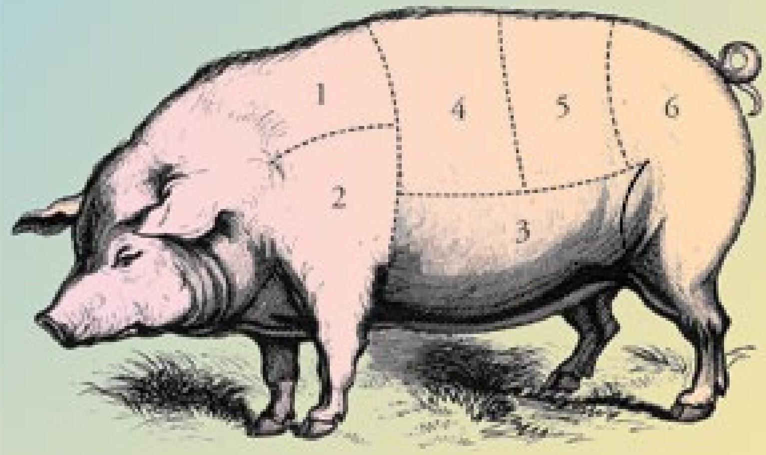
Citizens Against Government Waste

Prime Cuts Summary



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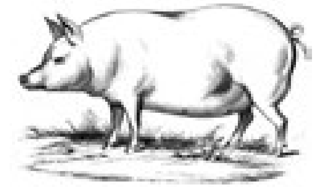

INTRODUCTION

A comprehensive list of spending cuts is useful at any time; it is of particular importance when Congress and the President are facing multiple crucial budget decisions.

The automatic cuts known as sequestration, necessitated by the Budget Control Act of 2011, kick in on March 1, 2013 barring a further delay or enactment of an alternative. In addition, the continuing resolution (CR) funding the federal government for the first six months of fiscal year (FY) 2013 expires on March 27, 2013, meaning Congress must decide how to fund the government through September 30. Finally, the normal budget process for FY 2014 is set to begin shortly, although the President's budget has been delayed and senators had to be threatened with losing their pay in order to pass a budget resolution for the first time in four years. Hanging over these deadlines is the nation's record $16.6 trillion national debt, which is a constant reminder of the profligate spending that has become rampant in Washington.

It is within the context of these looming, significant spending decisions that Citizens Against Government Waste (CAGW) releases *Prime Cuts 2013*. CAGW has been publishing the document since 1993. This year's version contains 557 recommendations that would save taxpayers $580.6 billion in the first year and $1.8 trillion over five years. To date, the implementation of CAGW's recommendations has helped save taxpayers $1.3 trillion. *Prime Cuts 2013* can serve as a valuable resource for paring down a bloated federal budget. No area of government spending is spared. For example, the document proposes eliminating the Market Access Program (MAP), which aims to help agricultural producers promote U.S. products overseas. However, MAP is a really a corporate welfare program that funnels millions of dollars to large, profitable corporations. Eliminating MAP would save taxpayers $1 billion over five years.

The recommendations also include long-standing proposals to eliminate the sugar, dairy and peanut programs; end the Robert C. Byrd Honors Scholarship program; reduce Medicare improper payments by 50 percent; replace the $1 bill with the $1 coin; and increase the use of both cloud computing and software asset management tools.

Finally, numerous cuts could be made to the Department of Defense (DOD) without jeopardizing national security, including the elimination of the Medium Extended Air Defense System (MEADS), a program that has been plagued with cost overruns of nearly $2 billion and is now 10 years behind schedule. Eliminating MEADS would save $195 million, as well as future costs of $16.5 billion if the project moved to the design, development and procurement stages. An internal U.S. Army memo asserted that MEADS "will not meet U.S. requirements or address the current and emerging threat without extensive and costly modifications." Senate Armed Services Committee Chairman Carl Levin (D-Mich.) said, "We strongly feel that it's a waste of money."

The often hysterical rhetoric over sequestration has made it seem like allowing the cuts to occur will jeopardize national security and destroy the economy. However, as then-Chairman of the Joint Chiefs of Staff Admiral Mike Mullen said on September 11, 2011, "the single-biggest threat to our national security is our debt."

By following the blueprint provided by CAGW's *Prime Cuts 2013*, wasteful government spending can be cut and the nation can start on a path toward fiscal sanity. *Prime Cuts 2013* is essential reading for taxpayers, the media, and legislators alike.

I. AGRICULTURE

Eliminate the Rural Utilities Service

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

The Rural Electrification Administration (REA) was established in 1935 to bring electricity to America's rural communities. Areas that lack basic utilities have virtually ceased to exist in America, but the REA lives on, relabeled as the Rural Utilities Service (RUS) in 1994. Today, the RUS updates and expands utility services in rural areas, which could easily be performed by the private sector.

The most wasteful RUS program is the Broadband Access Program, which was established by Congress as part of the 2002 Farm Bill. Its primary goal is to provide loans to help bring Internet broadband service to unserved and underserved rural communities, which are generally defined as communities with populations of less than 20,000. The 2009 stimulus bill appropriated $2.5 billion to the RUS for broadband expansion, equal to a 700 percent increase in the program's annual budget.

Unfortunately, many of the broadband projects undertaken by RUS are appallingly wasteful. In 2009, Buford Communications of LaGrange, Arkansas (population 122) received $667,120 to build a hybrid fiber coax network and a new community center. This equates to $5,468 per resident of LaGrange.

The stimulus also allotted $3.8 billion to the RUS for the Water and Waste Disposal System Loans and Grants Program (WWD), a program intended to improve quality of life and create jobs in rural communities. According to a July 2012 report released by the Department of Agriculture Inspector General, "as of September 30, 2011, RUS had obligated $3.3 billion in grants and loans to fund 854 WWD projects throughout the United States." The report found that only three of the 22 projects they examined were completed on time, and that the majority of the projects were started five to 30 months after the funds were obligated. The RUS created only 415 new jobs through the WWD, which is "less than 20 percent of the actual jobs identified in planning estimates."

Eliminate the Sugar Subsidy

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

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

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

Few examples exist of more conspicuous public regulation for the benefit of entrenched special interests at the expense of taxpayers than the U.S. sugar program. The program is often justified as providing assistance to small farmers; however, 60 percent of all sugar program benefits go to the wealthiest one percent of farmers. The sweet deal for sugar leaves a sour taste for consumers and taxpayers. The program should be replaced with market-oriented reforms in order to help consumers, food manufacturers, taxpayers, producers, and the environment.

Eliminate the Dairy Subsidy

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

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

The government also has a Dairy Price Support Program, created in 1949, under which the government buys certain processed dairy products, such as butter and cheese, to keep the market price above a certain level. In addition, there is a Milk Income Loss Compensation program, which compensates dairy producers when domestic milk prices fall below a certain level. These programs cause unnecessary market distortions, cost taxpayers billions, and are ineffective at saving small farms.

Members of Congress are considering replacing the dairy program with the Dairy Market Stabilization Program (DMSP). However, according to a September 18, 2012 Congressional Research Service (CRS) report, "The concept behind the DMSP program is that payment reductions are intended to have one or both of two basic effects, either of which is expected to result in a higher future farm price for milk."

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

Eliminate the Market Access Program (MAP)

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

Formerly known as the Market Promotion Program, MAP is one of the federal government's most blatant examples of corporate welfare. Over the past decade, MAP has provided nearly $2 billion in taxpayer money to agriculture trade associations, farmer cooperatives, and individual companies; all of whom have used that money to advertise their products overseas. Previous beneficiaries have included successful companies such Blue Diamond, Sunkist, Tyson, and Welch Foods. President Obama's FY 2012 budget proposed a 20 percent cut in MAP, which was struck down by a Senate vote; however, the entire program should be eliminated. Taxpayers should not subsidize advertisements for private entities.

The program routinely comes under fire from Sen. Tom Coburn (R-Okla.), who released a report on MAP waste in June 2012. Among other examples, the report disclosed that MAP provided $20 million to the Cotton Council International (CCI). In 2011, CCI created an Indian reality TV show where designers create clothing made from cotton. The show was intended to promote the use of cotton generally (not necessarily cotton from the U.S.). As it turns out, India does not have a need for U.S. cotton, as it is a net exporter of the product, producing twice the amount of U.S. cotton growers. MAP has provided more than $169 million to CCI over 10 years.

I. AGRICULTURE (continued)

Eliminate the Food for Peace Program

1-Year Savings: $137 million
5-Year Savings: $685 million

The Food for Peace program (FFP), also known as Public Law 480, was established in 1954. Since then, Food for Peace has sent tens of billions of dollars in food aid to dozens of countries across the globe. Its aim is to promote growth and prosperity in impoverished countries and to induce positive changes in governance. Nations whose politicians refused to move toward peace, democracy, and the rule of law were supposed to be denied further aid. Unfortunately, no such standard has been applied, and the program has become a large subsidy for the American shipping industry and U.S. corn, wheat, and soy farmers. Both authoritarian and democratic regimes abroad benefit from this program.

To make matters worse, FFP's design is inherently wasteful because all of its aid contributions are made in the form of American-grown food that must be shipped to recipient countries. Therefore, donating the food is unnecessarily expensive. A 2009 Government Accountability Office (GAO) report stated that in Asia and Sub-Saharan Africa, purchasing local food and distributing it to those in need would allow donations to better mesh with local expectations and reduce costs by "34 percent and 29 percent … respectively, [over] the cost of food aid shipped from the United States." A 2011 GAO report declared that shipping food to countries in these areas may have adverse effects by "discouraging food production by local farmers, which could undermine development goals."

Eliminate the Peanut Subsidy

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

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

The new peanut program makes direct payments and counter-cyclical payments to "historic peanut producers," or those who grew peanuts from 1998-2001. Those farmers receive payments whether or not they currently produce peanuts. These programs still significantly distort the U.S. peanut market. Agricultural products should be grown and sold according to free market forces, not government intervention.

II. COMMERCE

Eliminate the Hollings Manufacturing Extension Partnership

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

Started at the behest of Senator Ernest "Fritz" Hollings (D-S.C.) in 1988, The Hollings Manufacturing Extension Partnership (HMEP) was designed to increase the efficiency and profitability of American manufacturing firms. Fees from clients were supposed to make the program self-sufficient, but historically have covered a third of its costs. In practice, the HMEP amounts to corporate welfare for advisors and consultants. The Congressional Budget Office's (CBO) 2009 "Budget Options" stated that "about half of the partnership's clients believe the services they obtained from HMEP are available other places, although at a higher cost." But there is no such thing as a free lunch. HMEP services cost less because taxpayers are charged for the difference. Non-manufacturing industries get by without this special favor from the government. Manufacturing should do the same.

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

1-Year Savings: $3 billion
5-Year Savings: $14.9 billion

The MDAP is made up of 98 defense programs that require either a total expenditure of more than $365 million for research, testing, development, and evaluation, or more than $2.19 billion for procurement. The GAO released its annual report on the MDAP in March 2012, stating that the cost of these programs over the past year "has grown by over $74.4 billion or 5 percent, of which about $31.1 billion can be attributed to factors such as inefficiencies in production." A small number of programs account for a large portion of the cost overruns; the Joint Strike Fighter program alone accounted for approximately $39 billion, or 52 percent of the total cost growth.

Past GAO reports have found that the increasing costs of the MDAP programs are due to changes in key performance requirements before production started, growth in software development, and an increase in the use of contractors due to staffing shortages. These factors also contributed to delays in the programs. To control cost growth, the March 2011 GAO report suggested that during the development, design, and production phases, the contractors "need to demonstrate critical levels of knowledge to proceed." Otherwise, costs will grow further and a small number of programs "will continue to demand large amounts of annual funding." The March 2012 report deduced that "newer programs are demonstrating higher levels of knowledge at key decision points." However, "most of the 37 programs GAO assessed this year are still not fully adhering to a knowledge-based acquisition approach." In other words, programs are advancing based upon designs that might be flawed, which will contribute to future cost growth.

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

1-Year Savings: $136 million
5-Year Savings: $3 billion

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

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

Unfortunately, Congress has different ideas. On April 20, 2012, a bipartisan letter insisting on the continuation of the program from 173 representatives reached the desk of Secretary of Defense Leon Panetta. The program has powerful allies: Senate Committee on Armed Services (SCAS) Chairman Carl Levin (D-Mich.) and HASC Chairman Buck McKeon (R-Calif.) both support the program. Although the tank plant is located in Lima, Ohio, its suppliers are spread across the country, which helps to explain the widespread support.

On December 18, 2012, conferees for the FY 2013 National Defense Authorization Act (NDAA) agreed on a $136 million earmark for the M1 Abrams upgrade program. Given the inclusion of the M1 in the NDAA conference report, an earmark for the M1 in the final FY 2013 defense appropriations bill seems to be a foregone conclusion. As Congress continues to ignore the DOD, taxpayers will continue to foot the bill for modifications to what Gen. Odierno described as "280 tanks that we simply do not need." Since FY 1994, Congress has added 31 earmarks for the M1 Abrams program, costing taxpayers $519.2 million.

Eliminate Funding for the Medium Extended Air Defense System

1-Year Savings: $195 million
5-Year Savings: $195 million

Created in 1995, Medium Extended Air Defense System (MEADS) is a collaborative missile defense project intended to replace the Patriot Missile system, which has been used by the U.S. and its allies for decades. An international agreement required that the U.S. pony up 58 percent of the development costs, with Germany covering 25 percent and Italy paying 17 percent. The U.S. has already spent $1.9 billion on the design and development phase of MEADS, but the program has been plagued with cost overruns of $2 billion and is 10 years behind schedule.

A March 9, 2010, *Washington Post* report quoted an internal U.S. Army memo asserting that the program "will not meet U.S. requirements or address the current and emerging threat without extensive and costly modifications." Then, in March 2011, a CBO report recommended terminating MEADS in favor of continuing production of the Patriot missile defense system.

For several years, DOD officials have stated that cancelling MEADS would be cost-prohibitive without agreement from the United States' partners because of high unilateral termination costs. In their view, MEADS, despite glaring cost overruns and extensive delays, must be continued because of the cost of cancellation. However, a confidential DOD report to the SCAS, dated April 2012 and obtained by CAGW, concluded that the U.S. can withdraw from the contract without committing additional money or paying termination fees.

Undeterred by this finding, some have argued that discontinuing funding for MEADS would irrevocably alter defense procurement cooperation between the U.S. and Europe. But this seems unlikely given the skepticism with which Germany and Italy view MEADS, coupled with the close partnership the U.S. enjoys with European nations on other defense projects. Indeed, even the

Obama Administration has advocated for the program's cancellation following FY 2013, and there are no plans to procure the system. That would save taxpayers a bundle, as the GAO reported on March 2011 that completion of the research and development and procurement stages would cost an additional $16.5 billion.

The September 2012 CR funding the federal government through March 27, 2013 included $195 million for the program, while the NDAA for FY 2013 did not include funding for MEADS, meaning any further funding added by members of Congress would constitute an earmark. It remains unclear whether MEADS will receive additional funding following the expiration of the CR. Taxpayers hope that President Obama will honor his prior commitment by withholding funding for MEADS in his FY 2014 budget.

IV. EDUCATION

Eliminate the Robert C. Byrd Honors Scholarship Program

1-Year Savings: $42 million
5-Year Savings: $210 million

The late Sen. Robert C. Byrd (D-W.Va.), the "King of Pork," started the Byrd Honors Scholarship program in 1985. Since then, it has awarded up to $1,500 to 7,000 high-achieving students around the country every year. The scholarships are awarded according to academic merit, regardless of income or background. Privately, the Byrd Scholarships might be a worthy, admirable cause. Publicly, they subsidize college tuition for students who would be going to college with or without the federal cash, and who have dozens of other taxpayer-subsidized or private scholarship and grant opportunities.

V. ENERGY

Sell the Southeastern Power Administration and Related Power-Generating Assets

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

Since the Department of Energy was founded in 1977, it has owned and operated four Power Marketing Administrations (PMAs). The largest is the Southeastern Power Administration, which consists of 23 hydroelectric projects in Alabama, Florida, Georgia, southern Illinois, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia. The PMAs sell energy at low, subsidized rates, but these rates are not targeted to low-income areas or disadvantaged consumers. In fact, according to a 2009 CBO "Budget Options" report, the communities that receive PMA service "are similar to neighboring communities that do not," and they "meet only a small share of the total power needs of households in the regions served."

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

V. ENERGY (continued)

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

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

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

As the CBO pointed out in its FY 2011 "Spending and Revenue Options" report, "unlike private utilities, TVA does not have to provide a return to equity holders – in this case, the taxpayers, who are exposed to the risk of having to make up for future revenue shortfalls." Despite huge debts ($25.1 billion in 2009), the TVA has not relinquished its hold on electric utilities across the Southeast by turning its duties over to the private sector.

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

VI. ENVIRONMENTAL PROTECTION AGENCY

Eliminate Targeted Water Infrastructure Grants

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

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

VI. ENVIRONMENTAL PROTECTION AGENCY (continued)

Eliminate the ENERGY STAR Program

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

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

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

A March 2010 GAO report found that the ENERGY STAR program is vulnerable to fraud and abuse. The GAO submitted 20 phony products for certification, 15 of which were cleared, including a gas-powered alarm clock. Indicating how much reliance consumers place on ENERGY STAR labels, "two of the bogus Energy Star firms developed by GAO received requests from real companies to purchase products because the bogus firms were listed as Energy Star partners." GAO reported that "certification controls were ineffective primarily because Energy Star does not verify energy-savings data reported by manufacturers." Only four of the 20 products submitted, or 20 percent, were required by ENERGY STAR to be cleared by an independent third party. Taxpayers should not be forced to tolerate ENERGY STAR results that are close to the Mendoza Line.

VII. HEALTH AND HUMAN SERVICES

Raise the Retirement Age for Social Security Beneficiaries

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

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

The 2012 Social Security Trustees Report stated that the Social Security Trust Fund incurred a $45 billion projected deficit in 2011, with a projected deficit of $53 billion in 2012. The 2011 version of the report warned, "After 2014, cash deficits are expected to grow rapidly as the number of beneficiaries continues to grow at a substantially faster rate than the number of covered workers." According to the U.S. Census, average life expectancy at birth for all Americans increased from 59.1 years in 1935, the year Social Security was established, to 77.9 years in 2007, the most recent year for which life expectancy data are available. But the eligibility age for Social Security has hardly moved. Reforming the NRA so that it reaches 67 for workers born in 1951 and 70 for workers born in 1969 – and raising it by one month every other year thereafter until it reaches 70 for all retirees – would save taxpayers $119.9 billion over the next 10 years, according to a March 10, 2011 CBO report.

Reduce Medicare Improper Payments by 50 Percent over Five Years

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

According to the Office of Management and Budget (OMB), improper payments for Medicare amounted to $47.9 billion in 2010, or 9 percent of Medicare's $528 billion budget. This figure does not include improper payments for Part D, Medicare's prescription drug benefit.

On July 22, 2010, President Obama signed into law the Improper Payments Elimination and Recovery Act, which aimed to reduce improper payments across the government by $50 billion from the total of $110 billion in 2009, including a 50 percent reduction in such payments in Medicare fee-for-service (FFS) plans. The Center for Medicare & Medicaid Services (CMS) has already reduced FFS improper payments by 15.3 percent, from 12.4 percent to 10.5 percent from FY 2009 to FY 2010. However, the agency could do more by implementing the following recommendations from a March 2011 GAO report and the Department of Health and Human Services (HHS) Office of the Inspector General: award individuals a percentage of overpayments recovered as a result of convictions for Medicare fraud reported by beneficiaries; develop a corrective action process for vulnerabilities identified by Medicare recovery audit contractors; fully utilize historical error rate data in order to focus on error-prone providers; and share error rate data with private auditors.

A January 2013 report by the HHS Inspector General analyzing Medicare improper payments from 2009 through 2011 found that more than $91.6 million was paid to more than 2,500 illegal immigrants. In addition, $33.6 million was paid to 11,600 prisoners. Shockingly, HHS has admitted that there are no current policies in place to recover the payments, but that a plan is forthcoming.

Raise the Eligibility Age for Medicare Recipients

1-Year Savings: $0 billion
5-Year Savings: $18.2 billion

The populations that receive Medicare and Social Security are identical; thus, it makes sense that the eligibility age for each should be raised simultaneously. Medicare alone is expected to cost more than $1 trillion annually by 2020, and the 2012 Social Security Trustees Report projects Medicare spending as a percentage of the economy to nearly double from 3.7 percent of GDP today to 6.7 percent in 2086. In the meantime, the latest estimates show that Medicare will become insolvent by 2024, five years earlier than previously estimated.

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

VIII. HOUSING AND URBAN DEVELOPMENT

Eliminate Community Development Block Grants (CDBGs)

1-Year Savings: $3.4 billion
5-Year Savings: $17 billion

In the 1970s, many American cities suffered from destitution and blight. For a variety of reasons, including rent control and inept local governance, America's urban centers looked very different than they do today. During the 1974 World Series, swathes of New York's South Bronx burned to the ground as Howard Cosell narrated on national television. Before the end of that year, Congress created CDBGs in an effort to revitalize low-income areas in cities across the country.

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

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

In January, 2013, members of Congress included an additional $16 billion for CDBGs in the emergency supplemental bill funding disaster relief in the aftermath of Superstorm Sandy. If the past is any indicator, much of this money will be washed away.

Eliminate the Neighborhood Reinvestment Corporation (NeighborWorks America)

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

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

In 2010, GAO found that NeighborWorks America was one of many federal programs to have supplied grants to ACORN, the community organizing group accused in recent years of voter fraud and other scandalous behavior. ExpectMore.gov called NeighborWorks America only "moderately effective." ExpectMore said the program "lacks measures that focus on neighborhood change or outcomes in the lives of those it assists." According to the CBO, NeighborWorks duplicates low-income housing, community development, and homeownership programs that already exist within HUD.

Eliminate the Brownfield Economic Development Initiative

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

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

Terminate HUD Funding for Doctoral Dissertations

1-Year Savings: $230,000
5-Year Savings: $1.1 million

HUD presently provides funding on an annual basis for individuals to complete their doctoral dissertations in subjects relating to housing and urban development. The money may be used for "stipends, computer software, the purchase of data, travel expenses to collect data, transcription services, and compensation for interviews. Grants cannot be used for tuition, computer hardware, or meals." While the program's budget has been reduced from $400,000 to $230,000 in recent years, it should be eliminated entirely. These funds are duplicative of numerous scholarship programs available for students in all disciplines at the federal and state level and from the private sector.

IX. INTERIOR

Suspend Federal Land Purchases

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

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

IX. INTERIOR (continued)

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

1-Year Savings: $38 million
5-Year Savings: $190 million

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

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

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

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

The 1980 Alaska National Interest Lands Conservation Act (ANILCA) created 104 million acres of wilderness areas, national parks, and wildlife refuges, including the 19 million-acre ANWR. ANILCA stipulated that potential petroleum reserves should be researched. In 2009, the CBO stated that "ANWR's coastal plain appears to have the best potential for oil production of any unexplored onshore area in the United States." A February 2012 CBO report found that leasing portions of ANWR to private firms for oil and natural gas production would result in a decrease of $2.5 billion in direct spending by the federal government, even before post-extraction royalties. ANWR drilling would reduce America's dependence on foreign energy while lowering gas and oil prices. The area that would be drilled makes up less than one percent of ANWR, making the protests against drilling seem small and unimportant.

X. JUSTICE

Terminate Community Oriented Policing Services (COPS)

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

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

In April 2005, the Department of Justice (DOJ) Inspector General released audits of only 3 percent of COPS grants and found $277 million in "misspent" grant funds – money for jobs never filled, jobs filled for only a short time, or payments for routine police department expenses unrelated to increasing the number of cops on the beat. Following the audits, the DOJ has recouped only $6 million of the $277 million.

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

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

Eliminate Edward Byrne Memorial Justice Assistance Grants

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

The JAG program has been around since 1988 in one form or another. In 2005, Congress merged several DOJ grant programs under the Justice Assistance Grants (JAG) umbrella. Over the years, JAG has devolved into a giveaway program with too much flexibility, no effective targeting strategy, weak oversight, and few consequences for mismanagement of the funds. JAG funds were frequently earmarked, and the program has morphed into an open-ended source of money used to subsidize states' routine operational law enforcement expenses.

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

The now defunct ExpectMore.gov, the George W. Bush administration's rating system for federal programs that was managed by the OMB, described the Byrne grants as "a variety of potential local law enforcement activities rather than a clearly defined, specific or existing problem, interest, or need." ExpectMore.gov went on to say, "With program funds eligible to be used for multiple purposes, the Department of Justice cannot target the funds to high priority uses. There are no meaningful goals for the program. Performance measures are still under development. Grantees are not required to report on performance. As a result, it is difficult to determine what the program is accomplishing." JAGs are certainly accomplishing government waste and, therefore, should be terminated.

Terminate Funding for the State Justice Institute

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

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

Repeal the Davis-Bacon Act

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

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

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

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

End Susan Harwood Training Grants

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

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

XII. TRANSPORTATION

Eliminate Federal Subsidies for Amtrak

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

On May 1, 2011, Amtrak kicked off its 40th anniversary celebration. The festivities did not mention the fact that over that period of time Amtrak had cost taxpayers $37 billion, a figure that has now reached $40 billion. The railroad was supposed to earn a profit when it was created by the government in 1971, but the money never materialized. In fact, a 2009 study found that taxpayers paid $32 in subsidies per Amtrak passenger in 2008. By booking a month in advance, it is possible to buy a round-trip plane ticket from New Orleans to Los Angeles and back for less than the $437.82 that Amtrak loses per passenger on a one-way trip between those same locations. To make matters worse, *The New York Times* reported in August, 2012, that Amtrak lost $834 million on food service alone since 2002, largely due to employee theft.

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."

End the Essential Air Service (EAS)

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

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

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

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

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

XIII. TREASURY

Replace the $1 Bill with a $1 Coin

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

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

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

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

XIV. OTHER RECOMMENDATIONS

Eliminate the AmeriCorps Program

1-Year Savings: $698 million
5-Year Savings: $3.5 billion

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

The recruits hired by AmeriCorps cost taxpayers a bundle. An August 1995 GAO audit of 93 AmeriCorps grantees found that "programs operated by nonprofit, state, and local agencies received about $25,800 in cash and in-kind contributions per participant … in contrast to $31,000 for federal agency grantees." AmeriCorps received $683 million in federal money in FY 2012, and President Obama has stated that he would like to push funding up to $770 million for 90,000 volunteers.

When it was started, AmeriCorps was hailed by President Clinton as a catalyst for strengthening community service and youth volunteerism. Instead, it has become a taxpayer-subsidized operation with amorphous goals and little to no measurement of its accomplishments. For almost $700 million, Americans deserve better than a glorified résumé booster.

Eliminate the Legal Services Corporation (LSC)

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

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

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

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

XIV. OTHER RECOMMENDATIONS (continued)

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

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

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

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

Plays, paintings, pageants, and scholarly articles, regardless of their merit or attraction, should not be forcibly financed by taxpayers. Actors, artists, and academics are no more deserving of subsidies than their counterparts in other fields; the federal government should refrain from funding all of them. Anything else is anathema to taxpayers.

Eliminate the Appalachian Regional Commission (ARC)

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

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

Eliminate the Denali Commission

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

Congress created the Denali Commission in 1998 to build infrastructure in rural Alaska. President Obama targeted the commission's federal funding for elimination in his FY 2012 budget. The administration argued that Denali projects are not funded through a competitive or merit-based system. The White House also pointed out that at least 29 other federal programs could fulfill the commission's mandate. Regular readers of CAGW's Congressional Pig Book know that the program was heavily earmarked; since FY 2000, 23 projects worth $288,313,000 have been earmarked for the Denali Commission, the vast majority of which were added by the late Sen. Ted Stevens (R-Alaska).

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

Privatize Fannie Mae and Freddie Mac

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

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

By 2003, Fannie and Freddie had accrued more than $4 trillion in debt, but supporters in Congress were unfazed. Former Rep. Barney Frank (D-Mass.) stated that the two GSEs do what "the market in and of itself will not do," and added that he would like to "roll the dice a little bit more in this situation towards subsidized housing." On September 6, 2008, with their shares having lost 90 percent of their value, the GSEs were placed in conservatorship by the U.S. Treasury. Then-Treasury Secretary Henry Paulson attributed the need for the action "primarily to the inherent conflict and flawed business model embedded in the GSE structure." To date, Fannie and Freddie have cost taxpayers $137 billion.

On June 2, 2011, the CBO asserted that, in the end, the U.S. might need to provide up to $317 billion to cover losses at Fannie and Freddie, a figure that includes the $148 billion already spent. Clearly, the fiscal black hole that Fannie and Freddie have become represents an enormous sunk cost for taxpayers. With that in mind, America's albatrosses of the mortgage market must be jettisoned at the first possible opportunity.

Privatize the United States Postal Service (USPS)

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

As American society shifts to a greater reliance on electronic-based communications, the USPS model is becoming increasingly antiquated. Decreased demand has resulted in dwindling incomes; overall, mail volume has declined more than 20 percent since 2006. First-class mail, which is a protected monopoly and makes up the bulk of USPS's revenue, has dropped by 28 percent, from 102 billion pieces in 2002 to 73 billion in 2011. That trend is anticipated to continue in the wake of electronic bill payment and the global communications revolution.

In 2009, the Postal Service tried to cut costs when it considered closing 3,000 postal outlets, but this number was reduced to 157 after complaints by members of Congress. In February 2013, the USPS announced that it will eliminate Saturday delivery, which should save $2 billion annually. Regardless, the USPS continues to face staggering losses. On April 22, 2010, Postmaster General John Potter announced that the USPS will lose $238 billion over the next 10 years, and the Postal Service has lived up to the hype. It recorded losses of $8.5 billion in FY 2010, $5.1 billion in FY 2011, and $15.6 billion in FY 2012.

Under its current structure, it is difficult for the USPS to operate efficiently, let alone compete with the private sector. Great Britain, Finland, New Zealand, and Sweden have eliminated their government monopoly on mail service, and Germany and Holland privatized their postal delivery services. The U.S. would benefit from similar measures. As President Obama stated on August 11, 2009, "If you think about it, UPS and FedEx are doing just fine. It's the Post Office that's always having problems."

Prohibit the Federal Communications Commission (FCC) from Imposing Net Neutrality Regulations or Adding Any New Regulations on the Internet

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

On December 21, 2010, the nation took a technological step backwards when the FCC voted to institute net neutrality rules on the Internet. These rules, finalized on November 20, 2011, set in motion increased government regulation of the Internet. The notion of "equality" on the Internet may sound reasonable, but net neutrality is instead an attack on private-sector business models. Proponents of net neutrality want the online world to be forced "open" at the expense of successful Internet providers, but fail to recognize the many tradeoffs to "openness," such as increased spam, fewer privacy controls, slower service, and, perhaps most importantly, decreased incentives for investment and innovation.

The Internet has flourished thus far largely due to the lack of government interference. The looming threat to limit the amount that telecom companies can charge and to whom those charges will apply will undoubtedly discourage the large investments that have helped the Internet expand so rapidly. Forcing wireless carriers to open their networks to data-heavy applications (such as streaming video, graphic-rich games, and downloads of movies and music) will only exacerbate the problem, slowing service and potentially causing other disruptions for customers.

XV. GOVERNMENT-WIDE AND MULTI-AGENCY RECOMMENDATIONS

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: 900,000 buildings and structures covering 3.38 billion square feet. In June, 2010, then-OMB Director Peter Orszag estimated that 55,000 federally-owned properties are underutilized or entirely vacant, and that maintenance on those properties cost taxpayers $1.7 billion annually.

When the General Services Administration 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.

This process is backwards. Providing homeless shelters and buildings for public use may have merit, but placing them in the way of the government's ability to sell properties seems almost intentionally wasteful, not to mention redundant. The government already owns too much real property, so agencies should not be part of the purging procedure. Exempting future federal property sales from the provisions of the Homeless Assistance Act would get more real property off the government's hands and into productive use. President Obama's 2010 proposal to sell $15 billion of federal real property by 2014 is commendable, but the process cannot move forward without cutting the red tape.

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

1-Year Savings: $1.9 billion
5-Year Savings: $9.6 billion

The U.S. is the largest contributor to the UN, funding 22 percent of the regular UN budget and 27 percent of the UN peacekeeping budget. In FY 2010, the U.S. forked over $7.69 billion to the UN. The FY 2010 contribution represented a 21 percent increase over the U.S.'s FY 2009 contribution of $6.35 billion. These numbers have increased dramatically over the past decade; the U.S. contributed just $3.2 billion in FY 2001. In that same time span, the UN's regular budget has more than doubled and its peacekeeping budget has more than tripled. The UN budget is growing 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. Fortunately, the $5.2 billion UN regular budget for FYs 2012-2013 (which is just one of several UN budgets) was 5 percent smaller than the FY 2010-2011 version. However, because UN spending has increased so dramatically, it makes sense to enact larger cuts. After all, former UN Secretary General Boutros Boutros-Ghali once estimated that "perhaps half of the UN work force does nothing useful."

XV. GOVERNMENT-WIDE AND MULTI-AGENCY RECOMMENDATIONS
(continued)

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

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

The Ex-Im Bank is an independent government agency founded in 1934 in an effort to encourage U.S. exports. In 2012, the Ex-Im Bank provided a record $35.8 billion (a 9 percent increase over the previous record level of $32.7 billion in 2011) in taxpayer-backed direct loans, guarantees, and export-credit insurance to private firms and foreign governments. Whatever its original intent may have been, today the Ex-Im Bank is a prime example of corporate welfare. 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 such as Kimberly-Clarke, Levi-Strauss, and Magma Copper Company, which have no trouble getting private credit.

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.

Increase the Use of Cloud Computing and Require All Federal Agency Information Technology (IT) Investment to Be Technology and Vendor-Neutral

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

The federal government's 25 Point Implementation Plan to Reform Federal Information Technology includes a proposal to expand the use of cloud computing under the "Cloud First" campaign adopted by the Obama administration. Former U.S. Chief Information Officer Vivek Kundra's cloud computing strategy states that these systems can provide "highly reliable, innovative services quickly despite source constraints," but they must be balanced with safety and security. Agencies must carefully review the long-term impact of this new technology to ensure that it does not cost taxpayers more than the systems it replaces or compromise security. In addition, when considering IT investments, the government should not give preference to either open source or proprietary software. It is bad procurement policy for agencies to unilaterally lock into one set of technologies; they should be able to accept bids from any company that can provide the desired product or service.

The government spends tens of billions of dollars every year on IT. Taxpayers deserve to know that, when government agencies are adopting new technologies, the procurement process is fair and unbiased, the best technology is being procured at the lowest possible cost, and the vendor is both accountable and trustworthy. Government earns the best value for taxpayer dollars through a competitive, transparent, and accountable bidding process.

Increase Use of Software Asset Management

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

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

The procurement and utilization of software licenses should be routinely and systematically managed through the use of software asset management (SAM) tools. There are several SAM auditing systems available that offer software-licensing audit tools. These tools could be applied to government systems to ensure that chief information officers and purchasing agents are aware of existing software licenses and can document actual usage in order to make smarter purchasing decisions. In other words, SAM can prevent buying products that agencies already possess.

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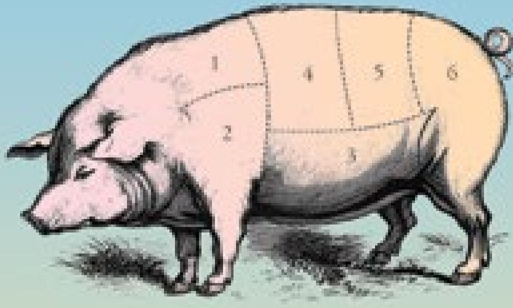

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