxpayers, producers, and the environment. Eliminating the sugar program would save taxpayers $1.2 billion in the first year, and $6 billion over five years.

Equally wasteful is the dairy subsidy, which creates 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 dairy processors 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 the worst outcome when the 2014 Farm Bill did not include the proposed Dairy Market Stabilization Program, the conference agreement instead included 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 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. Eliminating the dairy subsidy would save $124.8 million in the first year and $624 million over five years.

Finally, Congress should do away with the peanut subsidy. 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 the quotas from the government were allowed to produce peanuts. 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 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 program, 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. A December 8, 2016, CBO report found that if the ARC and PLC programs were eliminated for all crops, taxpayers would save $4.2 billion over the next decade. Scrapping the peanut subsidy would save $53.5 million in the first year and $267.3 million over five years.

Repeal the Davis-Bacon Act

1-Year Savings: $1 billion
5-Year Savings: $7.1 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."

Today, Davis-Bacon continues to keep potential new entrants out of the federal contracting market, as they are unable to comply with the law's onerous rules. This includes many small businesses led by women, people of color, and recent immigrants.

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."

Efforts to repeal Davis-Bacon have consistently failed in Congress, requiring taxpayers to shoulder the extra cost of federal construction projects and exacerbating the cronyism, waste, and unfairness that has resulted from coziness between big government and large federal contracting businesses. Davis-Bacon adds about 20 percent to the cost of each federal project. A December 2018 CBO report estimated that repealing Davis-Bacon would save $12 billion over the next decade.

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."

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

1-Year Savings: $310 million
5-Year Savings: $1.6 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, then-Senate Majority Leader Harry Reid (D-Nev.) helped defeat H.R. 1, the full-year continuing resolution for FY 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.

Former Sen. Jeff Flake (R-Ariz.) identified dozens of absurd NEH and NEA expenditures in his 2016 "Wastebook: Porkemon Go," like $206,000 for monkey puppet shows and $1.7 million for a Hologram Comedy Club. Sen. James Lankford (R-Okla.) identified additional silly spending in his 2017 "Federal Fumbles," like a $30,000 NEA grant for the production of Doggie Hamlet and $20,000 for an adult summer camp focusing on climate change art.

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.

Unfortunately, legislators doubled down on funding for the NEA and NEH in the CARES Act, providing $75 million for each. The $150 million in funding is an increase of 48.4 percent above the $310 million provided for the two entities in the FY 2020 appropriations bills and its relationship to recovering from the COVID-19 pandemic has yet to be established.

Eliminate Regional Development Agencies, Including the Appalachian Regional Commission, the Delta Regional Authority, the Denali Commission, and the Northern Border Regional Commission.

1-Year Savings: $213 million
5-Year Savings: $1.1 billion

The federal government operates a number of independent agencies that provide region-specific grants for infrastructure projects, economic development, and local capacity building. Each of President Trump's budgets from FY 2018 through FY 2021 proposed the elimination of the Delta Regional Authority, the Denali Commission, and the Northern Border Regional Commission, stating that they are duplicative of other federal programs. The FY 2021 budget noted that their "funding is set aside for special geographical designations rather than applied across the country based on objective criteria indicating local areas' levels of distress."

President Trump's FY 2018 budget proposed eliminating the three regional commissions along with the Appalachian Regional Commission, which failed to demonstrate a strong link between its grants and a positive impact, according to an April 1996 GAO report.

The Denali Commission, created by Congress in 1998 to build infrastructure in rural Alaska, has been targeted for elimination by multiple administrations. Former President Obama recommended eliminating funding for the commission in his FY 2012 budget. His administration argued that Denali projects are not funded through a competitive or merit-based system, and that at least 29 other federal programs could fulfill the commission's mandate. The commission's IG, 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 IG 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 IG found that the IG 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 IG added up to less than 1 percent of grants awarded by the Denali Commission over this period.

Given that the state of Alaska's oil revenues pay for an annual dividend to each resident of the state (in 2019, Alaskans received $1,606 each), an additional subsidy is hard to justify. The commission's statutory authorization expired on October 1, 2009. It is time for the federal appropriation to disappear as well.

The Delta Regional Authority has also been frequently criticized. In addition to being targeted for elimination by the Trump administration, former President Obama's FY 2017 version of *Cuts, Consolidations, and Savings* proposed a $3 million annual cut. Moreover, each of the RSC budgets from FYs 2017 through 2020 called for the termination of regional commissions.

Regular readers of CAGW's *Congressional Pig Book* know that these programs have long been heavily earmarked. The Appalachian Regional Commission has received 13 earmarks totaling $404.8 million since FY 1995 for projects in Alabama, Kentucky, and West Virginia. Since FY 2000, members of Congress have added 29 earmarks costing $333.9 million for the Denali Commission, including Senate appropriator Lisa Murkowski (R-Alaska), former Sen. Mark Begich (D-Alaska), Rep. Don Young (R-Alaska), and the late Sen. Ted Stevens (R-Alaska). Since FY 2003, legislators have added 16 earmarks for the Delta Regional Authority costing $141.4 million.

End the Essential Air Service (EAS)

1-Year Savings: $200 million
5-Year Savings: $700 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, *Los Angeles Times* article, 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."

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.

President Trump's FY 2021 budget calls for a $20 million cut and further reforms to the EAS. However, it makes more sense to eliminate the program entirely.

Suspend Federal Land Purchases

1-Year Savings: $187.7 million
5-Year Savings: $938.5 million

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 inefficient and overstrained system. A July 2, 2019, CRS report stated that the NPS maintenance backlog had more than doubled to $11.9 billion in FY 2018.

Eliminate the Market Access Program (MAP)

1-Year Savings: $174 million
5-Year Savings: $870 million

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. In FY 2020, MAP doled out $176.8 million to successful companies and conglomerates like Blue Diamond, the California Prune Board, National Sunflower Association, Pet Food Institute, Sunkist Growers, Inc., USA Dry Pea and Lentil Council, and Welch Foods, Inc.

Former 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 created clothing made from cotton. The show was intended to promote the use of cotton generally, not necessarily cotton from the U.S. But, India does not have any need for U.S. cotton, as it is a net exporter of the product and produces 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 Export-Import Bank (Ex-Im Bank) and the Overseas Private Investment Corporation (OPIC)

1-Year Savings: $85 million
5-Year Savings: $425 million

The Ex-Im Bank is an independent government agency founded in 1934 in an effort to encourage U.S. exports. In FY 2019, the Ex-Im Bank authorized nearly $8.2 billion in taxpayer-backed direct loans, guarantees, and export-credit insurance to private firms and foreign governments. The amount provided in FY 2019 is a 148.5 percent increase from the $3.3 billion authorized in FY 2018.

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 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 also state that the Ex-Im Bank makes loans that private sector lenders would not, creates jobs, and costs taxpayers nothing. Each of these statements is untrue. The largest beneficiaries of the Ex-Im Bank's largesse are major corporations that have no trouble receiving financing from private sources. The bank has become the most egregious example of corporate welfare in the country. It has been referred to as "Boeing's Bank," partly because Boeing received 65 percent of the 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 like 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.

On May 8, 2019, the Senate confirmed three new members of the Ex-Im board of directors, giving the bank the quorum required to approve larger deals. Previously, the bank could not approve any deals over $10 million. This meant that smaller companies benefitted the most from the Ex-Im between January 2016 and May 2019. Now, the largest and most wealthy corporations will once again take the lion's share of Ex-Im's taxpayer-funded subsidies.

Eliminate the Heritage Partnership Program (HPP)

1-Year Savings: $21.9 million
5-Year Savings: $109.7 million

The HPP supports the 49 National Heritage Areas (NHAs) created by Congress, and funds have long been heavily earmarked for the program, including $21.6 million in FY 2020, the largest amount ever. Operated through the NPS, the HPP has received 53 earmarks costing $118 million since FY 2001, including funding for projects like park improvements, sports complexes, health centers, water quality monitoring, bike paths, sustainable agriculture, and agricultural tourism.

Each of former President Obama's budgets from FYs 2011 through 2017 slashed funding for the NHAs. The FY 2017 version of *Cuts, Consolidations, and Savings* recommended trimming the budget by 55 percent, from $20 million to $9 million. President Trump's FYs 2019, 2020, and 2021 versions of *Major Savings and Reforms* proposed eliminating the HPP entirely. The 2020 report noted there is no "systematic process for designating Heritage Partnership Areas or determining their effectiveness," and that funding for the HPP diverted resources from core NPS responsibilities such as visitor services.

Unfortunately, members of Congress have continuously ignored these proposed budget reductions, earmarking funds for the HPP in seven of the last nine years.

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