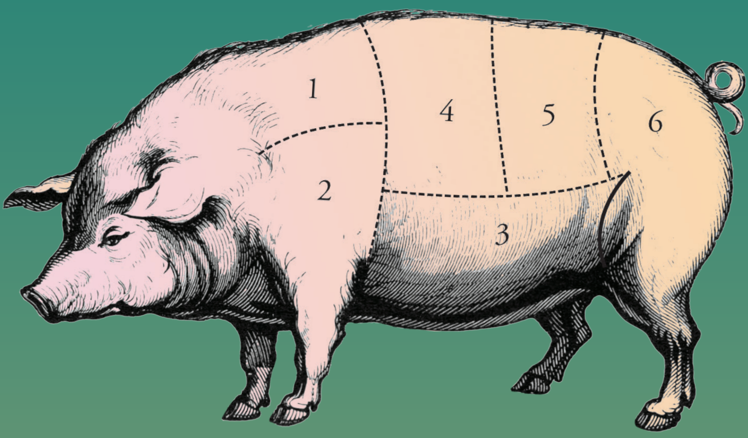
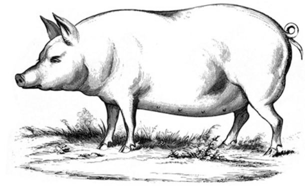
CITIZENS AGAINST GOVERNMENT WASTE



PRIME CUTS

SUMMARY

OCTOBER 2023



INTRODUCTION

The United States is on a path to fiscal insolvency.

The national debt has surpassed $33 trillion for the first time and is set to grow at a record pace over the next decade. A February 15, 2023, Congressional Budget Office (CBO) report forecast an average annual deficit of $2 trillion between fiscal years (FY) 2024 and 2033. The annual deficits during this period will add $20.3 trillion to the national debt, bringing it to $53.3 trillion by FY 2033. According to the CBO, the deficit in 2033 will reach 6.9 percent of gross domestic product, "a level exceeded only five times since 1946."

Rising interest rates will make payments for interest on the debt a fast-growing share of federal expenditures. If Congress does not reduce spending, more money will have to borrowed to fund federal programs, which will mean more interest payments. Each one percentage point increase in interest rates means $330 billion more in annual interest payments on a debt of $33 trillion. That amount is more than the combined annual budgets for the Departments of Commerce, Energy, Interior, and Justice.

The fiscal morass has been caused by several massive spending packages, including bills signed into law in response to COVID-19 starting in the Trump administration, but mostly due to the bills passed during the Biden administration. They added $6 trillion in pandemic-related spending, much of which had nothing to do with the pandemic. The American Rescue Plan Act, which cost $1.9 trillion and was passed on a partisan basis by a Democratic majority in Congress and signed into law by President Biden, added as much as 3 percentage points to inflation. This excessive stimulus resulted in higher inflation in the U.S. than the average in 10 Organization for Economic Development countries.

Other legislation has not improved the picture. The Infrastructure Investment and Jobs Act of 2021 (IIJA), signed by President Biden on

November 15, 2021, came with a price tag of $1 trillion. Then, on August 16, 2022, President Biden signed the Inflation Reduction Act, a deceptively labeled bill that included $369 billion in climate change/Green New Deal spending, $80 billion to hire 87,000 new Internal Revenue Service agents, and the establishment of drug cost negotiations that will result in price caps for drugs purchased by Medicare, crippling innovation by biopharmaceutical companies. Even President Biden admitted the bill was misnamed, saying on August 11, 2023, that "it has nothing to do with inflation: it has to do with $368 billion, the single largest investment in climate change anywhere in the world …"

To help mitigate the fiscal tsunami, Citizens Against Government Waste (CAGW) is releasing *Prime Cuts 2023*, which has been published since 1993. The 2023 version contains 543 recommendations that would save taxpayers $402.3 billion in the first year and $4 trillion over five years. The recommendations were drawn from longstanding and new proposals from CAGW, including some that were set forth by both Democratic and Republican administrations and members of Congress, as well as nonpartisan sources.

Prime Cuts 2023 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 $878 million over five years.

Numerous cuts can be made at the Pentagon without jeopardizing national security, including eliminating funding for the alternate engine for the F-35 Joint Strike Fighter (JSF), which is opposed by the Biden administration and Pentagon officials. Upgrading the JSF's existing engine as opposed to developing a wasteful second engine would save $588.4 million in the first year and $2.9 billion over five years.

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

INTRODUCTION (continued)

The *Prime Cuts Summary* contains 17 recommendations, in order of one-year savings, that would save $24.4 billion in the first year and $124.1 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 2023*, wasteful government spending can be reined in, and the nation can begin to chart a path toward fiscal sanity. *Prime Cuts 2023* is essential reading for taxpayers, the media, and legislators alike.

Reduce Medicare Improper Payments By 50 Percent Over Five Years

1-Year Savings: $4.68 billion
5-Year Savings: $23.4 billion

Improper payments in Medicare have plagued the program since its inception. According to the Centers for Medicare and Medicaid Services (CMS), the FY 2022 improper payment rate for Medicare fee-for-service increased by 19.2 percent, from 6.26 in FY 2021 to 7.46 percent in FY 2022. The Medicare Part C improper payment rate was 5.42 percent, a decline of 47.3 percent from the 10.28 improper payment rate in FY 2021..

Because of its chronic vulnerability to waste, fraud, abuse, and mismanagement, the Government Accountability Office (GAO) has for more than 20 years designated the Medicare program as "high risk." The April 20, 2023, *High-Risk Series* report found that Medicare improper payments were an estimated $46.8 billion in FY 2022. According to the report, "spending is expected to increase significantly over the next decade as the U.S. population ages and more individuals begin receiving Medicare benefits." Without action, the total amount wasted in improper payments will increase.

Better oversight is needed, as the program has a funding gap on the horizon. According to the report, "the Medicare Hospital Insurance Trust Fund is projected to be depleted in 2028. At that point, the Medicare program's revenue would be sufficient to pay about 90 percent of scheduled benefits."

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. Legislators should not only stop giving in to pressure to weaken the RAC program, but they should also reinstate and safeguard the RACs as one of the many actions that need to be made to reduce Medicare improper payments.

Eliminate Community Development Block Grants (CDBGs)

1-Year Savings: $3.3 billion
5-Year Savings: $16.5 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." Former 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, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed into law by then-President Trump on March 27, 2020, provided $2 billion for the CDBG program, which represents 60.6 percent of the $3.3 billion appropriated in FY 2023.

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

1-Year Savings: $3.1 billion
5-Year Savings: $15.6 billion

The U.S. is the largest contributor to the UN. In FY 2021, the U.S. provided $12.5 billion, or 25.8 percent of the UN's budget. The FY 2021 contribution represented a 96.9 percent increase over the FY 2009 contribution of $6.35 billion and a 290.6 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.

The Trump administration proposed a 50 percent budget cut for the U.S. contribution to the UN in its FY 2017 budget, which was reduced to a 5 percent reduction, or $285 million, in the UN's 2018-2019 budget following negotiations with the State Department.

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. 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 25 percent. After all, former UN Secretary General Boutros Boutros-Ghali once estimated that "perhaps half of the UN work force does nothing useful."

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 2022, the General Services Administration (GSA) reported total assets of $59 billion, an increase of 17.3 percent from the $50.3 billion from FY 2021. These include more than "363 million square feet of space in 8,397 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. According to the April 20, 2023, report, GSA's "efforts to improve the accuracy of addresses in its Federal Real Property Profile database have yet to show tangible results. This makes it difficult to manage federally owned assets."

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 FBF, which is used to fund alterations, repairs, and construction projects, increased from $56 million in FY 2007 to $11.9 billion at the end of FY 2022, 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 $10.6 million in FY 2022 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. The property that was identified included 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.

Unfortunately, progress has been slow. A June 8, 2023, GAO report found that it took nearly two years to sell any of the 12 properties that the Office of Management and Budget sanctioned for sale in 2019. As of May 2023, 10 of the properties have been sold, raising $194 million. In the meantime, a startling amount of federal office space remains empty. A July 13, 2023, GAO report noted that 17 of 24 federal agency headquarter buildings sampled between January through March of 2023 used on average 25 percent or less of their capacity. The report noted that federal agencies spend approximately $2 billion each year operating and maintaining buildings, regardless of occupancy, and around $5 billion annually to lease office buildings.

Eliminate Federal Subsidies for Amtrak

1-Year Savings: $2.5 billion
5-Year Savings: $12.3 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 or more 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.

Prior to the onset of the pandemic, Amtrak boasted that ridership increased by 3.5 percent a year, the majority of which comes from its Northeast Corridor routes. In fact, the Northeast Corridor had been the only routes that were making an operating profit. The long-distance and lesser-used routes perennially cost the most to operate and lose money.

Given this information, any well-managed privately-owned business would have shut down these lines years ago. As a consequence of this mismanagement, and the impact of COVID-19 on ridership, Amtrak's FY 2022 net loss was $1.8 billion, a slight improvement from the $2 billion net loss in FY 2021.

Even ignoring the impact of COVID-19 on ridership, the future for Amtrak seems bleak. 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." The so-called "Father of Amtrak," Anthony Haswell, also regrets his involvement, stating, "I feel personally embarrassed over what I helped to create."

Despite the decades of negative news, legislators have significantly increased taxpayer spending on Amtrak. The CARES Act awarded Amtrak $1 billion, or 40 percent of the $2.5 billion appropriated in FY 2023. While this seemed like a monumental amount of money at the time, it was quickly dwarfed by the $66 billion awarded for passenger and freight rail in the Infrastructure Investment and Jobs Act, signed by President Biden on November 15, 2023. This funding included $44 billion for the Federal Railroad Administration, which manages grants for Amtrak;, $18 billion to expand service to "new corridors" that could include President Biden's hometown of Scranton, Pennsylvania, where passenger service was eliminated the year before Amtrak was created; $12.6 billion for modernizing stations and safety improvements in the Amtrak National Network; and $6.6 billion to improve infrastructure in its Northeast Corridor, including new passenger rail cars.

Opening up the spigot of taxpayer funding may keep the trains running and the service expanding, but that will do nothing to address the inherent problems with Amtrak, including poor financial management and an inept business model.

Eliminate Earmarks for the Defense Health Program (DHP)

1-Year Savings: $2.1 billion
5-Year Savings: $10.6 billion

Members of Congress have for years loaded up the DHP with pork, including $2.1 billion for 56 anonymous earmarks in FY 2023, the most ever earmarked for the program, and a 6.1 percent increase in cost from the $2 billion earmarked in FY 2022. The amount earmarked in FY 2023 for the DHP represents 21 percent of the total of $10.1 billion contained in the FY 2023 DOD appropriations bill. Since FY 1996, members of Congress have added 912 earmarks for the DHP, costing taxpayers $20.9 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-Senate Armed Services Committee 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.

Repeal the Davis-Bacon Act

1-Year Savings: $1.5 billion
5-Year Savings: $10.2 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. 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 2022 CBO report estimated that repealing Davis-Bacon would save $24.3 billion over the next decade.

Eliminate earmarks for the F-35 JSF program

1-Year Savings: $1.5 billion
5-Year Savings: $7.5 billion

The many problems of the JSF make it impossible to justify Congress adding funding beyond that requested by the DOD. Total acquisition costs of the program now exceed $428 billion, 84 percent greater than the initial estimate of $233 billion, with projected lifetime operations and maintenance costs of $1.727 trillion.

In February 2014, then-Under Secretary of Defense for Acquisition, Technology, and Logistics and now Air Force Secretary Frank Kendall referred to the purchase of the F-35 as "acquisition malpractice." On April 26, 2016, the late John McCain (R-Ariz.), who was then chairman of the Senate Armed Services Committee, called the JSF program "both a scandal and a tragedy with respect to cost, schedule, and performance."

The JSF has been dragged down by an 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 was 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."

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."

Members of Congress have aggravated this problem, routinely funding the acquisition of more JSFs beyond that requested by the Pentagon. This included three earmarks costing $1.5 billion in FY 2023, with most of the money earmarked to acquire 18 additional aircraft: 11 for the Air Force and seven for the Navy. Because the JSF development phase has yet to be completed, additional funding will be needed to retrofit the JSFs purchased via earmarks, adding to overall program costs. Since FY 2001, legislators have added 37 earmarks for the JSF program, costing $12.1 billion.

One reason for the consistent and costly support for JSF earmarks is the widespread distribution of F-35 supply lines across the country. According to a map showing the local economic impact of the JSF on Lockheed Martin's website, the only states that do not have at least one supplier for the aircraft are Hawaii, Louisiana, and North Dakota. This gives all but nine representatives and six senators more than enough incentive to keep greasing the wheels.

Eliminate Sugar, Dairy, and Peanut Subsidies

1-Year Savings: $1.3 billion
5-Year Savings: $6.4 billion

The U.S. operates a number of antiquated agricultural subsidy programs that should be scrapped. These recommendations are particularly timely since the Farm Bill is scheduled to be reauthorized for five years in 2023.

At the top of the list is 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.

The current system establishes tariff rate quotas imposed on sugar imports. These require that 85 percent of sugar purchases be bought from domestic sugar producers and limit the amount of sugar that can be imported each year from 40 different countries. Any sugar that is imported beyond the quota is subject to a tariff, contributing to the high cost of sugar in the country.

A November 2017 American Enterprise Institute (AEI) 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.

Many U.S. companies have decided to close their U.S factories and relocate the jobs to Mexico or Canada where they can avoid paying the artificially high sugar prices. One area that has been hit particularly hard by this trend is Chicago, Illinois, which was once home to several candy producers and had thousands of manufacturing jobs in the city. But in recent years, candy companies including Mars Wrigley, Fannie May and Brach's have closed their factories in Chicago.

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 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.

The dairy subsidy is a close second to the sugar program due to its 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.

Unfortunately, the 2014 Farm Bill did institute the dairy margin coverage (DMC) program, which provides monthly payments to dairy farmers when milk prices are low relative to an index of dairy feed prices. Total DMC payments in recent years have averaged about $500 million annually. As with other agriculture industries, the dairy market has also become more concentrated resulting in most federal subsidies going to large dairy farmers while smaller farmers are left with fewer benefits.

The end result is a rich deal for dairy farmers. One 2018 study found that government subsidies accounted for 73 percent of revenue for the industry. Another analysis estimated that taxpayers have paid for $477.9 billion in sugar subsidies between 1995 and 2021.

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 $24.2 million in the first year and $121 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 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."

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. A January 29, 2018 AEI report put the benefits of the PLC program, which pays farmers $300 per acre whether they produce peanuts or not, into perspective: "$300 per acre on an average of about 250 acres is $75,000 in taxpayer payments to the average-sized peanut operation, over three times the US poverty line wage for a family of three or four, and almost 50 percent higher than the median household income. These subsidies are being paid to business owners with an average net worth that exceeds $1.5 million."

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.

Eliminate Funding for the M1A2SEP Abrams Tank Upgrade Program

1-Year Savings: $699.2 million
5-Year Savings: $3.5 billion

Over the objections of senior DOD officials, members of Congress have for many years provided funding for the M1 upgrade program. In FY 2023, legislators added two earmarks costing $699.2 million for the Abrams, including $602 million to upgrade 46 tanks.

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

The continued funding for the program makes it 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."

On September 6, 2023, the DOD announced that it intends to move on from the M1A2SEP. Adapting in part from lessons learned in the fighting in Ukraine, the Pentagon intends to redistribute funding once intended for the M1A2SEP program to develop the M1E3. This new version of the Abrams will integrate technologies designed to increase survivability and maneuverability on the battlefield and will likely be fielded in the 2040s and onward.

Unfortunately, members of Congress have a long history of earmarking funding to upgrade tanks beyond the number requested by the Pentagon, crowding out spending on other priorities. Since FY 1994, there have been 43 earmarks for the M1 Abrams, requested by at least 13 members of Congress, costing taxpayers $2.4 billion. Continuing to commit vast resources to an unnecessary program will inevitably make upgrading the Abrams in the manner the Pentagon prefers much more difficult.

Eliminate funding for the F-35 JSF alternate engine

1-Year Savings: $588.4 million
5-Year Savings: $2.9 billion

Taxpayers can be forgiven for believing that the alternate engine for the JSF was dead and buried.

Between FYs 1998-2010, legislators provided 13 earmarks costing $1.5 billion for a second engine for the F-35, despite opposition by the Pentagon, independent experts, and two presidential administrations. The matter was finally settled in March 2011, when the DOD issued a stop-work order following five years of attempting to terminate the program. In its order ceasing the program, the Pentagon labeled the alternate engine "a waste of taxpayer money that can be used to fund higher Departmental priorities."

Unbelievably, Members of Congress seem set to again pursue a second engine that nobody wants, aside from defense contractors.

New capabilities have necessitated an upgrade to the JSF's engine. The DOD determined that it could upgrade the existing Pratt & Whitney engine through the Engine Core Upgrade (ECU) program or fund a second, or alternate engine, built by GE through the Adaptive Engine Transition Program (AETP).

The Pentagon's FY 2024 budget request established the ECU as the department's preferred option, including $462 million for the ECU and shuttered the AETP. The ECU was the logical choice because, most importantly, it bests the AETP on cost and compatibility.

In a April 27, 2023, Senate Defense Appropriations Subcommittee hearing, Secretary Kendall stated that the AETP would require, "a large upfront cost associated with engineering, manufacturing and development." Funding the AETP would necessitate "several billion dollars before you start production. So that was definitely something that was not affordable."

The Air Force estimated upfront AETP development costs would be nearly $6.7 billion, which is 279 percent more than the $2.4 billion development cost for the ECU projected by Pratt & Whitney. The engine manufacturer determined that the ECU would save tens of billions in total JSF lifecycle costs by avoiding a duplicative production line and global supply chain to service two separate engines.

Despite the arguments against the alternate engine, the House Armed Services Committee version of the FY 2024 National Defense Authorization Act (NDAA), H.R. 2670, passed on July 14, 2023, authorized $588.4 million for the AETP. House Armed Services Tactical Air and Land Forces Subcommittee Chairman Robert Wittman (R-Va.), who was primarily responsible for the funding, believes it is necessary to maintain the country's industrial base. This earned Rep. Wittman CAGW's *Porker of the Month* award for July 2023.

The White House rejected this funding proposal in the House version of the NDAA. In its July 10, 2023, Statement of Administration Policy on the NDAA, the Biden administration said it "strongly opposes" the $588.4 million authorization. The statement added, "There are currently no plans to transition AETP engines to a program of record. The F135 ECU and F-35 cooling enhancements are more affordable and a common solution across all three F-35 variants. Continued funding for AETP would defer the transition of a skilled workforce to the Next Generation Adaptive Propulsion (NGAP) program. This, in turn, would increase the risk that NGAP prototype test results would not be available in time for the [Next Generation Air Dominance] programs and that future NGAD platform capability would be compromised by legacy propulsion constraints."

Speaking at the Potomac Officer Club's 2023 Air Force Summit on July 18, 2023, Secretary Kendall stated that even if the alternate engine funding makes it into the final version of the NDAA, the AETP will never be used in the F-35 because the Air Force is committed to the ECU. Despite being unsuitable for the JSF, "As often happens, the Hill doesn't want to let go." Secretary Kendall also stated that other Air Force priorities might go unfunded should Congress persist in its support of the AETP, and that building an alternate engine would mean the Air Force alone would be forced to purchase 70 fewer JSFs.

The alternate engine would not even meet the needs of the entire JSF fleet. It is incompatible with the Marine Corp's F-35B variant, and would require substantial airframe modifications to fit into the F-35A and F-35C. Secretary Kendall reiterated this point on March 10, 2023, saying the Air

Force was the only service that was "seriously interested" in the second engine, and that it would be "very, very difficult, if not impossible" to incorporate the engine into the F-35B.

Unfortunately, members of Congress are highly unlikely to allow the second alternate engine to fade away. If the $588.4 million in the House version of the NDAA or any other amount for the AETP makes it into the final version of the bill, legislators motivated by parochial concerns are likely to add funding for the alternate engine in the FY 2024 DOD appropriations bill and other legislative vehicles in the future.

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

1-Year Savings: $414 million
5-Year Savings: $2.1 billion

Created in 1965, the NEA and NEH are the perfect examples of the government dabbling in fields that should be left entirely to the private sector. More than 50 years later, all efforts to reign in NEA and NEH spending have been rebuffed because special interest groups and their political allies have long fought 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 NEA and NEH 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. The 2019 version of Sen. Lankford’s report disclosed a $50,400 NEH fellowship paid to a professor at Sonoma State University to examine “the ways Russia used its wine industry to befriend Europe during the Russian Empire and the Soviet eras.”

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 added 36.2 percent to the $414 million provided for the two entities in the FY 2023 appropriations bills.

The relationship between NEA and NEH funding and recovery 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: $287.1 million
5-Year Savings: $1.4 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 former 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 money for the three commissions "is set aside for special geographical designations rather than applied across the country based on objective criteria indicating local areas' levels of distress."

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 2023, Alaskans will receive $1,300 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 Republican Study Committee's budgets from FYs 2017 through 2024 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 14 earmarks totaling $413.8 million since FY 1995 for projects in Alabama, Kentucky, and West Virginia. Since FY 2000, members of Congress have added 31 earmarks costing $343.1 million for the Denali Commission, including Senate appropriator Lisa Murkowski (R-Alaska), former Sen. Mark Begich (D-Alaska), and the late Sen. Ted Stevens (R-Alaska) and Rep. Don Young (R-Alaska). Since FY 2003, legislators have added 18 earmarks for the Delta Regional Authority costing $177.9 million.

End the Essential Air Service (EAS)

1-Year Savings: $200 million
5-Year Savings: $700 million

The EAS was created in 1978 after airline deregulation in an effort to retain air service in smaller communities. Intended to sunset after a decade, the EAS is now in year 44 of operation. Today, it provides subsidies to 175 rural communities in 32 states and Puerto Rico. Most designated cities are subsidized for more than $100 per passenger. Over time, 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 March 21, 2022 *Forbes* article, eligibility is largely based on those cities where service was provided in 1978: "As a result, tiny Ogdensburg, NY with 10,000 people and Massena, NY with 12,000 people get subsidies. Yet nearby Watertown, NY, with over 25,000 people, gets no subsidies today. People in Watertown must drive the just over one-hour trip to Syracuse, NY for their flights while the much smaller subsidized cities can board at their local airport on the taxpayer's dime." Centers of population have changed over time, but EAS eligibility has not.

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. Indeed, a 2015 study from West Virginia University found "strong evidence that subsidies are higher in districts having congressional representation on the House Transportation Committee."

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.

Former President Trump's FY 2021 budget called for a $20 million cut and further reforms to the EAS. However, it makes much 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. For FY 2022, the NPS reported a maintenance backlog of $22.3 billion, more than four times the 2003 figure, and 87.4 percent higher than the $11.9 billion backlog in FY 2018.

Eliminate the Market Access Program (MAP)

1-Year Savings: $175.6 million
5-Year Savings: $878 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 2023, MAP doled out $175.6 million to successful companies and conglomerates like Blue Diamond ($5.1 million), Cotton Council International (CCI) ($13.9 million), National Sunflower Association ($985,000), Pet Food Institute ($1.4 million), Sunkist Growers, Inc. ($2 million), Welch Foods, Inc. ($677,662), and the Wine Institute ($6.7 million).

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 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 $190 million to CCI over 13 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 2022, the Ex-Im Bank authorized $5.2 billion in taxpayer-backed direct loans, guarantees, and export-credit insurance to private firms and foreign governments. The $5.2 billion in FY 2022 is a 57.6 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, and in July 2021 President Biden took several steps to maintain the quorum. 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 wealthiest 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: $29.2 million
5-Year Savings: $146 million

The HPP supports the 49 National Heritage Areas (NHAs) created by Congress, and funds have long been earmarked for the program, including $7 million in FY 2023, or 42.9 percent more than the $4.9 earmarked in FY 2022. Operated through the NPS, the HPP has received 56 earmarks costing $153.4 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 NHAs. The FY 2017 version of *Cuts, Consolidations, and Savings* recommended trimming the budget by 55 percent, from $20 million to $9 million. The last three of former President Trump's *Major Savings and Reforms* proposed eliminating the HPP entirely, saving $22 million. The 2021 report noted there is no "systematic process for designating Heritage Partnership Areas or determining their effectiveness," and made the same argument that former President Obama made in his FY 2011 budget that funding for the HPP diverted resources from core NPS responsibilities.

Unfortunately, members of Congress have continuously ignored these proposed budget reductions, earmarking funding for the HPP in 10 of the last 12 years.

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