

***PRESERVING***

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***AMERICAN***

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***FREEDOM***

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***REPUBLICAN STUDY COMMITTEE  
FISCAL YEAR 2020 BUDGET***

***LIBERTY. OPPORTUNITY. SECURITY.***

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Fellow patriot,

One of the most basic responsibilities of Congress is to produce a balanced budget that respects the American people by avoiding wasteful spending and needless taxation. Unfortunately, Washington has abdicated this duty for decades and set our nation on a dangerous trajectory towards insolvency. Today, we have a Democratic majority in the House that simply refuses to acknowledge the imminent threat of our \$22 trillion federal debt.

Rather than promoting individual liberty, free markets and prosperity, a growing number of elected officials are now openly advocating for Socialism. As outrageous as their ideas may sound, they are gradually gaining momentum. Because so many of their proposals—such as the so-called Green New Deal, Medicare-for-All, government-guaranteed jobs and free college tuition—are premised upon the surrender of our individual freedoms in favor of government control, their objectives are inherently un-American. Adopting the failed ideology of Socialism in the United States would destroy our very foundations.

The birth of this great nation was inspired by the bold declaration that our individual, God-given liberties should be preserved against government intrusion. As conservatives in Congress, that same conviction informs our policy decisions still today. The Republican Study Committee (RSC) is happy to lead the charge in the fight against the radical policies of the Left.

The RSC FY 2020 Budget is entitled “Preserving American Freedom,” because it proposes responsible policies and reforms that will ensure our country does not fall into the trap of despotism. This budget: includes more than 300 individual policy proposals and spending cuts; prioritizes the American people instead of Washington insiders and bureaucrats; reduces federal barriers that thwart innovation and free market forces; expands individual choice by removing government encroachment; and prepares generations to come for a prosperous future by reducing the size and scope of our massive federal government.

The RSC FY 2020 Budget is the product of countless hours and extensive deliberations by the RSC Budget and Spending Task Force (BSTF), which has met regularly since the beginning of the 116<sup>th</sup> Congress. This group is led by Congressman Jim Banks and includes Congressmen Jodey Arrington, Warren Davidson, Tom Graves, Trent Kelly, Doug Lamborn, Brad Wenstrup, Roger Williams and Ted Yoho. We owe these leaders and their staffs a great debt of gratitude for their dedication, insights and thoughtfulness during this process.

Over the years, Nancy Pelosi has repeatedly said, “Show me your budget, show me your values.” This year, House Democrats refused to present a budget, and instead have offered a bill to increase spending by \$2 trillion over the next 10 years. So, Speaker Pelosi and House Democrats, this is our budget, and these are our values. Where are yours?

Sincerely,

RSC Budget & Spending Task Force



RSC Chairman Rep. Mike Johnson



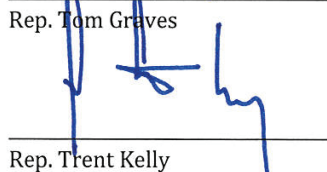
Rep. Tom Graves



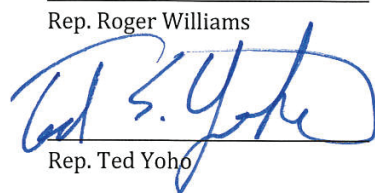
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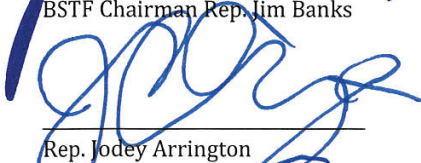
BSTF Chairman Rep. Jim Banks



Rep. Trent Kelly



Rep. Ted Yoho



Rep. Jodey Arrington



Rep. Doug Lamborn



Rep. Warren Davidson



Rep. Brad Wenstrup





## **TABLE OF CONTENTS**

<b>INTRODUCTION</b>	<b>9</b>
<b>ENSURING LIBERTY THROUGH DEREGULATION</b>	<b>17</b>
<b>CREATING OPPORTUNITY THROUGH TAX REFORM</b>	<b>31</b>
<b>OPPORTUNITY THROUGH EMPOWERMENT AND SELF-SUFFICIENCY</b>	<b>39</b>
<b>PROVIDE FOR THE COMMON DEFENSE</b>	<b>61</b>
<b>REAL HEALTH CARE REFORM</b>	<b>81</b>
<b>SAVING MEDICARE</b>	<b>91</b>
<b>MAKE SOCIAL SECURITY SOLVENT AGAIN</b>	<b>101</b>
<b>REFORMING DISABILITY INSURANCE</b>	<b>111</b>
<b>FIXING THE BROKEN BUDGET PROCESS</b>	<b>121</b>
<b>BALANCING THE FEDERAL BUDGET – OTHER MANDATORY</b>	<b>139</b>
<b>SMARTER BUDGETING – DISCRETIONARY SPENDING</b>	<b>165</b>
<b>APPENDIX - SUMMARY TABLES</b>	<b>192</b>



# ***INTRODUCTION***





## **THE REPUBLICAN STUDY COMMITTEE FISCAL YEAR 2020 BUDGET: PRESERVING AMERICAN FREEDOM**

As the founders of our exceptional nation understood, happiness can be freely pursued by a people when their inalienable rights are secured. Because those rights are constantly challenged, every conscientious citizen must remain on guard. As Ronald Reagan reminded us, “Freedom is never more than one generation away from extinction. We didn’t pass it to our children in the bloodstream. It must be fought for, protected, and handed on for them to do the same.”

The birth of our great nation was inspired by the bold declaration that our individual, God-given liberties should be preserved against government intrusion. That same conviction should inform our policy decisions still today. In America, we proclaim the self-evident truths that all of us are created equal and granted by God the same inherent rights to life, liberty, conscience, free speech and the free exercise of religion, and the ability to pursue happiness, own property, build wealth and defend ourselves and our families. The purpose of government is to secure these rights, and the ideas we advance should always aim to maintain and increase the liberty of the American people.

For individual liberty to be championed, government must be reduced. We believe, as our founders did, that government is inherently more efficient and less corrupt when it is limited in its size and scope, and the elimination of unnecessary regulations and bureaucracy helps ensure that government serves the people, and not the other way around.

The American free market system allows for innovation, improvement and economic expansion as risk-takers, entrepreneurs and business owners are given the liberty to pursue their dreams and create more jobs and upward mobility for more people. Our free enterprise system rewards hard work and self-sacrifice, and is the basis and genius of our economy. Indeed, it is this system and these ideas that have led us to unprecedented prosperity, and stood in stark opposition to the poverty, misery and oppression that always result from the big government regimes of other nations and competing philosophies.

As President Reagan noted, we must never take our precious freedom for granted. We are certainly cognizant of that today. Our commitment is to fight for our American ideals so we can pass them down responsibly, and thereby ensure liberty, opportunity and security are preserved for the generations to come.

### **The Republican Study Committee: The Congress’ Largest Conservative Caucus**

Founded in 1973, the Republican Study Committee (RSC) is dedicated to preserving the foundational conservative principles that have made the United States of America the most advanced, prosperous and free nation in human history. Led by Chairman Mike Johnson (R-La.), and consisting of more than 140 Republican members, the RSC is the largest conservative caucus in Congress. The RSC ensures conservatives have a powerful influence by providing a forum to organize and the tools required to legislate effectively. This, along with its policy pillars of liberty, opportunity and security, have made the RSC the “conservatives’ intellectual arsenal in the House of Representatives.”<sup>1</sup>

Budgets are more than numbers and tables, they are a representation of the priorities and values that back them up. The RSC FY 2020 Budget puts pen to paper to offer the bold conservative solutions that would resolve the pressing issues facing our nation, bring our government back within its constitutional bounds, and rein in excessive and irresponsible spending.

This year, House Democrats have indicated they will abdicate their responsibility and legal obligation to present a federal budget. This shameful action shows a blatant disregard for the urgent needs and priorities of the American people. While the majority party may recklessly dismiss its responsibilities, the RSC is ready and

<sup>1</sup> Dr. Edwin J. Fuelner, *Conservatives Stalk the House*, 1983, P. 12.

willing to fill that vacuum of leadership, and presents herein its carefully prepared budgetary plan for FY 2020.

Chaired by Representative Jim Banks (R-Ind.), the RSC Budget and Spending Task Force has benefitted in its lengthy process from the extraordinary engagement, ideas and input of its membership, conservative think tanks and the Trump administration. The RSC FY 2020 Budget is the product of those extensive deliberations, and reflects careful consideration of the challenges our country faces and the policy options available to address them.

National policy discussions are too often stifled by a hesitancy to consider new ideas, and this has resulted in an ever-expanding federal government and the erosion of personal liberty. It is the RSC's responsibility to act boldly to fill this void and ensure new policy ideas can be given the full consideration they deserve. Many of the new ideas first presented in past RSC budgets have been included in budgets from President Trump and the Republican conference and in major House legislation.<sup>2</sup>

Examples of these policy proposals include:

- Balancing the federal budget within 10 years
- Making the 2018 tax reforms permanent
- Ensuring the solvency of Medicare and other entitlement programs
- Assessing tax reform through dynamic scoring
- Repealing Obamacare through the reconciliation process

The work of the 115<sup>th</sup> Congress and the Trump administration has brought unemployment rates to a 50-year-low,<sup>3</sup> and created record-breaking economic<sup>4</sup> and wage<sup>5</sup> growth. The key to this success has been remaining true to the conservative principles we hold so dear – promoting limited government and free markets. The RSC played a large role in developing and implementing the sweeping deregulation and pro-growth tax overhaul that have made America's current prosperity possible. To continue this prosperity, given today's growing national debt and deficits, it is more important than ever for us to adhere to our core principles and not return to the failed, heavy-handed, big government economic policies of the past.

If we do not learn from previous mistakes, the new Democratic House majority and its radical left-wing influences will put us on the road to Socialism, bankruptcy and poverty. The title of this budget, "Preserving American Freedom," is more than a moniker. It is a reminder of the responsibility we have to protect our freedoms and the path to prosperity for all Americans.

### **Socialism: The Path to Poverty**

Economic systems produce the goods and services that enrich the lives of individuals, families and communities. Conservatives believe this process should be left to the people for whom this wealth is meant. Liberals, on the other hand, believe these systems should be carefully regulated by a handful of powerful elites. Modern Liberalism, Progressivism and Socialism are all rooted in this dangerous notion which deifies a single person or group of people to micromanage the lives of everyone else.

The vast economic knowledge that socialistic leaders seek to control is accessible to everyone in a free market. Prices, freely set by the multitude of individual exchanges within a market, are embedded with this delicate

<sup>2</sup> Kristina Peterson and Janet Hook, Wall Street Journal, "House Whip Race Reflects Republican Study Committee's Competing Factions", June 17, 2014. <http://www.wsj.com/articles/house-whip-race-reflects-republican-study-committees-widening-factions-1403032172>.

<sup>3</sup> NPR, "U.S. Unemployment Rate Drops To 3.7 Percent, Lowest In Nearly 50 Years" October 5, 2018 <https://www.npr.org/2018/10/05/654417887/u-s-unemployment-rate-drops-to-3-7-percent-lowest-in-nearly-50-years>.

<sup>4</sup> CNBC, Victor Li "The Fed is in worse shape than the economy as post-crisis expansion reaches a decade" April 21, 2019 <https://www.cnbc.com/2019/04/18/fed-is-in-worse-shape-than-economy-as-economic-expansion-hits-a-decade.html>.

<sup>5</sup> Market Watch, Jeffrey Bartash "Wages rise at fastest pace in nine years as U.S. adds 250,000 jobs in October" November 2, 2018 <https://www.marketwatch.com/story/us-adds-250000-jobs-in-october-wages-rise-at-fastest-pace-in-more-than-nine-years-2018-11-02>.



and irreplaceable information.<sup>6</sup> The measurement of unfettered prices and profits is an indicator of the growth or contraction of an economy. When these factors are obscured by unnecessary government regulation, the indicators become unclear and ultimately jeopardize the economic entire system.

This is why, for example, the United Kingdom and the United States, with free markets and governments that cherished the rights enshrined in the Magna Carta and the U.S. Constitution, lifted the world into the Industrial Revolution, while France was descending into chaos. The French Revolution was the direct result of centuries of internal trade restrictions and tariffs, where guilds were allowed to set every price and every wage.<sup>7</sup> By restricting commerce and the rights of its people, France failed to protect its economy, and doomed it to ruin.

Consider the disparate fates of the former Soviet Union countries of Belarus and Estonia. After the collapse of the Soviet Union, Belarus maintained what the Left proposes today – heavy-handed government intervention in order to develop its economy. Estonia, on the other hand, committed to free market principles, believing in the ingenuity of its people. Today, Estonia boasts a small government footprint, a low flat tax<sup>8</sup>, and the lowest debt to GDP ratio in the European Union.<sup>9</sup> Although Belarus had a slightly larger per capita GDP than Estonia at the time the Soviet Union was dismantled, Estonia is now one of the wealthiest countries in Europe, with a per capita GDP that is two-thirds larger than Belarus.

The tragic example of South and North Korea is perhaps the most clear-cut case of the gap between nations which value and respect their people—and those that do not. Had the whole peninsula fallen under a Socialist regime, we may never have known what a prosperous and dynamic nation could exist in the region. As we can see, the tragic outcome in North Korea is not surprising. These are just a few of the many examples of the inevitable suffering that is wrought by Socialism, and the opposing power of free markets to ensure prosperity for all.

### **Big Government: The Perils of Manipulation**

The many forms of government interference—including burdensome taxation, subsidies and regulations and borrowing and printing money—each uniquely infringe upon the freedom of individuals and diminish the products of our labor. These various items are the tools today's Democrats use to impress *their* belief system upon the American people, and they are the same tools that have impoverished nations for millennia. No matter how well intentioned, these are the unavoidable consequences of the Socialist ideology.

Government subsidies and regulations promote certain behaviors over others, usurping individual liberty, restricting our pursuit of happiness and hindering long-term economic growth.<sup>10</sup> The propped-up industries waste resources, refashion them into lesser products and often seek political influence to twist regulations to maintain their power. These actions come at the direct expense of all Americans, benefiting unprofitable industries and creating monopolies, further reducing freedom and wealth.

Government deficits drain resources that would otherwise be available in the free market, reducing funds that would otherwise be accessible to hardworking Americans who want to finance a college education, or purchase a home, or start or expand a small business. These are the real costs of our enormous federal debt.<sup>11</sup> In a free market, the profit of one endeavor, through lending, becomes the seed capital for the next, keeping our economy efficient and preventing monopolies from concentrating power. Lending is how economies naturally offer a hand up to all those who are unable to self-finance their dreams. These systems put everyone's unused

6 The Library of Economics and Liberty, F.A. Hayek "The Use of Knowledge in Society" <https://www.econlib.org/library/Essays/hykKwn.html>.

7 Foundation for Economic Education "Turgot: The Man Who First Put Laissez-Faire Into Action" April 26, 2018 <https://fee.org/articles/turgot-the-man-who-first-put-laissez-faire-into-action/>.

8 Tax Foundation, Andrew Lundeen "Estonia has the Most Competitive Tax System in the OECD" September 29, 2014 <https://taxfoundation.org/estonia-has-most-competitive-tax-system-oecd/>.

9 CIA, "The World Factbook" Accessed on April 21, 2019 <https://www.cia.gov/library/publications/the-world-factbook/>.

10 Dan Mitchell, Cato Institute, "The Fallacy That Government Creates Jobs", December 5, 2008. <https://www.cato.org/publications/commentary/fallacy-government-creates-jobs>.

11 S&P Ratings Services, "Research Update: United States of America Long-Term Rating Lowered To 'AA+' On Political Risks And Rising Debt Burden; Outlook Negative", August 5, 2011. [http://www.standardandpoors.com/en\\_US/web/guest/article/-/view/sourcelid/6802837](http://www.standardandpoors.com/en_US/web/guest/article/-/view/sourcelid/6802837)

assets to productive use, and in doing so, free markets organically equalize opportunity.

The latest invention of the Left, so-called “Modern Monetary Theory,” is especially dangerous. Proponents argue (some with a straight face) that the ballooning debt is simply irrelevant because the government can simply print new money in perpetuity. Of course, this foolish theory mistakes money for wealth. Printing money results only in inflation that chips away at the wealth of every American, diminishes the purchasing power of their wages, and undermines the hard work of previous generations.

Still, the Left’s favorite weapon, taxation, remains the ultimate threat to individual freedom and wealth. No matter who or what is taxed, the effect is a reduction in everyone’s access to products and opportunity.<sup>12</sup> Each time the government taxes an individual, there is a corresponding reduction in that person’s purchasing power and contributions to lending markets. Taxes on businesses and their property increase production costs, decreasing the availability of products and jobs, raising prices and removing the pressure to keep wages high. The burdens of taxes on capital, in a cruel twist, fall mostly on those who would have been employed by these industries, used these products, or borrowed these funds to enrich their lives and invest for the future.<sup>13</sup>

Decades of shortsighted government manipulation and harmful tax and regulatory policies have smothered the free market and put America on an unsustainable trajectory. Irresponsible spending has now ballooned our national debt to more than \$22 trillion,<sup>14</sup> eclipsing the entire U.S. economy<sup>15</sup> and equaling roughly one-third of the value of the world’s stock markets.<sup>16</sup> In just 10 years, interest payments on the federal debt will far exceed our entire national defense budget and become our third largest debt obligation, exceeded only by Social Security and Medicare. Most of the issues of our economy, including long-term depressed wages, collapsing pensions, and inflexible and inaccessible health insurance are the consequences of past government actions, not the free market.<sup>17</sup>

Ultimately, Socialistic societies fail because, despite their rhetoric, they hold a deeply pessimistic view of humanity. The Left harbors a deep distrust of the people and insists that individuals are incapable of managing their own lives. Progressives pretend to be omniscient and aspire to omnipotence. They claim a right to the fruits of labors which are not their own, and feign benevolence as they steal from one citizen to pay another. In every case, the wealth they distribute has been taken from someone else, and such practices lead to despotism. While the Left insists on micromanaging the present, conservatives look to the future and believe in the boundless ingenuity of the people and unlimited possibilities available to them when their markets are free. The approaches—and the results—of these two ideologies are vastly different.

### **Freedom: The Path to Prosperity**

While it is easy to demonstrate the dangerous economic realities of government manipulation, it is more difficult to envision what might have been.<sup>18</sup> The world will never know what ingenuity and prosperity have been lost and destroyed by the nations that have smothered their free markets and infringed the natural rights of their people. The RSC Budget, “Preserving American Freedom,” proposes policies and reforms that will ensure America never becomes one of those unfortunate nations.

As conservatives, we believe there is no limit to what a free people can achieve and what innovations the exercise of their inalienable rights and God-given ingenuity can bring forth. We believe that people can best

<sup>12</sup> Daren Bakst and Patrick Tyrrell, Heritage Foundation, “Big Government Policies that Hurt the Poor and How to Address Them”, April 5, 2017. <http://www.heritage.org/poverty-and-inequality/report/big-government-policies-hurt-the-poor-and-how-address-them>

<sup>13</sup> Mercatus Center. Veronique de Rugy and Jack Salmon, “The Cost of a 70 Percent Marginal Tax Rate” February 11, 2019. <https://www.mercatus.org/publications/federal-fiscal-policy/cost-70-percent-marginal-tax-rate>.

<sup>14</sup> U.S. Government Accountability Office, “The Nation’s Fiscal Health: Action is Needed to Address the Federal Government’s Fiscal Future”, GAO-18-299SP: Published: June 21, 2018. <https://www.gao.gov/products/GAO-18-299SP>.

<sup>15</sup> Congressional Budget Office, “The Budget and Economic Outlook: 2019 to 2029,” January 29, 2019. <https://www.cbo.gov/publication/54918>

<sup>16</sup> Visual Capitalist, Jeff Desjardins “All of the World’s Stock Exchanges by Size” February 17, 2016. <https://www.visualcapitalist.com/all-of-the-worlds-stock-exchanges-by-size/>.

<sup>17</sup> Mercatus Center, Donald J. Boudreaux “The Myth of a Stagnant Middle Class” January 24, 2013. [https://www.mercatus.org/expert\\_commentary/myth-stagnant-middle-class](https://www.mercatus.org/expert_commentary/myth-stagnant-middle-class).

<sup>18</sup> Frédéric Bastiat, “That Which is Seen, and That Which is Not Seen”, July 1850. <http://bastiat.org/en/twisatwins.html>.

flourish and find and fulfill their purpose when the state gets out of their way.

America was founded on these core beliefs, and we must maintain them today. This is why we have been the most successful, powerful and exceptional nation in human history. It has made us the proverbial shining city on a hill, the last best hope for people everywhere, and the engine that produced the rapid rise of prosperity and freedom for more than two centuries.

Though the challenges we face today are daunting, we have overcome countless challenges before, and we can again. All we need, as President Reagan advised, is “our best effort and our willingness to believe in ourselves and to believe in our capacity to perform great deeds, to believe that together with God’s help we can and will resolve the problems which now confront us. And after all, why shouldn’t we believe that? We are Americans.”<sup>19</sup>

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19 President Ronald Reagan, “Reagan’s First Inaugural”, January 20, 1981. <https://www.reaganfoundation.org/media/128614/inaguration.pdf>.





***ENSURING  
LIBERTY  
THROUGH  
DEREGULATION***





## ENSURING LIBERTY THROUGH DEREGULATION

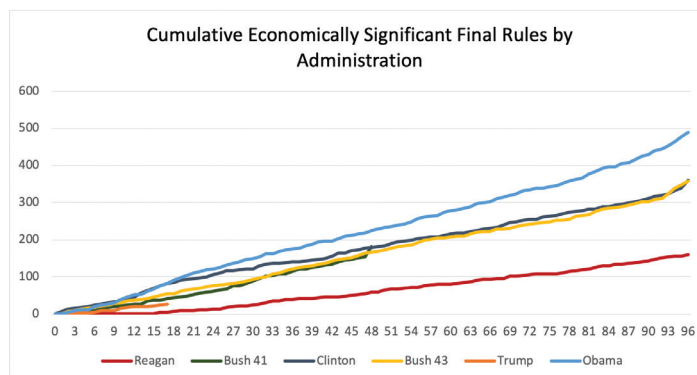
In Federalist 47, James Madison defined tyranny as “the accumulation of all powers, legislative, executive, and judiciary, in the same hands, whether of one, a few, or many, and whether hereditary, self-appointed, or elective.”<sup>20</sup> The Constitution was designed to prevent tyranny by separating the powers of government into the three distinct branches and erecting a system of checks and balances of each branch upon the others.

The founding fathers intended for Congress to be the sole lawmaking branch of a limited federal government. As Madison wrote in Federalist 45, “The powers delegated by the proposed Constitution to the federal government are few and defined.”<sup>21</sup> Congress is supposed to be the branch of government that most closely reflects the will of the people. So, when this body abdicates its duties, it is not the lawmakers that suffer but the voices and interests of every single American

Unfortunately, the House and Senate have frequently abandoned these fundamental principles and willingly delegated its Constitutional authority, along with the authority of the judiciary, to the executive branch. With this, both the size and scope of government have grown exponentially. The federal government is now involved in almost every aspect of our daily lives, often acting through unilateral regulations never approved by Congress.<sup>22</sup>

### The Scope and Cost of Overregulation

Overregulation, as with all violations of natural rights, has a negative effect on the economy. A 2016 study from George Mason University’s Mercatus Center concluded that, “Altering investment decisions and disrupting the innovation that comes from investment in knowledge creation, regulations have a cumulative and detrimental effect on economic growth—and, over time, have a real impact on American families and workers.”<sup>23</sup> Specifically, it found “that the economy would have been about 25 percent larger than it was in 2012 if regulations had been frozen at levels observed in 1980. The difference between observed and counter-factually simulated GDP in 2012 is about \$4 trillion, or \$13,000 per capita.”<sup>24</sup> The burdens of overregulation are ultimately born by consumers in the form of higher fees, diminished access to capital and a slower economic recovery.<sup>25</sup>



GW Regulatory Studies Center, Reg Stats, “Economically Significant Rules Published Across Administrations, Equivalent Periods”. <https://regulatorystudies.columbian.gwu.edu/reg-stats>.

<sup>20</sup> James Madison, The Federalist Papers, “The Particular Structure of the New Government and the Distribution of Power Among Its Different Parts”, February 1, 1788. [http://avalon.law.yale.edu/18th\\_century/fed47.asp](http://avalon.law.yale.edu/18th_century/fed47.asp).

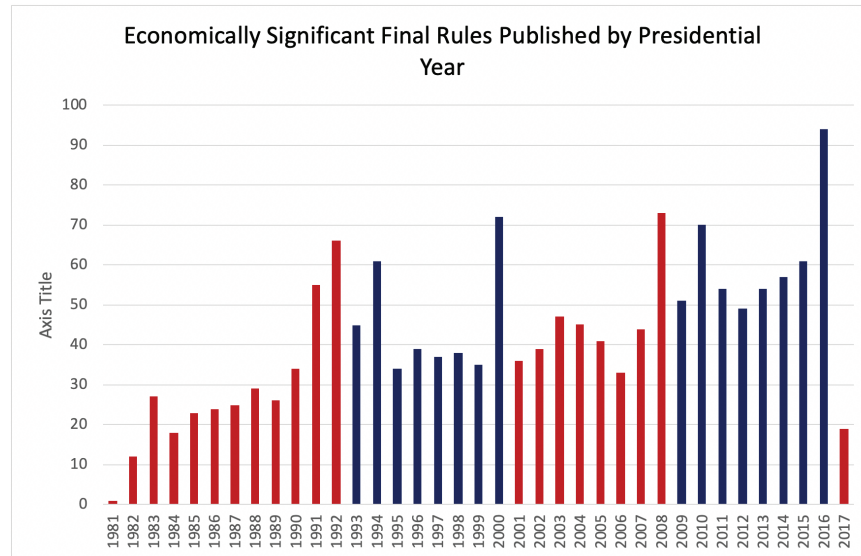
<sup>21</sup> James Madison, Federalist No. 45, “The Alleged Danger from the Powers of the Union to the State Governments Considered”. <https://www.congress.gov/resources/display/content/The+Federalist+Papers#TheFederalistPapers-45>

<sup>22</sup> Competitive Enterprise Institute, Clyde Wayne Crews “Ten Thousand Commandments 2018: An Annual Snapshot of the Federal Regulatory State” April 19, 2018 <https://cei.org/10kc2018>

<sup>23</sup> Bentley Coffey, Patrick A. McLaughlin, and Pietro Peretto, Mercatus Center, “The Cumulative Cost of Regulations”, April 2016. <https://www.mercatus.org/system/files/Coffey-Cumulative-Cost-Regs-v3.pdf>.

<sup>24</sup> Ibid.

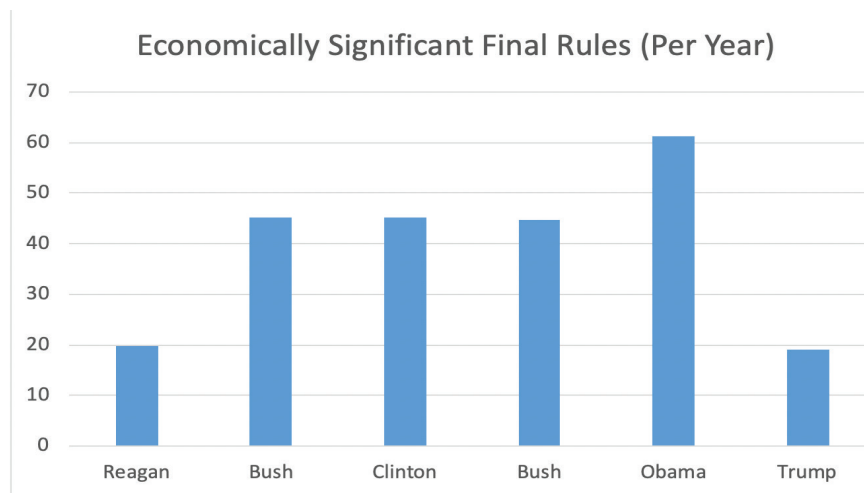
<sup>25</sup> Sam Batkins, Meghan Milloy, American Action Forum, “The Most Expensive Dodd-Frank Rule Adds to Law’s Burden”, November 10, 2015. <http://americanactionforum.org/research/the-most-expensive-dodd-frank-rule-adds-to-laws-burden>.



GW Regulatory Studies Center, Reg Stats, "Significant Regulations Issued by Presidential Year." <https://regulatorystudies.columbian.gwu.edu/reg-stats>.

The Obama administration had “perhaps the most aggressive regulatory record in history.”<sup>26</sup> Their regulatory onslaught created \$890 billion in new economic burdens on the American economy, causing 549 million hours’ worth of new paperwork burdens.<sup>27</sup> The Obama administration issued 494 major rules with an economic impact of \$100 million or more, 37 percent more than even President Clinton issued in his time in office. The Code of Federal Regulations, which catalogs all regulations in effect, grew to 185,053 pages at the end of 2016.<sup>28</sup> In contrast, the first year of President Trump’s administration produced total annualized savings of \$893 million.<sup>29</sup> In the second year, annualized savings totaled \$595 million.<sup>30</sup>

Fortunately, President Trump has returned to the same rate of regulation writing as the Reagan administration.



GW Regulatory Studies Center, Reg Stats, “Economically Significant Rules Published Across Administrations, Equivalent Periods”. <https://regulatorystudies.columbian.gwu.edu/reg-stats>.

<sup>26</sup> Sam Batkins, American Action Forum, “Midnight Regulations Push Obama Administration’s Regulatory Tally Past \$890 Billion”, February 2, 2017. <https://www.americanactionforum.org/insight/midnight-regulations-push-obama-administrations-regulatory-tally-past-890-billion/>.

<sup>27</sup> Ibid.

<sup>28</sup> The George Washington University Regulatory Studies Center, Reg Stats. <https://regulatorystudies.columbian.gwu.edu/reg-stats>.

<sup>29</sup> Dan Bosch and Dan Goldbeck, American Action Forum, “Update: Deregulation Under Trump,” January 23, 2018. <https://www.americanactionforum.org/insight/update-deregulation-trump/>.

<sup>30</sup> Dan Bosch and Dan Goldbeck, American Action Forum, “2018: The Year in Regulation,” January 8, 2019. <https://www.americanactionforum.org/research/2018-the-year-in-regulation/>.

## **President Trump's Regulation of Overregulation**

Thankfully, America has started to reverse course. On President Trump's first day in office, the administration issued a memorandum freezing all previous administration's pending regulations, halting \$181 billion in pending rules.<sup>31</sup> Then, on January 30, 2017, the president issued an executive order on Reducing Regulation and Controlling Regulatory Costs requiring all agencies to identify two existing regulations to repeal for each new regulation it proposes.<sup>32</sup> On February 24, 2017, President Trump issued a follow-up executive order designed to reign in overregulation.<sup>33</sup> This order required heads of agencies to establish a Regulatory Reform Office (RRO) to oversee regulatory reform initiatives and form a task force within each agency to develop a regulatory reform plan. Though these executive actions have stemmed the tide of overregulation and will continue to alleviate the burden on businesses, families and individuals, ultimately it is the duty of Congress to take the next steps to reign in the administrative state.

## **Congressional Action on Regulation**

Last Congress, Congress took an important step in using the *Congressional Review Act* (CRA) to cut regulation and correct mistakes made by past presidents. Under the CRA, Congress generally has 60 days to pass a resolution of disapproval on a given regulation after the Senate, House and GAO have all received a report from the promulgating agency. Most importantly, these joint resolutions are not subject to the filibuster in the Senate and thus, can be considered in the Senate with a simple majority vote. Prior to 2017, Congress used the CRA to nullify a regulation only once. In the 115th Congress, the CRA was used to undo 16 regulations created during the Obama administration.<sup>34</sup>

RSC supports Congress asserting its Article I authority by utilizing the CRA to nullify improper rules and regulations. Looking at "significant rules" (those having an economic impact of at least \$100 million), the Brookings Institution found "348 significant rules with apparent reporting deficiencies to one or more of the GAO, House and Senate, out of a total of 3,197 significant rules—slightly more than 10 percent."<sup>35</sup> Congress can and should review these rules and use the CRA as appropriate to protect the liberty of all Americans.

Further, this budget supports updating the CRA to augment Congress's ability to undo bureaucratic regulations. Namely, the CRA's expedited procedures should not be limited to the current 60-day window. At any time, Congress should be able to quickly nullify the regulations of which it disapproves. It makes no sense for it to be easier for the executive branch to legislate by fiat than for the legislative branch to undo it.

The RSC Budget includes the *Article I Regulatory Budget Act*, sponsored by former RSC Chairman Mark Walker, to allow Congress to regain oversight and supremacy over the administrative state. A regulatory budget works similar to a fiscal budget. Under this proposal, Congress would establish annual caps on the costs executive branch agencies could impose on the economy through new regulations. Over time, as agencies seek to impose new regulations, they will be forced to repeal existing outdated and unnecessary rules, reducing the overall burden on the country. A regulatory budget could be tied to "Legislative Impact Accounting," which would account for the regulatory costs of proposed legislation.<sup>36</sup> Reviews of regulatory budgeting proposals show that they could save up to \$100 billion in costs imposed on the economy each year.<sup>37</sup> More importantly,

31 Sam Batkins, American Action Forum, "Administration's Regulatory Freeze Halts \$181 Billion in Pending Rules", January 31, 2017. <https://www.americanactionforum.org/insight/administrations-regulatory-freeze-halts-181-billion-pending-rules/>.

32 Executive Order No. 13771, "Reducing Regulation and Controlling Regulatory Costs", January 30, 2017. <https://www.whitehouse.gov/the-press-office/2017/01/30/presidential-executive-order-reducing-regulation-and-controlling>.

33 Executive Order 13777, "Enforcing the Regulatory Reform Agenda," February 24, 2017. <https://www.federalregister.gov/documents/2017/03/01/2017-04107/enforcing-the-regulatory-reform-agenda>.

34 GAO "Congressional Review Act" Accessed April 13, 2019 <https://www.gao.gov/legal/other-legal-work/congressional-review-act>.

35 The Brookings Institute ,Philip A. Wallach and Nicholas W. Zeppos "How powerful is the Congressional Review Act?" April 4, 2017 <https://www.brookings.edu/research/how-powerful-is-the-congressional-review-act/>.

36 Jason J. Fichtner, Patrick McLaughlin, Mercatus Center, "Legislative Impact Accounting: Rethinking How to Account for Policies' Economic Costs in the Federal Budget Process", June 2, 2015. <http://mercatus.org/publication/legislative-impact-accounting-rethinking-how-account-policies-econom-ic-costs-federal>.

37 Sam Batkins, American Action Forum, "What Would a Regulatory Budget Save? About \$100 Billion", September 1, 2015. <http://americanactionforum.org/insights/what-would-a-regulatory-budget-save-about-100-billion>.

regulatory budgeting would change the way Washington works, helping to restore the proper balance of powers envisioned by the framers and making government more accountable to the people it is supposed to serve.

The RSC Budget would also incorporate a number of other common-sense, conservative reforms needed to restore the appropriate balance of power:

House Judiciary Committee Ranking Member Doug Collins' (R-Ga.) bill, the *Regulations from the Executive in Need of Scrutiny Act* (REINS Act), would require Congress to approve of any regulations that have an annual economic impact of \$100 million or more. As described by FreedomWorks, "The REINS Act brings a crucial check on executive power, reduces the influence of federal regulatory agencies, and begins to reclaim Congress' constitutional power as the sole lawmaking authority under the Constitution."<sup>38</sup>

Former Representative Bob Goodlatte's (R-Va.) *Regulatory Accountability Act* would require agencies to choose the least costly method of regulation.

Representative John Ratcliffe's (R-Texas) *Separation of Powers Restoration Act* would rein in the executive branch by scaling back *Chevron*-based deference to federal agencies by requiring de novo review of agency actions for all relevant questions of law, including constitutional and statutory interpretation. It would place judicial review back in the hands of the judiciary, and make clear the lines between judicial interpretation of law and executive enforcement of the law.<sup>39</sup>

Representative Steve Chabot's (R-Ohio) *Small Business Regulatory Flexibility Improvements Act* would expand the *Regulatory Flexibility Act* (RFA) which requires regulatory agencies to account for the impact on small businesses in their rule-making. It would require agencies to include the indirect impact of regulations on small businesses, not just the direct impact. It would also require agencies to have a small business advocacy panel to review major regulations.

The REVIEW Act would require a federal agency to postpone the effective start date of any high-impact rule, defined as a rule that has an annual negative economic impact of more than \$1 billion, for either 60 days or the period delineated by the authorizing statute, if provided, pending judicial review.

Representative Blaine Luetkemeyer's (R-Mo.) *Providing Accountability Through Transparency Act* would require each agency to include a 100-word, plain-language summary of a proposed rule when providing notice of a rule-making.

Federal agencies should be required to measure the effect of a proposed regulation on the economy and allow those affected by mandates to comment on the regulation. These reviews would increase the transparency of the true costs of federal mandates on state and local governments as well as the private sector. This proposal is based on Representative Virginia Foxx's (R-N.C.) bill, the *Unfunded Mandates Information and Transparency Act*.

All too often, pro-regulatory litigants, unable to force their will on the public through legislation, will sue federal agencies with the intention of obtaining a settlement that forces the government to take regulatory action. Unfortunately, the unaccountable employees of regulatory agencies have become more than happy to cooperate with these litigants, entering into legally binding consent decrees that require a regulatory action. These settlements are negotiated behind closed doors, without the public participation required by the normal regulatory process governed by the *Administrative Procedure Act*, the *Regulatory Flexibility Act*, and the *Unfunded Mandates Reform Act*.

This budget brings transparency to these sue-and-settle cases by requiring public disclosure of the complaints against agencies, the terms of consent decrees and the attorneys' fees.<sup>40</sup> Consent decrees should also be made available for public comment in the Federal Register prior to being filed with the courts. This proposal is

<sup>38</sup> Adam Brandon, FreedomWorks, "Key Vote YES on the REINS Act, H.R. 26", January 4, 2017. <http://www.freedomworks.org/content/key-vote-yes-reins-act-hr-26>.

<sup>39</sup> AEI "A preview of Peter Wallison's new book on the last chance to rein in the administrative state" Accessed on April 29, 2019 <http://www.aei.org/spotlight/judicial-fortitude-the-last-chance-to-rein-in-the-administrative-state/>

<sup>40</sup> CATO Institute, by Andrew M. Grossman "Oversight of Litigation at EPA and FWS: Impacts on the U.S. Economy, States, Local Communities and the Environment" <https://www.cato.org/publications/testimony/oversight-litigation-epa-fws-impacts-us-economy-states-local-communities>

based on Ranking Member Collins' bill, the *Sunshine for Regulatory Decrees and Settlements Act*. Rather than being constantly surprised by new schemes of government control, the public should be able to know what regulations the executive branch plans to issue. Currently, the administration is statutorily required to publish the Unified Agenda of Federal Regulatory and Deregulatory Actions twice per year. Instead, to provide real transparency and regulatory certainty, federal agencies should publish monthly information about their proposed regulations. Rep. John Ratcliffe's (R-Texas) *ALERT Act* would require agencies to provide detailed disclosures on regulations, including these monthly reports.

### **Unleashing North American Energy Production**

America should be exploring and unleashing our vast reserves of energy and mineral resources on public lands. Tapping our domestic energy resources would promote job creation and decrease dependence on foreign oil, both at home and for our allies around the world.

RSC's FY 2018 budget urged the opening of new areas of the Outer Continental Shelf for domestic energy production and the repealing of the ban on energy exploration in the Arctic National Wildlife Refuge. Since then, the Department of Interior (DOI) has taken significant steps to permit drilling in most U.S. Continental Shelf Waters. This includes a draft five-year outer continental shelf oil and gas leasing program that would open all but one planning area in the Arctic, Pacific, Gulf of Mexico and Atlantic.<sup>41</sup> Additionally, in 2017, Congress passed, and the president signed into law, H.R. 1, the *Tax Cuts and Jobs Act*, which, in addition to cutting taxes, repealed the prohibition on development and required DOI to conduct two oil lease sales of a minimum of 400,000 acres each in the Arctic National Wildlife Refuge in Alaska.

Going further, this budget proposes that Congress allow states to develop resources on federal land within their borders. This budget also would prohibit any federal hydraulic fracturing regulations in a state that has already issued its own regulations.

The RSC Budget would block the Obama administration's so-called Clean Power Plan and supports the Trump administration's plan to repeal it administratively.<sup>42</sup> This budget also blocks other anti-energy EPA regulations, such as the Ozone rule which has been called "the most expensive regulation of all time"<sup>43</sup> and accelerates approval for liquefied natural gas (LNG) exports.

The Renewable Fuel Standard (RFS) is a program that requires fuel sold in the U.S. to contain a minimum volume of renewable fuels. However, the standard has caused a dramatic increase in the price of corn, food and gasoline,<sup>44</sup> and it should be eliminated. This proposal mirrors former Rep. Goodlatte's (R-Va.) bill, the *Renewable Fuel Standard Elimination Act*.

The RSC Budget supports President Trump's actions to remove the 2022-2025 Obama-era Corporate Average Fuel Economy (CAFE) Standards for passenger cars and light trucks. Though CAFE standards are already needless federal intrusion into the market, the Obama standards went beyond the traditional role of CAFE standards by mandating a level of efficiency that would incur tremendous price increases per vehicle and would have detrimental effects on the economy.<sup>45</sup>

In the 116<sup>th</sup> Congress, conservatives are now faced with, and fight back against, an even more radically dangerous environmental agenda from Democrats. On February 7, 2019, Representative Alexandria Ocasio-

41 U.S. Department of Interior, "Secretary Zinke Announces Plan For Unleashing America's Offshore Oil and Gas Potential," January 4, 2018. <https://www.doi.gov/pressreleases/secretary-zinke-announces-plan-unleashing-americas-offshore-oil-and-gas-potential>.

42 Environmental Protection Agency, "EPA Takes Another Step To Advance President Trump's America First Strategy, Proposes Repeal Of 'Clean Power Plan'", October 10, 2017. <https://www.epa.gov/newsreleases/epa-takes-another-step-advance-president-trumps-america-first-strategy-proposes-repeal>.

43 Lydia Wheeler, The Hill, "Manufacturers: Even with costs halved, ozone reg could still be most expensive", February 26, 2015. <http://thehill.com/regulation/233940-manufacturers-ozone-standard-could-still-be-the-nations-most-expensive-regulation>

44 Institute for Energy Research, "CBO Analyzes RFS: Expect Higher Gasoline and Diesel Prices", July 2, 2014. <http://instituteforenergyresearch.org/analysis/cbo-analyzes-rfs-expect-higher-gasoline-diesel-prices/>.

45 CEI, "Free to Prosper, A Pro-Growth Agenda for the 116<sup>th</sup> Congress: Energy and Environment" [https://cei.org/sites/default/files/Free\\_to\\_Proper\\_2019\\_Energy\\_and\\_Environment\\_0.pdf](https://cei.org/sites/default/files/Free_to_Proper_2019_Energy_and_Environment_0.pdf)



Cortez (D-N.Y.) Introduced H. Res. 109, known commonly as the “Green New Deal.” The resolution, supported by over 100 House and Senate Democrats, including members of Democratic leadership and presidential candidates, outlines several impossible and harmful goals it seeks to complete within 10 years. While some of the goals and projects are directly related to climate change, green energy and carbon emissions, the resolution is far-reaching, seeking to dismantle our labor, healthcare and education systems, all with the stated goal of creating a Socialist government. In their totality, its implementation would destroy the societal framework and economy of the U.S. and, as a result, the world.

### **Scaling Back Dodd Frank to Ensure Financial Choice**

The financial sector is the backbone of both the U.S. and world economies. The financial sector is how the unused profit of one productive industry becomes the seed capital of the next. Without a free and open financial market, economic growth, innovation and economic mobility would grind to a halt. Though the Obama administration attempted to do just that through the *Dodd-Frank Act*, conservatives in Congress have long fought to roll back this burdensome regulation. The RSC Budget includes former Financial Services Committee Chairman Jeb Hensarling’s bill, the *Financial CHOICE Act*, which would undo many of Dodd Frank’s strictest and most thoughtless requirements.<sup>46</sup>

It would remove the government’s ability to fully dismantle and bail out a failing bank. The legislation would make it easier for small banks to lend to their communities by alleviating some of the restrictions Dodd-Frank forced upon them, including treating them the same as large banks. It would eliminate the exceedingly complicated Volcker Rule that limits the investments financial firms are able to hold, making them more rigid, reducing their ability to move capital to people or to brace for economic downturns.<sup>47</sup> Finally, the legislation would deter firms from engaging in illegal or reckless activities by imposing stricter penalties against bad actors.

The Dodd-Frank financial reform law created the Consumer Financial Protection Bureau (CFPB), now called the Bureau of Consumer Financial Protection (BCFP), as a new financial regulator with wide authority. The legal structure of the BCFP “is designed precisely to insulate it from political accountability. It is a design better suited for a government of unlimited powers conducive to tyranny rather than to a government of limited powers conducive to freedom.”<sup>48</sup> During its brief existence, the BCFP has dramatically expanded its reach with little transparency and accountability. Ultimately, however, the BCFP, with its “government knows best” philosophy, should be eliminated.

In the 115<sup>th</sup> Congress, Congress passed and the president signed the *Economic Growth, Regulatory Relief, and Consumer Protection Act* which contained a number of helpful financial regulatory reforms. Overall, the legislation is a solid first step toward dismantling some of Dodd-Frank’s onerous burdens but left several, largely bipartisan pieces of legislation that could further roll back Dodd-Frank out of the package. Notably, the bill did not include a repeal of the Volcker Rule or the Systemically Important Financial Institution (SIFI) “too big to fail” designation.<sup>49</sup>

### **Get Unions off the Backs of Job Creators and Employees**

The RSC Budget fully repeals Davis-Bacon, which requires prevailing union wages to be paid for all construction and contracting jobs that use any federal dollars. Removing this job-killing requirement would allow taxpayer

<sup>46</sup> House Financial Services Committee, The Financial Choice Act. [https://republicans-financialservices.house.gov/uploadedfiles/financial\\_choice\\_act\\_executive\\_summary\\_final.pdf](https://republicans-financialservices.house.gov/uploadedfiles/financial_choice_act_executive_summary_final.pdf).

<sup>47</sup> Shawn Tully, Fortune, “This Congressman Could Turn the Dodd-Frank Financial Reforms Upside Down”, November 15, 2016. <http://fortune.com/2016/11/15/jeb-hensarling-trump-dodd-frank/>.

<sup>48</sup> Scott Johnson, Powerline, “Understanding The Administrative State”, February 27, 2017. <http://www.powerlineblog.com/archives/2017/02/understanding-the-administrative-state.php>.

<sup>49</sup> The Washington Post, Erica Werner “Trump signs law rolling back post-financial crisis banking rules” May 24, 2018 [https://www.washingtonpost.com/business/economy/trump-signs-law-rolling-back-post-financial-crisis-banking-rules/2018/05/24/077e3aa8-5f6c-11e8-a4a4-c070ef53f315\\_story.html?utm\\_term=.d10e476535a6](https://www.washingtonpost.com/business/economy/trump-signs-law-rolling-back-post-financial-crisis-banking-rules/2018/05/24/077e3aa8-5f6c-11e8-a4a4-c070ef53f315_story.html?utm_term=.d10e476535a6).



dollars to go further for infrastructure projects. This commonsense policy would save taxpayers billions of dollars according to the CBO.<sup>50</sup> While working to fully repeal Davis-Bacon, Congress could enact the *Responsibility in Federal Contracting Act*, introduced by Rep. Paul Gosar (R-Ariz.) during the 115<sup>th</sup> Congress, which would require prevailing wage rates to be more accurately calculated by the Bureau of Labor Statistics (BLS).

All people have a right to work and enjoy the fruits of their labor. Unfortunately, unions all around the country have been granted monopolistic powers by the federal government, allowing them to restrict who is allowed to work in certain jobs and what businesses can enter a market. They have become the guilds of the modern era, working to stifle innovation when it threatens the power of their leadership. Twenty-eight states have enacted right to work laws, but that leaves millions of Americans under an unjust system. To correct this problem, Congress should enact the *National Right-to-Work Act*.

In addition, this budget allows employers operating under a union contract to award bonuses and pay raises to employees without having to get permission from union bosses. This proposal is based on former Representative Todd Rokita's (R-Ind.) *Rewarding Achievement and Incentivizing Successful Employees Act* (RAISE Act) from the 115<sup>th</sup> Congress.

The Obama-era National Labor Relations Board's (NLRB) joint employer ruling would pull companies into collective bargaining negotiations with employees of companies they have a contract with. This would require businesses to be regulated by groups of workers who have no real connection to the businesses they would be regulating. This would force business owners to give up a tremendous amount of control over their businesses. In December 2017, the NLRB issued a decision overturning the joint employer ruling. Although this decision was eventually vacated in February 2018, the NLRB posted a Notice of Proposed Rule-making in September 2018 re-asserting the long-standing standard requiring an employer to actually directly employ someone to be considered a joint employer.<sup>51</sup> This budget supports the NLRB's re-assertion of the rule.

### **Occupational Licensing Laws**

In a similar vein, government should reduce the burden of outrageous occupational licensing requirements. For instance, barbers and interior designers face stricter licensing requirements than emergency medical technicians.<sup>52</sup> Thirty percent of jobs now face government-imposed licensing requirements, up five percent from the 1950s.<sup>53</sup> These licensing requirements are especially burdensome to families of military servicemen and women, who are 10 times more likely to move between states. Most of the military spouses that work in these fields need to be relicensed upon moving.<sup>54</sup> Removing barriers to entry into the labor force will allow more people to get to work, help our military families and improve our nation's economy. While the problem of onerous occupational licensing laws is mostly caused at the state level, lawmakers should examine ways in which the federal government could respect the notion of federalism and still facilitate the state-level adoption of policies that use less restrictive alternatives to occupational licensing.

Though some occupational licensing comes from a legitimate desire for health and safety regulations, many come from a protectionist view. Many local and state governments are now looking at ways to regulate and stop burgeoning so-called sharing industries. For example, at the urging of the taxi and hotel industries state and local governments are trying to regulate companies like Uber and Airbnb out of existence. These attempts highlight the dangers that arise when powerful economic groups use the government to manipulate commerce to maintain their market share. Allowing special economic interest to use the power of government to stifle innovation ends the free market system and simply impoverishes the whole country.

50 Congressional Budget Office, "Repeal the Davis-Bacon Act", December 13, 2018. <https://www.cbo.gov/budget-options/2018/54786>.

51 "National Labor Relations Board Proposes New Joint-Employer Rule" The National Law Review, September 2018 <https://www.natlawreview.com/article/national-labor-relations-board-proposes-new-joint-employer-rule>.

52 James Pethokoukis, American Enterprise Institute, "The terrible economic burden of occupational licensing", April 21, 2014. <https://www.aei.org/publication/the-terrible-economic-burden-of-occupational-licensing/>.

53 Melissa S. Kearney, Brad Hershbein and David Boddy, Brookings Institution, "Nearly 30 Percent of Workers in the U.S. Need a License to Perform Their Job: It Is Time to Examine Occupational Licensing Practices", January 27, 2015. <http://www.brookings.edu/blogs/up-front/posts/2015/01/26-time-to-examine-occupational-licensing-practices-kearney-hershbein-boddy>.

54 Shoshana Weissmann & C. Jarrett Dieterle, "Why Do You Need a College Degree to Give Diet Advice?" Wall Street Journal, January 31, 2018

## Promoting Free Trade

Perhaps the largest regulatory regime the U.S. is subject to is the arcane and convoluted manner in which international trade is governed. Though trade is generally discussed amongst nations, it, as with all human activities, is conducted by individual people. All economic activity is a trade of goods, services or money that all parties agree to because it benefits all parties involved. Beyond legitimate regulations to defend the natural rights of our citizens, the regulation of international trade can be as hazardous as the regulation of domestic trade. Restricting economic activity across national, and even local, borders prevents people from accessing the goods and services they desire. This restricts their freedom, diminishes their purchasing power, reduces economic efficiency and innovation, and ultimately, violates their individual rights. The urge to regulate international trade stems from the same desire to regulate the economy of a region or a particular industry and comes to the same result. As illustrated by Bastiat in *The Candlemakers' Petition*,<sup>55</sup> it hands economic freedom and control to a select and unaccountable few.

Perhaps the starkest reminder of the damage that can be done by restricting trade is of the Smoot-Hawley tariffs that magnified the Great Depression in the U.S. and abroad, creating an incalculable amount of suffering. Though these tariffs went into effect shortly after the stock market crash in October 1929, they passed the House in May of 1929. The Senate voted 64 to 10 to expand the reach of the tariff bill beyond agricultural products just three days before the stock market crash.<sup>56</sup> The impending passage of the tariffs threatened the delicate supply chains for many U.S. industries, facilitating the crash of the stock market and large swaths of the U.S. economy. Ultimately, by 1933, the tariffs cut U.S. agricultural exports to a third of the level that they had been in 1929.<sup>57</sup> The ensuing trade war and collapse of many industrial sectors led to immense worldwide suffering. The direct result of which was the election of the extreme statist and socialistic governments across central and Eastern Europe that plunged the world into World War II.

Throughout its history, the RSC has remained committed to the promotion of free trade. In March of 2018, the RSC's Steering Committee affirmed and adopted a series of free trade principles. They are as follows:

- *Free trade underpins the economic foundations of our alliances and partnerships, directly furthering America's national security interests while limiting the destructive reach of authoritarian powers.*
- *American consumers benefit from free trade through more choices and affordable goods, improving their standard of living and promoting global innovation.*
- *Tariffs on imported goods are a tax on American consumers and businesses. While certain tariffs can temporarily benefit producers, manufacturers tend to bear the burden of rising costs from imposed tariffs. At least half of American imports are not finished products but are instead input materials for U.S.-based manufacturers. Free trade reduces the cost of input materials, thus reducing U.S.-based businesses' production costs, which in turn promotes economic growth through additional investment in domestic jobs and manufacturing.*
- *Free trade and free markets have led to the greatest reduction in global poverty in the history of mankind.*
- *Government imposed barriers to materials, labor and capital are disruptive to modern supply chains and represents liberal central-planning in its worst, most arrogant form.*
- *While we strongly disagree with the imposition of punitive tariffs, we do believe that the federal government should aggressively protect American jobs and American manufacturers from the economic devastation caused by the unfair dumping of foreign goods into American markets and barriers to American products.*<sup>58</sup>

55 Reprinted by the Foundation for Economic Education February 28, 1958, Frederic Bastiat "The Candlemakers' Petition" <https://fee.org/articles/the-candlemakers-petition/>.

56 CATO Institute, "The Smoot-Hawley Tariff and the Great Depression" May 7, 2016, reprinted from "What Do We Know about the Great Crash" by Alan Reynolds <https://www.cato.org/blog/smoot-hawley-tariff-great-depression>.

57 Ibid

58 Chairman Mike Johnson, Republican Study Committee, "Steering Committee Affirms Free Trade Principles", March 7, 2018. <https://rsc-johnson>.

Principles such as these have allowed American industries to gain more and more market access across the globe. Free trade agreements have, over time, consistently led to an expanded U.S. economy, improving wages, increasing purchasing power and creating new jobs.<sup>59</sup>

### **Export-Import Bank**

This budget would eliminate the Export-Import Bank (Ex-Im). The bank is charged with subsidizing certain American exports. In reality, those subsidies come from U.S. taxpayers – including taxes paid by companies in direct competition with the beneficiaries of the subsidies. These subsidies go to foreign countries and companies to purchase goods from specific corporations approved by Ex-Im bureaucrats. Many of those favored firms are the biggest and most politically connected in the country, all with well paid lobbyists.

Ex-Im boasts a disturbing culture of corruption and misconduct that has led to numerous criminal indictments in the last several years. Their lending standards often lack transparency and consistency. The bank is the “Enron” of the federal government, a poster child for the worst of Washington’s corruption and mismanagement.<sup>60</sup> We believe American businesses are capable of competing in a free and open market.

In 2018, President Trump submitted a full slate of board nominees to bring Ex-Im’s leadership back up to a full quorum. This would allow the bank to resume “doling out multimillion-dollar subsidies to foreign competitors of U.S. business...the notion that the U.S. Ex-Im will balance the playing field of global trade is absurd.”<sup>61</sup>

Eliminating Ex-Im will directly save the taxpayers \$1.3 billion over the next 10 years according to the CBO.<sup>62</sup> More importantly, the bank’s demise will mark a return to the principles of free enterprise and competition that are so essential to the America’s unprecedented prosperity.<sup>63</sup>

### **Recent Congressional Action on Trade**

Accordingly, many members of Congress are intensely concerned with the recent imposition of a number of tariffs. This includes tariffs on solar panels and washing machines announced in January 2018, followed by a 25 percent tariff on steel and a 10 percent tariff on aluminum imports in March, as well as a series of tariffs on approximately \$50 billion worth of Chinese imports and proposed tariffs on automobile parts.<sup>64</sup> Concerns include the potential global ramifications of a trade war which could result in the common economic calamities trade restrictions bring.<sup>65</sup> The Trade Partnership estimated that the 2018 steel and aluminum tariffs could “result in a net loss of nearly 470,000 U.S. jobs after accounting for positive impacts on U.S. steel and aluminum producers.”<sup>66</sup> This policy continued through 2018 with the imposition of an additional \$200 billion in tariffs on trade with China, which increased to 25 percent by January 1, 2019.<sup>67</sup>

[house.gov/news/press-releases/steering-committee-affirms-free-trade-principles](https://www.house.gov/news/press-releases/steering-committee-affirms-free-trade-principles).

59 The Chamber of Commerce “The Benefits of International Trade” accessed on April 13, 2019 <https://www.uschamber.com/international/international-policy/benefits-international-trade>.

60 Rep. Bill Flores and Sen. Mike Lee, Washington Examiner, “End Ex-Im Bank, the government’s Enron”, May 21, 2015. <http://www.washingtonexaminer.com/end-ex-im-bank-the-governments-enron/article/2564796>.

61 Diane Katz, The Heritage Foundation, “The Export-Import Bank Doesn’t Make America Great”, July 16, 2018 <https://www.heritage.org/trade/commentary/the-export-import-bank-doesnt-make-america-great>.

62 Congressional Budget Office, “Spending Projections, by Budget Account”, January 2019. <https://www.cbo.gov/about/products/budget-economic-data#3>.

63 CEI, by Ryan Young “Ten Reasons to Abolish the Export-Import Bank” July 15, 2104 <http://cei.org/sites/default/files/Ryan%20Young%20-%20Top%2010%20Reasons%20to%20Abolish%20Ex-Im%20%282%29.pdf>

64 Office of United States Trade Representative, “Under Section 301 Action, USTR Releases Proposed Tariff List on Chinese Products,” April 2018. <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/april/under-section-301-action-ustr>.

65 NTU, by Bryan Riley “Costly Trade Policies Undermine President Trump’s Accomplishments” January 28, 2019 <https://www.ntu.org/library/doclib/2019/01/Costly-Trade-Policies-Undermine-President.pdf>

66 Dr. Joseph Francois and Laura M. Baughman, The Trade Partnership, “Policy Brief, Round 2: Trading Partners Respond, The Estimated Impacts of Tariffs on Steel and Aluminum”, March 13, 2018, The Trade Partnership, <http://tradepartnership.com/wp-content/uploads/2018/03/232RetaliationPolicy-Brief.pdf>.

67 Office of United States Trade Representative, “USTR Finalizes Tariffs on \$200 Billion of Chinese Imports in Response to China’s Unfair Trade Practices,” September 2018. <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/september/ustr-finalizes-tariffs-200>.

Article 1, Section 8 of the Constitution endows Congress with the sole authority to impose tariffs. However, for the past 100 years, Congress has been ceding more and more control in this area to the executive branch. As is the case with reining in the powers of federal agencies, this budget would reassert congressional authority in the realm of trade. Several proposals have been introduced, including Representative Warren Davidson's (R-Ohio) *Global Trade Accountability Act* which seeks to establish a congressional review process on the imposition of tariffs by the executive branch by identifying eight specific provisions in statute that were ceded to the executive branch to raise tariffs, duties and tariff-rate quotas. The legislation would allow several exemptions or temporary authority for unilateral trade actions for 90 days without congressional approval. These exemptions are limited to actions related to a national emergency, an imminent threat to health or safety, the enforcement of criminal laws or for national security. Implementing this bill would be a step in the right direction by regaining Congress's power "to regulate Commerce with foreign Nations." The RSC Budget supports this legislation, as it did in the 115<sup>th</sup> Congress.

### **Eliminate Programs that are Duplicative and Crowd Out the Private Sector**

In March 2017, President Trump charged the Director of the Office of Management and Budget (OMB) to propose a plan to "reorganize governmental functions and eliminate unnecessary agencies, components of agencies, and agency programs."<sup>68</sup> On June 21, 2018, the OMB issued "Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations."<sup>69</sup> The plan provides a number of recommendations that, while not specifically designed with reducing federal spending in mind, will undoubtedly result in efficiencies to justify a slimmer discretionary budget.

Additionally, GAO issues periodic reports exposing duplicative federal programs, and there are countless additional examples of duplication and waste documented by members of Congress, the media and government watchdog groups.

The RSC Budget implores House and Senate standing committees to immediately explore legislative options to carry out the proposals offered by GAO and OMB. Indeed, the RSC's newly convened Government Efficiency, Accountability & Reform (GEAR) Task Force will be examining such proposals, as well as many others that look to improve government operations, in its effort to produce a compressive policy framework focused on modernization of the federal government.

Additionally, the federal government should have a "yellow pages test" – if a good or service can be found in the "yellow pages," government should not be doing it. Government should be restricted to its core constitutional duties and only provide services that are appropriate in the federal government's defined domain. The RSC Budget also recommends terminating the Government Publishing Office (GPO) and outsourcing its few remaining functions to the private sector.

<sup>68</sup> Executive Order No. 13781, "Presidential Executive Order on a Comprehensive Plan for Reorganizing the Executive Branch", March 13, 2017. <https://www.whitehouse.gov/the-press-office/2017/03/13/presidential-executive-order-comprehensive-plan-reorganizing-executive>.

<sup>69</sup> <https://www.performance.gov/GovReform/Reform-and-Reorg-Plan-Final.pdf>







***CREATING  
OPPORTUNITY  
THROUGH TAX  
REFORM***



## CREATING OPPORTUNITY THROUGH TAX REFORM

The core purpose of government is the defense of natural rights. Therefore, the only moral and responsible role of taxation is to provide enough resources for the government to perform this function. Beyond this, taxation is tantamount to theft. Unfortunately, the extent to which American citizens and their enterprises are taxed today far exceeds the amount necessary to support the core constitutional duties of the federal government. This deprives U.S. citizens of the fruits of their labor, reducing savings and earning potential, and starving the economy of investment. This causes slow growth which, in turn, can have profound effects on the federal budget outlook and drive up borrowing costs.

Moreover, the federal tax code is riddled with carve outs and subsidies. These distort markets and destroy critical economy information contained in prices. All this does is redistribute wealth from hardworking Americans to special interest groups that have manipulated the tax code.<sup>70</sup> These special interest provisions result in a more inefficient economy where certain industries and activities exist solely because of tax subsidies, while more productive pursuits fold as artificially deflated prices attract consumers.

Today's federal tax system largely subscribes to the false and perverse notion that only the government, not individuals, have a right to property and its management. This mentality brings to mind the wisdom of President Ronald Reagan when he said, "Republicans believe every day is the Fourth of July, but Democrats believe every day is April 15."<sup>71</sup>

The RSC Budget builds on the work of the *Tax Cuts and Jobs Act* (TCJA), passed in the 115<sup>th</sup> Congress, to further remove group and industry specific tax carve outs so reduced tax rates can be applied to a fairly assessed tax base. Further, our budget's work to remove wasteful and distortionary federal spending allows us to dramatically reduce the overall tax burden, allowing every American to keep more of the wealth they have earned. This budget reduces taxes by \$1.88 trillion over the next 10 years, returning over \$14,800 in purchasing power, on average, back to each American family.

### Tax Cuts & Jobs Act

Coming out of the economic stagnation of the 1970s, with energy resources scarce, hyperinflation sapping the value of life-savings and income, and a tax code that prevented innovation and investment, President Reagan knew something had to be done. The comprehensive tax reform and deregulation of the Reagan administration paved the way for the economic expansion of the 1980s and 1990s, and an overall reduction in poverty. However, in the generation and a half that has come and gone, the tax code was again manipulated to support particular special interests at increased cost to American families.

The RSC knew we had to do better. Lawmakers needed to take steps to create an economic environment that would unleash a new generation of prosperity and self-sufficiency. With the election of President Trump, the RSC's FY 2018 budget emphasized the idea that the unified Republican government was presented with perhaps a once in a generation opportunity to enact comprehensive tax reform.

Accordingly, the RSC Budget laid out principles for comprehensive tax reform that would significantly lower marginal rates, broaden the economic tax base, encourage saving and investment, limit forms of double-taxation and, most importantly, spur American economic growth.

While the TCJA was not perfect, it incorporated many of the tax reform principles the RSC had proposed. These included important provisions to lower income tax rates across-the-board for individuals and married couples, to implement an internationally competitive corporate tax rate, to fully and immediately expense business investments, and to provide tax relief for job-producing small businesses. This also included creating equal tax treatment between large corporations and small businesses.

70 NTU, by Spencer Wood "Cronyism and the Tax Code" November 21, 2016 <https://www.ntu.org/foundation/detail/cronyism-and-the-tax-code>  
 71 The New York Times, James F. Clarity and Warren Weaver Jr. "BRIEFING: 'There You Go Again'" October 10, 1984 <https://www.nytimes.com/1984/10/10/us/briefing-there-you-go-again.html>.

The TCJA has contributed tremendously to the robust economy produced in Trump's first two years as president. The unemployment rate<sup>72</sup> and jobless claims<sup>73</sup> have fallen to the lowest level in a half century and taxes owed have fallen by 25 percent.<sup>74</sup>

Unfortunately, some of these provisions, namely the individual tax cuts and reforms, and full and immediate expensing for business investments, had to be made temporary to comply with rules governing the budget process mechanism known as "reconciliation."

### **Permanence for the Individual Tax Provisions of the TCJA and Reduced Rates**

Picking up where the TCJA left off, this RSC Budget makes a number of modifications and additions to the tax code. For instance, this budget makes the individual tax code provisions of the TCJA permanent. This includes important features such as lower income tax rates, a number of tax base-broadeners and pass-through tax relief. As the Joint Committee on Taxation (JCT) has testified, "Tax policy can directly influence the level of labor supply, physical capital, human capital, and technology in an economy by changing the after-tax returns to certain economic activities or changing the cost of pursuing them. Lowering individual tax rates on wages, for example, can increase labor supply by raising the after-tax returns to labor."<sup>75</sup> Allowing the individual cuts and reforms to expire would not only be economically counterproductive but would also violate the rights of every American family. Additionally, the RSC budget would reduce the first bracket to 9.5 percent and the second to 11 percent, extending tax relief for small businesses and working-class families.

### **Permanence for Full and Immediate Expensing of Investments**

This budget would also make the full and immediate expensing provisions of the TCJA permanent which are currently slated to be phased out over a four-year period starting in 2023. As explained by experts at the Mercatus Center, an elongated depreciation framework decreases the value of investments and positive economic impacts.<sup>76</sup> According to the Tax Foundation, full and immediate expensing provides the biggest bang for the buck in lifting GDP.<sup>77</sup> This budget would also permanently retain the ability of businesses to fully and immediately expense their investments in research and development (R+D) activities, one of the cornerstones to a dynamic and growing economy. This would be swapped in exchange for the overly complex R+D tax credit that is meant to deal with the same issue.<sup>78</sup> Under the changes made by the TCJA, starting in 2022, R+D costs must be amortized over a five-year period.

### **Create Universal Savings Accounts**

The Tax Reform 2.0 legislative package pursued by the House in the 115<sup>th</sup> Congress would have implemented a longstanding policy supported by the RSC, creating Universal Savings Accounts (USAs). Under Tax Reform 2.0, USAs would allow people to deposit their after-tax income into accounts where they could then remove any of the principle or investment growth without paying further taxes. These are tremendous tools to prevent double taxation and allow all Americans to be able to build up wealth for themselves and their families, providing for the

72 The Washington Post Matt O'Brien "Unemployment is the lowest it's been in almost 50 years, but the labor market still isn't completely over the recession" October 5, 2018 [https://www.washingtonpost.com/business/2018/10/05/unemployment-is-lowest-its-been-almost-years-labor-market-still-isnt-completely-over-recession/?utm\\_term=.6844e7314798](https://www.washingtonpost.com/business/2018/10/05/unemployment-is-lowest-its-been-almost-years-labor-market-still-isnt-completely-over-recession/?utm_term=.6844e7314798).

73 CNBC "US weekly jobless claims drop to the lowest level since 1969" April 11, 2019 <https://www.cnbc.com/2019/04/11/weekly-jobless-claims.html>.

74 Americans for Tax Reform "H&R Block: Taxes Down 25 Percent This Year" <https://www.ATR.org/hr-block-taxes-down-25-percent-year>.

75 Joint Committee on Taxation, "Economic Growth and Tax Policy (JCX-47-15)", February 20, 2015. <https://www.jct.gov/publications.html?func=startdown&id=4736>.

76 Jason J. Fichtner and Adam N. Michel, Mercatus Center, "Options for Corporate Capital Cost Recovery: Tax Rates and Depreciation," January 2015. <https://www.mercatus.org/system/files/Fichtner-Corporate-Capital-Cost.pdf>.

77 Scott A. Hodge, Tax Foundation, "An Open Letter to Chairman Peter Roskam on Full Expensing," July 18, 2017. <https://taxfoundation.org/open-letter-chairman-peter-roskam-full-expensing/>.

78 Tax Foundation, Robert Bellafiore "Amortizing Research and Development Expenses Under the Tax Cuts and Jobs Act" February 5, 2019 <https://taxfoundation.org/research-development-expensing-tcja/>.

financial independence essential for true empowerment. These tools have already been effective in the U.K. and Canada where “moderate-income households were the most responsive. Low-income and moderate-income savers represent over 50 percent of account holders in both countries, and contributions as a percentage of income are highest for low-income earners.”<sup>79</sup> The RSC Budget would create these accounts with a generous annual contribution cap of \$10,000.

### **Repeal the Death Tax**

While the TCJA version that passed the House would have fully repealed the death tax after 2024, the final version unfortunately did not include a full repeal. Instead, it simply doubled the death tax exclusion from \$5.5 million to \$11 million. This budget would fully and immediately repeal the death tax. The death tax represents the ultimate form of double taxation. After spending a lifetime building up savings and family businesses, paying taxes on factors of production, income and capital gains, the government then takes one more tremendous portion of what remains. This tax, which represents a relatively small amount of federal revenue, serves as a business-ending tax on many family businesses.<sup>80</sup> This perfectly represents how out of touch the Left is with reality. Instead of taxing very wealthy individuals, most of the burden of this tax falls on successful small and medium sized businesses. Death tax repeal is long overdue.<sup>81</sup>

### **Index Capital Gains and Reducing the Rates**

The RSC Budget would index assets to inflation before assessing capital gains taxes.<sup>82</sup> Under current law, long-term capital gains taxes are charged on the nominal dollar increase in an asset. For example, a house could double in price during the same time that inflation also doubles the prices of goods and services in an area, making the house the same real value as it was when it was purchased. However, current capital gains taxes would only see the price doubling and would tax the entire nominal dollar increase. This outrageous tax policy only serves to stifle investment and reduce the economic mobility for low- and middle-income families. Often, families in these economic positions can only afford one major asset, a house. Whereas wealthier families may be able to shift funds from one asset to another to avoid being taxed on the inflation of an asset, low-income families cannot easily transfer wealth back and forth between houses. Therefore, many of these families will be hit with tremendous capital gains taxes on account of inflation.<sup>83</sup> The RSC Budget would ensure that capital gains taxes are only applied to the real value increase in an asset. Furthermore, the RSC Budget would reduce the top two capital gains tax rates to 18 percent and 13 percent. These provisions level the playing field and will help American families build generational wealth.<sup>84</sup>

### **End Investment Penalty in Interest Deductibility**

While the House-passed version of the TCJA capped the business interest deduction to 30 percent of income as defined by earnings before interest, taxes, depreciation and amortization (EBITDA), the version signed into law switches the income definition to earnings before interest and taxes (EBIT). By switching to EBIT, this new measure reduces the size of the deduction in proportion to how much a business spends on investments

79 The Heritage Foundation, Adam Michel “Universal Savings Accounts Can Help All Americans Build Savings” December 4, 2018 <https://www.heritage.org/taxes/report/universal-savings-accounts-can-help-all-americans-build-savings>.

80 Family Business Coalition, Letter of Support for the *Death Tax Repeal Act* February 20, 2019 <http://familybusinesscoalition.org/wp-content/uploads/2019/02/FBC-Coalition-Letter-Death-Tax-Repeal-Act-2019.pdf>

81 Tax Foundation, Scott Eastman “New IRS Data Reiterates Shortcomings of the Estate Tax” October 18, 2018 <https://taxfoundation.org/new-irs-data-reiterates-shortcomings-estate-tax/>.

82 ATR, by Alexander Hendrie “Treasury Should Index The Calculation of Capital Gains Taxes To Inflation” January 16, 2018 <https://www.atr.org/treasury-should-index-calculation-capital-gains-taxes-inflation>

83 ATR “Coalition Urges President Trump to Index Capital Gains Taxes to Inflation” January 22, 2019 <https://www.atr.org/sites/default/files/assets/1-22-19%20Coalition%20Letter%20Urging%20Trump%20to%20End%20the%20Inflation%20Tax.pdf>

84 Tax Foundation, Alec Fornwalt “Capital Gains Taxes Should Be Indexed to Inflation” July 23, 2018 <https://taxfoundation.org/capital-gains-taxes-indexed-inflation/>.

to expand operations. This switch effectively taxes growth. This clearly would result in slower wage, job and innovation growth. This budget would permanently maintain the EBITDA definition for calculating the cap for the interest deduction.<sup>85</sup>

### **Decrease Amortization Period for Structures**

While the TCJA provided for expensing for roughly 30 percent of business investments, 70 percent are in structures, which were not included in the final law. Under current law, these expenses can only be amortized over a 39-year period, creating a tremendous tax on increasing productivity. The RSC Budget reduces this amortization period to 30 years. Reducing this period would have a tremendous positive impact on economic expansion.<sup>86</sup>

### **Repeal of Distorting and Monopoly Forming Carve Outs**

The JCT asserts that “To minimize economic inefficiency, economists in general have long recommended a broad base of taxation to keep marginal tax rates as low as possible to raise a given level of revenue.”<sup>87</sup> As described by the Mercatus Center, “Various deductions, exemptions, and credits create an uneven tax environment. The proliferation of special tax rules through the tax expenditure system results in disparate effective tax rates, which distort consumption and investment.”<sup>88</sup> The RSC Budget levels the playing field by repealing and curtailing additional carve outs, while simultaneously rolling the savings into reduced tax rates for everyone. Doing so removes the manipulating effects of the tax code and reduces barriers to market entry. This allows for vastly more efficient investment, increased economic growth, and expanded savings and income for families.

The RSC Budget fully repeals the deductibility of state and local taxes to end the federal subsidization of these liberal tax policies. It would adopt the mortgage interest deduction reforms contained in the House-passed version of the TCJA by capping it for newly purchased homes at \$500,000 and limiting the deduction to principal residences only. This budget repeals the following carve outs: Orphan Drug Credit, credit for carbon dioxide sequestration, deduction for employer-provided gym benefits, Family and Medical Leave Credit, Low Income Housing Credit,<sup>89</sup> exclusion for educational assistance programs, employee achievements awards and the exclusion for private bond interest.

This budget would also repeal the Lifetime Learning Credit and American Opportunity Credit, and phase out the deduction for student loan interest payments. College tuition costs are already increasing at an uncontrollable rate with federal subsidies for tuition and student loans being a primary culprit. Furthermore, as CBO points out, these tax benefits are poorly designed to benefit the low-income populations they are intended to help given that these families tend not to have enough tax liability to claim all or any of the benefits.<sup>90</sup> Furthermore, the tax benefits are not timed to help pay for tuition costs as they are only received the following year, long after tuition costs have been paid.

This budget would also eliminate the current package of so-called tax Extenders. As Steve Ellis, Vice President of Taxpayers for Common Sense, has aptly observed, “Tax extenders are the cockroach on Washington policy.”<sup>91</sup>

85 Tax Foundation, Scott Greenberg “Tax Reform Isn’t Done” March 8, 2018 <https://taxfoundation.org/tax-reform-isnt-done/>.

86 Tax Foundation, Stephen J. Entin “Tax Treatment of Structures Under Expensing” March 24, 2017 <https://taxfoundation.org/tax-treatment-structures-expensing/>.

87 Joint Committee on Taxation, “Economic Growth and Tax Policy (JCX-47-15)”, February 20, 2015. <https://www.jct.gov/publications.html?func=start-down&id=4736>.

88 Veronique de Rugy and Adam N. Michel, Mercatus Center, “A Review of Selected Corporate Tax Privileges,” October 2016. <https://www.mercatus.org/system/files/mercatus-de-rugy-corporate-tax-privileges-v1.pdf>.

89 The Heritage Foundation, Adam Michel, Norbert Michel, and John Ligon “To Reduce Corporate Welfare, Kill the Low-Income Housing Tax Credit” March 28, 2018 <https://www.heritage.org/taxes/report/reduce-corporate-welfare-kill-the-low-income-housing-tax-credit>.

90 CBO “OPTIONS FOR REDUCING THE DEFICIT: 2019 TO 2028” December 13, 2018 <https://www.cbo.gov/budget-options/2018/54801>.

91 Market Watch, Elisabeth Buchwald “What to expect in the lame-duck session of Congress” November 13, 2018 <https://www.marketwatch.com/story/what-to-expect-in-the-lame-duck-session-of-congress-2018-11-12>

The Tax Foundation explains, “Many of the[se] provisions ...were originally designed to phase out, often because they were part of temporary bills like the [Obama-era] stimulus package.... Congress has instead reauthorized these provisions on a temporary basis, most often at the last minute or retroactively.”<sup>92</sup> Indeed, that would be the case if Congress were to extend the tax breaks proposed by Senate Finance Chairman Chuck Grassley this year.<sup>93</sup> These proposals do little to nothing to boost overall economic growth, especially when authorized retroactively. They also often inappropriately intervene in the private market to subsidize inefficient energy endeavors and, in a number of instances, are ineffectual given the expensing reforms contained in the TCJA. In all cases, they muddy the tax code and should be eliminated in favor of permanent reductions in marginal rates.

### **End Marriage Penalties**

Congress should also continue efforts to eliminate the tax code’s disincentives to form families. Because some tax brackets for married couples are less than double the brackets for single individuals, marginal tax rates can increase more quickly for married couples than for individuals, creating a marriage penalty. While the TCJA did eliminate a number of existing marriage penalties in the tax code, a number of notable penalties remain, including in the 35 and 37 percent income brackets, and with the Earned Income Tax Credit (EITC).<sup>94</sup> Marriage penalties represent another instance where the tax code has been distorted to treat similar individuals disparately in order to extract more revenue from the American people.

### **End Incentives to Hire Illegal Labor**

Congress should also reevaluate tax policies that perpetuate and sustain illegal immigration. This budget supports the provision contained in Representative Steve King’s (R-Iowa) *New Idea Act* that would make the wage and benefit compensation of illegal immigrants non-deductible from business taxes.

### **Rightsizing User Fees**

The federal government provides some services in exchange for user fees that directly finance those services. While the intention was for those fees to fully cover the cost of the services, many do not. By shifting the cost burden of these programs to the taxpayers, it makes the cost of these services appear less expensive than they actually are. The RSC believes user fees should be set to cover the full costs of the service so that the beneficiary bears the cost, not the taxpayers.

92 Tax Foundation, Erica York “Recommendations to Congress on the 2018 Tax Extenders” April 17, 2018 [https://taxfoundation.org/2018-tax-extend-ers#\\_ftnref2](https://taxfoundation.org/2018-tax-extend-ers#_ftnref2)

93 Tax Foundation, Erica York “Lawmakers Introduce Another Tax Extenders Bill” March 1, 2019 <https://taxfoundation.org/2019-tax-extend-ers-bill/>

94 Amir El-Sibaie, Tax Foundation, Marriage Penalties and Bonuses under the Tax Cuts and Jobs Act,” February, 14, 2018. <https://taxfoundation.org/tax-cuts-and-jobs-act-marriage-penalty-marriage-bonus/>.





***OPPORTUNITY  
THROUGH  
EMPOWERMENT  
AND  
SELF -  
SUFFICIENCY***



## OPPORTUNITY THROUGH EMPOWERMENT AND SELF-SUFFICIENCY

Conservatives believe every American deserves the opportunity to improve their economic circumstances, escape from poverty and achieve their full potential. The notion that every person has a God-given right to the pursuit of happiness is embodied in our Declaration of Independence. Instead of trapping individuals in a cycle of poverty, government should remove obstacles and allow all citizens to flourish. Welfare reform is about providing that opportunity to all Americans, rather than prolonging their economic hardship.

In his 1964 State of the Union address, President Lyndon Johnson declared a War on Poverty and launched the modern federal welfare system. He stated his agenda's aim was "not only to relieve the symptom of poverty, but to cure it and, above all, to prevent it."<sup>95</sup> This is a laudable goal, and it should be the focus of our safety-net programs.

But by any measure, Johnson's big-government welfare state has been a failure. The programs created by the federal government decades ago did little to address the root causes of poverty and the lack of upward mobility. The many expansions and redundant iterations of this government-centric model have delivered equally disappointing results. The federal programs we have today focus on alleviating only the material symptoms of poverty, rather than fostering the conditions that allow individuals to escape it. As the RSC's first executive director, Dr. Ed Fuelner, wrote, "When we consider how big government affects human beings — we find many victims of its policies not among the rich, but among the poor."<sup>96</sup>

The current welfare system entices people to become dependent on government and behave in ways that keep them from achieving the opportunities they deserve. Families become trapped in these programs, limiting their upward mobility. For example, the Department of Health and Human Services' (HHS) 16<sup>th</sup> Report to Congress on Welfare Indicators and Risk Factors included a study of new welfare recipients that shed light on this pattern. Between 2008 and 2012, the department found that 20.5 percent of Temporary Assistance for Needy Families (TANF) recipients, 46.3 percent of Supplemental Nutrition Assistance Program (SNAP) recipients and 46.1 percent of Supplemental Security Income (SSI) recipients collected benefits for more than a year at a time.<sup>97</sup> The vast majority of those receiving benefits over a year eventually went on to eclipse the 21-month mark.<sup>98</sup> Unfortunately, studies have also shown that children whose parents receive welfare benefits are more likely to become dependent themselves when they become adults.<sup>99</sup>

The grip that today's post Obama-era welfare programs have on individuals is even worse than in the past. For instance, in 2015, 5 percent of the U.S. population received more than half of their income from the TANF, SNAP or SSI programs, just 0.3 percentage points below the post-recession high. After the modest welfare reforms of 1996 were enacted, the dependency rate fell to just 3 percent in 2000.<sup>100</sup>

The problem was described by Yuval Levin when he stated, "The poor are more isolated — economically, culturally, and socially — than they used to be in America... It is a function of entrenched, intergenerational poverty that isolates too many lower-income Americans from even middle-class economic, cultural, and social opportunities and norms."<sup>101</sup> This cycle perpetuates a negative loop of economic and social poverty and deprives our nation of the bright potential these individuals might otherwise pursue. With the reforms proposed by this budget, the RSC aims to break down these barriers, ensuring opportunity for all Americans.

<sup>95</sup> President Lyndon Johnson, "Annual Message to the Congress on the State of the Union", January 8, 1964. <https://www.presidency.ucsb.edu/documents/annual-message-the-congress-the-state-the-union-25>.

<sup>96</sup> Edwin J. Fuelner, Ph.D., "Heritage Foundation", No Friend of the Poor", April 11, 2017. <http://www.heritage.org/poverty-and-inequality/commentary/no-friend-the-poor>.

<sup>97</sup> U.S. Department of Health and Human Services, "Welfare Indicators And Risk Factors, Seventeenth Report To Congress", Figure 13, May 4, 2018. <https://aspe.hhs.gov/pdf-report/welfare-indicators-and-risk-factors-seventeenth-report-congress>.

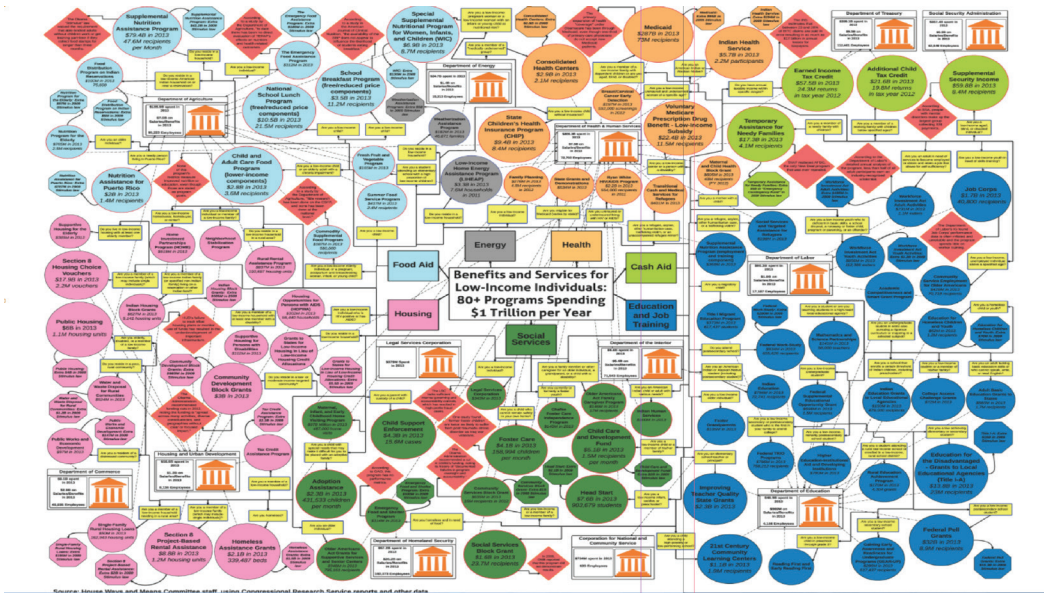
<sup>98</sup> Ibid.

<sup>99</sup> U.S. Department of Health and Human Services, "Welfare Indicators And Risk Factors, Seventeenth Report To Congress", Figure 13, May 4, 2018. <https://aspe.hhs.gov/system/files/pdf/259196/WELFAREINDICATORS17THREPORT.pdf>.

<sup>100</sup> U.S. Department of Health and Human Services, "Welfare Indicators And Risk Factors, Fifteenth Report To Congress", Figure 2, August 22, 2016. <https://aspe.hhs.gov/pdf-report/welfare-indicators-and-risk-factors-fifteenth-report-congress>.

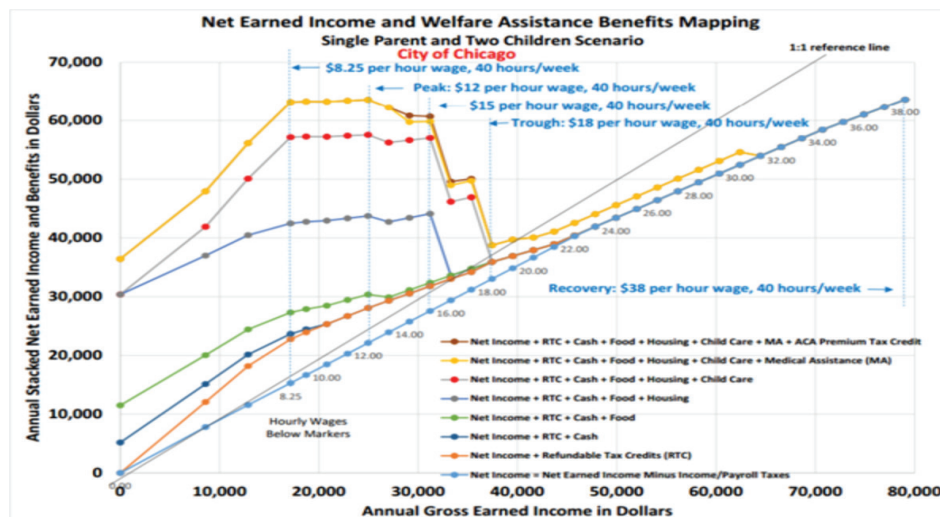
<sup>101</sup> Yuval Levin, *The Fractured Republic*, 2016. P. 126.

A major reason the system encourages dependence is because of the high marginal costs imposed on beneficiaries when they take steps to become financially independent – sometimes described as the welfare cliff. A report produced by the Illinois Policy Institute demonstrates the trap the welfare cliff poses to those attempting to become self-sufficient. It shows, for example, that a single mother with two children in Cook County, Illinois would actually be better off making \$12 per hour (about \$25,000 annually) and on welfare than she would be with a job that paid \$77,000 a year. In fact, for each additional dollar per hour this mother earns between \$15 and \$17 (about \$2,000 annually per dollar per hour), she would lose about \$10,000 in annual welfare benefits. The “choice” for this single parent to work harder for additional income in this situation is a farce.



Foundation for Economic Education “If You Accept this Raise, You Fall Off the Welfare Cliff” August 29, 2016 <https://fee.org/articles/if-you-accept-this-raise-you-fall-off-the-welfare-cliff/>.

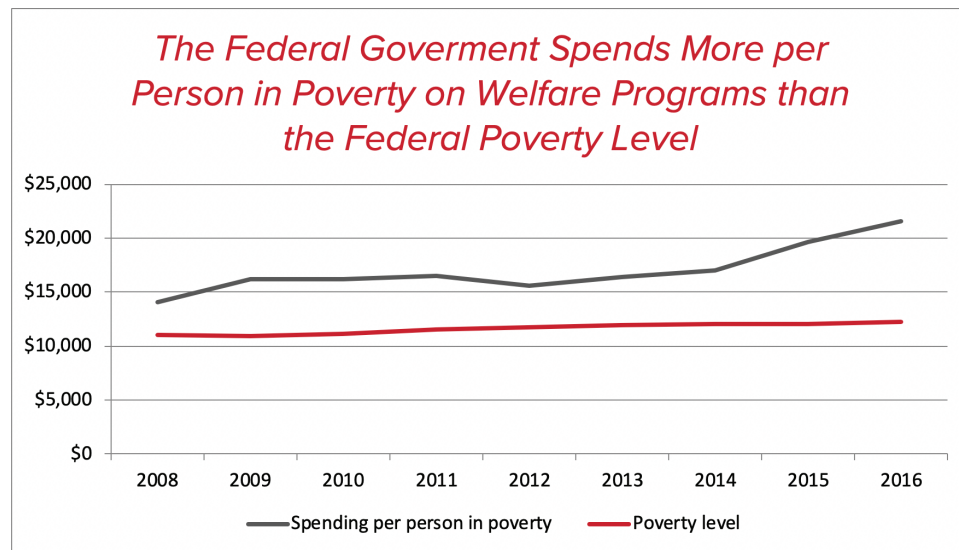
The War on Poverty has spawned an enormous bureaucracy that has absorbed resources, stifling economic growth and, in turn, creating more need for welfare programs. Further, these programs maintain a symbiotic relationship with vested political classes bent on keeping the broken system. Worst of all, the labyrinth of programs, offices and paperwork is confusing for those who are forced to navigate it in their time of need.



Reprinted by the Michigan State Government from: House Ways and Means Committee, “Chairman Boustany: Better Coordinating Welfare Programs to Serve Families in Need”, November 3, 2015. [https://www.michigan.gov/documents/mcteh/Improving\\_Whole-Person\\_Health\\_Through\\_Integrated\\_Health\\_and\\_Social\\_Services\\_606531\\_7.pdf](https://www.michigan.gov/documents/mcteh/Improving_Whole-Person_Health_Through_Integrated_Health_and_Social_Services_606531_7.pdf).

The stunning failure of our modern welfare system has also come with a staggering price tag. Between 1965, when the War on Poverty was declared, and 2016, “total means-tested welfare spending by federal and state governments cost taxpayers roughly \$27.8 trillion in constant FY 2016 dollars.”<sup>102</sup> Welfare spending in real terms has increased 12-fold since the mid-1960s.<sup>103</sup> Overall, the Congressional Research Service (CRS) has identified 92 different federal programs meant to assist low-income people on which the federal government spent \$878 billion in FY 2016.<sup>104</sup> When spending by the states is added in, governments spend more than \$1 trillion each year on welfare programs.<sup>105</sup> During President Obama’s term, the federal government spent more than \$6.2 trillion on welfare programs, with spending growing by more than 24 percent from the 2009 level.<sup>106</sup>

Welfare spending in 2015 was \$19,665 per person in poverty,<sup>107</sup> while the poverty line for a single person was \$12,082.<sup>108</sup> In other words, it would be cheaper and much more effective to end poverty by simply writing a check to everyone in poverty to bring them to the poverty line. This highlights the tremendous ineffectiveness of federal programs and the intrinsic ineffectiveness of ignoring the causes of poverty. As tempting as it is to simply hand people money or buy goods and services for them, that would still create a dependency on welfare, which would prevent people from reaching their full potential and diminish the wealth of our nation.



Karen Spar and Gene Falk, Congressional Research Service, “Federal Benefits and Services for People with Low Income: Overview of Spending Trends, FY2008-FY2016”, February 6, 2018. <https://fas.org/sgp/crs/misc/R45097.pdf>. and U.S. Census Bureau, “Historical Poverty Tables: People and Families - 1959 to 2015”, September 1, 2016. <https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-people.html>.

This situation is unacceptable. While the Left defends this failed and outdated system, the burden of this failure falls on real families and communities. Conservatives believe that throwing money at a problem without actually fixing it is not an act of compassion. Compassion means helping individuals escape from poverty and climb the ladder of opportunity. It is demeaning to low-income Americans to believe – as the modern Left does – that

<sup>102</sup> Robert Rector and Vijay Menon, the Heritage Foundation, “Understanding the Hidden \$1.1 Trillion Welfare System and How to Reform It.” [https://www.heritage.org/sites/default/files/2018-04/BG3294\\_4.pdf](https://www.heritage.org/sites/default/files/2018-04/BG3294_4.pdf).

<sup>103</sup> Ibid.

<sup>104</sup> Gene Falk, Karen Lynch, and Jessica Tollestrup, Congressional Research Service, “Federal Spending on Benefits and Services for

People with Low Income: In Brief”, February 6, 2018. <https://fas.org/sgp/crs/misc/R45097.pdf>.

<sup>105</sup> Robert Rector and Vijay Menon, the Heritage Foundation, “Understanding the Hidden \$1.1 Trillion Welfare System and How to Reform It.” [https://www.heritage.org/sites/default/files/2018-04/BG3294\\_4.pdf](https://www.heritage.org/sites/default/files/2018-04/BG3294_4.pdf).

<sup>106</sup> Gene Falk, Karen Lynch, and Jessica Tollestrup, Congressional Research Service, “Federal Spending on Benefits and Services for

People with Low Income: In Brief”, February 6, 2018. <https://fas.org/sgp/crs/misc/R45097.pdf>.

<sup>107</sup> Author calculation. Poverty figure from U.S. Census Bureau, “Income and Poverty in the United States: 2015”, Table 3, “People in Poverty by Selected Characteristics: 2014 and 2015”, September 2016. <https://www.census.gov/data/tables/2016/demo/income-poverty/p60-256.html>.

<sup>108</sup> U.S. Census Bureau, “Income and Poverty in the United States: 2015”, “Poverty Thresholds for 2015 by Size of Family and Number of Related Children Under 18 years”, September 2016. <https://www.census.gov/data/tables/2016/demo/income-poverty/p60-256.html>.



they do not have the ability to succeed and therefore require perpetual subsidization of their basic needs. Conservatives reject this negative view of people in poverty. Obtaining work and keeping a job takes effort, perseverance, commitment, sacrifice, prioritization and personal responsibility. Government assistance programs should encourage these positive values. Earned success is not easy, but we believe every person has the potential to achieve it.

For years, the RSC has led the way toward turning this positive vision into action. For instance, in 2016, the RSC Empowerment Initiative submitted a comprehensive plan to combat poverty to former Speaker Paul Ryan's Poverty, Opportunity and Upward Mobility Task Force.<sup>109</sup> Many of those proposals put forward by the RSC were included in the final A Better Way proposal, and this has remained a cornerstone of the RSC's welfare reform agenda.<sup>110</sup>

The reforms recommended by this budget build upon the Empowerment Initiative's work and would restore the opportunity to pursue prosperity for millions of Americans. Additionally, in the 116<sup>th</sup> Congress, the RSC has convened the new RSC American Worker Task Force, with the broad goal of addressing the challenges of growing an American economy ill-equipped to meet market demands. Naturally, this will require tackling many of the same welfare blunders addressed by this budget and the original Empowerment Initiative. The American Worker Task Force will also explore other avenues for modernizing our labor market and promoting work, such as broadening alternative education paths, addressing nationwide addiction problems, improving our tax code to remove barriers to worker improvement and breaking down regulatory obstacles, among others.

### **Big Government is Not the Solution**

No amount of government intervention can replace the greatest drivers of American life: our families, friends, neighbors, religious institutions and charities. These institutions, which operate between the isolated individual and government, make up our communities and enable people to thrive and grow. Rather than burdening civil society, we must empower it.

While most aspects of our modern society are becoming more decentralized and personalized, responding better to people's needs and desires, government, as always, has lagged far behind. Washington is often out of touch with the realities facing the poor, and federal bureaucrats are frequently not in the best position to help those truly in need.

A better system would be to take advantage of the natural relationships of those institutions that make up civil society. The concept of subsidiarity – "that nothing should be done by a larger and more complex organization which can be done as well by a smaller and simpler organization" – should be a central guiding principle to our efforts to reform and modernize the welfare system.<sup>111</sup>

The organic institutions of local communities are a more appropriate and able means to provide the support mechanisms we need to get through life than is the one-size-fits-all system of the federal government. After 40 years of a failed government-centered approach, "It is the institutions of community and civil society – standing between the individual and the state – that turn out to be the most needful in our time."<sup>112</sup>

For instance, there are an estimated 350,000 congregations in the U.S. spanning hundreds of religions, each with their own unique belief systems, their own traditions and their own priorities.<sup>113</sup> The vast majority of congregations serve in some capacity as a community safety net for those in need, providing services ranging from food and shelter, to counseling and daycare. Coupled with America's congregations are the nation's faith-

<sup>109</sup> Republican Study Committee, "RSC's Empowerment Initiative Details Anti-Poverty Agenda", April 25, 2016. <https://rsc-johnson.house.gov/policy-solutions/empowerment-initiative>.

<sup>110</sup> Republican Study Committee, "RSC Chair Supports Speaker Ryan's Proposal to Combat Poverty, Empower Individuals", June 7, 2016. <https://rsc-johnson.house.gov/news/news-archive>.

<sup>111</sup> David A. Bosnich, Acton Institute, Religion & Liberty: Volume 6, Number 4, "The Principle of Subsidiarity", July 20, 2010. <https://acton.org/pub/religion-liberty/volume-6-number-4/principle-subsidiarity>.

<sup>112</sup> Ibid., pg. 181.

<sup>113</sup> Association of Statisticians of American Religious Bodies, "U.S. Religion Census 2010: Summary Findings", May 1, 2012. <http://www.rcms2010>.



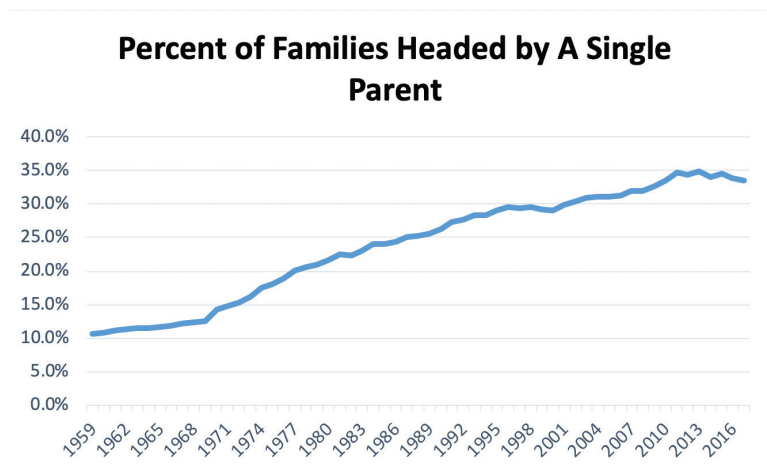
based organizations, which annually provide an estimated \$20 billion in privately donated funds for social services, benefiting over 70 million Americans each year.<sup>114</sup> Though exact calculations vary, it is clear places of worship and faith-based organizations step up to provide vital resources to those in need in ways our government does not and cannot.<sup>115</sup>

### The Importance of Families in Civil Society

At the center of civilization is the institution of the family. As described by Yuval Levin:

**“The family is the core character-forming institution of every human society. It is the primary source of the most basic order, structure, discipline, support, and loving guidance that every human being requires. It is simply essential to human flourishing, and its weakening puts at risk the very possibility of a society worthy the name.”<sup>116</sup>**

One of the most important predictors of whether a family lives in poverty is whether the mother and father remain married. In 2017, 34.4 percent of families with a single mother and 16.2 percent of families with a single father lived in poverty. In contrast, only 6.4 percent of married-couple families lived in poverty.<sup>117</sup> Single mothers are also much more likely to be trapped in dependence on welfare programs. “In 2012, 78.9 percent of families headed by a single female received at least one need-tested benefit.”<sup>118</sup> Unfortunately, more and more children are facing a higher likelihood they will grow up in poverty as more and more parents reject marriage. Recognizing this, “reducing non-marital childbearing [was] one of the explicit goals that were stipulated in the 1996 welfare reform law.”<sup>119</sup>



U.S. Census Bureau, “Historical Poverty Tables: People and Families - 1959 to 2017, Table 4. Poverty Status of Families, by Type of Family, Presence of Related Children, Race, and Hispanic Origin” <https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-people.html>

[org/press\\_release/ACP%2020120501.pdf](https://www.baylorisr.org/wp-content/uploads/ISR_Objective_Hope.pdf).

114 Byron R. Johnson with Ralph Brett Tompkins and Derek Webb, Baylor Institute for Studies of Religion, Baylor University, “Objective Hope: Assessing the Effectiveness of Faith-Based Organizations: A Review of the Literature”. [http://www.baylorisr.org/wp-content/uploads/ISR\\_Objective\\_Hope.pdf](http://www.baylorisr.org/wp-content/uploads/ISR_Objective_Hope.pdf).

115 Carl S. Dudley, Faith Communities Today, “Reaching Out”. <http://faithcommunitiestoday.org/reaching-out>.

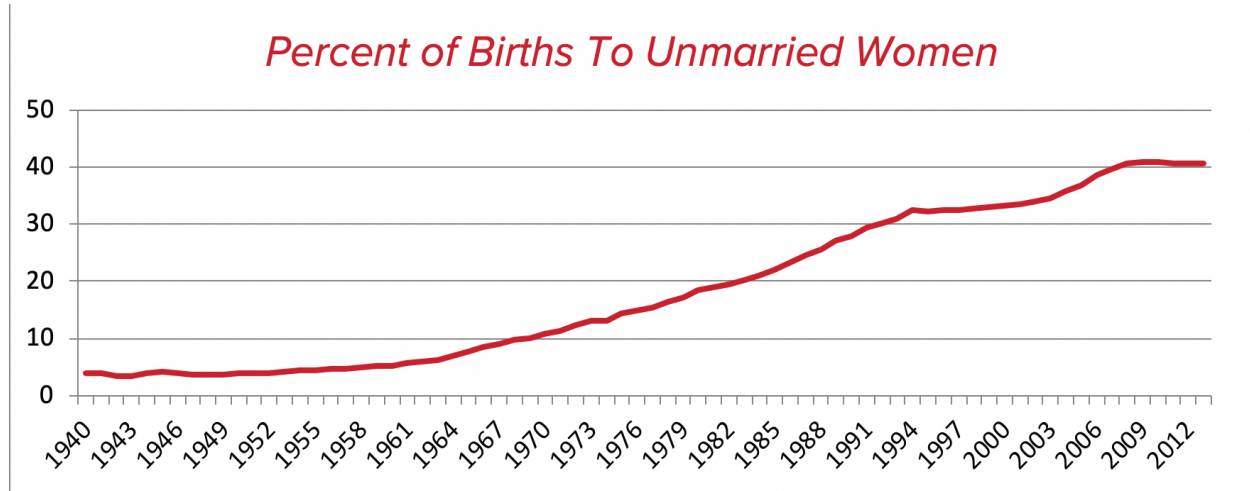
116 Yuval Levin, *The Fractured Republic*, 2016, P. 155.

117 U.S. Census Bureau, “Historical Poverty Tables: People and Families - 1959 to 2017”, “Table 4. Poverty Status of Families, by Type of Family, Presence of Related Children, Race, and Hispanic Origin”. <https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-people.html>.

118 Angela Rachidi, American Enterprise Institute, “New CRS report sheds light on need-tested government programs”, January 21, 2016. <https://www.aei.org/publication/new-crs-report-sheds-light-on-need-tested-government-programs/>.

119 Carmen Solomon-Fears, Congressional Research Service, “Teen Pregnancy Prevention: Statistics and Programs,” January 15, 2016.” <https://fas.org/sgp/crs/misc/RS20301.pdf>.

In 2016, 39.8 percent of all babies born in the United States were born out of marriage, 1.53 million in total.<sup>120</sup> In stark contrast, when the War on Poverty began in 1965, only 7.7 percent of children were born outside of marriage.<sup>121</sup>



Carmen Solomon-Fears, Congressional Research Service, "Nonmarital Births: An Overview", July 30, 2014. <https://fas.org/sqp/crs/misc/R43667.pdf>.

Each community must decide what sort of behaviors and social norms it will encourage and accept. It takes the support of friends, family and communities to nurture and support individuals in their time of need. If those vital social bonds are broken down, that important safety net disappears. Deepening the ties that hold our families and local communities together is the most effective way to fight poverty.

### **Eliminate Marriage Penalties**

Unfortunately, the current system of means-tested welfare programs punishes those who marry. Some of the largest welfare programs, like Medicaid, TANF, and SNAP all contain a marriage penalty.<sup>122</sup> If a low-income person receiving government assistance marries an employed person, their welfare benefits would often be reduced or eliminated, sometimes by an amount larger than income of the employed spouse. It has even been said that "for most couples on welfare, getting married is among the more expensive decisions. Saying 'I do' will reduce welfare benefits, on average, by 10 percent of their total income."<sup>123</sup>

These policies encourage broken families, exacerbating the cycle of poverty.<sup>124</sup> The RSC recommends committees of jurisdiction take steps to eliminate these penalties against the single best antipoverty measure: marriage and a stable family structure.

### **Work Requirements for Earned Success**

The virtues of personal responsibility and initiative are central to the American identity. Arthur Brooks, the former president of the American Enterprise Institute, wrote that, "Work gives people something welfare never

<sup>120</sup> Joyce A. Martin, M.P.H.; Brady E. Hamilton, Ph.D.; Michelle J.K. Osterman, M.H.S.; Anne K. Driscoll, Ph.D.;

and Patrick Drake, M.S., Division of Vital Statistics, Center for Disease Control, "Births: Final Data for 2017," November 7, 2018. [https://www.cdc.gov/nchs/data/nvsr/nvsr67/nvsr67\\_08-508.pdf](https://www.cdc.gov/nchs/data/nvsr/nvsr67/nvsr67_08-508.pdf).

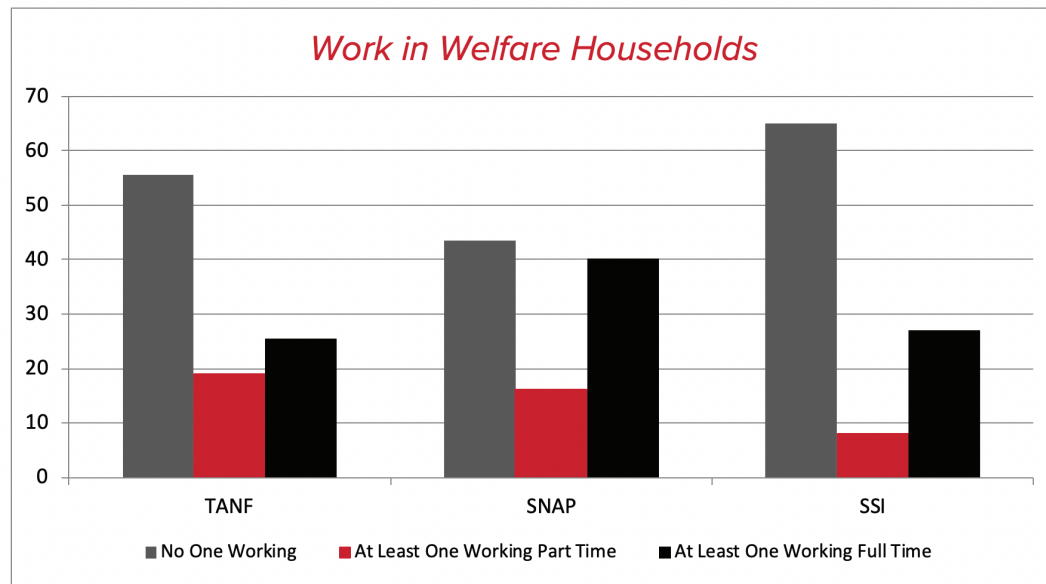
<sup>121</sup> Carmen Solomon-Fears, Congressional Research Service, "Nonmarital Births: An Overview", July 30, 2014. <https://fas.org/sqp/crs/misc/R43667.pdf>.

<sup>122</sup> W. Bradford Wilcox, Joseph Price, and Angela Rachidi, American Enterprise Institute, "Marriage Penalized: Does Social-Welfare Policy Affect Family Formation?" <https://ifstudies.org/ifs-admin/resources/marriage-penalty-hep-2016.pdf#page=3>

<sup>123</sup> The Heritage Foundation, Edwin J. Feulner, Ph.D. "Purging the Marriage Penalty" February 14, 2017 <https://www.heritage.org/marriage-and-family/commentary/purging-the-marriage-penalty>.

<sup>124</sup> Angela Rachidi, American Enterprise Institute, "New CRS report sheds light on need-tested government programs", January 21, 2016. <https://www.aei.org/publication/new-crs-report-sheds-light-on-need-tested-government-programs/>.

can.”<sup>125</sup> Work is not a punishment, as those on the Left often mistakenly believe. Rather, work instills a sense of purpose, self-worth, self-sufficiency and dignity that cannot be duplicated. The happiness that work provides is not due to money earned, but instead from the “value created in our lives and the lives of others – value that is acknowledged and rewarded.”<sup>126</sup> Work also provides “another crucial means of shaping us for liberty. Like the family, it has an obvious material utility, enabling us to support ourselves and our families financially. But, work also buttresses dignity, inculcates responsibility, encourages energy and industry, and rewards reliability. It can help form us into better human beings and better free citizens.”<sup>127</sup>



U.S. Department of Health and Human Services, “Welfare Indicators and Risk Factors, Seventeenth Report to Congress”, Figure 3, May 4, 2018. <https://aspe.hhs.gov/pdf-report/welfare-indicators-and-risk-factors-seventeenth-report-congress>.

We know work requirements have been successful. In 2013, Kansas, under the leadership of Governor Sam Brownback, instituted work requirements and time limits for able-bodied adults without dependents on food stamps and created a tracking system to monitor the results. These reforms reduced the number of able-bodied adults on food stamps by 75 percent, most of whom are now employed and earning more than the benefits they once received.<sup>128</sup> Similarly, Maine, under Governor Paul LePage, required able-bodied adults receiving food stamps to take a job, participate in job training or perform six hours of community service per week. Within three months, the “caseload of able-bodied adults without dependents plummeted by 80 percent.”<sup>129</sup> After work requirements were put in place, “[e]nrollees [went] back to work and their incomes more than double[d]; their increased incomes more than offset lost benefits; their time on welfare [was] cut in half.”<sup>130</sup> Furthermore, a 2018 survey showed that 90 percent of voters support work requirements for welfare recipients.<sup>131</sup>

Building on the success of the 1996 welfare reforms and reforms in the states, this budget would require all federal benefit programs be reformed to include work promotion requirements that would help people move away from dependence and toward self-sufficiency. Programs would be strengthened with such incentives. To be eligible for benefits, able-bodied adults would be required to work or be preparing for work, including

<sup>125</sup> Arthur Brooks, *The Conservative Heart*, page 96, 2015.

<sup>126</sup> Ibid., pg. 32.

<sup>127</sup> Yuval Levin, *The Fractured Republic*, 2016. P. 204.

<sup>128</sup> Jonathan Ingram, Foundation for Government Accountability, “Report: The Power of Work – How Kansas’ Welfare Reform is Lifting Americans Out of Poverty”, February 16, 2016. <http://thefga.org/research/report-the-power-of-work-how-kansas-welfare-reform-is-lifting-americans-out-of-poverty/>.

<sup>129</sup> Robert Rector, Rachel Sheffield, and Kevin D. Dayaratna, The Heritage Foundation, “Maine Food Stamp Work Requirement Cuts Non-Parent Caseload by 80 Percent,” February 8, 2016. <https://www.heritage.org/welfare/report/maine-food-stamp-work-requirement-cuts-non-parent-caseload-80-percent>.

<sup>130</sup> Foundation for Government Accountability, “Food Stamp Work Requirements”. <https://thefga.org/wp-content/uploads/2016/12/Food-Stamp-Work-Requirements-One-Pager.pdf>.

<sup>131</sup> Foundation for Government Accountability, “Poll: Voters Want Welfare Reform”, February 2018. <https://thefga.org/poll/poll-voters-want-welfare-reform/>.

participating in educational, job training programs or a supervised job search.

### **Prioritizing American Citizens**

For over 100 years, the “public charge” doctrine has served as a cornerstone of U.S. immigration law. It also lies at the nexus of welfare reform and immigration policy. According to this deeply imbedded principle, the U.S. should deny admission and permanent residence to any individual likely, at any time, to depend upon the government for subsistence. The concept is a simple one: our country should be open to those that will seek the American dream, not those that will seek to depend on the American taxpayer.

The welfare reforms of 1996 harnessed this notion by limiting welfare benefits to citizens and certain categories of legal immigrants after having been in the U.S. for five years. The RSC Budget would build off these reforms to ensure welfare funds are available for U.S. citizens, legal immigrants only after they have become U.S. citizens, and refugees for their first two years in the United States.

On October 10, 2018, the Department of Homeland Security (DHS) published a proposed rule strengthening the criteria it uses to determine whether an alien is inadmissible, or eligible for permanent residence, to the U.S. on account of the alien’s likelihood of becoming a public charge. As stated by former DHS Secretary Kirstjen Nielsen, “This proposed rule will implement a law passed by Congress intended to promote immigrant self-sufficiency and protect finite resources by ensuring that they are not likely to become burdens on American taxpayers.”<sup>132</sup> The RSC Budget supports this rule as a step in the right direction and urges congressional codification.

Also, the RSC Budget supports amending welfare funding formulas to exclude illegal alien populations when calculating the grants given to states. Furthermore, this budget would ensure all people are checked through the DHS E-Verify system before being able to take advantage of a federal job training program. This way, we can ensure federal job training program funding only goes people that can legally work in the U.S.

### **Reform the Earned Income Tax Credit & Child Tax Credit**

The Earned Income Tax Credit (EITC) is one of the largest anti-poverty programs and, unlike others, contains a built-in work requirement. The program provides a refundable tax credit to low-wage individuals that is tied to their earned income and increases in size up until the earner nears the poverty line. It then levels off for a brief period and is phased out gradually in order to continually incentivize workers to seek higher wages. In other words, the structure is designed to provide an incentive to keep a job. Still, the credit could be far more effective and efficient in promoting work and lifting people out of poverty.

The Child Tax Credit (CTC), however, is not structured to incentivize work but, rather, provides a credit worth \$2,000 per child with a portion of that being potentially refundable. The refundable portion is commonly referred to as the Additional Child Tax Credit (ACTC).

The RSC Budget supports combining and restructuring the tax benefits provided by the EITC and the CTC into a new anti-poverty credit for low-income families that better encourages work by increasingly rewarding them for the amount of work they perform. Under the current EITC benefit structure, the size of the refundable tax credit is based on the year-end earnings of the tax filer. As a result, families that make significant amounts of money relative to the number of hours they work could be eligible for the EITC simply because they did not work very much in a given year. Lawmakers should instead tie the size of the new credit to the number of hours worked by a family that do not earn a significant amount per hour.

For example, an individual with a child that makes \$10 per hour could receive a credit worth approximately

<sup>132</sup> Department of Homeland Security “DHS Announces New Proposed Immigration Rule to Enforce Long-Standing Law that Promotes Self-Sufficiency and Protects American Taxpayers” September 22, 2018 <https://www.dhs.gov/news/2018/09/22/dhs-announces-new-proposed-immigration-rule-enforce-long-standing-law-promotes-self>

\$4.50 per hour worked up to a certain number of hours. The new credit, unlike with the current EITC, should be available only to those families with children and should be increased for each additional dependent child. This new structure incentivizes people to work more, because the more they work, the bigger their credit.

Moreover, the size of the per-hour credit available to a family should be increased for married couples filing jointly. Doing so eliminates the marriage penalty currently contained in the EITC. The current EITC structure can impose a significant marriage penalty for low income individuals.<sup>133</sup> A recent study by the AEI concluded that these penalties “send the wrong message and might contribute to a culture that minimizes the importance of marriage.”<sup>134</sup>

The new credit should also be phased out gradually to continually incentivize workers to seek higher wage jobs. In order to behave more like a wage supplement, lawmakers may consider paying out the refundable credit in increments the following year rather than in a single lump sum tax refund. These refundable benefits could then be counted as income for purposes of determining eligibility for SNAP.

Another issue this budget urges lawmakers to address is waste, fraud and abuse associated with the EITC and CTC. Fraud could potentially be reduced by requiring the IRS to better verify income prior to any refundable payment being made. The same should apply to the new wage supplement credit contemplated above. Lawmakers should also consider allowing only those individuals with formal legal custody to claim a child for purposes of these credits. Families claiming self-employment income should be required to provide better documentation, and the IRS should be allowed to cross-check TANF, SNAP and public housing rolls to verify family size and income and increase penalties for erroneous claims. The EITC should be entirely cut off from individuals without a work-eligible Social Security number and also prohibited for illegal immigrants issued a Social Security number under President Obama’s executive amnesty as proposed by Representative Patrick McHenry’s (R-N.C.) *No Free Rides Act* and Representative Glenn Grothman’s (R-Wis.) *Preventing Illegal Immigrants from Abusing Tax Welfare Act*.

Furthermore, in many instances, individuals can stack various welfare benefits on top of one another to reach amounts far above what is necessary to lift them out of poverty. For instance, a parent with two dependents earning \$13,853 can stack over \$33,000 in benefits on top of one another.<sup>135</sup> To minimize this effect, this budget would eliminate eligibility for the EITC, ACTC and newly propose wage supplement credit for housing assistance beneficiaries.

## **Food Stamp Reform**

The SNAP has grown 43 percent since 2008 to more than 40 million participants in 2018 and spending on the program has increased by 74 percent to more than \$65 billion per year in 2018. Since 2001, enrollment in SNAP has grown by 133 percent and spending has increased by 267 percent.<sup>136</sup>

Last year, with Republicans controlling both chambers of the legislature and the presidency, Congress had the opportunity to implement significant reforms to SNAP during consideration of the 2018 Farm Bill. It unequivocally failed. The 2018 Farm Bill did not reform SNAP in any substantive way. The version of the bill that passed the House contained vital provisions to broaden the applicability of work requirements for able-bodied adults, restrict the ability of states to waive work requirements, and close the Broad Based Categorical Eligibility and Heat and Eat Loopholes. Each of those provisions was left out of the conferenced version of bill. Consequently, the failure of Congress to fulfil its promises to reform SNAP will leave millions of families dependent on the

<sup>133</sup> Kyle Pomerleau, Tax Foundation, “Understanding the Marriage Penalty and Marriage Bonus”, April 23, 2015. <http://taxfoundation.org/article/understanding-marriage-penalty-and-marriage-bonus>.

<sup>134</sup> Angela Rachidi, American Enterprise Institute, “The EITC should not penalize marriage”, November 16, 2015. <http://www.aei.org/publication/the-eitc-should-not-penalize-marriage/>.

<sup>135</sup> Robert Rector, Heritage Foundation, “Reforming the Earned Income Tax Credit and Additional Child Tax Credit to End Waste, Fraud, and Abuse and Strengthen Marriage,” November 16, 2016. <https://www.heritage.org/welfare/report/reforming-the-earned-income-tax-credit-and-additional-child-tax-credit-end-waste>.

<sup>136</sup> U.S. Department of Agriculture, Food and Nutrition Service, “Supplemental Nutrition Assistance Program Participation and Costs”, Data as of April 14, 2019 <https://fns-prod.azureedge.net/sites/default/files/SNAPsummary.pdf>.



federal government and out of the workforce.

This budget recommends enactment of legislation that would cap federal funds for state-run food stamp programs by instituting a block grant to the states. Funding would be subject to the annual appropriations process. States would have flexibility to administer their own programs, subject to several commonsense requirements designed to ensure the long-term viability and effectiveness of the program.

Under this proposal, funds would be distributed to states based on a formula that accounts for factors in that drive SNAP participation, such as poverty and unemployment, in each state. The formula would also consider the length of time beneficiaries remain on the rolls of each state. The Better Way Plan encouraged tying federal funding for welfare recipients to the length of time they receive benefits as a way to incentivize states to help get welfare recipients off welfare rolls as quickly as possible. This notion should be applied here and throughout mean-tested benefit programs where possible.

In addition to capping federal SNAP payments through a block grant model, this budget would phase in a state share stipulation akin to that proposed by President Trump in his budget for Fiscal Year 2018.<sup>137</sup> Under current law, states do not contribute at all to the cost of SNAP benefits. States pay about half of administrative costs, but these costs comprise only about 10 percent of overall SNAP spending. Calling on states to share benefit expenses would incentivize states to carefully consider the size of the block grant they accept and administer their programs in a way that efficiently serves their neediest populations. It also recognizes the powers of the federal government are of a limited nature and that the primary responsibility for the health, safety, morals and general welfare of a state's residents are reserved to state and local government and to the people. Analogous to the president's proposal, the state share of total SNAP spending would begin to phase in at a rate of 10 percent in 2021 and eventually plateau at 50 percent in 2029.

This budget requires grant funds must be used by states to establish and maintain a robust work activation program for able-bodied adults that strictly enforces time limits for how long an individual can receive benefits without meeting certain work requirements.<sup>138</sup>

The SNAP law is supposed to limit benefits for able-bodied adults without children that are unwilling to work, search for work or enroll in job training to three months in any three-year period. However, this requirement has been decimated by blanket waivers in recent years.<sup>139</sup> This budget would repeal the geographic waivers that allow people from a certain area to not meet the work requirement.<sup>140</sup> Furthermore, the budget would also reduce the percentage of people a state can waive from the work requirement from 12 (effective in FY 2020) to 5 percent<sup>141</sup> and raise the maximum age for the work able population to match the Social Security normal retirement age.

In 2014, Maine reinstated this commonsense policy and began enforcing the three-month limit for able-bodied adults without dependents (ABAWDs) that refused to be "working, participating in a work program for 20 hours per week, or doing community service for roughly six hours per week." In one year, the state's ABAWD caseload fell by 86 percent.<sup>142</sup> More importantly, those ABAWDs who moved off welfare dependency were able to move to self-sufficiency. Maine actually tracked those that cycled off SNAP and found that "within a year, these able-bodied adults saw their incomes rise by an average of 114 percent."<sup>143</sup> According to Rasmussen Reports, "Voters

137 Office of Management and Budget, "America First A Budget Blueprint to Make America Great Again", Fiscal Year 2018, Major Savings and Reforms. <https://www.gpo.gov/fdsys/pkg/BUDGET-2018-MSV/pdf/BUDGET-2018-MSV.pdf>.

138 See, 7 USC 2015(o)(2) (as amended by the Agriculture Improvement Act of 2018, PL 115-334, December 20, 2018, 132 Stat. 4490).

139 See, 7 USC 2015(o)(4) (as amended by the Agriculture Improvement Act of 2018, PL 115-334, December 20, 2018, 132 Stat. 4490).

140 The Heritage Foundation, Jamie Hall "Geographic-Area Waivers Undermine Food Stamp Work Requirements" July 19, 2018 <https://www.heritage.org/welfare/report/geographic-area-waivers-undermine-food-stamp-work-requirements>.

141 The Heritage Foundation, Robert Rector and Jamie Hall "Food Stamp Reform Bill Requires Work for Only 20 Percent of Work-Capable Adults" May 10, 2018 <https://www.heritage.org/hunger-and-food-programs/report/food-stamp-reform-bill-requires-work-only-20-percent-work-capable>.

142 Robert Rector, Rachel Sheffield and Kevin Dayaratna, Heritage Foundation, "Maine Food Stamp Work Requirement Cuts Non-Parent Caseload by 80 Percent", February 8, 2016. <http://www.heritage.org/welfare/report/maine-food-stamp-work-requirement-cuts-non-parent-caseload-80-percent>.

143 Jonathan Ingram and Josh Archambault, Forbes, "New Report Proves Maine's Welfare Reforms Are Working", May 19, 2016. <https://www.forbes.com/sites/theapothecary/2016/05/19/new-report-proves-maines-welfare-reforms-are-working/#c8f06e73f6ab>.

strongly support limits on food stamp recipients.”<sup>144</sup>

Current law requires states to limit SNAP benefits to only those households with assets of \$2,250 without an elderly household member (\$3,500 with an elderly household member) or less in order to focus the program on those who are truly needy.<sup>145</sup> This asset test includes cash and liquid assets like stocks but excludes things such as primary residences, vehicles, and education and retirement savings. But, as has too often been the case, most states have used loopholes to waive the asset test. Nationwide, as many as 4 million individuals are on welfare despite having assets above the statutory limit. More than half of these households have assets of \$20,000 or more, and more than 20 percent of them have assets of greater than \$100,000.<sup>146</sup> A 2017 survey found that 71 percent of voters support asset tests.<sup>147</sup>

As of 2016, only 27 percent of single-parent families enrolled in SNAP receive child support payments. As of 2015, eight states have mandated child support cooperation as a condition of eligibility for benefits. If more states adopted this policy, it could help more children in single-parent households be lifted out of poverty.<sup>148</sup> A 2017 survey showed that 61 percent of voters support child support cooperation as a condition of welfare eligibility.<sup>149</sup>

States would also be required by this budget to restrict the types of food that can be purchased to only healthy options, such as those eligible in the Women, Infants and Children (WIC) Program with the addition of lean meat and poultry. According to a study for the Department of Agriculture of SNAP purchases, “20 cents out of every dollar was spent on sweetened beverages, desserts, salty snacks, candy and sugar.”<sup>150</sup> Soft drinks ranked as the top overall commodity based on expenditures, followed by bag snacks at number 4, packaged candy at 11, ice cream at 15, cookies at 17 and cakes at 22.<sup>151</sup> If the taxpayers are footing the bill for the basic needs of beneficiaries, those funds should be focused on core nutritional needs, not luxury items. It is believed that this could help take a step in turning the tide on the obesity epidemic.<sup>152</sup> States would also be required to prohibit the purchase of marijuana-based products with snap benefits, as proposed by the *No Welfare for Weed Act* introduced by Rep. Paul Gosar (R-Ariz.).<sup>153</sup>

Reform should also include provisions to help crack down on the estimated \$960 million to \$4.7 billion in SNAP card trafficking fraud that takes place each year.<sup>154</sup> According to the Department of Agriculture, “About 11.8 percent of all authorized SNAP stores engaged in trafficking” over the 2012 – 2014 period.<sup>155</sup> As a means of recouping administrative expenses associated with retailer applications, this budget would establish an application fee.

Because states administer the program but do not have the ability to reap the full savings from preventing fraud and improper payments, the SNAP program is fundamentally flawed. GAO found that in 2010, more than 473,000 households received benefits, despite the fact their incomes were over the federal eligibility limit.<sup>156</sup>

144 Rasmussen Reports, “Voters Strongly Support Limits on Food Stamp Recipients”, October 23, 2014. [http://www.rasmussenreports.com/public\\_content/politics/general\\_politics/october\\_2014/voters\\_strongly\\_support\\_limits\\_on\\_food\\_stamp\\_recipients](http://www.rasmussenreports.com/public_content/politics/general_politics/october_2014/voters_strongly_support_limits_on_food_stamp_recipients).

145 Center on Budget and Policy Priorities “A Quick Guide to SNAP Eligibility and Benefits” October 16, 2018 <https://www.cbpp.org/research/food-assistance/a-quick-guide-to-snap-eligibility-and-benefits>.

146 Foundation for Government Accountability, About Asset Tests. <https://thefga.org/wp-content/uploads/2016/12/Asset-Testing-FAQ.pdf>.

147 Foundation for Government Accountability, “Voters Want Asset Testing for Food Stamp Recipients”, January 2017. <https://thefga.org/wp-content/uploads/2017/02/Voters-Want-Asset-Testing-for-Food-Stamp-Recipients.pdf>.

148 Foundation for Government Accountability, “About Child Support Cooperation”. <https://thefga.org/wp-content/uploads/2016/12/Child-Support-Cooperation-FAQs.pdf>.

149 Foundation for Government Accountability, “Voters Want Child Support Cooperation for Food Stamp Recipients”, January 2017. <https://thefga.org/wp-content/uploads/2017/02/Child-support-polling-one-pager.pdf>.

150 U.S. Department of Agriculture, “Foods Typically Purchased By Supplemental Nutrition Assistance Program (Snap) Households”, November 2016. <https://www.fns.usda.gov/sites/default/files/ops/SNAPFoodsTypicallyPurchased.pdf>.

151 Ibid

152 Angela Rachidi, American Enterprise Institute, “It’s time to restrict sweetened beverages from SNAP”, January 18, 2017. <https://www.aei.org/publication/its-time-to-restrict-sweetened-beverages-from-snap/>.

153 Representative Paul Gosar, “Rep. Gosar Introduces Bipartisan Legislation, “No Welfare for Weed Act””, May 14, 2015. <http://gosar.house.gov/press-release/rep-gosar-introduces-bipartisan-legislation-%E2%80%99Cno-welfare-weed-act%E2%80%99D>.

154 GAO “Supplemental Nutrition Assistance Program: Actions Needed to Better Measure and Address Retailer Trafficking” December 14, 2018 <https://www.gao.gov/products/GAO-19-167>.

155 U.S. Department of Agriculture, Food and Nutrition Service, “The Extent of Trafficking in the Supplemental Nutrition Assistance Program: 2012-2014”, September, 2017. <https://fns-prod.azureedge.net/sites/default/files/ops/Trafficking2012-2014.pdf>.

156 Government Accountability Office, “Supplemental Nutrition Assistance Program: Improved Oversight of State Eligibility Expansions Needed”,



According to CRS, “in FY 2017 an estimated \$3.3 billion in benefits were overpaid.”<sup>157</sup> Congress should find ways to incentivize states to prevent fraud and improper payments.

States should require nutrition assistance beneficiaries to present a photographic identification card when using an electronic benefit card to make a purchase. Additionally, states should limit the number of EBT cards issued to a single beneficiary each year, prohibit special pricing for food stamp users, prohibit use of food stamps outside the beneficiary’s state of residence, allow voluntary return of unused amounts and prohibit cash withdrawals of EBT benefits.

This budget would also require states to, as a condition of SNAP eligibility, require consent to home visits as a means of deterring welfare fraud. Visits could help determine, for example, if a SNAP applicant does not actually have custody of a claimed dependent, has more assets than stated or is being supported by another individual. While current federal law allows states to integrate home visits into their SNAP programs, there is no requirement they utilize this fraud deterrence mechanism.

## Housing

The federal government spends about \$50 billion per year on housing assistance and development programs.<sup>158</sup> The two largest programs, Section 8 Housing Choice Vouchers and Project-Based Rental Assistance, provide subsidies for tenants to pay rent and for housing units to be subsidized. These programs are in much need of reform. In their current form, these programs encourage broken homes, broken communities and low self-worth among recipients. Surely this is not the aim of housing assistance programs, but it has unfortunately been the result. Policy experts disagree whether the federal government should play a central role in subsidizing housing, but if these programs are to exist, they should focus on moving the poor away from dependence on federal subsidies.

The dependence created by federal housing programs is reflected in the length of time households remain in federal housing programs. While the average length of stay varies slightly across the major HUD programs, on whole, the average is approximately 6 years. In some areas, that number is drastically higher, even staggering. For instance, in New York, “one-half of all spells lasted 42 years or more, and one-quarter lasted 55 years or more.”<sup>159</sup>

The federal government should strive to streamline the housing bureaucracy, creating opportunity for upward mobility for participants and unleashing market forces to make housing authorities more competitive and economical. Additionally, given the local nature of housing assistance, this budget proposes instituting a state share requirement for these programs analogous to that proposed for SNAP, SSI and Unemployment Insurance.

According to the CBO, about half of housing assistance beneficiaries are able-bodied adults, but only half of that group “receive[s] the largest portion of their income from work.”<sup>160</sup> Reform of federal public housing programs should include a minimum work activation requirement for able-bodied adults. Modest increases in income should not immediately result in a proportional decrease in subsidies, because that discourages work and self-improvement. This budget also supports a minor increase in the rent paid by able-bodied tenants to 35 percent of income with a \$150 minimum rent, giving states greater flexibility in modifying their programs.

According to the HUD inspector general, over 25,000 families are receiving public housing benefits despite not meeting the income guidelines. To reduce fraud, periodic reviews of beneficiaries’ income should be conducted,

July 30, 2012. <http://www.gao.gov/products/GAO-12-670>.

157 CRS, Randy Alison Aussenberg “Errors and Fraud in the Supplemental Nutrition Assistance Program (SNAP)” September 28, 2018 <https://fas.org/sqp/crs/misc/R45147.pdf#page=14>.

158 Congressional Budget Office, “Federal Housing Assistance for Low-Income Households”, September 9, 2015. <https://www.cbo.gov/publication/50782>.

159 Department of Housing and Urban Development “Length of Stay in Assisted Housing” October 2017 <https://www.huduser.gov/portal/sites/default/files/pdf/LengthofStay.pdf>

160 Congressional Budget Office, “Federal Housing Assistance for Low-Income Households”, September 9, 2015. <https://www.cbo.gov/publication/50782>.

as recommended by the *Public Housing Accountability Act*, introduced by Representative Bradley Byrne (Ala.).<sup>161</sup>

The current structure of public housing benefits discourages marriage. According to one study, “A single mother receiving benefits from Section 8 or public housing would receive a subsidy worth on average around \$11,000 per year if she was not employed, but if she marries a man earning \$20,000 per year, these benefits would be cut nearly in half.”<sup>162</sup> This marriage penalty should be reduced or eliminated.

A portion of federal housing funding should be allocated to programs that are designed to assist recovering drug and alcohol abusers and help them become productive members of society. These programs should be open to faith-based, charity and non-profit organizations. Additionally, the federal government should encourage private investment in public housing. Housing authorities should be permitted to use profits to build units without government assistance and reduce the need for federal funding.

The program should also be reformed to make vouchers more portable so participants can move to areas where jobs are available and their skills are valued. Benefits should travel with qualified beneficiaries, and not trap families in failing areas with limited economic opportunity by being tied to a particular housing unit.

Congress should expand the Rental Assistance Demonstration (RAD) Program to continue to allow housing authorities to leverage public and private debt and equity to reinvest in public housing stock and to ensure federal funding follows the people it is intended to serve – not the bureaucracy. Housing authorities should be encouraged to take advantage of economies of scale through consolidation and be obliged to compete for funding based on their ability to transition people back into the workforce. Congress should also incentivize movement to multi-family housing units and allow anyone, not just public housing authorities, to manage the units with competition for all management contracts.

Furthermore, the waitlist system should be fixed. Currently, the public housing waitlists will not place recipients into a roommate situation, leaving some people without housing and needlessly increasing costs for both the federal taxpayer and the beneficiaries. These waitlists should be amended to allow for the placement of people into roommate situations.

This budget would consolidate rental housing assistance programs within HUD that duplicate efforts of Section 8 tenant-based and project-based programs. This comes down to a matter of monetary assistance, something the Section 8 program was designed to do. The list of programs that overlap in this respect is significant, but examples include the Housing Opportunities for Persons with AIDS Program, HOME Investment Partnerships Program (HOME), McKinney-Vento Homeless Assistance Grants, Section 101 Rent Supplement Program and the Section 236 Rental Assistance Payments Program.

Additionally, this budget supports consolidating duplicative programs designed to increase the stock of affordable housing. Examples of such programs include the Section 202 Housing for the Elderly Program, Section 811 Housing for People with Disabilities Program and elements of the Community Development Block Grant Program. Congress should also explore rolling all these programs into the Low-Income Housing Tax Credit.

Congress should also move USDA’s single-family and multi-family loan guarantees and rental assistance programs to HUD. At present, having separate, rural-focused housing programs at USDA makes little sense. Decades ago, the proximity USDA field offices had to rural beneficiaries of existing farm loans justified the separate USDA programs. Today, however, HUD operates everywhere, so consolidation makes more sense for these programs considering their shared objectives of promoting homeownership and increasing housing availability. These programs include mortgage insurance programs for home purchase and refinance loans, as well as loans to build, rehabilitate and refinance rental housing properties. This proposal is based on the proposal set forth by OMB in its plan “Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations.”

<sup>161</sup> Representative Bradley Byrne, “Byrne Introduces Bill to Cut Down on Public Housing Abuse”, December 1, 2015. <https://byrne.house.gov/media-center/press-releases/byrne-introduces-bill-to-cut-down-on-public-housing-abuse>.

<sup>162</sup> Robert Rector, Heritage Foundation, “How Welfare Undermines Marriage and What to Do About It”, November 17, 2014. <http://www.heritage.org/research/reports/2014/11/how-welfare-undermines-marriage-and-what-to-do-about-it>

### **State Flexibility for Supplemental Security Income**

SSI is one of the largest federal welfare programs and is projected to cost \$56.4 billion in FY 2019, with the cost growing to \$70 billion in FY 2029.<sup>163</sup> SSI provides cash payments to aged, blind or disabled persons. SSI has also been expanded beyond its original purpose to include payments to the parents of disabled children. Under the current program, states have incentives to push families to enroll on SSI.<sup>164</sup> Tragically, children who received SSI payments often end up on the program as adults. Further, SSI benefits for a home with multiple single beneficiaries fail to account for economies of scale.<sup>165</sup> For instance, the combined living expenses of two people residing together are less than the combined living expenses of two people residing apart. SSI should account for those savings when determining benefits.

The RSC proposes giving more control of the program and its spending to states through block grants. This would allow all 50 states to experiment and better serve their citizens, such as through empowering those individuals to enjoy the dignity of work and service if they are able. Again, this budget proposes phasing in a state share calculation to the block grant that would start in 2021 at 10 percent and increase to 50 percent in 2029.

### **Improving the Temporary Assistance for Needy Families Program**

We know what type of reforms actually work to lift Americans out of poverty. In 1996, conservatives in Congress worked to reform the old Aid to Families with Dependent Children Program, which had created a destructive culture of dependency. These reforms were embodied in the TANF program, which replaced the failing, dependence-driven status quo and instead focused on work incentives. Thanks to these commonsense reforms, child poverty decreased and employment for single mothers increased.

Despite the program's incorporation of work requirements into its original framework, TANF could be much stronger in this respect. For instance, under current law, work participation rate standards require 50 percent of all families and 90 percent of two-parent families be engaged in work. To be considered engaged in work,<sup>166</sup> individuals must participate in specified activities during a month. However, states can manipulate their work required work participation rate by spending in excess of the state's Maintenance of Effort (MOE) requirement.<sup>167</sup> Consequently, 22 states and territories reduced their 50 percent all-family standard to zero, and 14 states and territories reduced their 90 percent two-parent family standard by more than 50 percent.

Furthermore, states have abused TANF, using more than half of the program's funding on purposes other than supporting work. States even use TANF dollars to plug state budget holes instead of using it on its intended purpose, helping families in need become self-sufficient.

Building off the TANF program's focus on encouraging work, this budget adopts, with minor adjustments, Ways & Means Ranking Member Kevin Brady's *JOBS for Success Act*. This legislation makes several important reforms to the TANF program to strengthen the program's focus on work and increase state accountability. In particular, the bill would require universal engagement by mandating all work-eligible individuals receiving assistance meet their work requirements in exchange for monthly benefits. The bill shifts reforms its state compliance standards from the easily manipulated work participation rates to an outcome-based performance system that focuses on the rate of work-eligible individuals move into unsubsidized employment after six months of exiting the program. Additionally, the bill includes language that would prohibit states from diverting federal TANF funding to supplant

<sup>163</sup> Congressional Budget Office, "CBO's January 2019 Baseline." <https://www.cbo.gov/about/products/budget-economic-data#3>.

<sup>164</sup> Scott Winship, e21 at the Manhattan Institute, "A Response to Michael Hiltzik on Reforming SSI", May 30, 2014. <http://www.economics21.org/commentary/response-michael-hiltzik-reforming-ssi>.

<sup>165</sup> Melissa Koenig and Kalman Rupp, Office of Policy, Social Security Administration, "SSI Recipients in Households and Families with Multiple Recipients: Prevalence and Poverty Outcomes," 2003/2004. <https://www.ssa.gov/policy/docs/ssb/v65n2/v65n2p14.html>.

<sup>166</sup> CRS, Gene Falk "The Temporary Assistance for Needy Families (TANF) Block Grant: A Primer on TANF

Financing and Federal Requirements" December 14, 2017 <https://fas.org/sqp/crs/misc/RL32748.pdf#page=20>

<sup>167</sup> The MOE "requires states to contribute in the aggregate from their own funds at least \$10.3 billion for benefits and services to needy families with children." <https://fas.org/sqp/crs/misc/RL32748.pdf>

state spending on social services and limits state use of TANF funds to families below 200 percent of the federal poverty level.<sup>168</sup>

Additionally, this budget suggests several minor conservative modifications designed to further enhance the bill. For instance, this budget recommends reinstating language contained in the bill as originally contemplated by the Ways & Means Committee in the 115<sup>th</sup> Congress to reallocate the size of TANF state block grants based on their child poverty rate. It suggests removing the provision from the bill that would allow states to provide pro-rata benefits to TANF beneficiaries that do not fully comply with their work requirements and maintaining the current 12-month limit imposed on counting vocational educational training as a work activity. This budget supports including language barring state MOE funds from being spent on beneficiaries beyond the 60-month limit placed on use of federal funding and on non-citizens. While the bill would eliminate the TANF Contingency Fund, this budget recommends using those savings for deficit reduction rather than using it to boost spending on the Child Care Entitlement to states. This budget suggests reducing the size of the TANF block grant to account for the recent funding boost to the Child Care and Development Block Grant (approximately \$2.4 billion between FY 2017 and FY 2018) given that TANF allows for the transfer – which would be limited under the bill – of TANF funds to the grant program. Similarly, the bill could be modified to reduce the size of the TANF block grant by an additional 10 percent, which is the amount of TANF funding that may be transferred to the Social Services Block Grant (SSBG) under current law; but, given that the bill would prohibit such transfers, thereby swelling the amount of funding effectively available for TANF, the TANF block grant should be reduced commensurately.

### **State Cost Share for Unemployment Insurance**

Building on the work of previous RSC budgets, our FY 2020 budget would add a state cost share component to UI. Though regional and local unemployment levels are related to the national and global economy, they are fundamentally different from place to place. It is important the federal government reduce its role in funding region specific programs and allow for increased state flexibility. This budget would start this cost share in 2021 at 10 percent and phase the cost share to 50 percent by 2029.

### **Pilot Projects for Streamlining Programs**

The *Help Americans in Need Develop Their Ultimate Potential Act* (HAND Up Act), introduced by Representative Tom Reed (R-N.Y.), would allow states to combine several welfare programs, including TANF, SNAP, the Social Services Block Grant, housing programs and workforce innovation programs, into a single streamlined program. This would give states that want more flexibility to administer assistance programs the ability to do so but would still require states to encourage work and self-reliance with the goal of moving families and individuals out of poverty.

Under a variation of this proposal, the multitude of programs could be combined and funding provided to a state in a single trust fund at a level based on the historical average across a business cycle. Using the trust fund, a state could choose to save funds during good years and draw down more funds when their economy is under performing. This would be paired with appropriate conditions, such as penalties for states that refuse to impose strong work activation requirements.

Another option is giving individuals a choice of programs for which they could be eligible while ensuring they do not receive duplicative benefits.

### **Pay for Success**

One policy that could be explored is incorporating the pay for success model into existing programs by

<sup>168</sup> House Committee on Ways and Means “Rep. Brady, Sen. Daines Introduce Welfare Reform Legislation” March 14, 2019 <https://gop-waysand-means.house.gov/rep-brady-sen-daines-introduce-welfare-reform-legislation/>.

allowing states to issue Social Impact Bonds to finance specific projects to accomplish the goals of the program performed by non-governmental providers. The state and private investors who purchase the bonds would be reimbursed by current federal programs using already available funding only if an independent evaluator finds the project is successful at meeting stringent pre-established goals, minimizing the risk and maximizing the return for taxpayers.

### **Expand Access to Retirement Accounts**

Allowing several small businesses to pool retirement plans would expand access to retirement savings to more workers. This proposal would lower management fees and administrative costs and make it easier for a small business without a human resources department to offer this important benefit. This idea has bipartisan support. Past RSC budgets urged elimination of the Obama-era Department of Labor's proposed fiduciary rule in order to allow these smaller pooled accounts to access valuable investment advice and management, further enhancing the ability of small employers to help their employees prepare for retirement successfully. On March 15, 2018, a federal appeals court vacated the rule and the Department of Labor announced it will indefinitely halt enforcement of the rule.<sup>169</sup>

### **Eliminate "Performance Bonuses" that Jeopardize Program Integrity**

Some welfare programs include "bonus payments" to states that may be well intentioned but can unfortunately harm the integrity of the programs. For instance, a bonus payment aimed at rewarding efficient administration of a program could have the unintended consequence of incentivizing state agencies to not actively investigate and reduce instances of improper payments. The SNAP program has reportedly paid performance bonuses for expanding enrollment.<sup>170</sup> Performance bonuses should be thoroughly reviewed and eliminated if they jeopardize the integrity of programs.

### **End Categorical Eligibility**

A basic principle for government assistance programs is that a person should only receive taxpayer-funded benefits if he or she meets a program's eligibility requirements. However, that is not always the case under the current welfare system. A policy called "categorical eligibility" allows a person to claim benefits under one program just by meeting requirements for another. For instance, a person can claim SNAP benefits not because they meet SNAP's income and asset tests, mandated by law, but because they receive benefits under a different welfare program. They could even gain benefits simply because they were given a pamphlet by a recruiter.

The practice of categorical eligibility is wasteful and defeats the purpose of having an anti-poverty system meant to help those truly in need. The RSC Budget would end categorical eligibility across all programs.

### **Focus School Lunch Subsidies for Those Who Actually Need Them**

The RSC proposes to consolidate funding for child nutrition programs into a single block grant. This would include funding for the National School Lunch Program, School Breakfast Program, Child and Adult Care Food Program, Summer Food Service Program and Special Milk Program. The block grant would give states control over where they best believe these funds should be allocated. This model is designed to encourage states to administer the consolidated grant funds efficiently and reduce any redundancies and deviations from promoting child nutrition among truly needy families.

<sup>169</sup> Brian O'Shea, U.S. Chamber of Commerce, "Fiduciary Fallout: Court Strikes Down Labor Department's Fiduciary Rule," March 20, 2018. <https://www.uschamber.com/series/above-the-fold/fiduciary-fallout-court-strikes-down-labor-department-s-fiduciary-rule>.

<sup>170</sup> Lars Larson, "Oregon Gets \$5 Million In 'Bonuses' For Expanding And Servicing The Welfare State", CNSnews, September 29, 2011. <http://cns-news.com/blog/lars-larson/oregon-gets-5-million-bonuses-expanding-and-servicing-welfare-state>.



Instance of deviating from the goal of benefiting truly needy families occurs in both the National School Lunch Program and the School Breakfast Program. These programs are known for providing free and reduced meals at school to children from low-income families. Schools receive up to \$3.39 for each free lunch served to children under 130 percent of the federal poverty level (FPL) and \$2.99 for each reduced-price lunch served to children between 130 percent and 185 percent of the FPL; up to \$2.14 for free breakfasts and \$1.84 for reduced price breakfasts; \$0.91 for free afterschool snacks and \$0.45 for reduced price afterschool snacks.<sup>171</sup> Schools also receive commodities with a value of 23.5 cents for each lunch served and can receive an additional 6 cents for each lunch if they comply with certain nutritional guidelines.<sup>172</sup>

However, the school lunch and breakfast programs also provide subsidies for “full price” meals served to those from families above 185 percent of the FPL. According to CBO, “in the 2018–2019 school year, federal subsidies are generally 61 cents for each lunch, 31 cents for each breakfast, and 8 cents for each snack.”<sup>173</sup> Many conservatives may believe these subsidies, which average about \$1.1 billion annually over the next decade, for those with the means to otherwise pay their own way are out of line with what the goals of the program should be.

Further, the “school lunch and breakfast programs are subject to widespread fraud and abuse.”<sup>174</sup> According to the GAO, the estimated improper payment rates for the lunch and breakfast programs in FY 2013 totaled 15.7 and 25.3 percent, respectively.<sup>175</sup> States, in conjunction with the Department of Agriculture, must take steps to address this problem.

### **Fighting Fraud**

A disappointing consequence of the federal government spending so much on assistance programs is the predictable fraud that occurs. According to USDA, fraud is rampant in the SNAP program, growing 128 percent between 2010 and 2016.<sup>176</sup> While not all improper payments are a result of fraud, improper payment rates are a useful indicator of fraud levels. The EITC is plagued with a high improper payment rate at 25.06 percent in FY 2017 equaling over \$18.4 billion.<sup>177</sup> The IRS “paid out at least \$5.9 billion in improper payments” for the CTC in 2013.<sup>178</sup> Medicaid’s improper payment rate of 9.8 percent is staggering, with \$36.2 billion in improper payments in FY 2017 alone.<sup>179</sup> Medicaid’s improper payments alone are larger than most federal programs and almost twice the size of NASA’s entire annual budget.

These errors, waste and fraud do not just cost taxpayers money; they divert resources away from helping those who need it most. With our entitlement programs facing dire financial futures and more Americans receiving welfare benefits than ever before, we can’t afford to waste money simply because the federal bureaucracy writes checks to the wrong people or for the wrong amount. The agencies – at both the federal and state levels - that administer the dozens of welfare programs owe it to the American people to do better.

Upon an application for benefits, agencies can and should stringently verify and crosscheck the criteria for eligibility, such as income, residency, identity, employment, citizenship status and if the person is already receiving benefits, to ensure the applicant is actually eligible for the program. Once a beneficiary is enrolled, the

<sup>171</sup> U.S. Department of Agriculture, “School Programs Meal, Snack And Milk Payments To States And School Food Authorities”, Effective from: July 1, 2018 - June 30, 2019. <http://doe.sd.gov/cans/documents/19-SNPrates.pdf>

<sup>172</sup> Congressional Budget Office, “Eliminate Subsidies for Certain Meals in the National School Lunch, School Breakfast, and Child and Adult Care Food Programs”, December 13, 2018. <https://www.cbo.gov/budget-options/2018/54740>.

<sup>173</sup> Ibid.

<sup>174</sup> Chris Edwards, Cato Institute, Downsizing the Federal Government, “Food Subsidies”, May 26, 2016. <https://www.downsizinggovernment.org/agriculture/food-subsidies>.

<sup>175</sup> Government Accountability Office, “School-Meals Programs USDA Has Enhanced Controls, but Additional Verification Could Help Ensure Legitimate Program Access”, Table 2, May 2014. <http://www.gao.gov/assets/670/663258.pdf>.

<sup>176</sup> USDA “Supplemental Nutrition Assistance Program, State Activity Report FY 2016” September 2017 <https://fns-prod.azureedge.net/sites/default/files/snap/FY16-State-Activity-Report.pdf#page=57>.

<sup>177</sup> Department of the Treasury, Accessed April 14, 2019. <https://paymentaccuracy.gov/program/earned-income-tax-credit/>.

<sup>178</sup> Kim Dixon, Politico, “IG: Billions lost to potential child tax credit fraud”, December 10, 2014. <http://www.politico.com/story/2014/12/child-tax-credit-fraud-113425>.

<sup>179</sup> Department of the Treasury, Accessed April 14, 2019 <https://paymentaccuracy.gov/program/medicaid/>.

agency should regularly conduct reviews of the beneficiary's eligible information, including by crosschecking other government datasets. Finally, if the agency determines a beneficiary is no longer eligible, the beneficiary should be removed from the rolls and the agency should refer those who knowingly break the law to authorities for prosecution.<sup>180</sup> At all times, agencies need to remember their mission is to keep people out of the welfare dependency trap and to move people to a productive life of self-sufficiency. Under no circumstance should success at a welfare agency be measured by how many can be kept on the rolls. Government employees should be held accountable for doing their jobs with appropriate diligence.

The federal government should reduce fraud in state-administered programs by incentivizing state agencies and attorneys' general to investigate and prosecute welfare fraud. If states are allowed to retain a portion of the dollars recovered due to fraud and abuse they eliminate, they will be more likely to crack down on it.

This budget would require parents to have a legitimate Social Security number to be eligible for the CTC. The *Protecting Americans from Tax Hikes Act of 2015* (PATH Act) took an important step towards this direction by requiring a Social Security number for an individual to claim a retroactive claim for the CTC. The TCJA took another step forward by requiring a valid Social Security number for each child to claim the refundable and non-refundable portions of the CTC. Both policies were advocated in past RSC budget proposals.

States should also be encouraged to withhold benefits from individuals who test positive for illegal drugs, as provided by Representative David Rouzer's (R-N.C.) *Drug Testing for Welfare Recipients Act*. In March 2017, Congress and President Trump took an important step in this direction by enacting a *Congressional Review Act* resolution disapproving of an Obama-era Department of Labor regulation that blocked states from even performing limited drug testing for certain welfare applicants.<sup>181</sup>

<sup>180</sup> Jonathan Ingram, Foundation for Government Accountability, "Stop the Scam How to Prevent Welfare

Fraud in Your State", April 2, 2015. <https://thefga.org/research/stop-the-scam-how-to-prevent-welfare-fraud-in-your-state/>.

<sup>181</sup> House Republican Conference, "Signed into Law: Congressional Review Act (CRA) Resolutions", June 1, 2018. <https://www.gop.gov/cra/>.







***PROVIDE FOR  
THE COMMON  
DEFENSE***



## PROVIDE FOR THE COMMON DEFENSE

Only by maintaining the sovereignty of the United States can the federal government ensure the preservation of the intrinsic rights of our citizens, and that sovereignty can only be guaranteed with a strong, ready, and capable military. Article I Section 8 of the U.S. Constitution provides for Congress to “raise and support armies” and “provide and maintain a navy.” This fundamental power has remained the cornerstone of our government’s primary responsibility of keeping our citizens safe and defending our interests at home and abroad. The Republican Study Committee (RSC) commends President Trump and his administration for working to restore our military’s strength as articulated in the president’s National Defense Strategy<sup>182</sup> and National Security Strategy.<sup>183</sup> The inept and misguided foreign policy of the previous administration contributed to the decline of American standing throughout the world. Its neglect of America’s military left current leaders with a difficult task of rebuilding military readiness and force projection capabilities in an increasingly unstable international environment.

The national security budget should never be hamstrung by efforts to fund domestic programs with little constitutional foundation that seek to redistribute wealth or restrict the liberty of individuals. Doing so results in confining national security resources to an arbitrary level dictated not by necessity but by a broken political process. The resources we allocate to our national defense should be determined by evaluating the threats we face as a nation and ascertaining the appropriate level of resources required — no more, no less — to carry forth our interests abroad and to deter and defeat our enemies. That is why the RSC’s budget strongly advocates for Congress to end the arbitrary “firewall” between defense and non-defense discretionary spending imposed by the *Budget Control Act (BCA)*. The separation of defense and non-defense discretionary funding reinforces the destructive notion of “parity” — the idea that new defense funding should necessitate non-defense spending increases on domestic programs and federal agencies. This hamstringing the ability of Congress to provide for our national defense, exacerbates the national debt and unnecessarily swells the bureaucratic state. The RSC Budget seeks to attain fiscal discipline and prevent trillions of dollars from being added to the national debt, which defense experts have said is the greatest threat to our national security.<sup>184</sup>

To provide for the nation’s continued security, the RSC Budget proposes \$745 billion in discretionary budget authority for national defense, including funding for the Global War on Terror (GWOT) - otherwise known as Overseas Contingency Operations (OCO) - in Fiscal Year 2020. The RSC Budget incorporates all defense funding into the base budget, providing for reliable funding for the known and planned ongoing costs of our national security priorities. This preempts the use of cap-exempt OCO funds to provide vital defense funding, while allowing the RSC Budget to set fiscally responsible, and Constitutionally limited non-defense spending levels. This amount fully funds the base and war-funding request of the Trump administration. The RSC Budget also matches the president’s national defense funding request through FY 2029 and would ensure military construction projects receiving prior appropriations are fully funded even if their funds are needed for border barrier construction. Lastly, this budget fully funds the president’s request of \$8.6 billion for wall construction along the southern border, but allocates these funds to the Department of Homeland Security (DHS).

### A Dangerous World

The United States faces increasingly complex and tumultuous environments around the globe. As former Secretary of State Dr. Henry Kissinger testified in 2015 before the Senate Armed Services Committee, “The United States has not faced a more diverse and complex array of crises since the end of the Second World

182 2018 National Defense Strategy for the United States of America; <https://www.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf>.

183 National Security Strategy of the United States of America, December 2017; <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905-2.pdf>.

184 Tim Mak, Washington Examiner, “Former top military officer sees national debt as biggest threat to country”, January 21, 2014. <http://www.washingtonexaminer.com/former-top-military-officer-sees-national-debt-as-biggest-threat-to-country/article/2542594>.

War.”<sup>185</sup> Freedom of navigation, the sovereignty and territorial integrity of nations, and human rights are all now on the decline. Put simply, the world is becoming increasingly unstable.

With the rise of radical Islamic terrorism in the Middle East, North Africa and South Asia, America faces new and emerging challenges. This danger differs from other more geographically constrained threats by its potential threat to our homeland, made clear by the events on September 11, 2001. The rise of the Islamic State of Iraq and Syria (ISIS) in 2014 presented one of the gravest security challenges the international community has faced in recent memory. This non-state actor took advantage of a weak and fragmented Iraqi government and the utter chaos of the Syrian civil war to take root in the Middle East and spread its terror network in places like Libya, Nigeria, Yemen and even Afghanistan. Before firm U.S. intervention, ISIS demonstrated its global reach by sending its cells and adherents to commit atrocities all over the world, including the November 2015 attacks in Paris, as well as attacks in the United Kingdom, Turkey, Germany and Belgium. The network also inspired attacks in Orlando, FL, San Bernardino, CA, and New York City. The RSC commends the success of Operation Inherent Resolve in effectively defeating ISIS in Iraq and Syria with the loss of their last stronghold.<sup>186</sup> We support the goal of President Trump to work towards lasting stability in the region. U.S. policy should not repeat the mistakes of the previous administration in precipitously withdrawing from the region without insuring that our interests and security are guaranteed and secured.

The United States also continues to face threats from other radical Salafist terrorist groups such as Al Qaeda and its franchises. While some in Washington prematurely declared victory against Al Qaeda after the elimination of Osama bin Laden, the group remains a legitimate threat to the homeland and our allies. In Syria, al Qaeda’s affiliate, Jahbat al-Nusra, has become an incredibly powerful and seasoned fighting force. In Yemen, al Qaeda continues to threaten not only our interests in the area, but also to expand their terrorism abroad. In Afghanistan and Pakistan, al Qaeda and the Taliban were once thought to be decimated but have remained active. This budget supports President Trump’s efforts to finish stabilizing Afghanistan, defeat the Taliban and bring America’s longest conflict to an end on our terms.

While the threat of Sunni Salafist terrorism remains, the United States must also counter the threat posed by radical Shiite terrorism supported by the Islamic Republic of Iran. Prior to 9/11, Iranian-backed terrorism was responsible for killing more Americans than any other ideological group. Iran’s proxies in Lebanon, including Hezbollah, continue to threaten U.S. interests and allies, especially Israel, our most vital partner and the lone democracy in the region.

Iran’s pursuit of a nuclear arsenal has also further heightened tensions in the region. Iran continues to develop nuclear weapons and the means to deliver them by illegally testing long-range ballistic missiles and by constructing covert research and testing facilities, violating most of its international agreements. The Islamic Republic’s inclination to cheat the 2015 nuclear agreement is exemplified in its posturing and behavior on the international stage. While shutting down some centrifuges for the sake of sanctions relief, the regime in Tehran seems unlikely to change its aggression and belligerence towards its neighbors, which include many U.S. allies and strategic interests. The removal of sanctions against Iran only helped to fuel its military expansionist policies. The RSC commends the Trump administration for withdrawing from the deeply flawed nuclear agreement in 2018 and supports efforts to help Iranian civil society in challenging and holding its tyrannical government accountable for its gross human rights violations.

Iran continues its material support for the murderous Assad regime in Syria. Iran’s Revolutionary Guard Corps is on the ground, assisting Assad’s forces and inciting the worst human rights crisis of the 21st Century. As a result, the ongoing Syrian conflict has now led to the displacement of more than half the population of the country,<sup>187</sup> allowing Syria to become a haven for terror groups while flooding Europe with refugees. Iran’s navy perpetually threatens to close the Strait of Hormuz, jeopardizing approximately 30 percent of the world’s petroleum trade

<sup>185</sup> Written testimony of Dr. Henry Kissinger before the Senate Armed Services Committee, “Global Challenges and the U.S. National Security Strategy,” January 29, 2015. [https://csis-prod.s3.amazonaws.com/s3fs-public/legacy\\_files/files/attachments/ts150129\\_Kissinger.pdf](https://csis-prod.s3.amazonaws.com/s3fs-public/legacy_files/files/attachments/ts150129_Kissinger.pdf).

<sup>186</sup> Ben Wedeman and Lauren Said-Moorhouse CNN “ISIS has lost its final stronghold in Syria, the Syrian Democratic Forces says” <https://www.cnn.com/2019/03/23/middleeast/isis-caliphate-end-intl/index.html>

<sup>187</sup> The UN Refugee Agency <https://www.unrefugees.org/refugee-facts/statistics/>

which travels through this strait.<sup>188</sup> To aid our allies in the region while deterring the Islamic Republic, the RSC Budget supports U.S. military assistance to Israel, including the Iron Dome air defense system. This budget further supports legislation introduced in the 115<sup>th</sup> Congress to curb Iran's aggression, its use of terrorist proxies and bloodshed in Syria.<sup>189</sup> The RSC commends the State Department's designation of the Islamic Revolutionary Guard Corps, Iran's paramilitary force, as a terrorist entity. According to the State Department, the Iranian regime's paramilitary force "is responsible for the deaths of at least 603 American service members in Iraq since 2003. This accounts for 17% of all deaths of U.S. personnel in Iraq from 2003 to 2011".<sup>190</sup>

Europe, which experienced 20 years of relative peace and prosperity, now faces an increasingly belligerent Russia led by an undemocratic former KGB agent, Vladimir Putin, who has effectively consolidated all political power in the country. In 2014, the world awakened to Russian armed forces in unmarked military uniforms seizing territory in Eastern Ukraine and the Crimean Peninsula. In the Baltic, Russian forces amassed on the border of three key NATO allies, threatening the United States' most enduring and vital military alliance. Russia has rapidly expanded its investments in modernizing its nuclear arsenal and in hypersonic missiles to serve as long range, hard to intercept, nuclear delivery vehicles. Through its state-funded media outlets, Russia has also engaged in a potent propaganda war in Eastern Europe, further destabilizing the region and undermining the progress made by democratic and free-market forces since the end of the Cold War. Putin's regime has repeatedly used Russia's energy resources as a weapon against dependent European nations. Russia's state-owned gas company, Gazprom, has periodically interrupted supplies to countries that have angered the Kremlin, leaving them without affordable natural gas in the dead of winter. The RSC strongly supports strengthening of the European Reassurance Initiative and the integration of Montenegro into NATO. In the 21<sup>st</sup> century, the U.S. must reject the notion of a Russian "sphere of influence" reminiscent of a 19<sup>th</sup> century construct of geopolitics. The RSC strongly supports the *Global Magnitsky Act* in reigning in illicit Russian financial corruption around the world.<sup>191</sup> The RSC fully supports White House's decision to withdraw from Intermediate-Range Nuclear Forces Treaty (INF Treaty). Russia has continuously failed to comply<sup>192</sup> with the intent of the treaty by developing intermediate range nuclear capable missiles like the SSC-8 cruise missile with a range capability between 500 and 5,500 kilometers.<sup>193</sup>

In the Asia Pacific region, where approximately 30 percent of U.S. goods are exported and from where 45 percent of U.S. imported goods originate, an increasingly aggressive China has emerged.<sup>194</sup> While tensions between China and Taiwan have persisted since the 1950's, China has now mounted an aggressive expansionist policy towards other nations in the region to enlarge their sphere of influence. The Chinese have done so at the expense of established borders and the sovereignty of other countries, many of which are key U.S. allies. Small and remote islands like the Senkaku Island chain, as well as the Spratly and Paracel Islands, are threatened by China's navy. These territorial claims over shoals and reefs pose a deceptively greater threat to the region than their geographic size would suggest. Allowing for an antagonistic China to seize these blips on a map would further embolden the country to threaten key U.S. treaty-bound allies. In November 2013, China unilaterally declared an Air Identification Zone (ADIZ) over the East China Sea encompassing parts of Japanese and South Korean airspace. This measure forced international civilian airliners traversing this zone to report to China's Air Force. These examples are just the latest in the Chinese government's regular policy of violating the rule of law, international agreements and human rights.

188 Reuters "Strait of Hormuz: the world's most important oil artery"

<https://www.reuters.com/article/us-iran-oil-factbox/strait-of-hormuz-the-worlds-most-important-oil-artery-idUSKBN1JV24O>.

189 H.R. 3364, Countering America's Adversaries Through Sanctions Act; H.R. 4324, Strengthening Oversight of Iran's Access to Finance Act; H.R. 1698, Iran Ballistic Missiles and International Sanctions Enforcement Act; H.R. 3342, Sanctioning Hizballah's Illicit Use of Civilians as Defenseless Shields Act; H.R. 3329, Hizballah International Financing Prevention Amendments Act; H.R. 1638, the Iranian Leadership Asset Transparency Act; H.R. 1677, The Caesar Syria Civilian Protection Act.

190 Designation of the Islamic Revolutionary Guard Corps, April 8, 2019, U.S. Department of State <https://www.state.gov/r/pa/prs/ps/2019/04/290963.htm>

191 Public Law 112-208, <https://www.gpo.gov/fdsys/pkg/PLAW-112publ208/html/PLAW-112publ208.htm>.

192 Director of National Intelligence Daniel Coats on

Russia's INF Treaty Violation, Office of the Director of National Intelligence, <https://www.dni.gov/index.php/newsroom/speeches-interviews/item/1923-director-of-national-intelligence-daniel-coats-on-russia-s-inf-treaty-violation>

193 Intermediate-Range Nuclear Forces (INF) Treaty, U.S. Department of State <https://www.state.gov/t/avc/inf/index.htm>

194 United States Census Bureau, Trade in Goods with Asia. <https://www.census.gov/foreign-trade/balance/c0016.html>.



China's military has also continued to modernize and enlarge, eroding the superiority of U.S. forces and its capabilities in the region. In 2015 alone, the Chinese government increased its defense budget by more than 10 percent.<sup>195</sup> In 2018, China continued its ambitious plan to increase defense spending at an alarming rate compared to peer competitors.<sup>196</sup> Reports have also indicated China's intentions to double its defense budget in 2020 to more than \$233 billion, up from \$123 billion in 2010.<sup>197</sup> Its development of "carrier-killing" anti-ballistic missiles has caused many in the defense community to reevaluate U.S. naval strategy in Asia. These new weapons are key components of China's anti-access/area denial (A2/AD) strategy, which seeks to prevent the U.S. and its allies from operating in the region if a crisis or conflict were to arise. This strategy also threatens the basic freedom of navigation on the high seas that has always been a bedrock principle of the U.S. and goal of our naval operations since its founding. Many of our allies, including Australia, Japan, the Philippines, South Korea and even Vietnam, have become increasingly concerned over China's posturing.

Additionally, the RSC commends President Trump and Secretary Pompeo's recent efforts to denuclearize North Korea. While North Korea remains a mortal danger in the Asia Pacific region and beyond, these efforts could bear fruit. However, the United States must remain vigilant and hold the rogue regime in Pyongyang accountable. Ronald Reagan's old adage "trust, but verify" must be applied to North Korea's nuclear and missile programs. The RSC supports additionally holding the rogue regime accountable for its abysmal human rights record including the imposition of further sanctions on the Kim regime for such abuses. The rogue regime continues to develop an increasingly advanced ballistic missile system. To counter this threat, the RSC Budget supports the continued funding of advanced missile-defense systems, including the deployment of additional midcourse interceptors and terminal high-altitude area defense systems.

In the Western Hemisphere, the RSC commends the President's decision to recognize<sup>198</sup> Juan Guaido as Venezuela's legitimate Interim President. Mr. Guaido formerly served as the President of Venezuela's National Assembly, the country last remaining government institution not under the control of the Maduro regime. Once one of Latin America's most prosperous nations, Venezuela currently faces severe economic and political instability due to corruption, mismanagement, and inept socialist policies. The Maduro regime has repeatedly relied on oppression, violence, intimidation, and the support of other tyrannies like Cuba, Russia, and China to maintain power. This crisis has led to one of the worst humanitarian situations in region in recent history. According to the United Nations, some 2.3 million Venezuelans, about 7 percent of the population have fled the country.<sup>199</sup>

Since the Allied victory in World War II, the forward deployment of U.S. Armed Forces has been a key instrument in maintaining global order and in securing freedom of navigation to promote trade and prosperity around the world. A key component of this force structure has been a robust effort to sustain the most capable and agile Navy in the world as a "global force for good," to quote the U.S. Navy's unofficial motto. Our Navy currently has a fleet of 289 deployable ships.<sup>200</sup> This fleet is nearly half the size of what it was under the Reagan administration (592 ships) and 10 ships smaller than what our fleet was in 2009.<sup>201</sup> By most estimates and requirements, the Navy currently needs a fleet of around 350 ships to respond to global threats and ensure vital U.S. interests around the world are protected. As a 2016 Wall Street Journal op-ed indicated:

195 The New York Times, "China's Military Budget Increasing 10% for 2015, Official Says" March 4, 2015. <https://www.nytimes.com/2015/03/05/world/asia/chinas-military-budget-increasing-10-for-2015-official-says.html>.

196 Brad Lendon CNN "China boosts military spending 8% amidst ambitious modernization drive" <https://www.cnn.com/2018/03/04/asia/china-military-budget-intl/index.html>

197 Alana Petroff, CNN, "China's defense spending to double to \$233 billion", December 12, 2016. <http://money.cnn.com/2016/12/12/news/china-military-defense-defence-spending/>.

198 Recognition of Juan Guaido as Venezuela's Interim President, January 23, 2019, U.S. Department of State, <https://www.state.gov/secretary/remarks/2019/01/288542.htm>

199 The Washington Post, "Venezuela's refugee exodus is the biggest crisis in the hemisphere",

Ishaan Tharoor, August 23, 2018, [https://www.washingtonpost.com/world/2018/08/23/venezuelas-refugee-exodus-is-biggest-crisis-hemisphere/?utm\\_term=.29ef8321a00e](https://www.washingtonpost.com/world/2018/08/23/venezuelas-refugee-exodus-is-biggest-crisis-hemisphere/?utm_term=.29ef8321a00e)

200 Status of the U.S. Navy, as of March 22, 2019. [http://www.navy.mil/navydata/nav\\_legacy.asp?id=146](http://www.navy.mil/navydata/nav_legacy.asp?id=146).

201 Harold Hutchison, Daily Caller, "Obama Navy Now Half The Size Of Reagan Navy", October 18, 2015.

**"[Former] Defense Secretary Ash Carter told the Navy to cut the number of ships it plans to build in favor of placing more-advanced technology aboard the existing fleet. Secretary Carter's plan implies that the deterrent effect of a constant U.S. presence in the world is less important than the Navy's ability to fight and win wars with the advanced weapons he favors. That assumption is mistaken. We need both the ability to be present, which demands more ships than we have, and the related power to win a war if deterrence doesn't work."**<sup>202</sup>

The Navy's shipbuilding account has been neglected in the last decade leading to a severe readiness crisis, marked by a series of deadly accidents. The RSC's budget supports an increase in our shipbuilding account in order to reestablish our Navy's global reach and capabilities and deter aggressive Chinese naval activities. Specifically, the RSC supports an increase in the Navy's fleet size to 355 fighting ships, "to maintain presence in the 18 maritime regions where the United States has critical national interests."<sup>203</sup>

Across the service branches, operations and maintenance accounts faced dramatic neglect under the previous administration. The Army, in particular, has experienced shortfalls in overall readiness by postponing the restoration and reset of large amounts of equipment returning from the battlefields of Afghanistan and by reducing training hours for units not engaged in current combat operations. According to the Heritage Foundation's 2019 Index of U.S. Military Strength, in FY 2018, the Army's active-duty end strength was 483,500, up from 476,000 at the end of FY 2017, but despite President Trump's efforts, it is still down from a height of 566,000 in FY 2011, essentially leading to a "hollowing out" of the force. Obama also left only about one third of combat brigades ready for deployment, though it is the Army's goal to raise that level to 66 percent. Under Trump's guidance, this measure has reached 50 percent.<sup>204</sup> The RSC continues to support the president's efforts to rebuild Army force structure.

The Air Force also faces challenges related to aging aircraft fleets and shrinking numbers of available and deployable squadrons. The backbone of the Air Force's tanker fleet, the KC-135, first flew in 1956. The venerable B-52, recently used in operations against ISIS and comprising the majority of the Air Force's bomber fleet, first arrived on the flight line in 1955.<sup>205</sup> Aging assets must be replenished, lest they be inadequate when called upon in emergencies, resulting not only in high costs for new, rapid procurement, but potentially in devastating damage to our security interests. These stresses on our fighter, bomber and tanker squadrons have made our fleet vulnerable to accidents. The RSC supports defense investments in Air Force modernization including the B-21 Raider program and the new KC-46 tanker. Additionally, while the U.S. is still implementing the fifth generation F-35, many countries are already well into developing sixth generation fighters.<sup>206</sup>

### **Nuclear, Outer Space and Cyberspace Capacities**

Regardless of the advances and investments made in America's conventional forces, a failure in U.S. capabilities with regards to nuclear weapons, cyberspace and outer space can render our conventional military incapacitated and leave our homeland vulnerable to attack. The RSC Budget supports the goals of the Trump administration and the 2018 Nuclear Posture Review to maintain and modernize our nuclear warheads, the triad

202 Seth Cropsey, Wall Street Journal, "S.O.S. for a Declining American Navy", January 6, 2016. <http://www.wsj.com/articles/s-o-s-for-a-declining-american-navy-1452124971>.

203 Jerry Hendrix, "12 Carriers and 350 Ships: A Strategic Path Forward from President Elect Donald Trump", The National Interest, November 14, 2016, <http://nationalinterest.org/feature/12-carriers-350-ships-strategic-path-forward-president-elect-18395>.

204 Heritage Foundation's 2019 Index of U.S. Military Strength. [https://www.heritage.org/sites/default/files/2018-09/2019\\_IndexOfUSMilitaryStrength\\_WEB.pdf](https://www.heritage.org/sites/default/files/2018-09/2019_IndexOfUSMilitaryStrength_WEB.pdf).

205 Lucas Tomlinson, FoxNews, "Over 100 Al Qaeda fighters killed in 'major' US air strike in Syria, defense official says", January 20, 2017, <http://www.foxnews.com/world/2017/01/20/more-than-100-core-al-qaeda-fighters-killed-in-u-s-strike-in-syria.html>.

206 Sebastien Roblin "Forget the F-22 or F-35: Why Sixth-Generation Jet Fighters Could Be Revolutionary" <https://nationalinterest.org/blog/buzz/forget-f-22-or-f-35-why-sixth-generation-jet-fighters-could-be-revolutionary-29267>.

of delivery vehicles, and our command and control and early warning systems. This budget also supports efforts to develop new low-yield devices that can add to the flexibility of the nuclear arsenal.<sup>207</sup> It is imperative that the U.S. maintain the ability to deploy both strategic and low-yield weapons by submarine and land-based missiles, as well as air launched and dropped vehicles. It is also essential that we maintain our capacity to produce the plutonium-239 and tritium (heavy hydrogen) that is required to produce warheads and keep existing ones operational.<sup>208</sup> While Russia, China and North Korea continue to expand their nuclear capacities, a failure in any component of our nuclear systems could allow these adversaries to negate all the other abilities of our military and to destroy critical military infrastructure, including even our ability to use nuclear weapons in a second-strike capacity.

Beyond the commonly discussed threat from nuclear weapons, they can be used to generate an electromagnetic pulse (EMP).<sup>209</sup> A single nuclear device, detonated at high altitudes, can produce an EMP capable of destroying electronic devices and power grids over a large region of the U.S. This threat, and the developments of both the Russians and Chinese to produce anti-satellite weapons, highlights the need for the U.S. military to centralize military space functions under a Space Force so the United States can continue to enhance its presence and capacities in outer space.<sup>210</sup> This budget supports the goals of President Trump to ensure the U.S. is capable of intercepting long range missiles, most of which would traverse space if used, and can have adequate offensive and defensive abilities with regards to satellites. The satellite network around our planet is vital for banking, telecommunications, GPS and a host of other military and civilian system that are vital to our modern life. Without the ability to operate in outer space, our enemies could easily destroy these systems that every American relies on.

Furthermore, RSC supports continued investments in U.S. cyber operations. This arena is similarly vital to the everyday lives of Americans. The failure of our military to adequately defend cyberspace could allow an adversary to incapacitate our entire electrical grid, and with it, the economic and physical systems that without which, would bring our nation to edge of destruction and threaten the lives of almost everyone in the nation. This is not simply a future threat; North Korea has already engaged in this realm with repeated cyber-attacks on Americans.<sup>211</sup>

### **Ensuring an Efficient National Defense**

The RSC remains committed to a strong national defense but recognizes that fiscal discipline is essential to ensuring a sustainable and capable military. As expensive as peace-time military operations are, major wars can demand the quick expenditure of large amounts of capital. The American Revolution, the Civil War and WWI all required adding roughly 30 percent of GDP to the national debt, with WWII alone requiring roughly 60 percent. We must ensure the federal government's fiscal house is in order should this level of borrowing be necessary in another worst-case scenario. The grievous level and trajectory of our national debt led a bipartisan group of leading national security officials to write that "Our long-term debt is the single greatest threat to our national security."<sup>212</sup> Regardless of how capable our standing military is, if those that wish us and our allies ill know we cannot afford to use it for long, it will not serve as an effective deterrent nor be able to guarantee our freedom and safety.

207 2018 Nuclear Posture Review <https://media.defense.gov/2018/Feb/02/2001872886/-1/-1/1/2018-NUCLEAR-POSTURE-REVIEW-FINAL-REPORT.PDF>.

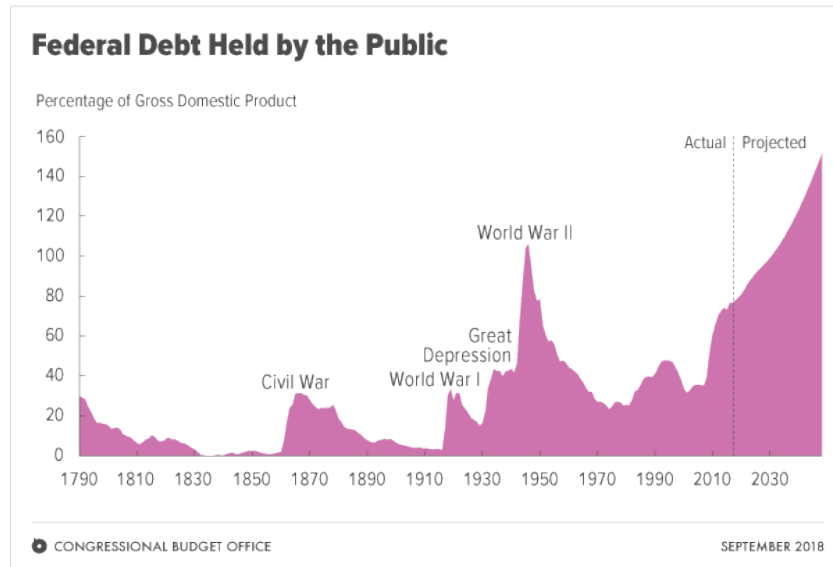
208 Franklin C. Miller and John R. Harvey "Commentary: The looming crisis for US tritium production." <https://www.defensenews.com/opinion/commentary/2017/03/06/commentary-the-looming-crisis-for-us-tritium-production/>.

209 Executive Order by the President, "Executive Order on Coordinating National Resilience to Electromagnetic Pulses" March 26, 2019 <https://www.whitehouse.gov/presidential-actions/executive-order-coordinating-national-resilience-electromagnetic-pulses/>.

210 Sandra Erwin U.S. intelligence: Russia and China will have 'operational' anti-satellite weapons in a few years <https://spacenews.com/u-s-intelligence-russia-and-china-will-have-operational-anti-satellite-weapons-in-a-few-years/>.

211 As Trump and Kim Met, North Korean Hackers Hit Over 100 Targets in U.S. and Ally Nations <https://www.nytimes.com/2019/03/03/technology/north-korea-hackers-trump.html>.

212 Coalition for Fiscal and National Security, "Strength at Home and Abroad: Ensuring America's Fiscal and National Security", May 10, 2016. <http://www.pgpf.org/pgpf-programs-and-projects/2016-cfns-statement>.



CBO "The 2018 Long-Term Budget Outlook at a Glance" September 20, 2018 The 2018 Long-Term Budget Outlook at a Glance

<https://www.cbo.gov/publication/54477>

## **"WE CONTINUE TO BELIEVE THAT OUR LONG-TERM DEBT IS THE SINGLE GREATEST THREAT TO OUR NATIONAL SECURITY."**

*—Former Chairman, Joint Chiefs of Staff Mike Mullen, Former Secretary of State Madeleine Albright, Former Secretary of State and the Treasury James Baker, Former National Security Advisor Zbigniew Brzezinski, Former Secretary of Homeland Security Michael Chertoff, Former Secretary of Defense Bob Gates, Former National Security Advisor Stephen Hadley, Former Secretary of Defense Chuck Hagel, Former Representative Lee Hamilton, Former Director of the National Security Agency Michael Hayden, Former Secretary of State Henry Kissinger, Former Secretary of Homeland Security Janet Napolitano, Former Chairman of the Senate Committee on Armed Services Sam Nunn, Former Secretary of Defense Leon Panetta, Former Secretary of the Treasury Hank Paulson, Former Secretary of the Treasury Paul O'Neill, Former Secretary of Homeland Security Tom Ridge, Former Secretary of State and the Treasury George Shultz, Former National Security Advisor Brent Scowcroft, Former Chairman of the Federal Reserve Paul Volcker, Former Chairman of the Senate Committee on Armed Services John Warner, Former President of the World Bank Group Bob Zoellick*

Therefore, it is vital we do all we can to efficiently use taxpayer dollars and rein in our national debt. Congress and the Department of Defense (DOD) should commit to comprehensive acquisition reform, not only to prevent wasteful spending, but also to ensure America's warfighters have the best and most affordable equipment available. Simply put, the DOD needs to improve the way it buys weapons and services. The RSC is pleased that a comprehensive audit of the DOD was completed just a few months ago.<sup>213</sup> The actual audit effort stemmed from a panel created by the House Armed Services Committee in 2011 on financial management and auditability led by Representative Mike Conaway (R-Texas). Additionally, according to the testimony, "the financial statement audit requirement was initially established in 1990 when Congress passed the *Chief Financial Officer Act*, which, as amended, required the 24 largest federal agencies to complete independent annual financial statement audits." Until 2018, "DOD was the only large federal agency not under full financial statement audit." The DOD believes the findings of the audit will allow for improvements that "will directly benefit readiness." Acting Secretary of Defense Shanahan has praised the newly completed efforts saying, "The release of the first-ever DOD audit is a historic accomplishment and indicates our commitment to accountability and reform. We conducted the audit to facilitate transparency with Congress and the American taxpayer and to determine

213 DOD Completes First Full Financial Statement Audit; Findings Will Directly Benefit Readiness <https://dod.defense.gov/News/News-Releases/News-Release-View/Article/1692138/dod-completes-first-full-financial-statement-audit-findings-will-directly-benefit>

corrective actions to instill long-term discipline.”<sup>214</sup>

The cost of health care for service members, their families and retirees has grown significantly as a share of the defense budget over the last decade. Between 2000 and 2012, the cost of military health care increased 130 percent, even after adjusting for inflation.<sup>215</sup> According to the Congressional Budget Office (CBO), the medical costs of recent wars “had a comparatively small effect” on this increased spending, but new and expanded TRICARE benefits for retirees and their families, and the increased utilization induced by those expanded benefits, explain most of the growth.<sup>216</sup> While it is imperative our soldiers and veterans receive the best possible care available, these increases can crowd out funding for readiness. Congress and the DOD should also consider the recommendations of the congressionally established Military Compensation and Retirement Modernization Commission to ensure our men and women in uniform and their families are taken care of, to achieve fiscal sustainability and to ensure “the long term viability of the All-Volunteer Force.”<sup>217</sup>

One policy recommended by the commission was to replace the current TRICARE system with one that “offers beneficiaries a selection of commercial insurance plans. Costs of these plans should be offset for active-duty families with a new Basic Allowance for Health Care (BAHC) and a fund to lessen the burden of chronic and catastrophic conditions.”<sup>218</sup>

According to the CRS, “Members of Congress are frequently lobbied to support adding funding to the annual defense appropriation for medical research on a wide variety of diseases and topics.”<sup>219</sup> Each year, the defense budget includes over half a billion dollars for the Congressionally Directed Medical Research Program (CDMRP). While medical research is a laudable activity, many of the programs funded within the CDMRP are not for military-specific conditions and are duplicative of the type of research done at the National Institutes of Health (NIH).<sup>220</sup> According to the Taxpayers for Common Sense, “These programs are clearly earmarks and therefore take money away from other necessary Defense Department functions.”<sup>221</sup> The RSC Budget would transition the non-defense related medical research out of the defense budget.

Inefficiencies and waste in the defense budget are not always byproducts of poor management, at least not from the DOD. Ideologically driven congressional mandates and administration priorities result in unforced errors and self-inflicted wounds. For instance, the DOD should not waste valuable taxpayer dollars on inefficient forms of energy. Rather, energy needs should be met through the most cost-effective and tactically sound methods possible. The DOD should be prohibited from entering into any contract for the procurement or production of any non-petroleum based fuel for use as the same purpose or as a drop-in substitute for petroleum. Further, the Armed Forces should be exempt from procurement requirements for clean-energy vehicles and renewable energy portfolio standards for DOD facilities.

The RSC fully supports efforts, included in previous NDAA's to curb the growing cost of defense acquisition. The FY 2017, FY 2018 and FY 2019 NDAA's contributed by reforming DOD rapid acquisition authorities, requiring weapon systems to be designed with open architectures that can easily be upgraded, implementing institutional reform giving the service chiefs more oversight over their branch's acquisition authority, and taking steps to bring more competition into bidding processes.

The RSC Budget recommends all efficiencies that can be found in the DOD be reinvested into readiness and into strengthening our national defense capabilities, so the national security of the American people is not

<sup>214</sup> Ibid.

<sup>215</sup> Congressional Budget Office, “Approaches to Changing Military Health Care,” October 2017. <https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53137-approachestochangingmilitaryhealthcare.pdf>.

<sup>216</sup> Ibid.

<sup>217</sup> Military Compensation and Retirement Modernization Commission, “MCRMC Recommendations Overview,” January 29, 2015. [https://www.cna.org/cna\\_files/pdf/Presentation-MCRMC-Recommendations.pdf](https://www.cna.org/cna_files/pdf/Presentation-MCRMC-Recommendations.pdf).

<sup>218</sup> Ibid.

<sup>219</sup> Don J. Jansen, Congressional Research Service, “Congressionally Directed Medical Research Program Funding for FY2015 and FY2016”, February 2, 2016.

<sup>220</sup> National Institutes of Health, “Estimates of Funding for Various Research, Condition, and Disease Categories (RCDC)”, February 10, 2016. [https://report.nih.gov/categorical\\_spending.aspx](https://report.nih.gov/categorical_spending.aspx).

<sup>221</sup> John M. Donnelly, CQ, “Funding Medical Research With Defense Dollars”, July 28, 2012. <http://public.cq.com/docs/weeklyreport/weeklyreport-000004132596.html>.



threatened by global adversaries.

### **International Assistance Reform**

The RSC commends the House Foreign Affairs Committee's efforts to reform our international assistance and food aid programs. The RSC Budget calls for the repeal of Cargo Preference For Food Aid (CPFA) requirements which "increased the overall cost of shipping food aid by an average of 23 percent, or \$107 million, over what the cost would have been had CPFA requirements not been applied from April 2011 through fiscal year 2014," according to the Government Accountability Office (GAO),<sup>222</sup> and has resulted in an additional \$300 million in wasted spending on shipping costs annually according to an American Enterprise Institute study.<sup>223</sup> Former head of USAID, Andrew Natsios, testified that "in the last ten years, the U.S. government, through the Food for Peace program, has spent more on transporting, storing and distributing the food to other regions of the world than on the food itself."<sup>224</sup>

This budget would call for the reform of the Food for Peace program by eliminating U.S. procurement requirements for agricultural commodities and eliminate the practice of "monetization" which forces the government to procure agricultural commodities from domestic sources, ship them overseas on U.S.-flagged vessels and donate them to nongovernmental organizations, which in turn would sell the commodities in developing countries and use the proceeds to finance development programs. These programs severely restrict the intent of the program, increase costs for the taxpayer, prevent aid efforts to millions of recipients in need, distort local markets and stunt economic development in these areas. While generally, the RSC Budget seeks to limit the amount of U.S. taxpayer money sent abroad in various forms of assistance, it also recognizes the wisdom in reforming existing foreign assistance programs to reduce inefficiencies and redundancies and support American geopolitical interests around the world. Accordingly, the budget supports proposals like Representative Ted Yoho's (Fla.) *Better Utilization of Investments Leading to Development Act* (BUILD Act), that would establish an International Development Finance Corporation (IDFC), consolidating all of the government's resources for international development assistance in one agency to oversee the issuance of direct loans (including local currency loans), issue guaranties (including local currency guaranties), and provide political risk insurance.<sup>225</sup>

222 Cargo Preference Increases Food Aid Shipping Costs, and Benefits Are Unclear, GAO-15-666: Published: Aug 26, 2015. Publicly Released: Sep 25, 2015 <https://www.gao.gov/products/GAO-15-666>; Cargo Preference Increased Food Aid Shipping Cost; Benefits Remain Unclear

GAO-18-193T: Published: Oct 19, 2017. Publicly Released: Oct 19, 2017 <https://www.gao.gov/products/GAO-18-193T>

223 Maritime cargo preferences only waste American taxpayer dollars, Vincent H. Smith, Christopher Barret, Stephanie Mercier, and Erin Lentz, June 21, 2018, American Enterprise Institute. <http://www.aei.org/publication/maritime-cargo-preferences-only-waste-american-taxpayer-dollars/>.

224 Testimony of Andrew S. Natsios, Professor George H.W. Bush School of Government at Texas A and M University, House Committee on Foreign Affairs, Hearing on June 12, 2013, "Modernizing U.S. International Food Aid Programs: Reaching More for Less" <http://docs.house.gov/meetings/FA/FA00/20130612/100967/HHRG-113-FA00-Wstate-NatsiosA-20130612.pdf>.

225 H.R. 5105, BUILD Act <https://www.gpo.gov/fdsys/pkg/BILLS-115hr5105ih/pdf/BILLS-115hr5105ih.pdf>.





***PROTECTING  
CONSERVATIVE  
VALUES***



## PROTECTING CONSERVATIVE VALUES

Federal budgets are about more than the dollars and cents of federal activity, they are statements about the proper role of the government, and its relationship with the American people. The RSC remains committed to crafting a federal government that abides by the Constitution and defends the rights to life, liberty, and property. The RSC Budget enacts reforms that reduce the federal footprint to follow these guiding principles and not consume any more of our nation's resources than is necessary to achieve these goals.

As the federal government's footprint has grown past the limits set in the Constitution, it has come at the expense of the freedom and prosperity of the American people. This expansion has come in the form of increased taxes, debt, regulation, and centralization of power under the executive branch. This has jeopardized the separation of powers and Rule of Law, the institutional pillars of our freedom and prosperity.

The disastrous notion that power should be concentrated in the hands of a few, and that individuals cannot be allowed to manage their own lives, caused the tremendous suffering of the Fascist and Socialist nations of the 20<sup>th</sup> Century.<sup>226</sup> It is a fundamental truth that if people do not have intrinsic rights, respected by their government, then they have no control over their lives. This is why it is of paramount importance that we reassert the value of a constitutionally limited government, devoted to these core functions.

### The Right to Life

With over 1 billion lives lost since 1920<sup>227</sup>, and 55.9 million lost annually<sup>228</sup> (equal to all the military deaths of the Second World War), abortion is one of the most tragic legacies of the 20th century. It is clear that current federal policies fail to uphold the 14<sup>th</sup> Amendment and protect the right to life of our nation's most vulnerable. The RSC Budget prioritizes the sanctity of human life by prohibiting abortions after a fetal heartbeat has been detected and by prohibiting federal funds from going to entities that provide abortions, including Planned Parenthood.

This prohibition of funding comes on the heels of an array of House activity to stop federal funding to Planned Parenthood. In both the 115<sup>th</sup> and 114<sup>th</sup> Congresses, the House passed the *Defund Planned Parenthood Act*, to prohibit funding for Planned Parenthood or its affiliates for one year, pending a federal investigation into the illegal sale of fetal tissue. The RSC Budget also adopts the Representative Ann Wagner's (R-Mo.) *Born-Alive Abortion Survivors Protection Act* to protect infant survivors of abortion, and to ensure that all infants born alive receive the same degree of care, regardless of their gestational age. Additionally, Representative Sean Duffy (R-Wis.) has reintroduced the *Women's Public Health and Safety Act*, to amend Medicaid to allow states to prevent abortion providers from receiving funding. Members of the RSC are also fighting to prevent HHS funding from being used to perform fetal tissue research on remains obtained from induced abortions. Among these are Rep. Banks' (R-Ind.) bill, the *Patients First Act*, and Rep. Blaine Luetkemeyer's (R-Mo.) *Protecting Life and Integrity in Research Act*.

Reintroduced in the 116<sup>th</sup> Congress with a hundred co-sponsors, the *No Taxpayer Funding for Abortion and Abortion Insurance Full Disclosure Act*, passed the House in both the 114<sup>th</sup> and 115<sup>th</sup> Congress', and would permanently codify abortion prohibitions like the Hyde Amendment, barring federal funds from being used to pay for abortions except in the case of rape or incest, or when the life of the mother is in danger. This legislation would also prohibit the use of Obamacare premium tax credits, cost-sharing subsidies, and small business tax credits for being used to purchase of health plans that include elective abortion coverage. The RSC has long fought for codification of several appropriation amendments to provide permanent protection against the funding of abortions, eliminating the need to pass annual policy riders protecting life.

This budget also adopts the reforms of the *Heartbeat Protection Act*, which received 173 co-sponsors in the 115<sup>th</sup>

226 The White House "Economic Report of the President", March 2019 <https://www.whitehouse.gov/wp-content/uploads/2019/03/ERP-2019.pdf>

227 Family Research Council, Accessed April 29, 2019 <https://www.frc.org/events/abortion-worldwide-report-100-countries-1-century-1-billion-babies>

228 Guttmacher Institute "Abortion Worldwide 2017: Uneven Progress and Unequal Access", March 2018 <https://www.guttmacher.org/report/abortion-worldwide-2017#>

Congress. This legislation would, except for the health of the mother, prohibit abortions after the heartbeat of a fetus has been detected. This would have the effect of banning abortions after roughly 7-8 weeks (roughly 95% of abortions in the U.S.). Even the vast majority of European countries only allow abortions in the first trimester (first 12 weeks).<sup>229</sup>

The RSC will continue to fight to protect those with strong conscience objections to abortion. Representative Pete Olson's (R-Texas) *Conscience Protection Act* would ensure any healthcare provider who is opposed to abortion will not be forced to participate in the killing of an unborn child. The RSC Budget would stop any federal funding from being used to force unwilling parties to participate in an abortion service against their moral beliefs.<sup>230</sup>

### **Protect the Second Amendment**

All individuals are endowed with the right to life, liberty, and the pursuit of happiness. Essential to securing these natural rights is the right of citizens to keep and bear arms. This vital first principle is guaranteed by our Second Amendment.

Today all 50 states and Washington, D.C. issue permits for some form of concealed carry. Across the country, arbitrary anti-gun "may-issue" permit standards, which empower governments to grant or not grant one's Second Amendment rights, are being converted to "shall-issue" standards, which require governments to recognize the right to carry a firearm. Constitutional carry (permitless carry) is also sweeping the country – from two permitless states in 2009 to 19 states today that do not prohibit at least a limited version of constitutional carry.

Still, leftist politicians holding governors' mansions and local offices continue to play politics with law abiding gun owners' rights. That is why the RSC Budget calls for enactment of Representative Richard Hudson's (R-N.C.) *Concealed Carry Reciprocity Act*, which allows gun owners to defend themselves across state lines while preserving state legislatures' role in choosing permitting policies appropriate to their state.

### **Defense of the First Amendment**

In the aftermath of the Supreme Court's ruling in *Obergefell v. Hodges*, America witnessed firsthand efforts to weaken the First Amendment. Following the ruling, individuals and organizations that hold the belief that marriage is between one man and one woman may face federal discrimination for their sincerely held religious beliefs. The RSC continues to pursue policies that protect Americans' right to live according to their beliefs - without discrimination, persecution, or retaliation from the federal government. For this reason, the RSC Budget supports legislation to protect our First Amendment rights, uphold the Constitution, restore religious freedom, and prevent discrimination against our churches, non-profits, and faith-based organizations. For instance, this budget adopts Representative Mike Kelly's (Pa.) *Child Welfare Provider Inclusion Act*, a bill that would ensure that faith-based institutions and individuals can continue to provide child welfare services and will not be discriminated upon based on their beliefs.

### **Secure America's Borders and Protect the Homeland**

Following the attacks on September 11, 2001, Congress passed the *Homeland Security Act of 2002*, emphasizing border security as a national priority in order to prevent further attacks and to crack down on illegal

229 The Christian Science Monitor, by Sara Miller Llana "In Europe, it is both easier and harder to get an abortion than in US" May 24, 2018 <https://www.csmonitor.com/World/Europe/2018/0524/In-Europe-it-is-both-easier-and-harder-to-get-an-abortion-than-in-US>;

230 United States Conference of Catholic Bishops, Secretariat of Pro-Life Activities, "The Need for the Abortion Non-Discrimination Act", October 23, 2015. <http://www.usccb.org/issues-and-action/religious-liberty/conscience-protection/upload/The-Need-for-The-Abortion-Non-Discrimination-Act.pdf>.

crossings and criminal activity, including drug and weapons trafficking.<sup>231</sup> Protecting American security hinges on maintaining operational control of our nation's borders. With thousands of miles of land border surrounding the nation, defending America's borders against the unlawful movement of illegal persons and contraband is paramount for ensuring the safety and security of all Americans.<sup>232</sup>

There has been a surge of illegal border crossings in the last few years. The total number of known illegal entry attempts has gone from 526,901 in FY 2017, to 683,178 in FY 2018 and 386,570 in just the first five months of FY 2019.<sup>233</sup> 98% of border arrests in FY 2017 and FY 2018 occurred along the Southwest border.<sup>234</sup> These facts highlight the need to modernize and maintain the existing border walls and to build new sections to match the President's repeated requests to Congress. In order to curb the high numbers of illegal crossings, the RSC Budget ensures a commitment to southern border wall construction, enforcing current immigration laws prohibiting the illegal movement of people, weapons, and drugs, and strict enforcement of penalties arising from breaking those laws.

In addition to cracking down on illegal entry, it is essential that the federal government rigorously enforce immigration law within the nation's borders. The Department of Homeland Security estimated that over 606,000 individuals overstayed non-immigrant visas by the end of FY 2017, failing to exit the U.S. under the lawful terms of their visas.<sup>235</sup>

To reduce the incentives for both illegal crossings and visa overstays, the RSC Budget would prohibit federal funds from going to cities or jurisdictions operating as sanctuaries for illegal immigrants. There are over 560 of these so-called sanctuary jurisdictions across the country, which fail to fulfill their obligation to cooperate with federal immigration enforcement officials and report criminal aliens.<sup>236</sup> President Trump, through executive order, has called for the stripping of federal funds from any jurisdiction that fails to comply with federal immigration laws, except for funds directed by law. Many cities have seen increased crime rates since declaring themselves sanctuary cities, which refuse to implement federal immigration laws.<sup>237</sup> These policies, in addition to skirting the nation's immigration laws, often result in costly lawsuits when violence results.

Accordingly, the RSC Budget supports the *No Sanctuary for Criminals Act*, offered by Rep. Bob Goodlatte (R-Va.) in the 115<sup>th</sup> Congress, which would amend the *Immigration and Nationality Act* to restrict state criminal alien assistance funding if: (1) a city or local subdivision has any law or policy that prevents communication with the Immigration and Naturalization Service, or another government entity, regarding an individual's immigration or citizenship status; or, (2) prohibits state or local law enforcement from obtaining information regarding an individual's citizenship status or immigration status. This bill was passed by the House in the 115<sup>th</sup> Congress in the wake of the murder of Kate Steinle.<sup>238</sup> It is the policy of this budget that local and state jurisdictions that refuse to follow federal law should be barred from receiving federal funds.

Additionally, the RSC budget would implement Sarah's Law to ensure that federal authorities can detain, until ICE can process them, any illegal alien that commits a crime that results in the death of another person.

The RSC Budget makes critical reforms to our archaic immigration system to increase compliance with immigrations laws, promote economic growth and properly vet perspective immigrants before naturalizing them as U.S. Citizens. The RSC Budget supports reforms ending the diversity lottery visa program and limiting chain migration to the spouses and children of U.S. citizens and legal permanent residents. The diversity lottery visa program arbitrarily hands out 55,000 visas a year to people who have not necessarily been vetted to determine

231 Jena Baker McNeill, Heritage Foundation, "15 Steps to Better Border Security: Reducing America's Southern Exposure", March 9, 2009. <http://www.heritage.org/homeland-security/report/15-steps-better-border-security-reducing-americas-southern-exposure>.

232 Ibid.

233 CBP Enforcement Statistics <https://www.cbp.gov/newsroom/stats/cbp-enforcement-statistics>

234 U.S. Customs and Border Protection, Accessed April 29, 2019 <https://www.cbp.gov/newsroom/stats/sw-border-migration>

235 U.S. Department of Homeland Security, "Fiscal Year 2017 Entry/Exit Overstay Report". [https://www.dhs.gov/sites/default/files/publications/18\\_0807\\_S1\\_Entry-Exit-Overstay\\_Report.pdf](https://www.dhs.gov/sites/default/files/publications/18_0807_S1_Entry-Exit-Overstay_Report.pdf).

236 <https://fairus.org/press-releases/fair-report-sanctuary-jurisdictions-have-nearly-doubled-trump-took-office/>.

237 Stephen Owsinski, Fox News, "Sanctuary cities: The costs to taxpayers", December 9, 2016. <http://www.foxnews.com/us/2016/12/09/sanctuary-cities-costs-to-taxpayers.html>.

238 Rhea Mahbubani and Associated Press, NCBC Bay Area, "Father of Kate Steinle, Woman Fatally Shot at Pier 14, Urges Immigration Reform in Washington D.C.", July 21, 2015. <http://www.nbcbayarea.com/news/local/Kate-Steinles-Family-Addresses-Senate-Judiciary-Committee-317800681.html>.



their potential dangerousness, whether they can offer valuable skills to our nation, or that they will be a financial burden to the United States.<sup>239</sup> Congress could instead reallocate these visas to the over 900,000 visa backlog for employment based visas that have been requested by American companies to bring skilled workers to the United States.<sup>240</sup> Similarly, chain migration is used to bring distantly related family members of a U.S. citizen or legal permanent resident into our country. 68% of new immigrants in FY 2016 came in through chain migration and only 11.7% came in as prospective employees.<sup>241</sup>

This budget also implements a requirement that before an employer employs someone, they must use the E-Verify system, produced by DHS, to ensure that their prospective employee is legally allowed to work in the U.S.

The RSC Budget also amends immigration laws to support the intent of the 14<sup>th</sup> Amendment to the Constitution, and precedent of the Supreme Court, by only conferring citizenship, at birth, to someone born of at least one U.S. citizen or legal permanent resident of the United States. The common practice of conferring citizenship to almost anyone physically born on U.S. soil has been used to allow people to break U.S. law by entering illegally and then have a child that is a U.S. citizen and then will use chain migration to become U.S. citizens themselves. This is an insult to the people who follow our laws to come here legally and works at cross-purposes to a nation that is built on the institution of the Rule of Law. This common practice is also counter to the intent of the Constitution as set forward by the author of the 14<sup>th</sup> Amendment and the Supreme Court. The author of the amendment said, on the Floor of the Senate, of his amendment that “This will not, of course, include persons born in the United States who are foreigners, aliens, who belong to the families of ambassadors or foreign ministers accredited to the government of the United States, but will include every other class of persons.”<sup>242</sup> Furthermore, Congress passed the *Indian Citizenship Act of 1924* to grant citizenship to members of certain Indian tribes because, though born on U.S. soil, the covered individuals were not given U.S. citizenship at birth under the 14<sup>th</sup> Amendment.

### **Stop President Obama’s Unconstitutional Executive Amnesty**

President Obama took repeated, unilateral actions to rewrite America’s longstanding immigration laws - despite admitting at least 22 times that he had no authority to do so.<sup>243</sup> In 2012, President Obama granted amnesty to at least half-a-million illegal immigrants through the Deferred Action for Childhood Arrivals (DACA) program. In November 2014, President Obama announced a series of executive actions that would expand amnesty to roughly 5 million more illegal immigrants.<sup>244</sup> According to CBO, President Obama’s executive actions will cost American taxpayers \$14.9 billion in new welfare spending for illegal immigrants. That includes \$815 million in Social Security payments, \$330 million for Medicare, \$811 million for food stamps, \$1 billion in SSI payments, \$1.5 billion for Obamacare and Medicaid, and \$10.2 billion in earned income and child tax credits.<sup>245</sup>

It is the responsibility of the Congress to pass legislation to end these abuses of executive action. Though President Trump has publicly supported over turning these policies, Congress has failed to send him legislation to carry this out.

239 “What is the diversity visa program and why does trump want to end it <https://www.foxnews.com/politics/what-is-the-diversity-visa-program-and-why-does-trump-want-to-end-it>.

240 CRS report: Permanent Employment-Based Immigration and the Per-country Ceiling <https://crsreports.congress.gov/product/pdf/R/R45447>

241 Table 6. Persons Obtaining Lawful Permanent Resident Status By Type And Major Class Of Admission: Fiscal Years 2014 To 2016 <https://www.dhs.gov/immigration-statistics/yearbook/2016/table6>

242 Library of Congress <http://memory.loc.gov/cgi-bin/ampage?collId=llcg&fileName=073/llcg073.db&recNum=11>

243 Speaker John Boehner, “22 Times President Obama Said He Couldn’t Ignore or Create His Own Immigration Law”, November 19, 2014. <http://www.speaker.gov/general/22-times-president-obama-said-he-couldn-t-ignore-or-create-his-own-immigration-law>.

244 Dave Boyer, Washington Times, “Obama offers amnesty to 5 million illegal immigrants, defies GOP”, November 20, 2014. <http://www.washingtontimes.com/news/2014/nov/20/obama-offers-amnesty-to-millions-of-illegal-immigr/?page=all>.

245 Congressional Budget Office, “Letter to Senator Thad Cochran, Re: Budgetary Effects of Immigration- Related Provisions of the House Passed Version of H.R. 240, An Act Making Appropriations for the Department of Homeland Security”, January 29, 2015. <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/costestimate/hr240.pdf>.





# ***REAL HEALTH CARE REFORM***



## REAL HEALTH CARE REFORM

### Reducing Regulations

Washington bureaucrats in the federal government should not have heavy-handed control of health insurance markets, but rather states, patients and their doctors should have the largest amount of say. In order to increase choice among insurance plans and increase access to more affordable options, consumers should be able to purchase health insurance across state lines, like they can with virtually any other product. This would replace Washington mandates with interstate competition, driving down costs by encouraging plans to compete with each other to provide access to high-quality care.

This budget implements Rep. Paul Gosar's (R-Ariz.) *Competitive Health Insurance Reform Act*, which reforms the *McCarran-Ferguson Act* to restore the application of federal antitrust laws to the business of health insurance in order to provide for competition and protect consumers. The insurance industry's longstanding exemption from the *Sherman and Clay Acts* – laws enacted to prevent unfair competition – was intended to help a then-burgeoning industry set sustainable premiums and is no longer necessary in a mature market.

Additionally, Congress should expand access to Health Savings Accounts (HSA) to allow individuals greater flexibility over their health spending and a greater capacity to handle their health needs. Congress should also allow small businesses to pool together to leverage lower cost health insurance on behalf of their employees. By allowing multiple small businesses to band together to form a larger insurance pool, Association Health Plans will make health insurance more affordable and more accessible.

### Repealing Obamacare

The *Patient Protection and Affordable Care Act* - better known as Obamacare – is a failed federal experiment that fundamentally changed the U.S. health care delivery system. It dramatically expanded the administrative state, inserted government bureaucrats between all Americans and their doctors, and mandated all Americans purchase a government-approved health insurance product or face stiff tax penalties enforced by the Internal Revenue Service (IRS). The law has destroyed competition in the marketplace, leading to an increase in government sponsored consolidation in the insurance industry and fewer choices for consumers. It also narrowed provider networks while increasing out-of-pocket costs to levels that are unaffordable for many families. It levied a host of new disruptive taxes, such as the medical device tax, on health care innovators and individuals.

Under Obamacare, average premiums for health insurance in the individual market increased by 105 percent nationwide between 2013 and 2017, and more than 200 percent in some states.<sup>246</sup> Major insurers have fled the Obamacare market, leaving many Americans over the years with the Hobson's choice to "shop" for insurance in a market with only one option available. At times, insurers have completely left a market leaving whole communities without a single marketplace plan available to them.<sup>247</sup> Luckily, for 2019, this zero-option dilemma is not faced by any communities. This does not change the fact, however, that more than two-thirds of communities in the U.S. have two insurance carriers or less, and more than a third have just one carrier from which to "choose."<sup>248</sup> Additionally, Obamacare has resulted in a rapid ascent of American health care spending, now consuming 17.9 percent of U.S. GDP.<sup>249</sup> In large part, this is because it expanded an already overburdened and ineffective Medicaid system, bringing public health care spending to 45 percent of total health care

<sup>246</sup> U.S. Department of Health and Human Services, "Individual Market Premium Changes: 2013 – 2017", May 23, 2017. <https://aspe.hhs.gov/system/files/pdf/256751/IndividualMarketPremiumChanges.pdf>.

<sup>247</sup> Centers for Medicare & Medicaid Services, "County by County Analysis of Current Projected Insurer Participation in Health Insurance Exchanges", June 13, 2017. <https://www.cms.gov/Newsroom/MediaReleaseDatabase/Press-releases/2017-Press-releases-items/2017-06-13.html>.

<sup>248</sup> U.S. Center for Medicare & Medicaid Services, "County by County Plan Year 2019 Insurer Participation in Health Insurance Exchanges," October 26, 2018. <https://www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Marketplaces/Downloads/Final-2019-County-Coverage-Map.pdf>

<sup>249</sup> CMS.gov <https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/nationalhealthac-countshistorical.html>.



spending in the United States.<sup>250</sup>

Another example of the harm done by Obamacare regulations can be seen through the sec. 6001 ban on new and expanded physician owned hospitals. Obamacare prohibited any new hospital wholly or even partially owned by physicians from participating in Medicare or Medicaid, and barred any such existing hospital if it expanded. This attack by the Obama administration on doctors only resulted in stunting the creation of new hospitals and medical jobs, adding to the shortage of medical providers, causing health care inflation and reducing access to care.<sup>251</sup>

Lawmakers and the Trump administration have made progress in giving Americans some relief from Obamacare's burdensome restrictions. Most importantly, the *Tax Cuts and Jobs Act of 2017* repealed Obamacare's individual mandate, a key victory and step towards achieving conservative goals of repealing and replacing Obamacare. Repealing the individual mandate restores a fundamental freedom to all Americans: the ability to make one's own decisions regarding health care matters, free from federal mandates and restrictions.

As part of the *Bipartisan Budget Act of 2018*, Congress repealed the Independent Payment Advisory Board (IPAB) established under Obamacare. This board tasked 15 unelected bureaucrats with developing proposals to "reduce the per capita rate of growth in Medicare spending." Many conservatives harbored grave concerns about the amount of power given to the IPAB, and the constitutional implications of removing Medicare spending decisions from Congress and the individuals that pay into Medicare and are covered by it.

The Trump administration has also taken important steps, including stopping the unconstitutional payment of Cost Sharing Reductions (CSR), to stop the bailout payments to insurance companies for which Congress had never provided an appropriation and to use their lawful authority to roll back some of the regulatory burdens imposed by the Obama administration. Additionally, the current administration has expanded state innovation waivers under section 1332 of Obamacare which gives states with the ability to waive certain requirements of the *Affordable Care Act*.<sup>252</sup> In June 2018, the Department of Labor issued a final rule enhancing the ability for employers to join together in a group or association for purposes of providing insurance coverage to their collective employees.<sup>253</sup> This allows "small employers to band together to purchase the types of coverage that are available to large employers, which can be less expensive and better tailored to the needs of their employees."<sup>254</sup> In August of 2018, the Trump administration took the additional step of finalizing a rule to lengthen the maximum duration of short-term, limited-duration plans (STLDPs) making them a more viable alternative to purchasing Obamacare in the individual marketplace. STLDPs provide an affordable, customizable option because they are exempt from the onerous mandates that Obamacare places on plans in the marketplace.

The RSC budget fully repeals Obamacare and its distortionary and destructive tax increases and regulations. Doing so reduces spending by \$1.3 trillion over ten years and follows through on the commitment by House conservatives to reverse the unconstitutional takeover of our nation's health care system.<sup>255</sup> In addition to returning personal decisions about health care choices to patients and their doctors, the repeal of Obamacare would raise economic output by boosting the supply of labor and incentivizing capital investment. Obamacare decreases many people's incentive to work through tax credits and subsidies that decrease as incomes increase and create an implicit tax on additional earnings. In fact, Obamacare's subsidy cliff is so steep that if you earn just one dollar more than the threshold, you could end up paying thousands more for your health insurance.<sup>256</sup>

250 Peterson-Kaiser Health System Tracker [https://www.healthsystemtracker.org/chart-collection/u-s-spending-healthcare-changed-time/#item-public-and-private-health-spending-have-both-grown-substantially-but-public-spending-has-grown-faster\\_2017](https://www.healthsystemtracker.org/chart-collection/u-s-spending-healthcare-changed-time/#item-public-and-private-health-spending-have-both-grown-substantially-but-public-spending-has-grown-faster_2017)

251 Meg Bryant "ACA is taking a toll on physician-owned hospitals" <https://www.healthcaredive.com/news/aca-is-taking-a-toll-on-physician-owned-hospitals/446761/>.

252 U.S. Center of Medicare and Medicaid Services, "Fact Sheet: State Relief and Empowerment Waiver Guidance," October, 2018. <https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Downloads/SRE-Waiver-Fact-Sheet.pdf>

253 Department of Labor, "New Release: PRESIDENT DONALD J. TRUMP HELPS MILLIONS OF AMERICANS EMPLOYED BY SMALL BUSINESSES GAIN ACCESS TO QUALITY, AFFORDABLE HEALTH COVERAGE," June 19, 2018. <https://www.dol.gov/newsroom/releases/osec/osec20180619>.

254 Department of Labor, "Frequently Asked Questions – How do Association Health Plans Work?" June, 2018. <https://www.dol.gov/general/topic/association-health-plans#FAQs>.

255 CBO score of repealing Obamacare <https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/52939-hr1628amendment.pdf>.

256 John McCormack, The Weekly Standard, "Watch Out for Obamacare's Subsidy Cliff: Earn \$1 More in Wages, and You Could Pay \$20,000 More for Insurance", February 5, 2014. <http://www.weeklystandard.com/watch-out-for-obamacares-subsidy-cliff-earn-1-more-in-wages-and-you-could-pay-20000-more-for-insurance/article/778743>.

Repealing Obamacare will not only benefit the future of health care delivery in America but will help reinvigorate a sluggish labor market.

While Democrats argue keeping Obamacare guarantees people will not be denied health insurance because of their medical history, this guarantee is illusory. For one, the exorbitant premium increases that have occurred under Obamacare, an unavoidable result of its market distorting regulations, make individual health insurance plans prohibitively expensive. Indeed, exchange premiums have doubled in the last six years. However, ever-shrinking access to care, even when one can afford the monthly premiums, is perhaps the most dangerous aspect of Obamacare. After all, Obamacare's rhetorical guarantee of access to affordable health care means little when Obamacare's regulatory framework eliminates the ability of the insured to access quality care. Though a person with a pre-existing condition technically can get access to a plan and may even receive federal subsidies to help pay for it, they may be faced with an insurmountable deductible or co-payment that forces them to forgo seeking medical care. Or, it may be the case that an insurer has eliminated a key provider, hospital or specialist from their network altogether. After all, insurers can only raise the price of premiums so much before there is no longer a market to purchase their plans. Eventually, they have to reduce the quality of, and access to, care.

The reform America needs must provide a sustainable model, providing real access to quality care for all Americans, including the sick, that is defined by flexibility, affordability, market efficiency and individual choice. In addition to the proposals offered by the RSC budget, we will continue the work of delivering this kind of reform through our newly created Health Care Task Force, chaired by Representative Roger Marshall, M.D. (R-Kansas)

### **Modernizing the Tax Treatment of Health Insurance**

Opposition to Obamacare goes hand-in-hand with a recognition that challenges have long existed in the health insurance market. Rising costs and limited access to coverage were concerns that existed before Obamacare and still do. As with all big government "solutions," Obamacare only made these issues worse. Many of these issues, in fact, stem from the first major big government approach to health care, the so-called original sin of the U.S. health care system, the tax exclusion on employer paid insurance premiums.<sup>257</sup> Though the IRS had generally considered fringe benefits given by employers to be non-taxable, the exclusion of employer paid health insurance premiums was codified by IRS guidance in 1943. Why? It was in response to the Executive Order 9250 issued by Franklin D. Roosevelt three months earlier that froze wage and salary levels across the United States. This enormous regulation left businesses with only one option to compete for labor, to offer increased fringe benefits. After the IRS reversed its ruling in 1953, Congress then codified this practice into statute in 1954.<sup>258</sup> Congress had no other choice; the entire U.S. economy had now spent a decade with employers funneling money into health insurance plans for their employees instead of wages. One of the worst consequences of the federal government choosing winners and losers is that it creates market structures that wouldn't have formed in that fashion and now rely on the federal government to survive, producing large pockets of the economy that are forever held hostage to the whims of the federal government.

This haphazard and overly invasive government interference is why the U.S. has its unique health care system — one in which the government has artificially made it cheaper for employers and employees to lock people in their present jobs and have employers handle health care negotiations for individuals, instead of increasing wages and giving people increased freedom. This system has greatly contributed to the high priced and inefficient health care market we have. It reduces labor flexibility by paying people to stay with their present job and not enabling them to switch to a more productive job. It decreases market efficiency because individuals who don't pay most of their health care costs directly are encouraged to enroll in needlessly expensive health insurance policies.<sup>259</sup> Further, it requires every employer in the nation to be experts in two industries, their own

<sup>257</sup> Charlie Katebi "With tax reform, Congress missed an opportunity to fix original sin of US health care" <https://thehill.com/opinion/health-care/368339-with-tax-reform-congress-missed-an-opportunity-to-fix-original-sin-of-us>.

<sup>258</sup> CBO March 1994 "Tax Treatment of Employment-Based Health Insurance" [https://www.cbo.gov/sites/default/files/103rd-congress-1993-1994/reports/1994\\_03\\_taxtreatmentofinsurance.pdf](https://www.cbo.gov/sites/default/files/103rd-congress-1993-1994/reports/1994_03_taxtreatmentofinsurance.pdf).

<sup>259</sup> Ibid.

and the health care industry. Instead of allowing businesses to focus on the work they produce efficiently, increasing profits and then paying their employees more so they can freely make efficient consumer choices, this system requires employers to inefficiently tackle the health care market as well. Studies have shown this tax treatment has significantly reduced wages,<sup>260</sup> and the CBO has concluded that premiums are higher because of the exclusion.<sup>261</sup> However, as with all market distortions, the full price of this policy through lost innovation and unmeasurable market inefficiencies will never be fully known. This example shows the unavoidably harmful effect of central economic planning. Ultimately, the history of the employer exclusion is how a pair of well-meaning regulations in 1942 and 1943 left all Americans with reduced wages, fewer choices, and less freedom and prosperity.

Though one method of reform would be to repeal the exclusion entirely and use the increased revenues to reduce tax rates across the board, this would cause immediate upheaval to the health insurance system that the exclusion has distorted for almost 80 years. Instead, the RSC budget alters this policy in a revenue-neutral manner by equalizing the tax treatment of health insurance provided by employers and insurance purchased by an individual. This budget would create a single, per-person capped annual tax benefit that applies to amounts paid for health insurance premiums. Amounts paid under the per-person cap for premiums during a given year would be eligible for an above-the-line deduction for individual premium payments and an exclusion for employer-sponsored premium payments. This approach would finally put insurance premiums paid in the employer and individual markets on an even playing field. This simple change would diminish federal subsidies for over-charging on health insurance, organically allow employers and employees more flexibility in how workers are compensated and would, over time, expand the individual market where individuals and families could make more efficient and direct choices over their health care needs.

### **Streamlining Medicaid and the Children's Health Insurance Program (CHIP)**

As a quasi-voluntary state-federal partnership, Medicaid traditionally subsidized health care services for the most vulnerable Americans, including individuals with disabilities, low-income children, low-income seniors and pregnant women. Medicaid is the largest federal means-tested welfare program and accounts for the majority of federal means-tested spending. Federal funding for Medicaid has grown substantially, from \$14 billion in 1980, to \$118 billion in 2000, to \$375 billion in 2017, to a projected \$702 billion in 2029.<sup>262</sup> Despite spending that continues to climb at an unsustainable rate, Medicaid continues to fail beneficiaries.

Research has shown patients covered by Medicaid are more likely than the uninsured to have poor health outcomes, such as an increased instance of death after a major surgery.<sup>263</sup> A landmark randomized controlled trial in Oregon compared similar populations of low-income, able-bodied Medicaid enrollees with non-enrollees. The study found that, "Medicaid increased health care utilization, reduced financial strain and reduced depression, but produced no statistically significant effects on physical health or labor market outcomes."<sup>264</sup>

Even if Medicaid provided care that was not substandard, its growing costs are wholly unsustainable. Like other major federal entitlement programs, Medicaid will be unable to pay its obligations in the future without reform, especially given that Obamacare drastically increased the scope of Medicaid from a program intended to serve individuals with disabilities, low-income children, low-income seniors and pregnant women to a program that covers all adults with an income below 138 percent of the federal poverty level (FPL).

260 Katherine Baicker and Amitabh Chandra "The Labor Market Effects of Rising Health Insurance Premiums" <https://www.nber.org/papers/w1160.pdf>.

261 CBO March 1994 "Tax Treatment of Employment-Based Health Insurance" [https://www.cbo.gov/sites/default/files/103rd-congress-1993-1994/reports/1994\\_03\\_taxtreatmentofinsurance.pdf#page=14](https://www.cbo.gov/sites/default/files/103rd-congress-1993-1994/reports/1994_03_taxtreatmentofinsurance.pdf#page=14)

262 Congressional Budget Office, "The Budget and Economic Outlook: 2019 to 2029," January 2019. <https://www.cbo.gov/system/files?file=2019-01/54918-Outlook.pdf>.

263 Avik Roy, Testimony Before The United States Congress House Committee on Energy & Commerce Subcommittee on Health, February 1, 2017. <http://docs.house.gov/meetings/IF/IF14/20170201/105498/HHRG-115-IF14-Wstate-RoyA-20170201.pdf>

264 The Oregon Health Insurance Experiment, "Overview". <http://www.nber.org/oregon/index.html>.

To make matters worse, Obamacare provides an inflated contribution for these new Medicaid expansion populations, incentivizing states to pull funding from the needs of the core populations under Medicaid. Presently, both federal and state governments finance Medicaid by contributing a certain percentage of payments for covered services. For traditional Medicaid populations, the federal payment can range from 50 to 83 percent, with states paying the balance. While this gives all states an incentive to prevent frivolous or unproductive Medicaid spending, Obamacare's Medicaid expansion was initially entirely financed by federal taxpayers. The federal share phased down to 95 percent beginning in 2017 and will decrease slightly to 90 percent by 2020, where it will remain indefinitely until, and only if, Obamacare is repealed. As a result, states are perversely incentivized to increase Medicaid spending for able-bodied adults while devoting proportionally fewer resources to traditional, more vulnerable, core Medicaid populations.

It is inappropriate for the federal government to prioritize able-bodied, low-income adults above the vulnerable populations whom Medicaid was originally intended to serve. Moreover, increasing the federal contribution to state partnership programs does more than just shift costs – it increases states' dependence on federal taxpayer money and diminishes the ability and incentive for states to tailor programs to their citizens' needs.

Additionally, the normal FMAP formula still has two major drawbacks. First, it incentivizes states to tax their own Medicaid providers to leverage more federal funds to give back to those providers, a practice known as provider taxes. Secondly, it forces states to funnel their health care funds into a singular federal program, stunting innovation. In addition to answering governors' calls for more flexibility, a block grant model would get rid of budgeting gimmicks such as provider taxes that unnecessarily increase federal spending without improving patient outcomes.<sup>265</sup> Through provider taxes, states require the federal government to match a higher payment rate which then inflates providers' bottom lines, as well as overall Medicaid spending. These taxes do not merely shift costs from the state to the federal government, instead they have been shown to inflate overall Medicaid spending in what can only be described as a racket.<sup>266</sup> A block grant also allows states to raise their own funds and use them in whatever fashion they want. They could use these funds in addition to the block granted funds as opposed to having to funnel those state's funds through the straight-jacketed federal program.

Separately, the Children's Health Insurance Program (CHIP) is a state-federal partnership program established to provide aid to children in families who make too much money to qualify for Medicaid, but who still may not be able to afford private insurance. The federal government provides a higher "enhanced" matching payment for CHIP services as compared to Medicaid, but federal CHIP funding is capped at the level Congress appropriates for the program, rather than extended as an open-ended entitlement. Congress recently extended CHIP funding for 10 years through FY 2027.

This RSC budget proposes to create five new block grants out of these programs and the Obamacare exchange subsidies. Each of these block grants would be available for states to use in innovative ways for specific populations. CHIP eligibility would be expanded by removing the income floor so states could use this block grant to provide for the needs for all low-income children. Under this plan, there would also be a block grant for the elderly, people with disabilities, pregnant women and a flex grant. These first three block grants and the expanded CHIP block grant would ensure adequate funding for states to take care of the four core pre-Obamacare enrollee groups that Medicaid is supposed to cover. The fifth, a flex grant, would allow states, subject to work requirements, to otherwise supplement the health needs of their remaining population as they see fit without jeopardizing funding for the core Medicaid populations. The flex grant could be used for provider reimbursements, reinsurance pools and tax credits to subsidize insurance premiums, among other things.

The growth factor for each of these grants should be tied to population changes of the covered population groups in each state. This would allow federal support for each of these grants to change with the size of the covered population, allowing states to more efficiently plan. Separating these funding streams allows Congress to make sure federal taxpayers are going to provide for the health care needs of the populations that we

265 American Legislative Exchange Council "Resolution on Federal Medicaid and Welfare Block Grants" January 28, 2013 <https://www.alec.org/model-policy/resolution-on-federal-medicare-and-welfare-block-grants/>

266 Brian C. Blase, Mercatus Center, "Medicaid Provider Taxes: The Gimmick That Exposes Flaws with Medicaid's Financing", February 2016. <http://mercatus.org/sites/default/files/Blase-Medicaid-Provider-Taxes-v2.pdf>.

intend to cover, as opposed to the heavy incentives in Obamacare to reduce funding for these populations. Additionally, for simplicity, the non-flex grants could use the same eligibility standards applicable to certain related federal income support programs. For example, the eligibility for the block grant for the disabled could largely match the eligibility criteria for SSDI or SSI (for non-age eligibility qualifications). Setting up the eligibility in this manner could allow good reforms to reduce improper payments in federal income support programs to automatically reduce improper payments in these new block grants as well.

Separating the grants by each of these populations improves the ability to ensure that able-bodied, working-age beneficiaries are engaged in work or job training, similar to the successful Temporary Assistance for Needy Families (TANF) reforms established in the 1990s, without denying benefits to recipients that cannot enter the labor force. This proposal would ensure an able-bodied, working-age adult would only qualify for Medicaid if they were actively seeking employment or participating in a qualifying education, training or other applicable community engagement program. Expanding work requirements to Medicaid will allow more people to escape poverty while also providing them with a hand up in their time of need. In January 2018, using existing authorities, the Trump administration issued guidance instituting work requirements for able-bodied, working-age beneficiaries.<sup>267</sup> Since then, waivers have been approved in 39 states.<sup>268</sup> This is a step forward that should be followed by congressional action.

The funding for these block grants would take into account savings from effectively eliminating provider taxes and re-balancing the federal burden of these support programs down from the average 57 percent to a 50/50 split with the states. Medicaid's improper payment rate in 2017 was \$36.7 billion, up from \$17.5 billion in 2014.<sup>269</sup> Improper payments went to deceased beneficiaries, as well as providers excluded from federal health programs due to fraud, theft or tax evasion. Federal funds should be prohibited from providing coverage to individuals who have not provided evidence of their eligibility, including proof of their legal immigration status.

While ensuring adequate funding for Medicaid's core populations, this design would remove federal requirements that hamstring state attempts to tailor programs to the specific needs of their residents, because to do so, they must maneuver through a bureaucratic maze of rules and mandates. States have a proven track record of innovation and when granted flexibility, can develop new solutions to improve patient care and meet their citizens' health care needs while ensuring taxpayer funds are used wisely. Governors and state legislatures are closer to patients in their states and know better than Washington bureaucrats where there are unmet needs and opportunities to cut down on waste, fraud and abuse. Moreover, when states are enabled to be flexible in administering these programs, successful policies will likely be mimicked by other states that may have struggled to achieve the same level of success. Of course, no state is exactly like another, but we know a one-size-fits-all approach only yields higher costs and decreased care for recipients.

These reforms collectively would save over \$3 trillion over 10 years compared to the projected increases under current law and return Medicaid to its focus of helping Americans who truly need it, achieving better results for the poor.

<sup>267</sup> Brian Neal, Director, Centers for Medicaid & CHIP Services, "Re: Opportunities to Promote Work and Community Engagement Among Medicaid beneficiaries," January 11, 2018. <https://www.medicaid.gov/federal-policy-guidance/downloads/smd18002.pdf>.

<sup>268</sup> Kaiser Family Foundation, "Medicaid Waiver Tracker: Which States Have Approved and Pending Section 1115 Medicaid Waivers?," March 24, 2019. <https://www.kff.org/medicaid/issue-brief/which-states-have-approved-and-pending-section-1115-medicaid-waivers/>.

<sup>269</sup> Government Accountability Office, "Medicaid: Additional Actions Needed to Help Improve Provider and Beneficiary Fraud Controls", May 2015. <http://www.gao.gov/assets/680/670208.pdf>.







# ***SAVING MEDICARE***



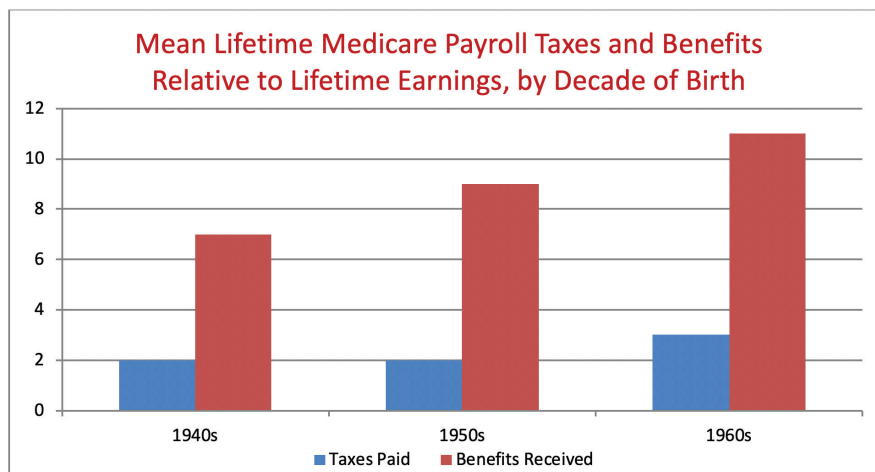
## SAVING MEDICARE

### Reinforce Medicare's Commitment to Seniors

The RSC budget proposes a Medicare reform plan that modernizes and strengthens health care coverage for America's seniors. The current one-size-fits-all approach is more than 50 years old and no longer provides seniors the access and choice they deserve and expect, and, on its current path, is fiscally unsustainable. Current and future beneficiaries will benefit from a modernized Medicare system structured to accommodate their changing needs.

This budget recognizes the U.S. is facing unprecedented demographic challenges. Medicare currently covers more than 60 million Americans and is projected to cost of \$821 billion in FY 2020.<sup>270</sup> With an average of 10,000 baby boomers reaching retirement age every day, the program is only expected to grow.<sup>271</sup> By 2024, 60 percent of baby boomers will be receiving Medicare benefits.<sup>272</sup> As such, the number of working-age individuals paying into Medicare lags behind the number of individuals reaching retirement age.

Further contributing to Medicare's impending bankruptcy is the fact that the average beneficiary will receive far more in benefits than they will pay in payroll taxes. Even according to research from the left-leaning Urban Institute, a single female with average earnings who turns 65 in 2020 will receive \$257,000 in lifetime Medicare benefits (net of premiums) while only contributing \$77,000 in total Medicare taxes.<sup>273</sup> Because this problem is embedded into the design of the current Medicare system, it only gets worse as time goes on. As CBO states, "under the assumption that all scheduled benefits are paid, real average lifetime benefits (net of premiums paid) for each birth cohort as a percentage of lifetime earnings will generally be greater than those for the preceding cohort."<sup>274</sup>



Congressional Budget Office, "The 2015 Long-Term Budget Outlook", June 16, 2015. <https://www.cbo.gov/publication/50250>.

According to the Medicare Trustees, expenditures from the Hospital Insurance (HI) Trust Fund exceeded receipts each year between 2008 and 2015.<sup>275</sup> HI ran a \$2.8 billion deficit in 2017 and is expected to run deficits until

270 CMS statistics dashboard March 24, 2019 <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Dashboard/Medicare-Enrollment/Enrollment%20Dashboard.html>.

271 Russell Heimlich, Pew Research Center, "Baby Boomers Retire", December 29, 2010. <http://www.pewresearch.org/fact-tank/2010/12/29/baby-boomers-retire/>.

272 Doug Elmendorf, Congressional Budget Office, "Comments About CBO's Projections for Federal Health Care Spending", March 10, 2014. <https://www.cbo.gov/publication/45175>.

273 C. Eugene Steuerle and Caleb Quakenbush, Urban Institute, "Social Security and Medicare Lifetime

Benefits and Taxes 2015 Update", September 2015. <http://www.urban.org/research/publication/social-security-and-medicare-lifetime-benefits-and-taxes>.

274 Congressional Budget Office, "The 2015 Long-Term Budget Outlook", June 16, 2015. <https://www.cbo.gov/publication/50250>.

275 The Boards of Trustees, Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, "The 2017 Annual Report of The Boards of Trustees of The Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds", July 13, 2017. <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2017.pdf>.

being depleted in 2026.<sup>276</sup> Once the trust fund balance is exhausted, current law requires benefits be reduced for all beneficiaries to eliminate the amount of spending that would otherwise exceed receipts. Absent reforms, spending from the trust fund will exceed receipts by \$69 billion in 2026, \$80 billion in 2027 and \$122 billion in 2028.<sup>277</sup> That means for many current and future beneficiaries, the Medicare system as we know it today would no longer exist. Reforming Medicare is a necessity.

Making this task all the more important is the fact that Medicare is one of the primary drivers of the increases in federal spending and increases in debt. As Paul Winfree, President Trump's former Director of Budget Policy and Deputy Director of the Domestic Policy Council, stated in a 2016 research paper, "The federal budget is unsustainable. This unsustainability is driven by 2 percent of all spending accounts—primarily public health care programs administered by the Department of Health and Human Services." That includes Medicare.<sup>278</sup> In 2015, for the first time, spending on federal health programs outpaced spending on Social Security, becoming the largest category of federal spending. After Social Security, Medicare is the second largest program in the entire federal budget. Without reform, Medicare spending will continue to grow at an unsustainable rate, threatening beneficiaries' access to health care and putting the entire country at risk of a fiscal crisis.

Saving Medicare presents policymakers, health care professionals and the nation with a daunting challenge. Unless we take steps to strengthen Medicare's financial footing and improve the program's quality of care, Medicare will not be in a position to help current or future beneficiaries. That is why this budget puts forward commonsense proposals to save and reform Medicare to give seniors more options and better care, and to update the program to reflect advances in the economy and medical technology, all with the added benefit of reducing costs for both beneficiaries and the federal government.

### **Premium Support**

Beginning in 2023, this budget transitions all of Medicare into a more flexible health insurance program similar to both the system that federal employees enjoy and to the current Medicare Part D. The improved program would allow participants to choose among Medicare plans offered on a regulated exchange.

Enrollees in Medicare would receive assistance from the federal government to offset the cost of their health insurance policies. Seniors could direct this payment to the Medicare plan of their choice offered on a regulated exchange that includes both private plans and traditional fee-for-service Medicare. To guarantee health insurance remains accessible and affordable, the government's financial assistance would be adjusted for the beneficiary's current state of health, the cost of medical care in the area where they live, and the individual's wealth and income. In addition, under this plan, Medicare beneficiaries would receive new consumer protections, including protection against catastrophic health care costs.

Unlike traditional Medicare and its maze of bureaucracy, a reformed Medicare would incentivize health care plans and providers to deliver high-quality services at a better value. CBO estimates this type of approach would lower beneficiary premiums by 7 percent as compared to Part B premiums.<sup>279</sup>

## **CBO ESTIMATES THIS TYPE OF APPROACH WOULD LOWER BENEFICIARY PREMIUMS BY 7 PERCENT AS COMPARED TO PART B PREMIUMS.**

<sup>276</sup> The Boards of Trustees, Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, "2019 Annual Report of The Boards of Trustees of The Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds", April 22, 2019. <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2019.pdf>.

<sup>277</sup> CBO January 2019 Baseline. <https://www.cbo.gov/about/products/budget-economic-data#5>

<sup>278</sup> Paul Winfree, Heritage Foundation, "Causes of the Federal Government's Unsustainable Spending", July 7, 2016. <http://www.heritage.org/budget-and-spending/report/causes-the-federal-governments-unsustainable-spending>.

<sup>279</sup> Congressional Budget Office, "A Premium Support System for Medicare: Updated Analysis of Illustrative Options", October, 2017. <https://www.cbo.gov/system/files?file=115th-congress-2017-2018/reports/53077-premiumsupport.pdf>.

Under this proposal, wealthier seniors would pay more in annual premiums than those with fewer financial resources, and low-income seniors would receive larger health insurance subsidies. This budget would require high-wealth seniors to pay more for their own medical costs, rather than force the taxpayers to foot the bill for those who can otherwise afford it. Even in Medicare today, wealthier seniors pay higher premiums than those who are less well off. This reasonable proposal would help put Medicare as a whole on a sounder financial footing, while targeting federal aid to those that need it most.

Experts on both sides of the political aisle agree that providing Medicare enrollees with greater choice, increasing competition among insurance plans to reduce costs for seniors and improving quality of care would substantially improve Medicare's long-term fiscal outlook, protecting the program for both current and future beneficiaries.<sup>280</sup> This reform will ensure Medicare's solvency, while helping to lower costs for seniors.

### **Simplify Traditional Medicare by Combining Parts A and B**

This budget also modernizes Medicare's structure by combining Part A, which primarily covers inpatient services furnished in a hospital, and Part B, which primarily covers physician payment and outpatient services. Both parts have separate deductibles, co-payments and other cost-sharing requirements, which is confusing to beneficiaries and can be difficult to navigate. This budget would merge Part A and Part B so seniors would have a single annual inflation-adjusted deductible of \$750 and a coinsurance rate of 20 percent for amounts above the deductible.

### **Medigap Reform**

Many seniors purchase supplemental insurance policies known as Medigap to reduce or eliminate their exposure to cost-sharing in the Medicare program. Seniors are encouraged to purchase these policies because of the complex and conflicting cost-sharing requirements in Medicare Parts A and B, and because unlike most private insurance plans, Medicare lacks a catastrophic cap that would protect seniors against unexpected catastrophic expenses when they become sick or injured. The existence of Medigap policies thus underscores a fundamental problem: the traditional Medicare benefit does not fully meet seniors' needs. Instead, it burdens them with complex and inconsistent cost-sharing liabilities.

Moreover, this arrangement has the unfortunate side effect of encouraging utilization of health services that may not improve health outcomes, needlessly resulting in increased costs, leaving taxpayers on the hook for runaway inflation. The Medicare Payment Advisory Commission (MedPAC) found that Medicare spends 33 percent more on a person who enrolls in supplemental coverage.<sup>281</sup> According to a study by the GAO, Medicare enrollees who are subject to lower cost-sharing requirements spend more on medical care than those without supplemental coverage.<sup>282</sup>

The *Medicare Access and CHIP Reauthorization Act of 2015* (MACRA) took the first steps to enact simple reforms to address this problem. Specifically, MACRA prohibits Medigap plans from covering the Part B deductible for newly eligible beneficiaries beginning in 2020.

This budget builds on those reforms by establishing an annual cap of \$7,500 for each Medicare enrollee's cost share, while also reforming Medigap. New Medigap plans would be prohibited from covering the first \$750 for Part A and Part B services. After the enrollee meets the \$750 deductible, and until he reaches the \$7,500 catastrophic cap, this proposal would set a uniform coinsurance rate of 10 percent.

<sup>280</sup> Politico, by Lanhee Chen and James C. Capretta "Medicare Reforms both Parties can Live With" September 12, 2018 <https://www.politico.com/agenda/story/2018/09/12/medicare-reform-republicans-democrats-000695>

<sup>281</sup> Steven Hayward, Heritage Foundation, "Double Coverage: How It Drives Up Medicare Costs for Patients and Taxpayers", June 4, 2013. <http://www.heritage.org/health-care-reform/report/double-coverage-how-it-drives-medicare-costs-patients-and-taxpayers>.

<sup>282</sup> Government Accountability Office, "Medicare Supplemental Coverage Medigap and Other Factors Are Associated with Higher Estimated Health Care Expenditures", September 2013. <http://www.gao.gov/assets/660/657956.pdf>.

### **Phase in an Increase for Premiums and Means Testing**

Under current law, beneficiaries pay a basic premium for Part B physician services equal to about 25 percent of the program's costs and a premium for Part D prescription drug coverage equal to about 25.5 percent of the program's costs.<sup>283</sup> Both of these premiums are adjusted for income, so higher income enrollees pay higher premiums.

This budget would slowly phase in an increase to the standard premium, so that over time, beneficiaries would pay for more of the coverage they receive. This is in line with the original intent of the program. When Medicare was enacted in 1965, President Lyndon B. Johnson stated that seniors and the government would contribute "an equal amount" to the Part B premium.<sup>284</sup> The taxpayer-funded share of premiums, however, is now 75 percent. In 2018, Congress passed legislation requiring individuals making more than \$500,000 per year and married couples filing jointly who make more than \$875,000 per year to pay 85 percent of their Medicare Part B and D premiums, a 5 percent increase relative to previous requirements. In addition to slowly adjusting the bottom income threshold downward by approximately one-third, this budget would expand the 2018 reform to unsubsidized premiums of beneficiaries in this income bracket, similar to a proposal that passed the House in 2017. Parts B and D funding comes mostly from premiums paid by beneficiaries and general revenues, not the payroll tax like Part A. These commonsense reforms would help preserve the Medicare system for seniors long-term and move the program toward its original intent.

### **Adjust the Medicare Eligibility Age to Reflect Life Expectancy**

Since Medicare's creation in 1965, advances in science and medical technology have increased average life expectancy. This is a great miracle, but it does put additional stresses on the solvency of the Medicare program. As a result, the amount of time a Medicare beneficiary is expected to be covered by the program has increased from 14.6 years in 1965 to over 19 years in 2015.<sup>285</sup>

As beneficiaries continue to live longer, the ratio of workers to retirees shrinks threatening the solvency of Medicare. In 1965 there were 4.5 workers per Medicare beneficiary. That number shrunk to 3.3 workers in 2011, 3.1 in 2015, 2.8 in 2018<sup>286</sup> and is expected to continue to decrease to 2.3 workers per beneficiary by 2030.<sup>287</sup> To address the increased demands on Medicare, this budget proposes increasing the age of Medicare so it is aligned with the normal retirement age for Social Security and then indexing this age to life expectancy, ensuring Medicare remains available for future generations.

### **Standardizing Medicare Reimbursement Across Delivery Sites**

In response to concerns frequently raised by stakeholders that Medicare payments for the same services vary substantially depending on the site where care is provided, even when patient health is not a confounding factor, the *Bipartisan Budget Act of 2015* made narrow changes to Medicare hospital reimbursements. Specifically, the law established a site-neutral payment policy for newly-acquired, provider-based, off-campus hospital outpatient departments. This budget would expand that policy, mirroring Rep. Jim Banks' (R-Ind.) *Hospital Competition Act*, to enact site-neutral policies throughout the Medicare program linked to a common payment system providing an appropriate level of reimbursement.

<sup>283</sup> <https://www.cbo.gov/budget-options/2018/54732>

<sup>284</sup> President Lyndon B. Johnson's Remarks with President Truman at the Signing in Independence of the Medicare Bill. July 30, 1965. <http://www.presidency.ucsb.edu/ws/?pid=27123>.

<sup>285</sup> Figures represent average life expectancy for men and women at age 65 in 1965 and 2014. Organisation for Economic Co-Operation and Development, OECD.Stat, Health Status: Life expectancy, Data extracted on April 8, 2018. <http://stats.oecd.org/index.aspx?queryid=30114#>.

<sup>286</sup> Accessed 4/4/2019 to calculate based on employment and Medicare statistics <https://www.census.gov/cps/data/cpstablecreator.html>

<sup>287</sup> MedPAC, "Report to the Congress: Medicare and the Health Care Delivery System," June 2015. <http://www.medpac.gov/docs/default-source/reports/chapter-2-the-next-generation-of-medicare-beneficiaries-june-2015-report-pdf?sfvrsn=0>.



### **Address Waste, Fraud and Abuse**

Since 1990, Medicare has been flagged as one of the federal programs most vulnerable to waste, fraud and abuse due to its size, complexity and historical mismanagement. While there has been headway in reducing Medicare improper payments, the scope of the problem remains enormous. The Centers for Medicare and Medicaid Services estimate that at least 8.12 percent of the program's funding is wasted in this fashion,<sup>288</sup> \$23.2 billion alone in 2017.<sup>289</sup> To preserve the longevity of programs that millions of Americans rely on, steps must be taken to root out fraud and increase the integrity of federal health programs.<sup>290</sup>

### **Limit Medicare's Responsibility for "Bad Debt"**

Medicare reimburses hospitals and certain other providers for 65 percent of the "bad debt" incurred when they are unable to collect required out-of-pocket payments from Medicare beneficiaries. Historically, this policy was intended to eliminate the incentive for providers to shift the costs of bad debt to private insurance plans, but according to the CBO, there is limited evidence of such cost shifting.<sup>291</sup> Additionally, private payers generally do not reimburse providers for bad debt. This budget would reduce the share of bad debt for which providers may be reimbursed to 25 percent in order to encourage providers to communicate better with Medicare beneficiaries about the costs of proposed treatments and any applicable alternatives and work to recover bad debt by establishing payment plans and other such methods that make it easier for the beneficiary to fulfil his or her commitments.

### **Eliminate Duplicative and Market Distorting Subsidies for Medicare Plans**

This budget would eliminate the quality bonuses and double bonuses related to quality scores for Medicare insurance plans. Medicare currently offers bonus payments to insurance providers when they offer plans that under-bid the Medicare computed benchmark price and when the Medicare assessed quality score for their plans increase. However, these bonuses go to plans offered through Medicare Advantage where good and low cost plans are rewarded by the choices of covered seniors that would want to choose better and more affordable plans. These bonuses are not only duplicative and market distorting (using Medicare's criteria to override the preferences of seniors), but they simply increase the costs of Medicare.<sup>292</sup> Further, the RSC budget would eliminate the incentive payments made through the Medicare Shared Savings Program, a proposal included in the *Hospital Competition Act*. These payments to Accountable Care Organizations work in a similar fashion to the Medicare quality bonuses and again, only serve a duplicative and cost increasing purpose.

### **Allowing Seniors to Keep their Insurance and Use HSAs**

This budget makes two key regulatory changes that would give seniors more flexibility, reduce program costs for Medicare, and lead to a more efficient and reactive health care market for seniors. Mirroring the goals of the Trump administration, our budget would allow people enrolled in Medicare Parts A and B to be able to contribute to HSAs.<sup>293</sup> Furthermore, the RSC budget would enact reforms championed by Senator Ted Cruz (R-Texas) and Rep. Gary Palmer (R-Ala.) to allow seniors to keep their Social Security benefits if they keep their

288 Centers for Medicare & Medicaid Services, Fact Sheet, "CMS achieved improper payment rate reductions in Medicare Fee-For-Service (FFS), Medicare Part C, Medicare Part D, Medicaid, and Children's Health Insurance Program", November 15, 2018. <https://www.cms.gov/newsroom/fact-sheets/cms-achieved-improper-payment-rate-reductions-medicare-fee-service-ffs-medicare-part-c-medicare-part>.

289 GAO Report March 2019 "MEDICARE AND MEDICAID, CMS Should Assess Documentation Necessary to Identify Improper Payments" <https://www.gao.gov/assets/700/697981.pdf>

290 Citizens Against Government Waste "2018 Prime Cuts" <https://www.cagw.org/reporting/2018-prime-cuts>

291 Congressional Budget Office, Options for Reducing the Deficit: 2019 to 2028, "Reduce Medicare's Coverage of Bad Debt," December 13, 2018. <https://www.cbo.gov/budget-options/2018/54734>.

292 Congressional Budget Office, "Options for Reducing the Deficit: 2019 to 2028", December 2018. <https://www.cbo.gov/system/files?file=2018-12/54667-budgetoptions.pdf#page=92>.

293 Flexible Benefit Service Corporation, "Medicare Beneficiaries May Soon Be Allowed to Contribute to an HAS", February 20, 2018. <https://www>.

private health insurance and opt-out of Medicare Part A.<sup>294</sup> These two onerous regulations that only have the effect of trapping seniors with few choices and insufficient care, and our budget repeals them in their entirety.

### **Reform Graduate Medical Education Financing**

In 1965, Congress included financing for graduate medical education (GME) in Medicare with the intent that it would be a temporary program until a more appropriate financing mechanism was found.<sup>295</sup> More than 50 years later, the federal government provides more than \$15 billion annually in mandatory funding for GME through Medicare and Medicaid.<sup>296</sup> In addition, the Health Resources and Services Administration (HRSA) operates the Teaching Health Center GME and Children's Hospital GME programs, which respectively receive mandatory and discretionary GME funding.

Federal financing of GME is in need of reform because a lack of transparency and accountability make it difficult to track whether the system reflects the true costs of providing graduate medical education. Stakeholders have raised concerns that certain Medicare GME payments may be more than twice as high as related costs.<sup>297</sup> These subsidies distort medical education nationally, creating artificial imbalances between the types of education programs needed and the ones provided, leading to increased education costs. This budget would make the mandatory GME programs discretionary, relocate responsibility for their operation to a common agency in order to improve oversight and accountability into the program, and would cap the growth of program to inflation.<sup>298</sup>

[flexiblebenefit.com/blog/medicare-beneficiaries-may-soon-be-allowed-contribute-hsa](https://flexiblebenefit.com/blog/medicare-beneficiaries-may-soon-be-allowed-contribute-hsa).

294 Press Release, "Sen. Cruz Introduces Retirement Freedom Act", October 9, 2018. [https://www.cruz.senate.gov/?p=press\\_release&id=4133](https://www.cruz.senate.gov/?p=press_release&id=4133).

295 O'Shea, John, Reforming Graduate Medical Education in the U.S., December 29, 2014. <http://www.heritage.org/health-care-reform/report/reforming-graduate-medical-education-the-us>.

296 Congressional Budget Office, Options for Reducing the Deficit: 2019 to 2028, December 13, 2018. <https://www.cbo.gov/budget-options/2018/54738>.

297 MedPAC, Graduate Medical Education Payments, February 20, 2015. [https://www.nhpf.org/uploads/Handouts/Miller-slides\\_02-20-15.pdf](https://www.nhpf.org/uploads/Handouts/Miller-slides_02-20-15.pdf).

298 Congressional Budget Office, "Options for Reducing the Deficit: 2019 to 2028", December 2018. <https://www.cbo.gov/system/files?file=2018-12/54667-budgetoptions.pdf#page=92>  
<https://www.cbo.gov/system/files?file=2018-12/54667-budgetoptions.pdf#page=96>





***MAKE SOCIAL  
SECURITY  
SOLVENT AGAIN***



## MAKE SOCIAL SECURITY SOLVENT AGAIN

Established in 1935 as an income supplement to help safeguard workers against poverty in their retirement – 6 percent of the population at the time – the Social Security retirement fund has grown to become the federal government’s largest single program, consuming more than a fifth of the federal budget. Today, more than 52 million retirees, survivors and their families collect benefits from the Social Security Old Age and Survivor Trust Fund.<sup>299</sup>

Unfortunately, Social Security is unsustainable in its current form. The basic design of Social Security has remained the same over the decades despite the fact that very little about modern America’s population, society or economy resembles the 1930s.

According to the Social Security Trustees, the Social Security Old-Age and Survivors Insurance (OASI) Trust Fund will be depleted in 2035. When the trust fund is depleted, Social Security beneficiaries will initially face a 25 percent cut in benefits that will grow over time.<sup>300</sup> This is unconscionable, and it is incumbent upon the Congress to prevent this looming crisis.

Many workers believe that since they paid into Social Security through payroll taxes over the course of their working years, the government has saved their contributions in an account, ready for withdrawal upon retirement. The reality is quite different. Instead, those contributions have already been spent on earlier retirees, and the taxes paid by today’s employers and employees are used to pay current beneficiaries. Moreover, even using 100 percent of current workers’ taxes is insufficient to meet current benefit payments owed to retirees.

In 1945, there were 41.9 workers to cover each Social Security beneficiary. By 1960, there were only 5.1 workers per beneficiary. Today, there are only 2.8 workers paying taxes to cover a growing number of beneficiaries. By 2025, the Social Security Actuary projects there will be only 2.5 workers per beneficiary.<sup>301</sup> This trend will continue to put increasing financial pressure on Social Security.

In signing the *Social Security Act* into law, President Franklin D. Roosevelt said that the program “will act as a protection to future administrations against the necessity of going deeply into debt to furnish relief to the needy.”<sup>302</sup> Roosevelt’s prediction has not prevented the government from incurring over \$22 trillion in debt and spending trillions on welfare programs. It is clear Social Security is in need of reform that, at the very least, begins to return the program to its original intent as a safeguard against poverty in retirement. Accordingly, this budget proposes specific changes that would, in the long run, protect the program and the retirees who rely on it.

### **Representative Sam Johnson: The Embodiment of Service, Sacrifice and Bravery**

Rep. Sam Johnson (R-Texas), an original founder of the RSC, served as chairman of the House Ways and Means Subcommittee on Social Security. After serving in the U.S. House of Representatives for 28 years (1991-2019) and previously 29 years in the Air Force including enduring nearly seven years of torture as a prisoner of war, he retired at the end of the last Congress. He was awarded the first ever RSC Member of the Year Award in 2017 to recognize his character, sacrifice and service.<sup>303</sup>

### **Sam Johnson is an American Hero.**

299 Social Security Administration, Office of the Chief Actuary, Fact Sheet on The Old-Age, Survivors, And Disability Insurance Program, December 31, 2018. [https://www.ssa.gov/OACT/FACTS/fs2018\\_12.pdf](https://www.ssa.gov/OACT/FACTS/fs2018_12.pdf).

300 William Morton and Barry Huston, Congressional Research Service, “Social Security: What Would Happen If the Trust Funds Ran Out?,” RL33514, June 11, 2018. <https://fas.org/sgp/crs/misc/RL33514.pdf>.

301 Social Security Administration, 2018 OASDI Trustees Report, Table IV.B3.—Covered Workers and Beneficiaries, Calendar Years 1945-2095. [https://www.ssa.gov/oact/tr/2018/IV\\_B\\_LRest.html#493869](https://www.ssa.gov/oact/tr/2018/IV_B_LRest.html#493869).

302 Franklin D. Roosevelt: “Statement on Signing the Social Security Act,” August 14, 1935, The American Presidency Project. <http://www.presidency.ucsb.edu/ws/?pid=14916>.

303 Representative Mike Johnson, Republican Study Committee “Rep. Sam Johnson Awarded RSC Member of the Year Award,” December 13, 2017. <https://rsc-johnson.house.gov/news/press-releases/rep-sam-johnson-awarded-rsc-member-year-award>.



In his letter announcing his departure, Rep. Johnson stated, “I’ve made it a mission of mine to make sure that Social Security is there not just for today’s seniors, but for tomorrow’s workers.”<sup>304</sup>

On December 8, 2016, Rep. Johnson introduced the *Social Security Reform Act of 2016*, legislation designed to complete his mission of ensuring solvency for Social Security. This legislation was the only bill introduced in the 114<sup>th</sup> Congress that would have made the Social Security Trust Fund permanently solvent without massive tax increases.<sup>305</sup>

In culmination of Rep. Johnson service to the country he loves, the sacrifices that he has made and the bravery he has shown in the face of unthinkable challenges, the RSC Budget calls for Congress to adopt reforms proposed by the *Social Security Reform Act* to save Social Security.

### **Social Security Reform Act for Solvency**

The goal of the *Social Security Reform Act* is to ensure the long-term solvency of Social Security for this and future generations. It does so by modernizing the program, phasing out antiquated elements and bringing together a number of commonsense ideas to make the system work better for today’s workers and retirees. Many of the specific policies included in this legislation have bipartisan support and have been included in proposals put forward by members of Congress on both sides of the aisle and well-respected non-partisan organizations.<sup>306</sup>

### **Adjust the Retirement Age to Reflect Longevity**

The bipartisan Social Security Amendments of 1983 phases in an increase in the Social Security full retirement age over time, beginning at 65 and reaching 67 by 2022 for those born in 1960 and later.

The *Social Security Reform Act* would continue this gradual increase of the normal retirement age at a rate of three months per year until it reaches 69 for those reaching age 62 in 2030. The RSC Budget recognizes that, due to Congressional inaction, the *Social Security Reform Act*’s retirement age increase would need to be extended, likely to age 70, to achieve long-range sustainable solvency. Further, the existing 5-year gap between the normal and early retirement ages would be maintained as the full retirement age is incrementally adjusted.

This adjustment would begin to realign the Social Security full retirement age to account for increases in life expectancy since the program’s creation. As noted by the Social Security Administration (SSA), since the program first began paying monthly Social Security benefits in 1940, the average life expectancy for men reaching the normal eligibility age has increased from 77 to over age 84. For women, the average life expectancy has increased from 79 to nearly 87. “And those are just averages. About one out of every four 65-year-olds today will live past age 90, and one out of 10 will live past age 95.”<sup>307</sup> Following completion of the incremental adjustments proposed by the *Social Security Reform Act*, the RSC Budget would link the normal and early retirement ages to life expectancy. In this fashion, these ages would automatically adjust as life expectancy does, keeping the program from falling out of balance in the future and providing additional security in case life expectancy decreases in the future.

304 Representative Sam Johnson, An announcement concerning my future plans, January 6, 2017. <http://samjohnsonforcongress.com/an-announcement-concerning-my-future-plans/>.

305 Social Security Administration, Office of the Chief Actuary, Proposals Affecting Trust Fund Solvency. <https://www.ssa.gov/oact/solvency/index.html>.

306 Representative Sam Johnson, “Hot Topic: Social Security Reform Act”. <http://web.archive.loc.gov/all/20161220144321/http://samjohnson.house.gov/news/documentsingle.aspx?DocumentID=398516>.

307 Social Security Administration, Calculators: Life Expectancy. <https://www.ssa.gov/planners/lifeexpectancy.html>.

### **Adopt a More Accurate Cost of Living Adjustment for Those That Need Them Most**

To ensure that the purchasing power of benefits stays constant each year, the Social Security cost of living adjustment (COLA) increases the dollar amount of benefits by a formula tied to inflation. The formula uses an old index, the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), which overstates the true effects of inflation according to economists and the CBO.<sup>308</sup> This outdated formula contributes to the current program's impending bankruptcy.

This budget recommends switching to a more accurate index for all government programs called chained CPI-U,<sup>309</sup> which economists across the political spectrum agree tracks the effects of inflation and consumer choice more accurately. This proposal would put the program on sounder financial footing and ensure that beneficiaries do not see their benefits eroded by inflation.

Furthermore, the *Social Security Reform Act* would focus these COLAs on the beneficiaries who need them most, not the retirees still earning significant incomes. Specifically, the proposal would not provide a COLA for retirees with incomes above \$85,000 (\$170,000 filing jointly), the same levels as Medicare income-adjusted premiums under current law and affecting only about 6 percent of beneficiaries.<sup>310</sup>

In addition to the COLA adjustment made by the *Social Security Reform Act*, the RSC Budget acknowledges that Social Security retirement should use an alternate method of computing chained CPI-U that better reflects the costs associated with living in a home that a retiree rents versus owns. Unlike the non-retired portion of the population, the vast majority (87 percent) own their own home. Chained CPI-U, CPI-U and CPI-W are linked to rising rental costs – the result of rising home prices. Because the vast majority of retirees own their homes, this is not a cost increase many experience.

### **Modernize the Benefit Formula for New Retirees**

The RSC Budget would adopt the *Social Security Reform Act's* general approach of modernizing the formula Social Security uses to calculate the level of monthly checks for new retirees so workers who had lower levels of average lifetime earnings get higher benefits than under current law while slowing the rate of growth for those that had higher levels of average earnings. The RSC Budget would institute a new beneficiary formula by phasing it in for beneficiaries becoming initially eligible in 2025.

### **Protecting the Most Vulnerable in Old Age**

The reforms contained in *Social Security Reform Act* and this budget would return Social Security to its original intent: a protection against poverty in old age, particularly for the poorest and oldest seniors.

The proposal would provide a new minimum benefit for workers with more than 10 years of covered earnings for beneficiaries becoming newly eligible in 2025. To provide additional assistance to elderly retirees, beginning in January 2025, the proposal would provide an additional monthly benefit for all beneficiaries who have been eligible for retirement benefits for at least 20 years.

According to the Social Security Actuary, the *Social Security Reform Act* would provide a low-wage earner retiring in 2050 with 38 percent higher benefits than would otherwise be payable under current law.<sup>311</sup> These

308 Rob McClelland, Congressional Budget Office, "Differences Between the Traditional CPI and the Chained CPI", April 19, 2013. <https://www.cbo.gov/publication/44088>.

309 Committee for a Responsible Federal Budget "Three Voices in Support of the Chained CPI" April 15, 2013 <http://www.crfb.org/blogs/three-voices-support-chained-cpi>

310 Juliette Cubanski and Tricia Neuman, Kaiser Family Foundation, Medicare's Income-Related Premiums: A Data Note, June 3, 2015. <http://kff.org/medicare/issue-brief/medicares-income-related-premiums-a-data-note/>.

311 Stephen C. Goss, ASA, MAAA, Chief Actuary, Social Security Administration, Office of the Chief Actuary, "Estimates of the Financial Effects on Social Security of H.R. 6489, the 'Social Security Reform Act of 2016,' introduced on December 8, 2016 by Representative Sam Johnson", Table B1 "Changes in Benefits for Hypothetical Workers Beginning Benefit Receipt at age 65", December 8, 2016. [https://www.ssa.gov/oact/solvency/SJohnson\\_20161208.pdf](https://www.ssa.gov/oact/solvency/SJohnson_20161208.pdf).

important reforms would provide real benefits to those most in need while ensuring the solvency of the program.

### **Supporting Work**

A consistent theme for the RSC Budget is the goal of removing government-imposed disincentives to work and roadblocks to earned prosperity and self-sufficiency. While the Social Security program is aimed at providing a safety net for seniors who have put in a lifetime of work, it is important to not punish those who want to stay active. The *Social Security Reform Act* accomplishes this goal by reforming current features of the Social Security program that disincentives staying in the workforce.

The Social Security Retirement Earnings Test (RET) withholds benefit payments to those who have elected early retirement and earn above a certain limit. There is no earnings test once the normal retirement age is reached. The proposal would eliminate the RET for all beneficiaries beginning in 2021. This would allow workers to receive early retirement benefits without penalty while they continue working.

Those who delay receiving Social Security benefits up to age 70 are provided a delayed retirement credit of up to eight percent in their benefit checks for each year retirement is delayed. The proposal would incentivize those who are willing and able to delay retirement and continue working to do so by allowing workers to claim part of the delayed retirement credit as a lump sum payment along with a higher monthly benefit.

Under current law, beneficiaries with a combined income (defined as adjusted gross income plus nontaxable interest plus one-half of Social Security benefits) above \$25,000 (\$32,000 filing jointly) are required to pay federal income taxes on the Social Security benefits they receive. This taxation of benefits creates a cliff-effect that disincentives work, as well as creates a marriage penalty. The proposal would begin to phase out the benefit tax and end the marriage penalty beginning in 2045.

To incentivize school attendance, the proposal would require full time school enrollment as a condition of eligibility for child benefits for children ages 15 to 18.

## ***Other Reforms***

### **Social Security Benefit Payments Choice Act**

RSC's budget would also implement the *Social Security Benefit Payments Choice Act*, introduced in the last Congress by Rep. Sam Johnson (R-Texas). This bill would allow recipients of Social Security benefits to choose the day of the month that they would receive their benefits on. This would maximize the cash flow utility of recipients at no additional cost to taxpayers.

### **Overpayment Debt Recovery**

In FY 2017, the SSA paid out nearly \$6 billion in over-payments to Social Security and Disability Insurance beneficiaries, about \$4 billion more than in FY 2016<sup>312</sup>. To ensure as much of these funds are recovered for the sake of the long-term solvency of the programs, this budget would make sure overpayment debt is not dischargeable in bankruptcy. This proposal is based on the *Social Security Debt Recovery Act of 2017*, introduced by Rep. Sam Johnson (R-Texas). Additionally, this budget would call on Congress to institute a time limit on repayment plans at a length that maximizes recovery and a minimum monthly payment of 15 percent of one's monthly benefit.

312 The Social Security Administration "Reducing Improper Payments" Accessed April 29, 2019 [https://www.ssa.gov/improperpayments/RSDI\\_prog-Stats.html#sb=2](https://www.ssa.gov/improperpayments/RSDI_prog-Stats.html#sb=2)

### **Support Retirement Freedom**

This budget supports efforts to provide workers the freedom to choose how to save their own money for retirement. Accordingly, this budget urges lawmakers to consider legislative options that allow employers and employees to reduce their payroll tax liability in order to use those savings to invest in private retirement options. Requiring all young workers to participate in a one-size-fits-all government-run retirement program does not make economic sense for the long-term savings of our citizens and our nation.<sup>313</sup>

According to an analysis from the Tax Foundation, “a worker who earned the average income and retired at the normal retirement age of 66 in 2016 could expect a Social Security retirement benefit of \$19,646 a year.” However, a worker that saved ten percent of his or her income in a 401(k) retirement account made up of 60 percent stocks and 40 percent bonds would have “accumulated saving[s] total[ing] \$719,670, which might provide an annuitized annual income of \$57,319 a year, a far larger sum.”<sup>314</sup>

Such an effort is particularly critical for younger generations. Just 6 percent of Millennials believe they will “receive Social Security benefits at levels enjoyed by current retirees.”<sup>315</sup> While it is important to keep in mind the interests of those in and near retirement, policy makers should also take into account the perspective of an 18 or 23-year-old just entering the workforce.

Under the current structure of Social Security, there is no way for the program to pay out the benefits owed, under current law, to younger workers. According to a 2018 study, 80 percent of millennial workers say they’re worried social security won’t be there for them.<sup>316</sup> Americans now have access to a wide variety of savings and investment options – many of which are accessible simply at the touch of a button - and this budget includes proposals to expand the possibilities.

### **Provide Congressional Oversight of Totalization Agreements**

A totalization agreement is a bilateral agreement between the U.S. and another country to coordinate their Social Security and similar programs.<sup>317</sup> These agreements eliminate the need to pay Social Security taxes in both countries when a U.S. firm sends its workers to the other country and protect workers’ eligibility for benefits when they divide their careers between two countries. However, these benefits come at the expense of the Social Security programs of the U.S. and its partner countries. The U.S. currently has totalization agreements in force with 26 countries and several others that have been signed but have not yet entered into force.

The *Social Security Act* allows the SSA to negotiate these totalization agreements which are then sent to Congress for a 60-day review period. The law allows either chamber to block an agreement by passing a resolution of disapproval – however, this type of legislative veto was ruled unconstitutional by the Supreme Court in 1983. Because the totalization law has not been updated since the Supreme Court decision, there is effectively no congressional review process for these international agreements.

Congress should update the law to comply with the Supreme Court decision and provide for congressional oversight of these international agreements.

313 The heritage Foundation, by Rachel Greszler and Julia Howe “3 Examples of How Social Security Robs Americans of Greater Income Before, During Retirement” August 24, 2018 <https://www.heritage.org/social-security/commentary/3-examples-how-social-security-robs-americans-greater-income-during>

314 Stephen J. Entin, Tax Foundation, “Comparing the Returns from Tax-Favored Retirement Plans to Social Security Yields”, June 8, 2016. <https://taxfoundation.org/comparing-returns-tax-favored-retirement-plans-social-security-yields/>

315 Pew Research Center, “Millennials in Adulthood”, March 7, 2014. <http://www.pewsocialtrends.org/2014/03/07/millennials-in-adulthood/>.

316 Transamerica Center for Retirement Studies “18<sup>th</sup> Annual Transamerica Retirement Survey” June 2018 [https://www.transamericacenter.org/docs/default-source/retirement-survey-of-workers/tcrs2018\\_sr\\_18th\\_annual\\_worker\\_compendium.pdf](https://www.transamericacenter.org/docs/default-source/retirement-survey-of-workers/tcrs2018_sr_18th_annual_worker_compendium.pdf)

317 Social Security Administration, U.S. International Social Security Agreements. [https://www.ssa.gov/international/agreements\\_overview.html](https://www.ssa.gov/international/agreements_overview.html).

## **Phase Out Auxiliary Benefits for High Income Earners**

Ensuring Social Security is available for those retirees most in need requires modernizing the program to reflect the societal and economic realities of the 21<sup>st</sup> century. The *Social Security Reform Act* would phase in a cap on auxiliary benefits. These benefits were reflective of the era in which they were created – the late 1930s. They go beyond the benefits retirees receive in exchange for years of work and taxes paid but can extend all the way to non-working spouses, ex-spouses and late-in-life children. The spousal benefits were created when it was expected women would not work to earn a living and thus were given the option to receive a benefit based on the earnings of their husband. This framework is based on an arcane perception of the role women play in our society and their ability to be self-sufficient. The auxiliary child benefit reflected the reality that very few people waited until later in life to have a child. Today, this auxiliary benefit costs about \$12.5 billion per year. Another reality is that in the 1930s new retirees were much closer to reaching their life expectancy than today. Accordingly, this budget would expand upon these reforms to phase out such auxiliary benefits for high income beneficiaries that do not need the extra support for their family members. Under current law, there is no means testing for these auxiliary benefits. A billionaire over the retirement age could receive normal benefits and gain an auxiliary benefit for a dependent child. This budget would phase out such benefits on an extended timeline that would not affect individuals currently making life decisions based on the availability of these benefits.

## **We Cannot Tax Our Way Out of the Problem**

The Left's "solution" for our looming Social Security crisis is the same as it is for every other fiscal problem: raise taxes. The hard reality is that we cannot tax our way out of the impending bankruptcy of Social Security. Payroll taxes have increased 20 times since the program's inception, significantly increasing the payroll tax rate from its original 2 percent to the current 12.4 percent.<sup>318</sup> To pay for the current program deficit over the next 75 years, payroll taxes would need to be immediately increased by three percentage points to a combine rate of 15.4 percent.<sup>319</sup> That would amount to over \$2.7 trillion in increased taxes over the next decade, more than \$1,700 on average for each wage earner next year alone. Even with this massive tax increase, Social Security would begin running deficits again in 2031. Past tax increases have not kept Social Security solvent as our demographic and economic systems have changed. As has been the case for similar pension programs around the world, constant increases in taxes do little to deal with the underlying instability of the program.

Further, Social Security already contains an automatic tax increase every single year there is inflation. The taxable wage base – the maximum amount of earnings subject to the payroll tax that is used to calculate benefits – increases every year with the growth in average wages. These tax increases have not made Social Security solvent, and proposals to increase or eliminate the taxable wage base do not eliminate the program's deficits.

Instead of the same old stale ideas, the RSC Budget puts forward real solutions to save the program for today's seniors and maintain it for future generations.

## **The Need to Act Now**

Unless we take action, the Social Security Trust Fund will be depleted by 2034. If that occurs, all current beneficiaries, whether they are wealthy or poor, face a 21 percent benefit cut. The depletion date is only 15 years away, meaning most seniors that turn 65 today face a benefit cut unless reforms are made. The fact remains that promised Social Security benefits cannot actually be paid under current law, since the program will not have enough cash to make good on its obligations.

Implementing the reforms in this budget would allow future retirees who have the ability to save for their own retirement to do so. Importantly, these reforms would still protect those who need the program as a safety net.

<sup>318</sup> Social Security Administration, Social Security and Medicare Tax Rates. <https://www.ssa.gov/oact/progdata/taxRates.html>.

<sup>319</sup> Social Security Administration, SSA Long Run Solvency Options. [https://www.ssa.gov/oact/solvency/provisions/charts/chart\\_run114.html](https://www.ssa.gov/oact/solvency/provisions/charts/chart_run114.html).







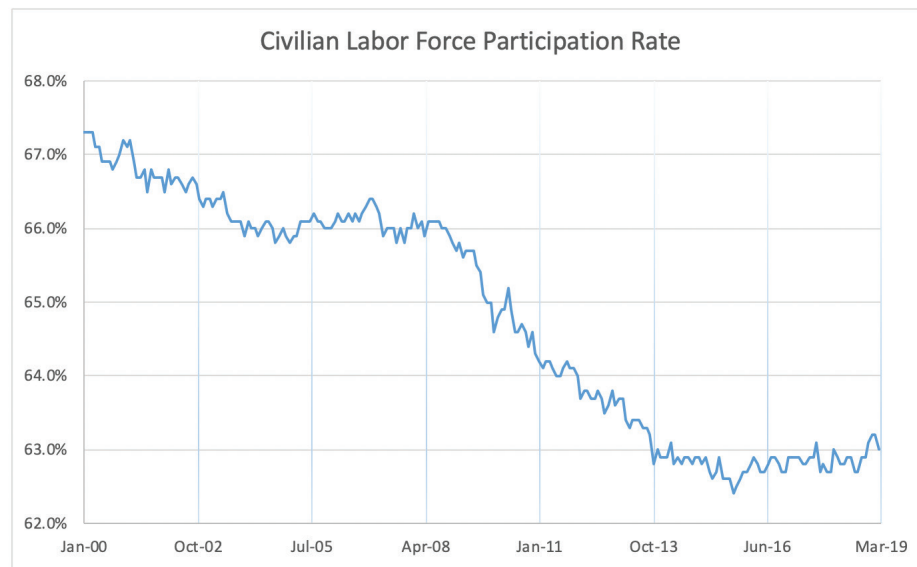
***REFORMING  
DISABILITY  
INSURANCE***



## REFORMING DISABILITY INSURANCE

Social Security Disability Insurance (DI) costs have exceeded revenue since 2005, resulting in ever-larger drawdowns from the trust fund created to ensure the program's stability. The Social Security Trustees now project that the DI Trust Fund will be depleted in 2032.<sup>320</sup> In just a few short years, disabled beneficiaries will face an immediate across-the-board cut in benefits unless meaningful reforms are enacted.

Over the past 20 years, enrollment in DI has increased by over 60 percent. At the same time, the labor force participation rate has plummeted over the same time period to just 63 percent.<sup>321</sup> This means there are fewer tax-paying workers supporting a growing non-working population – a recipe for disaster and economic stagnation.



Federal Reserve Bank of St. Louis Economic Research Database, Accessed April 5, 2019 <https://fred.stlouisfed.org/series/CIVPART>

Facing projections that the DI Trust Fund would imminently be depleted, a temporary patch was enacted as part of the *Bipartisan Budget Act of 2015* (BBA15). While the BBA15 did include some minor reforms, the most important provision of the law implemented President Obama's plan to temporarily reallocate a portion of the payroll tax originally meant for the OASI Trust Fund to the DI Trust Fund. Congress' punt was typical and irresponsible, only delaying the inevitable necessity of making reforms to prevent across the board cuts to DI benefits. This provision effectively bailed out the DI program temporarily, staving off the imminent insolvency of the program, but leaving the combined Social Security fund vulnerable by accelerating its own impending bankruptcy, now projected for 2034.

### Opportunity for Reform

The last few years have proved there are many good ideas available to tackle the looming insolvency of the DI Trust Fund head on. Reputable think tanks, such as the Mercatus Center<sup>322</sup> and the Heritage Foundation,<sup>323</sup>

320 Social Security and Medicare Boards of Trustees, A Summary Of The 2018 Annual Reports, July 2018. <https://www.ssa.gov/oact/TRSUM/index.html>.

321 Bureau of Labor Statistics, Civilian labor force participation rate, accessed March 23, 2019. <https://www.bls.gov/charts/employment-situation/civilian-labor-force-participation-rate.htm>.

322 Mercatus Center, by Jason J. Fichtner and Jack Salmon "Reforming the Social Security Disability Insurance Program to Encourage Work and Labor Force Participation: Lessons from the United Kingdom" June 2018 [https://www.mercatus.org/system/files/fichtner\\_and\\_salmon\\_-\\_policy\\_brief\\_-\\_reforming\\_the\\_social\\_security\\_disability\\_insurance\\_program\\_to\\_encourage\\_work\\_and\\_labor\\_force\\_participation\\_lessons\\_from\\_the\\_united\\_kingdom\\_-\\_v1.pdf](https://www.mercatus.org/system/files/fichtner_and_salmon_-_policy_brief_-_reforming_the_social_security_disability_insurance_program_to_encourage_work_and_labor_force_participation_lessons_from_the_united_kingdom_-_v1.pdf)

323 The Heritage Foundation, by Rachel Greszler, Drew Gonshorowski, and Romina Boccia "16 Reforms to Improve the Solvency and Integrity of Social Security Disability Insurance" March 27, 2019 <https://www.heritage.org/budget-and-spending/report/16-reforms-improve-the-solvency-and-integri->

published proposals with innovative solutions and brought members of Congress, staff and experts together to discuss the problem. The McCrery-Pomeroy SSDI Solutions Initiative was formed, and several papers detailing how to improve the DI program were presented at its conference. Among these efforts, former Rep. Todd Rokita (R-Ind.) introduced the *Making DI Work for All Americans Act*, a bill that pulls together many of the meaningful reforms DI needs.

Accordingly, the RSC Budget adopts many of the reforms contained in the *Making DI Work for All Americans Act*. For instance, the RSC Budget supports provisions of the bill that would direct the SSA to examine Administrative Law Judges (ALJ) that award benefits at a level that makes them a statistical outlier and applies the judicial code of conduct to the ALJs (currently only the administrative code of conduct is applied). This budget also supports provisions preventing double dipping between Unemployment Insurance (UI) and DI funds, implementing a flat benefit for recipients and limiting retroactive payments to six months.

### **Encourage Work**

The *Americans with Disabilities Act* requires employers to make reasonable accommodations for disabled employees. Despite these required accommodations, the employment rate among those with disabilities has fallen by nearly half in the last 25 years.<sup>324</sup>

Because of the DI program's current design, beneficiaries can become trapped in the program, unable to earn a living even if they get healthier and want to return to work. Surveys of DI beneficiaries have shown that 40 percent of those receiving benefits are interested in working. However, only 3.7 percent of beneficiaries actually leave the rolls each year because they begin earning from work.<sup>325</sup> Beneficiaries face a "cash cliff" because they will be removed from the rolls if they earn above a set amount, creating a powerful incentive for beneficiaries to ignore employment opportunities.

The BBA15 required the SSA to establish a new demonstration project that would allow beneficiaries to work while avoiding this cash cliff. Under this demonstration project, participating beneficiaries would see their benefits reduced by \$1 for every \$2 earned from work above a threshold. The DI program should build on these reforms to encourage the program's beneficiaries to find work as they are able and allow them the opportunity to return to self-sufficiency.

### **Workplace Incentives**

It is better for employers and their employees when individuals can stay in the workforce in some capacity. One possibility is a demonstration project to incentivize workplace accommodations and allow the SSA to vary the employer-side DI payroll tax for companies based on how many of their employees go into the program in a way that is revenue neutral in the aggregate. This reform would be similar to what is now done under the UI system.

### **Require Social Security Disability Insurance Applicants to Have Worked In Recent Years**

In general, applicants for DI must have worked in five of the last 10 years to be eligible for benefits. That means someone who has not worked in the last five years could be eligible for DI benefits. To focus the program on people who leave the workforce because of a new disability, applicants could be required to have worked in four of the past six years. This reform should be paired with others that make it easier for disabled Americans to stay in the work force, such as those outlined above.

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324 Congressional Budget Office, Policy Options for the Social Security Disability Insurance Program, July 2012. [https://www.cbo.gov/sites/default/files/112th-congress-2011-2012/reports/43421-DisabilityInsurance\\_print.pdf](https://www.cbo.gov/sites/default/files/112th-congress-2011-2012/reports/43421-DisabilityInsurance_print.pdf).

325 SSA Office of Retirement and Disability Policy, "Longitudinal Statistics on Work Activity and Use of Employment Supports for New Social Security Disability Beneficiaries," 2011. <https://www.ssa.gov/policy/docs/ssb/v71n3/v71n3p35.html>.

### **Needs Based Period of Benefits and Return to Work**

Six percent of those who undergo a full medical review under a Continuing Disability Review (CDR) are deemed medically recovered enough to stop receiving benefits.<sup>326</sup>

When SSA is planning its CDRs, it identifies those beneficiaries who are expected to medically recover, such as those who have conditions that could be overcome with medical and rehabilitative treatment.<sup>327</sup> About 5 percent of beneficiaries are listed as “medical improvement expected” and 60 percent are listed as “medical improvement possible.”<sup>328</sup>

However, once a person with such a condition has been awarded DI benefits, they have less of an incentive to seek possible treatments and recovery options. As a result, fewer individuals are able to recover their full mobility and work capacity, a goal antithetical to the approach our government should take for the temporarily disabled. The temporarily disabled risk spiraling into a state of permanent disability and dependence and will continue to stay on the program indefinitely, receiving an average of \$300,000 in benefits over their lifetime.

To help encourage individuals to seek the most effective treatments, SSA should be able to award DI benefits for a limited, need-based time period for this population of applicants where medical recovery is anticipated. The period of the award could be varied by the likelihood of recovery. At the end of the initial award period, the beneficiary could reapply for benefits under an expedited reinstatement process if the beneficiary feels they are still unable to conduct gainful employment.

By encouraging recovery and return to work, this reform seeks to improve conditions and create new opportunities for DI beneficiaries. This proposal is based on the *Social Security Disability Insurance Return to Work Act*, introduced by Rep. French Hill (R-Ark.).

### **Update Eligibility Rules**

Congress must ensure that only the truly disabled are eligible to receive benefits. Unfortunately, the criteria to determine eligibility has not been amended to reflect advances in medicine, technology and the labor market, leading GAO to designate federal disability programs, including the DI program, as “high risk.”<sup>329</sup> Many of the medical criteria have not been updated since the 1980s, when the qualification standards were expanded. A large percentage of applicants suffer from mental or musculoskeletal problems, which can be difficult to diagnose. Meaning a diagnoses and ability-to-work determination can be subjective and can vary from one adjudicator to the next.

Many DI beneficiaries are now awarded benefits based on the “Medical-Vocational Grid” rather than meeting a specific condition on the “Listing of Impairments.”<sup>330</sup> The grid uses various factors (including age, education, skills levels and English language proficiency) to determine if a person is disabled instead of focusing on whether a person can perform work in the modern or local economy. This has led to egregious oversights, including an instance where the SSA awarded benefits to individuals in Puerto Rico because they only spoke Spanish, despite the fact that “Spanish is the predominant language spoken in the local economy.”<sup>331</sup>

This budget recommends eligibility standards be updated to reflect the advances in science and medicine and that those standards be updated and more uniformly applied.

<sup>326</sup> Kim Hildred, Pam Mazerski, Harold Krent, Jennifer Christian, “Transitional Benefits for a Subset of the Social Security Disability Insurance Population”, McCrery-Pomeroy SSDI Solutions Initiative. <http://www.crfb.org/sites/default/files/hildredmazerskikrentchristian.pdf>.

<sup>327</sup> Carolyn Colvin, Acting Commissioner of the Social Security Administration, “Letter to The Honorable Joseph R. Biden”, October 23, 2014. <https://www.ssa.gov/legislation/FY%202012%20CDR%20Report.pdf>.

<sup>328</sup> Alexandra Constantin, Julia Porcino, John Collins and Chunxiao Zhou, “Data-Driven Solutions for Improving the Continuing Disability Review Process”, McCrery-Pomeroy SSDI Solutions Initiative. <http://ssdisolutions.org/sites/default/files/constantinporcinocollinszhou.pdf>.

<sup>329</sup> U.S. Government Accountability Office, 2019 High Risk Report, “Improving and Modernizing Federal Disability Programs”. <https://www.gao.gov/products/GAO-19-157sp>.

<sup>330</sup> Mark J. Warshawsky and Ross Marchand, Mercatus Center, Modernizing the SSDI Eligibility Criteria: A Reform Proposal That Eliminates the Outdated Medical-Vocational Grid, April 28, 2015. <http://mercatus.org/publication/modernizing-ssdi-eligibility-criteria-eliminates-medical-vocational-grid>.

<sup>331</sup> Elizabeth Harrington, Washington Free Beacon, “Feds Consider Puerto Ricans Disabled Because They Speak Spanish,” April 6, 2015. <http://free-beacon.com/issues/feds-consider-puerto-ricans-disabled-because-they-speak-spanish/>.

## Fight Fraud

Fraud and abuse in the DI program have been widely reported. Much of the focus, however, has been on large-scale fraud found in DI, including the case of more than 100 retired New York police officers and firefighters who were accused of collecting \$21 million in fraudulent benefits.<sup>332</sup> Another scheme in Puerto Rico involved doctors providing fraudulent medical evidence, with more than 70 claimants submitting false claims aided by a non-attorney representative.<sup>333</sup> While these high profile cases grab the headlines, the more mundane instances that build up to billions of dollars over time are just as important. These can be as simple as a woman withholding work or marriage status, a man working under his child's identity or a son failing to report a father's death.<sup>334</sup>

Each instance of fraud that goes undetected can cost the taxpayers more than \$300,000, an amount equal to the average lifetime benefit for a DI recipient.<sup>335</sup> Between FY 2013 and FY 2017, the SSA estimates it paid out \$9 billion in overpayments.<sup>336</sup> This level of improper payments is an outrageous cost to the taxpayer. It is imperative the SSA do a better job of preventing fraud and abuse of DI, so this program can exist for those who truly need the benefits.

Current law prohibits the consideration of medical evidence from unlicensed individuals or doctors convicted of fraud when a determination about a disability claim is made. This policy should be updated to prohibit any individual who has been convicted of a felony from providing evidence for the determination of a disability claim.

## Conduct Anti-Fraud Reviews

The SSA's CDRs mentioned earlier determine whether beneficiaries continue to meet the definition of disability. To preserve the DI program for those who truly need it, only those who actually qualify should be allowed to draw benefits. The SSA should amend its award letter to clearly specify DI benefits are contingent upon continued medical impairment. This is a commonsense reform that has also been proposed by the Bipartisan Policy Center Disability Insurance Working Group.<sup>337</sup> The reform will provide clarity to beneficiaries that the award will be discontinued dependent upon a CDR indicating the individual is no longer disabled.

According to the SSA, these reviews are one of the most cost-effective tools for improving program integrity. Every dollar spent on reviews between 1996 and 2011 generated \$10 in future program savings.<sup>338</sup> The BCA provides an adjustment to the statutory discretionary spending caps, permitting funding increases for program integrity activities like CDRs. The Appropriations Committee should prioritize and fully fund CDRs within the spending caps.

Better use of technology should be implemented across the entire SSA. For instance, CDR mailers should be replaced with online questionnaires. SSA should also take advantage of advances in "big data" for data analytics and prioritizing backlogged CDR cases.<sup>339</sup> A recent GAO study found that, "SSA could increase savings by refining its selection of cases for disability review."<sup>340</sup>

332 William K. Rashbaum and James C. McKinley Jr., New York Times, "Charges for 106 in Huge Fraud Over Disability", January 6, 2014. <https://www.nytimes.com/2014/01/08/nyregion/retired-new-york-officers-and-firefighters-charged-in-social-security-scheme.html>.

333 Representative Sam Johnson "Johnson Opening Statement: Hearing on Preventing Disability Scams," Feb. 26, 2014. <http://waysandmeans.house.gov/johnson-opening-statement-hearing-on-preventing-disability-scams/>.

334 Social Security Administration, Office of the Inspector General, "Social Security Fraud: Concealing Facts from SSA," February 16, 2017. <https://oig.ssa.gov/newsroom/blog/feb16-concealing-facts>.

335 Brianna Ehley, The Fiscal Times, "Judges Who Rubber Stamp Disability Claims Are Bankrupting the System," June 10, 2014.

<http://www.thefiscaltimes.com/Articles/2014/06/10/Judges-Who-Rubber-Stamp-Disability-Claims-Are-Bankrupting-System>.

336 Social Security Administration, Reducing Improper Payments. [https://www.ssa.gov/improperpayments/RSDI\\_progInfo.html](https://www.ssa.gov/improperpayments/RSDI_progInfo.html).

337 Bipartisan Policy Center, "Improve the SSDI Program and Address the Impending Trust Fund Depletion", August 25, 2015. <http://bipartisanpolicy.org/library/ssdi-program/>.

338 William Morton, Congressional Research Service, "Social Security Disability Insurance (SSDI) Reform: An Overview of Proposals to Manage the Growth in the SSDI Rolls", January 9, 2015. <http://www.crs.gov/Reports/R43054>.

339 Alex Constantin, Julia Porcino, John Collins, and Chunxiao Zhou, "Data-Driven Solutions for Improving the Continuing Disability Review Process", McCreery-Pomeroy SSDI Solutions Initiative. <http://ssdisolutions.org/sites/default/files/constantinporcinocollinszhou.pdf>.

340 Government Accountability Office, "Social Security Disability SSA Could Increase Savings by Refining Its Selection of Cases for Disability Review", February 2016. <http://www.gao.gov/assets/680/675168.pdf>.

### **Prohibit Double Dipping**

In 2010, 117,000 individuals received more than \$850 million in payments from both the DI program and UI benefits.<sup>341</sup> According to CRS, the SSA estimated that for each month in 2015, an average of about 30,000 of disabled-worker beneficiaries will be in concurrent receipt of DI and UI benefits.

These two programs are meant to serve mutually exclusive populations: DI is for individuals who are unable to work and UI is for individuals temporarily unemployed. Individuals should not be allowed to draw benefits from both programs at the same time. GAO identified this issue as one where program improvements can be made, and former President Obama endorsed a similar approach in his budgets. This proposal is based upon the *Social Security Disability Insurance and Unemployment Benefits Double Dip Elimination Act*, another initiative put forward by Rep. Sam Johnson (R-Texas), and is included in the *Making DI Work for All Americans Act*.

### **Protect Beneficiaries from Unscrupulous Lawyers**

The vast majority of claimants who appeal their denied initial applications are represented throughout the process by an attorney. While representation may help some individuals navigate their way through what can be a complicated process, the way DI attorneys are paid creates perverse incentives to game the system at the expense of recipients. An audit from the SSA Office of the Inspector General on attorney representation at the initial application stage found that only 37 percent of representatives assisted the client throughout the claim process, 41 percent helped only with filing the claim and 22 percent appeared to provide no assistance at all.<sup>342</sup>

Unlike other legal cases, the clients in DI cases do not directly pay their attorneys. Instead, the SSA will withhold the attorney's fees from the successful claimant's award and transmit the fees to the lawyer. The SSA also provides reimbursement for attorney travel fees.<sup>343</sup> After a claimant wins an appeal, SSA awards the individual the benefits back-dated to when he/she originally would have been awarded them and pays out a lump sum. If the beneficiary had attorney representation, SSA deducts 25 percent of that amount (up to the maximum allowable fee of \$6,000) for the attorney's fee.<sup>344</sup>

This arrangement guarantees the attorneys easy access to the money they are owed, but sets a bad precedent by taking financial decisions out of the hands of disabled clients.

The longer an appeal takes, the larger the back-dated award will be for a successful claimant. Because the attorney gets paid as a percentage of the lump sum award up to a maximum dollar amount, he has a direct financial incentive to ensure the award is as close to the maximum fee as possible. This "pay-for-delay" scenario is in direct conflict with the interests of the claimant, who is disabled and has been unable to earn a living since before his original application for benefits. The claimant would presumably want to receive the benefits owed and begin receiving a regular benefit check.<sup>345</sup> If the power of the purse was left in the hands of the client, instead of the government, it would give them more authority over the services provided by the attorney.

Additionally, closing the case record to new evidence after a reasonable period of time would prevent attorneys with bad intentions from drawing out a pending disability claim.

<sup>341</sup> Government Accountability Office, "Income Security: Overlapping Disability and Unemployment Benefits Should be Evaluated for Potential Savings", Aug. 30 2012. <http://www.gao.gov/products/GAO-12-764>.

<sup>342</sup> Rachel Greszler, Heritage Foundation, "Time to Cut Out the SSA as Middleman in SSDI Representation", November 24, 2015. <http://www.heritage.org/research/reports/2015/11/time-to-cut-out-the-ssa-as-middleman-in-ssdi-representation>.

<sup>343</sup> Jeffrey S. Wolfe and David W. Engel, Regulation, "Restoring Social Security Disability's Purpose", Spring 2013. <http://object.cato.org/sites/cato.org/files/serials/files/regulation/2013/3/v36n1-11.pdf>.

<sup>344</sup> See, 42 U.S.C. 406(b) & 1383(d)(2).

<sup>345</sup> David Engel, Dale Glendenning, and Jeffrey Wolfe, "Restructuring Disability Adjudication", McCrery-Pomeroy SSDI Solutions Initiative. [http://ssdisolutions.org/sites/default/files/engelglendenningwolfe\\_0.pdf](http://ssdisolutions.org/sites/default/files/engelglendenningwolfe_0.pdf).



## Appeals Process Reforms

ALJs hear appeals from DI applicants who have their initial application and reconsideration for benefits denied. ALJs face a huge task: as of FY 2018, the SSA faced a backlog of over half a million claims awaiting a decision, according to the SSA Office of Inspector General.<sup>346</sup>

While it is important to quickly resolve the pending cases, it is equally important to decide them correctly and fairly. However, it appears once an appeal reaches an ALJ, a claim is far more likely to be awarded than the facts of the case would justify. According to research from the Mercatus Center, “ALJs have a greater incentive to award benefits than to deny them because denials are subject to judicial appeal, and because denials must be fully documented, which takes longer, whereas decisions and drafting of approvals are typically quick.”<sup>347</sup> There have even been reports of an ALJ that awarded nearly every appeal under consideration.<sup>348</sup>

As provided by the *Making DI Work for Americans Act* provides, the SSA should be required to conduct periodic reviews of ALJ decisions to ensure the integrity of the process. Other changes Congress should consider include cutting the deadline to file an appeal to one month instead of two, instituting a cooling off period that would prohibit people from reapplying within 12 months of a denial and the adopting formal rules for hearing procedure, as exist in other court settings.<sup>349</sup>

## Medicare and Retirement Eligibility

Under current law, DI beneficiaries under age 65 are automatically enrolled in Medicare after 24 months of receiving benefits. This budget proposes to increase the waiting period for Medicare eligibility to 60 months after receipt of DI benefits for those under age 65.

This proposal is based on Representative David Schweikert’s (R-Ariz.) *Preserving and Reforming SSDI (PAR-SSDI) Act*. This legislation also includes a number of other commonsense reforms to preserve DI that are described throughout this budget, including:

- removing the lack of English proficiency as a disability
- requiring the submission of all medical evidence related to a DI claim
- requiring medical evidence to be submitted by a licensed health care provider
- prohibiting double dipping in the DI and UI programs
- using the more accurate Chained-CPI in calculating COLA increases

This budget also proposes separating retirement and disability benefit eligibility. Though Social Security disability benefits were intended to help only non-retirees that can’t work because of a disability, a loophole currently exists where seniors can receive both disability and early retirement benefits, starting at age 62. The RSC budget eliminates this loophole by barring DI eligibility for those that have reached 62 years of age and therefore eliminate the incentive that currently exists for individuals to game the application process by applying

<sup>346</sup> Social Security Administration Office of the Inspector General, “

Fiscal Year 2018 Inspector General’s Statement on the Social Security Administration’s Major Management and Performance Challenges”, November 2018. <https://oig.ssa.gov/sites/default/files/audit/full/pdf/A-02-18-50307.pdf>.

<sup>347</sup> Mark J. Warshawsky and Ross A. Marchand, Mercatus Center, “Reforming the System of

Review by Administrative Law Judges in Disability Insurance”, September 2015. <http://mercatus.org/sites/default/files/Warshawsky-Reforming-DI-Review.pdf>.

<sup>348</sup> Damian Paletta, Wall Street Journal, “Disability-Claim Judge Has Trouble Saying ‘No’”, May 19, 2011. <http://www.wsj.com/articles/SB10001424052748704681904576319163605918524>.

<sup>349</sup> David Engel, Dale Glendenning, and Jeffrey Wolfe, “Restructuring Disability Adjudication”, McCrery-Pomeroy SSDI Solutions Initiative. [http://ssdisolutions.org/sites/default/files/engelglendenningwolfe\\_0.pdf](http://ssdisolutions.org/sites/default/files/engelglendenningwolfe_0.pdf).

for DI at the same time they apply for retirement benefits.

### **Utilize Private Disability Insurance**

Private disability insurance offers better benefits and better return to work results for beneficiaries at a cheaper cost than DI.<sup>350</sup> Employers that offer long-term disability insurance often work with the employee and the insurance company to provide workplace accommodations in the event a covered employee becomes disabled. These plans also have comprehensive disability management programs that can help rehabilitate individuals and prepare them to reenter the labor force when possible. About 40 million private sector workers are covered by these types of plans.<sup>351</sup>

Steps should be taken to allow more workers to adopt private disability coverage, as well as promote better integration of private insurance with the government-run DI system.<sup>352</sup> Employers and employees could be allowed to forgo paying a portion of payroll taxes into the DI Trust Fund and instead use those funds to pay for private disability insurance. Another option could be to allow states to opt-out of federal DI and for them to produce state run programs, or even fully private systems that could reduce tax burdens, cut costs and find innovative ways to fulfill the role of the DI Trust Fund.

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350 David F. Babbel and Mark F. Meyer, "Expanding Private Disability Insurance Coverage to Help the SSDI Program", McCrery-Pomeroy SSDI Solutions Initiative. <http://ssdisolutions.org/sites/default/files/babbelmeyer.pdf>.

351 Rachel Greszler, Heritage Foundation, "Private Disability Insurance Option Could Help Save SSDI and Improve Individual Well-being", July 20, 2015. <http://www.heritage.org/research/reports/2015/07/private-disability-insurance-option-could-help-save-ssdi-and-improve-individual-well-being>.

352 Rachel Greszler, Heritage Foundation, "Private Disability Insurance Option Could Help Save SSDI and Improve Individual Well-being", July 20, 2015. <http://www.heritage.org/research/reports/2015/07/private-disability-insurance-option-could-help-save-ssdi-and-improve-individual-well-being>.



***FIXING THE  
BROKEN BUDGET  
PROCESS***



## FIXING THE BROKEN BUDGET PROCESS

The federal debt has crossed \$22 trillion, now exceeds the entire annual production of the U.S. and equates to well more than \$67,000 per American. Over the next 10 years, interest on the debt will cost the American people \$7 trillion and become the third largest federal expenditure. It is clear federal budgeting restraints under current law are ineffective, and Congress is to blame. For example, it is common practice to waive long standing procedural rules designed to ensure fiscal responsibility. Gone, also, is the long standing tradition of allowing members of Congress to offer amendments to spending bills for a vote on the House floor. Virtually all federal spending is done either through mandatory programs on spending auto-pilot or by way of trillion-dollar omnibus appropriations bills written behind closed doors and published mere hours before the vote is scheduled. This process robs the American people and their representatives in Congress of their voice in our democratic processes.

The budget process has become a farce, and, if left as-is, could be disastrous for the greatest nation in human history. To avoid this fate, effective restraints and a workable process will be required, but perhaps the most important change that must occur will be a renewed political will of our elected officials. It is too easy for elected officials to succumb to the immediate political pressures of spending at the cost of borrowing, or printing money, against our future. We must demand not only that our federal spending process better resist irresponsible, short-sighted fiscal decision making but also that our elected officials dutifully respect those restraints for the sake of generations to come. Accordingly, this budget identifies reforms targeted to where members of Congress and the budgeting process have failed the American people.

### *Undo the Democratic Majority's Rules Changes for the 116<sup>th</sup> Congress*

In a brazen rejection of our nation's dire fiscal reality, the first act of the Democratic House majority was to amend the Rules of the House to make it easier to increase federal spending and increase the federal debt. They did so in the following manner:

**Automatic suspension of the debt limit when a budget resolution is passed**<sup>353</sup> – This provision means that whenever the House and Senate pass a budget, the debt limit will be suspended through the rest of the fiscal year and then reinstated to incorporate all of the debt increases for the fiscal year. This turns the vote for a budget resolution into a blank check to the Congress to add to the federal debt for the remainder of the fiscal year.

**Replacing CUTGO rule with PAYGO rule**<sup>354</sup> – This provision reinstates Democrats' PAYGO rule from the 111<sup>th</sup> Congress. Generally, under CUTGO, mandatory spending increases would have to be offset with cuts to mandatory spending elsewhere. Under PAYGO, mandatory spending increases could be offset by increasing taxes. This change makes it easier for Democrats to pass legislation in the House that would increase the size of federal government and further burden taxpayers.

**Eliminate requirement that the CBO use dynamic scoring for major legislation**<sup>355</sup> – In the 114<sup>th</sup> Congress, the House adopted a rule requiring CBO and Joint Committee on Taxation (JCT) to incorporate the macroeconomic effects of major legislation into official cost estimates used for purposes of budget enforcement and other House rules. As the CBO explains, dynamic scoring “seeks to estimate the effects of proposed policy changes on macroeconomic variables such as gross domestic product (GDP), inflation, interest rates and employment, and then to estimate how such effects would change federal revenues and spending levels.”<sup>356</sup> Democrats

353 Karen L. Haas, Clerk of the House, “Rules of the House of Representatives, One Hundred Sixteenth Congress: Rule XXVIII”, January 11, 2019. <https://rules.house.gov/sites/democrats.rules.house.gov/files/116-1/116-House-Rules-Clerk.pdf>.

354 Ibid. Rule XXI, clause 10.

355 Ibid. Rule XIII; James V. Saturno and Megan S. Lynch, “Changes to House Rules Affecting the Congressional Budget Process Included in H.Res. 6 (116<sup>th</sup> Congress)”, Congressional Research Service, March 4, 2019. <https://fas.org/sqp/crs/misc/R45552.pdf>.

356 The Committee for a Responsible Federal Budget, “Understanding Dynamic Scoring”, May 31, 2012. [http://www.crfb.org/sites/default/files/documents/Understanding\\_Dynamic\\_Scoring.pdf](http://www.crfb.org/sites/default/files/documents/Understanding_Dynamic_Scoring.pdf).

irresponsibly eliminated this requirement. By not looking at this aspect of economics, CBO scores ignore the harm caused by tax increases and by increased government borrowing crowding out private lending and investments.

Moreover, dynamic scoring requirements should be enshrined into law. That way, before voting, lawmakers can be sure they have the most accurate information regarding the fiscal impact of major legislation.

**Remove the supermajority requirement for increasing income taxes** – Out of respect for taxpayers, the Republican House required support of at least three-fifths of the chamber in order to support increasing income taxes for passage. The Democratic House only requires a simple majority to take more money from the hardworking families that earned it.

**Removed points of order against un-offset appropriations amendments** – Under the previous Republican House rules, members were prohibited from offering amendments to spending bills that increased spending without equally reducing spending elsewhere in the bill. Democrats eliminated this commonsense requirement.

The RSC budget fully rejects these irresponsible and fiscally reckless changes to the House rules.

## ***Cut Spending***

### **Make the Earmark Ban Permanent**

Until House Republicans adopted an earmark moratorium in the 112<sup>th</sup> Congress in an effort led by the RSC, the number of earmarks included in appropriations and authorization bills was skyrocketing. These requests often diverted taxpayer resources to special interests, greased the wheels of Washington's spending machine and set a poor example of fiscal responsibility.

Unfortunately, the last two years have brought increased calls to bring back earmarks, despite the fact that this will mean returning to the culture of corruption that was the hallmark of the pre-moratorium era. In January 2018, the House Rules Committee even held two hearings on restoring earmarks, the first with the testimonies of experts from outside groups and the second with testimonies from members of the House. In February 2019, Representative Peter DeFazio (R-Ore.), chairman of the House Transportation and Infrastructure Committee, stated that he intended to use earmarks in an effort to enact a surface transportation bill. Luckily, Representative Nita Lowey (D-N.Y.), chairwoman of the House Appropriations Committee, released a letter in which she stated she does "not expect fiscal year 2020 House spending bills to include congressionally-directed spending" because of a lack of bicameral, bipartisan agreement, despite her own desire to see earmarks restored.<sup>357</sup>

While some may argue members of Congress understand the needs of local communities and they should be able to allocate federal funds, that line of reasoning makes little sense if you believe in the Constitution and the concept of federalism of which our form of government is based upon. If a proposed funding project is local in nature, it should be paid for by those who it is benefiting, not the federal taxpayer. The issues Congress is supposed to address are those that are purely national in nature - those that "promote the general Welfare," while remembering that "the powers not delegated to the United States by the Constitution... are reserved to the States respectively, or to the people."<sup>358</sup>

Earmarks also perpetuate a congressional hierarchy that disadvantages rank-and-file members. According to Tom Schatz, president of Citizens of Government Waste:

**"In the 111<sup>th</sup> Congress, when the names of members who requested earmarks were included in the appropriations bills, 61 percent of the earmarks and 51 percent of the money went to members of the House**

<sup>357</sup> Roll Call "Earmarks won't be back this year, at least in the House" Jennifer Shutt March 1, 2019 <https://www.rollcall.com/news/congress/earmarks-no-revival-house>

<sup>358</sup> U.S. Constitution, Preamble and Amendment X.



**and Senate Appropriations Committees. In other words, 81 appropriators (50 in the House and 31 in the Senate), who constituted 15 percent of the entire Congress, purloined more than half of the earmarks. As Sen. John McCain (R-Ariz.) said about members of Congress who wanted to bring back earmarks in 2014, ‘The problem with all their arguments is the more powerful you are, the more likely you get the earmark in. Therefore, it is a corrupt system.’...Since 1991, according to Citizens Against Government Waste’s Congressional Pig Book, there have been 110,605 earmarks costing taxpayers \$329.8 billion.”<sup>359</sup>**

The Rules of the House speak at length about earmark disclosure, but they do not actually ban them. This budget would amend the House rules to make it out of order in the House to consider any legislation that includes an earmark. This budget would also prevent the Rules Committee from reporting a rule or order that would waive a ban on earmarks.

### **Constitutional Requirement for a Balanced Budget**

At the state level, the lack of a requirement to have a balanced budget is the exception, not the norm. Since the founding of our nation, states have been the incubators of policy, sorting through the approaches that don’t work and expanding upon the ones that do. The widespread adherence to balanced budget requirements among the states demonstrates this notion. This budget advocates for the institution of fiscal controls and supports implementation of a workable constitutional amendment that ensures long-term equilibrium between federal revenues and spending.

While there have been many variations of balanced budget amendments proposed in Congress through the years, they all have one thing in common: at some point spending will not exceed receipts. While this commonality is vital, the way you reach this balance is perhaps equally as important.

H.J.Res. 1, a balanced budget amendment introduced in the 115<sup>th</sup> Congress by former House Judiciary Committee Chairman Bob Goodlatte, contains a number of elements key to ensuring a balanced budget is achieved in a way that does not jeopardize economic growth. It does this by limiting federal expenditures rather than relying on the American people to pay for an over-bloated government through increased taxes. Specifically, Chairman Goodlatte’s proposal would bar annual spending in excess of 20 percent of GDP. This limitation is important in making sure federal spending does not rise to a level unhealthy for the economy. Moreover, the proposal prevents Congress from relying on tax increases to balance the budget, a key provision to protecting against economic downturns. As Veronique De Rugy of the Mercatus Center explains, “tax increases [are] unsuccessful at reducing the debt and associated with large recessions.”<sup>360</sup> While each of these prohibitions can be waived by Congress if needed, Chairman Goodlatte’s proposal would require a supermajority vote to waive them. The resolution would provide for at least a five-year implementation period before its balance requirements would become effective.

The RSC budget is also supportive of workable variations on the balanced budget amendment theme, particularly those that take a more nuanced approach to integrating broader economic fluctuations into its spending limitations. The Swiss Debt Brake is one such proposal. As the Cato Institute explains:

<sup>359</sup> Tom Schatz, The Hill, “Republicans should know reviving earmarks is a political nightmare,” December 8, 2017. <http://thehill.com/opinion/finance/363838-republicans-should-know-reviving-earmarks-is-a-political-nightmare>.

<sup>360</sup> Veronique De Rugy, George Mason University Mercatus Center, “Testimony before Senate Budget Committee: The Effect of Tax Increases and Spending Cuts on Economic Growth,” May 22, 2013. [https://www.mercatus.org/system/files/deRugy\\_FiscalAdjustmentTestimony\\_v1%5B1%5D.pdf](https://www.mercatus.org/system/files/deRugy_FiscalAdjustmentTestimony_v1%5B1%5D.pdf).

**“The law requires a balanced structural budget. This is achieved by capping annual federal spending to estimated tax revenues multiplied by a business cycle adjustment factor (trend real GDP growth divided by expected GDP growth for the year). In theory, the consequence is that spending levels stay relatively independent of the near-term state of the economy and are instead stabilized around a smoothed revenue trend. The rule is countercyclical by construction. When real GDP is expected to be below trend, spending can exceed expected revenues, and when real GDP is expected to be above trend, the public finances are planned to be in surplus.”<sup>361</sup>**

According to data from the International Monetary Fund (IMF):

**“Even a modest recession in 2009, when the economy shrank by 2.2 per cent of GDP, did not result in net debt rising. Swiss fiscal policy has been moderately countercyclical during this period.... Switzerland has averaged a budget surplus of 0.5 percent over the 10 years between 2007 and 2017. Switzerland has averaged a budget surplus of 0.5 percent over the 10 years between 2007 and 2017.”<sup>362</sup>**

### **Strengthen Spending Reduction Accounts**

The standing orders of the Republican-controlled House of the 115<sup>th</sup> Congress required appropriations bills to include spending reduction accounts. These accounts allowed members to offer amendments to reduce spending elsewhere in the bill and allocate those amounts to deficit reduction.

In practice, spending reduction accounts were not effective in actually reducing overall discretionary spending. This is because spending cuts protected in spending reduction accounts were not applied against the House Appropriations Committee’s overall 302(a) allocation, and this allows those savings to be redirected by the committee to fund subsequent appropriations bills and conference reports.

In the 116<sup>th</sup> Congress, Democrats not only failed to improve the effectiveness of spending reductions accounts but also refused to carry over the standing order mandating their use entirely.

This budget would require spending reduction accounts under the standing Rules of the House. This proposal would further strengthen the spending reduction accounts by requiring any funds allocated to a spending reduction account also be cut from the House Appropriations Committee’s 302(a) allocation, protecting the cuts from being spent later in the appropriations process.

### **Fund for America’s Kids and Grandkids**

The “Fund for America’s Kids and Grandkids” created in the FY 2019 Financial Services and General Government appropriations bill by Representative Tom Graves (R-Ga.) required 2.5 percent of funds in that bill to be set aside, only to be spent if the federal government isn’t running a deficit for the fiscal year. This policy should be expanded and incorporated into every appropriations bill. Appropriators should identify excessive

<sup>361</sup> Ryan Bourne, Cato Institute, “Budget Restraints That Work: Lessons from Chile, Switzerland, the United Kingdom, and the United States”, February 21, 2018. <https://www.cato.org/publications/tax-budget-bulletin/budget-restraints-work-lessons-chile-switzerland-united-kingdom>.

<sup>362</sup> Ibid.

spending within the jurisdiction of their dozen subcommittees and wall it off from use just as Rep. Graves did.

### **Reversing the Baseline Bias**

Under current law, CBO's baseline spending projections automatically assume higher spending each year. This budget recommends the inflation-adjusted, pro-spending bias for discretionary spending be removed from the baseline by adopting zero-baseline budgeting.

Despite producing what it calls a "current law" baseline, the rules governing the CBO require it to assume programs set to expire continue on in the baseline. Similarly, CBO is required to assume entitlement programs continue to provide benefit payments at current levels even if the trust fund is depleted. These assumptions should be removed under a reformed budget process. It is vital we make these reforms so the "current law" baseline truly shows the baseline under the trajectory set forth in current law.

### **Continuing Resolutions (CR)**

Continuing resolutions simply extend, for a period of time, the discretionary funding levels and accompanying priorities of the previous fiscal year. This represents the height of Congress abandoning its responsibilities by not tackling the mounting debt crisis or taking into consideration the views of its constituents to reformulate the federal discretionary budget in a way that makes sense for the coming fiscal year.

Accordingly, the RSC budget proposes statutorily requiring a supermajority vote to fund the government through a continuing resolution. While some may believe this strategy will increase the chances of a government shutdown, others rightly observe that shutdowns are more the result of political posturing than procedural obstacles. Take for instance the hypocrisy demonstrated by Democratic leadership during the end of the 115<sup>th</sup> Congress and beginning of the 116<sup>th</sup> Congress when they refused to negotiate for border barrier funding until the parts of the government that were shut down received funding, despite having voted in favor of border barriers numerous times in the past.<sup>363</sup>

### **Treatment of Trust Funds**

In addition to the Treasury's General Fund, the federal budget is also comprised of a number of trust funds to which specific receipts are credited and from which appropriations are authorized for a specific purpose.

To recognize the special status of these trust funds, this budget recommends establishing a rule to prohibit a reduction in trust fund spending, or an increase in revenues or fees, from being used to offset unrelated, non-trust fund programs. Additionally, transfers to trust funds from the General Fund should be counted as new spending.

### **Extend and Expand Mandatory Sequestration**

The BCA called for \$1.2 trillion in budgetary savings over FY 2013 to FY 2021 in addition to the savings produced by the bill's discretionary spending limits.<sup>364</sup> These savings were to come from the enactment of legislation produced by the Joint Committee on Deficit Reduction. However, such a bill was not enacted, and as a result, the BCA required those savings be achieved through automatic annual spending reductions split evenly between non-exempt defense and non-defense spending (\$54.7 billion to each category) with cuts applied

<sup>363</sup> Marc A. Thiessen, The Washington Post, "Democrats Were for a Wall Before They Were Against It", January 10, 2019. [https://www.washingtonpost.com/opinions/democrats-were-for-a-wall-before-they-were-against-it/2019/01/10/9d114048-14f1-11e9-90a8-136fa44b80ba\\_story.html?utm\\_term=.e701014fefdb](https://www.washingtonpost.com/opinions/democrats-were-for-a-wall-before-they-were-against-it/2019/01/10/9d114048-14f1-11e9-90a8-136fa44b80ba_story.html?utm_term=.e701014fefdb).

<sup>364</sup> 2 U.S.C. 901a

proportionally to discretionary and mandatory programs within each category. On the discretionary side, these cuts were achieved by lowering the existing discretionary limits even further.

On four occasions, Congress has adjusted the discretionary spending caps to increase spending without full offsets, essentially undoing the portion of savings that were supposed to be achieved through discretionary cuts. The most recent increase authorized in the *Bipartisan Budget Act of 2018* increased the caps by \$296 billion. The bill contained about \$100 billion in offsets, but many of these were gimmicks that produced savings only on paper or were revenue-raisers.<sup>365</sup> The three prior adjustments, while smaller - \$179 billion combined - were also largely offset with budget gimmicks.<sup>366</sup> Given the current discretionary spending limits face a cliff in FY 2020 when the BCA caps are set to decrease from a combined \$1.244 trillion to \$1.118 trillion, it is imperative that Congress not enact another cap adjustment and hold firm to the goal of fiscal responsibility.

One non-gimmick used to offset some of the spending increases in prior cap adjustment bills was the extension of the BCA's mandatory sequestration cuts. Initially those cuts were meant to run through FY 2021, but they have since been extended several times and now are in place through FY 2027. Under current law, the mandatory sequester requires about \$19 billion in mandatory spending reductions a year.<sup>367</sup> About a quarter of these are applied to non-Medicare spending and the rest to Medicare. This imbalance results from the fact that the BCA excludes many major mandatory spending programs from the mandatory sequester, including welfare programs like SNAP, TANF and SSI.

As a way to fully realize the savings originally required under the BCA, starting in FY 2022 (after expiration of the BCA's discretionary spending caps), this budget would extend the non-defense mandatory sequester spending reductions through the end of the budget window, requiring it to save the entire \$57.9 billion a year in non-defense spending cuts currently prescribed by the BCA and expand the sequesterable base to include means-tested benefit programs like SNAP, TANF and SSI.

### **Make CURES Spending Subject to CBO Scoring**

The *21<sup>st</sup> Century CURES Act* enacted in December 2016 established three new accounts within the Treasury – the NIH Innovation Account, the FDA Innovation Account and the Account for the State Response to the Opioid Abuse Crisis.

The bill provided a total of \$6.296 billion in funding for these new accounts and authorized appropriations each fiscal year over the 2017 – 2026 period. The bill restricted the funds in the accounts from being used unless appropriated by Congress and prohibited the funds from being appropriated for any other purpose.

More troubling is the fact that the *CURES Act* directs that the discretionary spending from these accounts are not to be scored by the CBO at the time of the appropriation. This means that the \$6.296 billion in discretionary spending is exempt from all budgetary enforcement, including the BCA caps and statutory pay-as-you-go limitations. Making CURES spending subject to the regular discretionary spending caps would save a total of more than \$3 billion through FY 2026 and much more if Congress reauthorizes the account with the same budgetary treatment.

### **Reauthorization Vote Triggered When CBO Estimate is Inaccurate**

The RSC budget proposes to statutorily require a vote to reauthorize new mandatory spending when actual spending exceeds expectations by a certain percentage. Spending projections from CBO serve as a key factor

<sup>365</sup> Committee for a Responsible Federal Budget, "Bipartisan Budget Act Means the Return of Trillion-Dollar Deficits," February 9, 2018. <http://www.crfb.org/blogs/bipartisan-budget-act-means-return-trillion-dollar-deficits>.

<sup>366</sup> Committee for a Responsible Federal Budget "Budget Deal Truly Offsets Only Half its Costs," October 27, 2015. <http://www.crfb.org/blogs/budget-deal-truly-offsets-only-half-its-costs>.

<sup>367</sup> Office of Management & Budget, "OMB Report to the Congress on the Joint Committee Reductions for Fiscal Year 2019," February 12, 2018. [https://www.whitehouse.gov/wp-content/uploads/2018/02/Sequestration\\_Report\\_February\\_2018.pdf](https://www.whitehouse.gov/wp-content/uploads/2018/02/Sequestration_Report_February_2018.pdf).

in deciding whether mandatory spending should be created or continued. Accordingly, when a program costs more to implement than CBO modeling suggested, the authorization of such a program should be reconsidered with the new information. This rule would exclude entitlements, such as Social Security and Medicare, because those are programs paid into by Americans for specific services.

## ***Reclaim Article I***

Article I, Section 9 of the Constitution entrusts the power of the federal purse with Congress alone. As Madison makes clear in Federalist 58, “the House of Representatives cannot only refuse, but they alone can propose, the supplies requisite for the support of government.”<sup>368</sup> However, the use of the power of the purse is only effective when members of Congress are informed and involved in the spending process. Under current practice, the legislative branch often abdicates its responsibility to be a good steward of taxpayer dollars. Other times, the decisions about spending billions or even trillions of dollars are made only by a select few, without opportunity for input from the duly elected members of Congress. This budget includes a number of reforms to correct this problem and restore this quintessential congressional power.

Importantly, in creating a more open and transparent process, these reforms will not only allow the elected representatives of the people to better discharge their duties but will also foster accountability for those representatives. More discrete funding bills for smaller portions of government considered in a timely, but not rushed, manner will be easier for voters to consider and review themselves. Better informed constituents will then be able to better communicate with their representatives and to cast informed ballots in each election.

## **Limit the Executive Branch from Making Spending Decisions**

Too often, Congress has allowed the executive branch to spend fees and other revenue streams virtually unchecked and with disastrous results. Former President Obama violated the separation of powers through his use of executive actions, including by spending funds for purposes not authorized by Congress. Under his administration, the U.S. Customs and Immigration Services (USCIS) diverted user fees to implement President Obama’s executive amnesty actions without congressional authorization until an injunction from a federal court stopped the process from moving forward.

In FY 2019, the OMB estimates the executive branch will collect \$552 billion in fines, fees, penalties and other offsetting collections and receipts.<sup>369</sup> Large amounts of these funds are available for agencies to spend on their own, without direction or meaningful oversight from Congress. Worse, in some cases, these collections are derived from fines that agencies themselves impose and adjudicate, effectively concentrating the legislative, executive and judicial powers in a single entity, a situation Madison described in Federalist 47 as the definition of tyranny.

This budget calls for implementing Representative Gary Palmer’s (R-Ala.) *Agency Accountability Act*, which would require fees, fines, penalties and proceeds from settlements to be deposited in the Treasury’s General Fund and explicit congressional authority to spend these funds.

Furthermore, it is common practice for Congress to pass appropriations measures that grant the executive branch broad, unilateral authority to transfer appropriated funds between accounts and reprogram funding within accounts originally intended for a different purpose. Often, these actions are authorized in appropriations bills to occur without prior Congressional approval and are not subject to a framework for Congressional disapproval. This budget calls on Congress to reform this practice so all reprogramming and transfer actions are reported to Congress and made available publicly in advance, and non-de minimis actions are subject to a

<sup>368</sup> James Madison, Federalist #58, “Objection That The Number of Members Will Not Be Augmented as the Progress of Population Demands Considered”. [http://avalon.law.yale.edu/18th\\_century/fed58.asp](http://avalon.law.yale.edu/18th_century/fed58.asp).

<sup>369</sup> Office of Management and Budget, Analytical Perspectives, Budget of the United States Government, FY 2020. [https://www.whitehouse.gov/wp-content/uploads/2019/03/ap\\_15\\_offsetting-FY 2020.pdf#page=2](https://www.whitehouse.gov/wp-content/uploads/2019/03/ap_15_offsetting-FY%2020.pdf#page=2).



congressional disapproval framework that empowers rank-and-file members.

### **Unauthorized Spending**

Since 1835, the Rules of the House (clause 2(a)(1) of rule XXI) have required appropriations only be for purposes authorized by law. This rule is rarely enforced because appropriations bills are routinely considered under legislative procedures that waive existing budget rules. As a result, much of the discretionary budget is spent without oversight or accountability. The CBO estimates \$341 billion was appropriated to programs not authorized by law, constituting almost one-third of the entire discretionary budget.<sup>370</sup>

The House Appropriations Committee should disclose the current funding levels for unauthorized programs in the committee reports accompanying the appropriations bill's legislative text, as is required by the Rules of the House. The CBO should also make every effort to report the unauthorized appropriations included in legislation not reported by a committee, such as omnibus appropriations acts and continuing resolutions.

Representative Tom McClintock (R-Calif.) put forward a modest proposal to prohibit consideration of appropriations bills that increase funding above their most recently appropriated amount for unauthorized programs.

Representative Cathy McMorris Rodgers (R-Wash.) previously introduced the *Unauthorized Spending Accountability Act* which would address these “zombie appropriations” by sunseting unauthorized appropriations over a three-year period, withholding full appropriations for unauthorized programs and establishing a commission to review all discretionary spending programs.

### **Expanded Reconciliation Process**

Reconciliation is an expedited legislative process that can be used to pass legislation that would bring spending and revenues in line with the budget. Importantly, reconciliation bills are subject to only limited debate in the Senate, avoiding a filibuster. The reconciliation process can only be triggered when the House and Senate agree on a budget resolution that includes reconciliation instructions.

Under current law, reconciliation can only affect non-Social Security related direct (mandatory) spending, revenues or the debt ceiling. Reconciliation may not be used to affect discretionary appropriations in any way, including statutory discretionary spending limits. The real limits on reconciliation are enforced in the Senate, where the Byrd Rule prohibits the inclusion of “extraneous” provisions in a reconciliation bill.

Reconciliation is a powerful tool that has been used to enact high-profile legislation, such as parts of Obamacare, the 2001 and 2003 tax relief, the *Balanced Budget Act of 1997*, the 1996 welfare reforms and most recently the 2017 *Tax Cuts and Jobs Act*.

The reconciliation process should be expanded to make it easier for Congress to follow through on its budget resolution, including by allowing multiple reconciliation bills each fiscal year. Reconciliation should also be able to make changes in law that will affect discretionary outlays, including by modifying discretionary spending limits. The Byrd Rule should also be expanded to include germane, non-budgetary items. For example, the Byrd Rule would allow for changing the Obamacare penalty for those not having insurance to \$0 but would not allow for repealing the penalty altogether. It is the position of RSC that legislation, such as this, that has a budgetary effect but is not a purely budgetary item should be included in the reconciliation process.

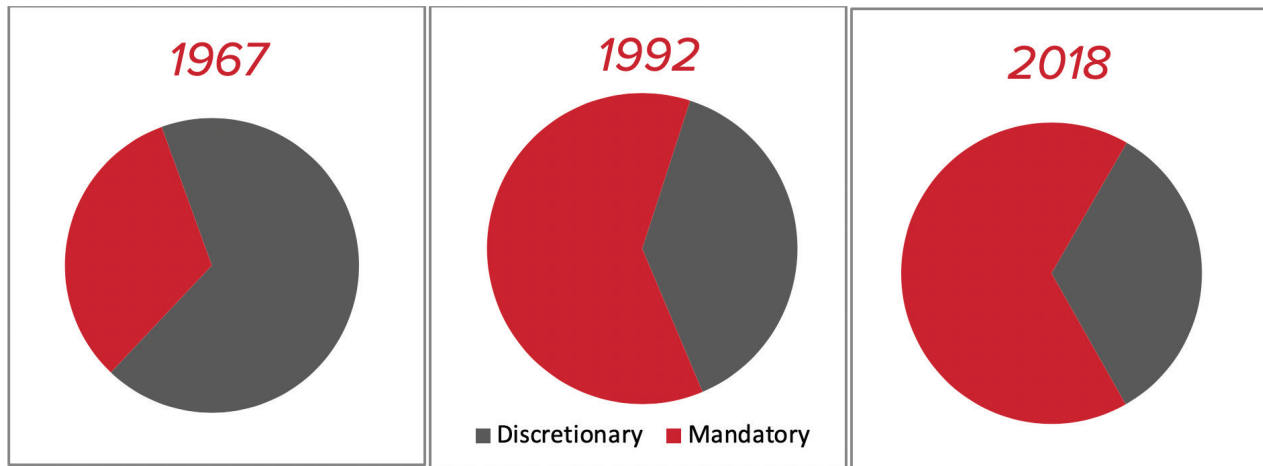
The RSC budget also supports statutorily amending the *Congressional Budget Act* to provide an automatic process for congressional consideration of a reconciliation package that would carry out a budget resolution's spending cuts. All of the mandatory spending reductions assumed in RSC budgets are carried over to

370 Congressional Budget Office, *Unauthorized Appropriations and Expiring Authorizations*, July, 2018. [https://www.cbo.gov/system/files?file=2019-04/54126-eeaa-approps\\_3.pdf#page=6](https://www.cbo.gov/system/files?file=2019-04/54126-eeaa-approps_3.pdf#page=6)

reconciliation instructions contained in the budget's corresponding resolution text.

### **Transition Mandatory Spending Programs to Discretionary Appropriations**

Mandatory spending programs operate on budgetary autopilot and do not allow Congress to deliberate and decide if the funds should actually be spent each year. However, the share of the budget that is mandatory has expanded significantly, from only about one-third in 1967 to two-thirds today.



Proportion of the Federal Budget that is Mandatory and Discretionary

The authorizing committees of the House should be charged with reviewing the direct spending programs within their jurisdictions and with producing legislation that transitions programs to be subject to annual discretionary appropriations.

For those programs that are not transitioned to discretionary programs, Congress should work to ensure they are considered for reauthorization on a more frequent basis, in some cases, by inserting sunset provisions into mandatory spending authorizations that are currently open-ended.

### **Move to a Calendar-Year Budget Cycle**

Under current law, the federal government's fiscal year runs from October 1 to September 30. The October 1 date was established by the *Congressional Budget Act of 1974* which moved the beginning of the fiscal year back from July 1 in order to give Congress more time to complete its budget process. According to the Department of the Treasury, "the first fiscal year for the U.S. Government started Jan. 1, 1789. Congress changed the beginning of the fiscal year from January 1 to July 1 in 1842."<sup>371</sup>

Even with the later beginning to the fiscal year, Congress rarely completes its work on time. In recent years, the budget process has most often tracked the calendar year. The fiscal year should be re-aligned with the calendar year and the timetable for completion of each step of the budget process should be modified accordingly.

### **Enhance Agency Auditing**

The agencies of the federal government must, at all times, operate in the best interests of the American people. A key aspect of this principle is a dedication to the prudent use of taxpayer funds and the ability to catalogue how these funds are spent.

<sup>371</sup> Department of the Treasury, Treasury Direct, Historical Debt Outstanding - Annual 2000 – 2015. [https://www.treasurydirect.gov/govt/reports/pd/histdebt/histdebt\\_histo5.htm](https://www.treasurydirect.gov/govt/reports/pd/histdebt/histdebt_histo5.htm).



The Government Accountability Office (GAO) is an independent legislative branch agency that audits federal agency operations, performs investigations and provides recommendations for improving agency performance. According to the GAO, in FY 2017, the agency made 1,280 improvements in federal government operations and provided \$73.9 billion in measurable financial benefits.<sup>372</sup> Offices of Inspector Generals (OIGs) are independent offices within more than 70 different agencies meant to “combat waste, fraud and abuse” by conducting audits and investigations of their respective agencies.<sup>373</sup> Congress should support the work of the GAO and the OIGs, along with conducting its own vital oversight work.

### **End the Political Threat of Default**

To prevent the possibility of the United States defaulting on its debt, this budget recommends implementing Rep. Tom McClintock’s (R-Calif.) *Default Prevention Act*. This bill would require the Treasury to make timely payments of principal and interest, including on interest owed to the Social Security Trust Fund, in the event the statutory debt limit is reached. To accomplish this, the Treasury is permitted to issue debt not subject to the statutory limit for these purposes.

The *Default Prevention Act* is a commonsense measure to protect the full faith and credit of the United States. Those who oppose it risk jeopardizing the nation’s standing in the world and seek to use the threat of default as a political weapon.

Additionally, Congress should stop the practice of suspending the debt limit for a period a time rather than raising it by a definite dollar amount. The latter approach is a more transparent approach that makes lawmakers and the public more aware of the fiscal ramifications of adjusting the statutory debt limit. Furthermore, all increases of the debt limit should be accompanied by equal spending reductions to offset the debt limit increase.

### **Follow the Budget**

For half a decade, both the RSC and House Budget Committee budgets have included major reforms to put the federal government on a sustainable fiscal path and ensure the solvency of major social safety net programs. If the Congress had followed these budgets, we would have already prevented the coming fiscal crisis and impending bankrupting of our nation. Too often, however, the bold policies outlined in these budgets fail to come to fruition. This budget proposes reforms that would strengthen budget enforcement and make it more difficult to deviate from the Congressional Budget Resolution.

### **Binding Spending and Debt Limits**

The House and the Senate should be able to work with the president to allow the budget resolution to have the force of law. One way to establish binding spending and debt limits would be to establish a process in each chamber where upon adoption of a concurrent resolution on the budget a joint resolution based on the budget would be sent to the president for his signature into law.

### **Setting Long-Term Debt Limits and Enhancing Reconciliation**

The current budget process generally focuses on the short-term problem of spending and deficits within the 10-year budget window. This narrow view gives lawmakers and the public an inaccurate picture of the nation’s fiscal

<sup>372</sup> U.S. Government Accountability Office, “Serving the Congress and the Nation, Strategic plan 2018-2023”, February 6, 2018. <https://www.gao.gov/assets/700/690260.pdf>.

<sup>373</sup> Congressional Research Service, “Federal Inspectors General: History, Characteristics, and Recent Congressional Actions”, July 20, 2016. <http://www.crs.gov/Reports/R43814>.

health and encourages budget gimmicks that would balloon spending in the “out years” despite appearing to be responsible within the 10-year budget window. While it is important the spending problem not be made worse in the short-term, overspending due to the autopilot mandatory spending programs is also a long-term issue.

H. Con. Res. 71, the *Concurrent Resolution on the Budget for FY 2018*, established a point of order in the House against legislation that would increase direct spending (or deficits in the Senate) by more than \$2.5 billion in any of the four consecutive 10-year periods following the end of the period covered by the budget resolution. This point of order should be codified to restrict spending increases.

Another solution would be to include long-term limits on debt in the budget resolution and in the spin-off joint resolution described in the section above that would be enforced through a combination of enhanced reconciliation and an automatic enforcement procedure. Major legislation could be measured against this long-term baseline.

The president’s budget request should also include long-term projections.

### **Identifying Budget Waivers and Allow Members to Move to Strike Waivers**

The special rules for consideration of legislation in the House often waive the application of the rules and statutes meant to stop lawmakers from violating their own budget. Last Congress, the Rules Committee granted waivers of rules related to budgetary enforcement 133 times as a part of the 143 rules reported by the committee.<sup>374</sup> Sometimes these waivers come in the form of a blanket waiver of all points of order against the consideration of a bill or amendment.

The rules for consideration of legislation should specifically identify any budget rules it is waiving. Additionally, any member should be empowered to make a motion to strike any budgetary waiver included in a rule.

### **Enforcement of Discretionary Spending Limits for the Entire Fiscal Year**

Under current law, the statutory limits on discretionary spending are only enforced for two-thirds of the fiscal year. Quite simply, this makes no sense.

The BCA spending limits are enforced by a sequestration process that cancels budget authority. This enforcement only occurs after the OMB issues a sequestration report within 15 days after the Congress adjourns for the end of a session.

The practical effect of this is that from October 1 to January 18 of each fiscal year, the discretionary spending limits effectively do not apply. Congress has taken full advantage of this loophole in recent years by enacting CRs that spend billions above one or both of the defense and non-defense caps.

To rectify this problem, this budget recommends ensuring the statutory spending limits are enforced for the entire fiscal year.

### **Emergency Designation Reforms**

This budget also reforms congressional abuse of “emergency spending” to skirt spending limits set by the BCA and budget resolutions. According to CBO, net supplemental spending totaled \$99 billion in the 1980s and \$86 billion in the 1990s. By contrast, from 2000 to 2009, supplemental appropriations often exceeded \$100 billion in a single year. A recent CBO report found Congress has enacted over \$1.1 trillion in supplemental appropriations between FY 2000 and FY 2017.<sup>375</sup>

<sup>374</sup> U.S. House of Representatives Committee on Rules, “Survey Of Activities Of The House Committee On Rules For The 115<sup>th</sup> Congress”, Report 115–1130, January 3, 2019, VI. Statistical Profile of the Committee On Rules In The 114th Congress, Table A. Statistics on Special Orders or Rules. <https://www.congress.gov/congressional-report/115th-congress/house-report/1130/1?s=1&r=8>.

<sup>375</sup> Congressional Budget Office, CBO Data on Supplemental Appropriations Budget Authority: 2000 – Present, As of February 3, 2017. <http://fedweb.com/wp-content/uploads/2016/12/Supplemental-Appropriations-Since-2000.pdf>.

This proposal would require the sponsor of legislation containing emergency spending— or the chair of the House Appropriations Committee in circumstances where there is no House sponsor—to submit a statement in the Congressional Record explaining why an emergency designation is necessary. It would also require a three-fifths majority vote in the House to approve legislation designated as emergency spending. Because emergency funding should be timely and targeted, there should be a prohibition on emergency appropriations available for longer than two fiscal years.

### **No Adjournment until the Budget Process is Completed**

One of the most frustrating aspects of the budget process is that Congress often fails to complete its work in a timely fashion. As shown in the table below, most of the year can already be completed before Congress and the president are willing and able to finalize action on regular appropriations bills.

**Number of Days After the Start of the Fiscal Year Before the Government Was Funded with Full-Year Appropriations**

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019
Days After Start of Fiscal Year	154	108	176	83	198	78	216	173	137

The RSC Budget adopts Representative Jody Arrington’s (R-Texas) *No Budget, No Recess Act* to force completion of its budget work, Congress should be unable to adjourn after October 1 until it has completed action on the budget resolution, the regular appropriations acts and any applicable reconciliation bills. As detailed above, the budget also proposes to re-align the fiscal year with the calendar year. This prohibition on adjournment updates the current prohibition in Section 309 of the *Budget Act* on the House adjourning during the month of July unless it has already approved all the regular appropriations bills.

## ***Transparency***

### **Account for Debt Service Costs**

This fiscal year, the federal government is projected to run a \$897 billion deficit, meaning 20 percent of the more than \$4.4 trillion in spending this year will be financed by issuing new debt. By FY 2029, nearly 20 percent of spending will be paid for by new borrowing. And the interest expense on this debt is expensive, estimated to total \$460 billion this year and increasing to \$928 billion annually over the next decade under current law.

To more accurately account for the costs of legislation, the CBO should include the projected debt service costs in its estimates of legislation considered by the Congress.

### **Disclose the Real Costs of Federal Credit Programs**

This budget proposes increasing transparency in federal budgeting by using fair-value accounting for federal insurance programs. This ensures the true costs of these programs are included in the federal budget. A CBO report shows the current accounting rules hide the real cost to the taxpayers of several programs. For instance, under the current rules, new federal lending in FY 2019 will generate \$37.4 billion for the Treasury; however,

these new loans will actually cost \$37.9 billion.<sup>376</sup>

### **Reports on the Cost of Legislation Passed by Congress**

While CBO does publish a biannual report on legislation enacted in each Congress that affects mandatory spending or revenues, this report is lacking in both its timeliness and its completeness.<sup>377</sup>

Unsurprisingly, the federal government does not currently report on the cost of newly enacted laws each year in a centralized, transparent way. This budget calls for the OMB to prepare a report each year that details the cost of each law signed by the president. Further, the CBO should report on the costs of legislation passed by the House and the Senate each session. The Coalition to Reduce Spending has created a website to establish this type of database, so the official scorekeepers for the Congress and the executive branch should be able to do so as well.<sup>378</sup>

The *Budget Act* requires the director of the CBO to report to the House and Senate Budget Committees on legislation reported by committees or adopted by either the House or by the Congress at least monthly. The chairmen of the Budget Committees are then required to make a summary of the reports available to the members of the chamber. The chairmen of the Budget Committees sometimes make these reports publicly available in the Congressional Record but not in a regular way that achieves the goal of transparency. In order to promote this important objective, the monthly CBO reports on the costs of legislation in each chamber should be made public.

### **Require OMB to Report Unobligated and Reprogrammed Balances**

As a part of the supplemental materials to the president's budget request, OMB prepares a document called the Balances of Budget Authority that includes information on end-of-year balances that remain unspent. OMB also produces a report on "Unobligated Balances in Unexpired Accounts for Executive Branch Agencies Reported on SF 133s" on a regular basis. This budget requires OMB to provide Congress and the public with up-to-date information about unobligated balances. Each month, OMB would be required to produce a public report that includes a detailed description of unobligated balances in each account with details including the years from which the balances were originally made available.

Funding is sometimes diverted from its original congressional intent to a different or even unrelated purpose by reprogramming funds from one account to another. Authority for shifting funds is often provided in appropriations bills to allow reasonable flexibility to accommodate unforeseen events. While some large reprogramming actions are reported to the House and Senate appropriations committees, most of this activity occurs in the dark. Under this plan, the OMB would be required to report to the House and Senate anytime funds are reprogrammed from one account to another and to include a justification for the shift.

### **Welfare Disclosure in the President's Budget**

In the 113<sup>th</sup> and 114<sup>th</sup> Congresses, the House rules required budget resolutions in the House to provide a 10-year outlook of means-tested welfare spending. In the interest of transparency, this budget would extend that rule to presidential budget submissions.

<sup>376</sup> Congressional Budget Office, Fair-Value Estimates of the Cost of Selected Federal Credit Programs in 2019, June 2018. <https://www.cbo.gov/system/files/2018-10/54095-2019fairvalueestimates.pdf>.

<sup>377</sup> Congressional Budget Office, "Legislation Enacted in the 114th Congress That Affects Mandatory Spending or Revenues", March 31, 2017. <https://www.cbo.gov/publication/52505>.

<sup>378</sup> Coalition to Reduce Spending, What's My Congressman's Number?. <https://spendingtracker.org/>.

### **Changes in Content of the Budget Resolution**

Under current practice, the budget resolution presents the levels of budget authority and outlays under 20 functional categories. These budget functions do not line up with the federal agency, congressional committee jurisdiction or how the public thinks about the budget. To modernize the budget and make it easier to understand, the budget should be separated into logical categories, including: discretionary spending; Medicare; Medicaid and other health-related spending; Social Security; interest; and other major categories, as appropriate.

### **Budgetary Treatment of Highway Programs**

The budgetary treatment of the highway program contributes to overspending and unaccountability. Normal discretionary spending is limited by the statutory budget caps and sequestration, while mandatory spending is limited by the House and Senate PAYGO rules and statutory pay-as-you-go requirements. Under current law, the budget authority for transportation programs is treated as mandatory spending, while outlays from the Highway Trust Fund are treated as discretionary spending. This has the effect of exempting transportation programs from any of the standard budget enforcement procedures.<sup>379</sup>

This budget would fix this problem by accounting for highway spending as discretionary.

### **Count All Programs in the Budget**

Under current law, several major programs, including Social Security, the Postal Service, Fannie Mae and Freddie Mac, are all considered “off budget” for purposes of the budget resolution. In reality, these programs all have very significant impacts on the budget and the current status has no effect on the solvency of the program or the health of the federal budget. These programs should be included in the budget resolution.

### **Transparency from the Budget Scorers**

The federal government’s official fiscal scorekeepers – the CBO, JCT and OMB – have a responsibility to the branches of government they serve, but more importantly, they have a duty to the taxpayers. Unfortunately, the scorekeepers have failed to be transparent in their methodology and their modeling. Applying basic academic standards to the work of these agencies by requiring them to make their models available would go a long way in satiating the public’s thirst for clarity. This could be done in a way to protect any trade secrets or other propriety data and models CBO uses by way of consultation in their modeling process.

Where the official sources are failing to be transparent, others are rushing in to fill the void. The Open Source Policy Center at the American Enterprise Institute is an example of opening up the traditionally opaque world of computational modeling to stakeholders and interested parties.<sup>380</sup> The Taxpayers’ Budget Office was established by the National Taxpayers Union Foundation to serve “as a watchdog for CBO processes, scoring and transparency.”<sup>381</sup>

The *CBO Show Your Work Act*, introduced by Rep. Warren Davidson (R-Ohio), would implement this important reform.

<sup>379</sup> Committee for a Responsible Federal Budget, “Why Lawmakers Should Fix The Budgetary Treatment Of The Highway Trust Fund”, July 26, 2014. <http://crfb.org/blogs/why-lawmakers-should-fix-budgetary-treatment-highway-trust-fund>.

<sup>380</sup> Open Source Policy Center, “What is the Open Source Policy Center?”. <http://www.ospc.org/about/>.

<sup>381</sup> National Taxpayers Union Foundation, The Taxpayers’ Budget Office. <http://www.taxpayersbudgetoffice.org/>.

### **Transparency for Appropriations Bills**

When most legislation is considered in the House, CBO releases a report estimating the fiscal and economic impact of the bill to Congress and to the general public. But this practice is not often followed during the consideration of appropriations bills which can often include hundreds of billions in spending. In its own words, for appropriations bills, the CBO creates and “distributes detailed reports to interested parties in the Congress that display account-level detail of the budgetary effects of that proposed legislation.”<sup>382</sup>

In the interest of transparency, the CBO should release this information to each member of Congress as well as to the public.

Many appropriations bills include changes in mandatory programs (CHIMPS). Because of CBO scoring conventions, an appropriations bill can offset increases in discretionary spending by reducing mandatory spending in the first year of the budget window. These CHIMPS are often just gimmicks that shift the timing of mandatory spending, and allow increases in discretionary spending year after year using the same “offset” repeatedly. CBO scores CHIMPS in appropriations bills, but neither CBO nor the House Appropriations Committee generally disclose this information. This budget would require the House Appropriations Committee’s accompanying committee reports to disclose CHIMPS.

The current process lacks transparency for other important aspects of appropriations. The committee reports for appropriations bill should also specify the period of availability and the outlay effects of each appropriation in the bill.

All of the requirements for regular appropriations bills should also be required for all appropriations legislation, including supplementals and omnibus bills.

### **CBO Reports for Unreported Measures**

House Rule XXI, Clause 8 ensures all points of order in the *Budget Act* also apply to legislation not reported by a committee, filling a loophole in the *Budget Act*. This budget proposes to codify this rule to permanently eliminate the loophole.

### **Cost Estimates Prior to Markup**

Under current practice, the CBO often only provides a formal cost estimate after a committee has marked up and reported a bill. This makes it difficult for members of a committee that is considering legislation to make informed decisions about the legislation. This budget proposes to allow the chairman of a committee or the chair of the Committee on the Budget to request CBO prepare a preliminary report including estimated budgetary authority on legislation to be considered in committee.

<sup>382</sup> Congressional Budget Office, “How CBO Prepares Cost Estimates”, February 2018. <https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53519-costestimates.pdf>.





# ***BALANCING THE FEDERAL BUDGET***



## **BALANCING THE FEDERAL BUDGET – OTHER MANDATORY**

Fifty years ago, mandatory spending consumed only one-third of the federal budget; now it has grown to comprise more than two-thirds of our spending each year and is projected to consume four-fifths in 10 years. These programs are on budgetary autopilot and receive little congressional review and almost no annual oversight. This is nearly the exact opposite of the Constitution's edict that "No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law."

If we remain on our current path, in just 10 years, we will see mandatory spending consume 97 percent of all government revenues, usurping funding for defense and other national priorities. Over time, these programs will drag us further down into debt. Soon, the debt and associated interest payments will have grown so large that we will have little choice but to eliminate wide swaths of essential government functions or risk a sovereign debt crisis such as those that have recently wreaked havoc in Venezuela and Greece. Inaction is not an option, and every day of delay only makes a solution more difficult.

This budget puts forward sensible reforms that put spending back on a path toward solvency while refocusing government on its core constitutional activities and reducing spending by more than \$12.6 trillion over the next 10 years. By taking reasonable and responsible action today, we can not only prevent fiscal disaster and its associated suffering, but also restore a brighter future and abundant opportunity for generations to come.

### ***Agriculture***

#### **Farm Bill**

In 2018, Congress had the opportunity to implement significant reforms to programs administered by the United States Department of Agriculture (USDA). This was a missed chance for Congress to change the status quo. Though the Farm Bill will last for five years, RSC remains committed to making the necessary reforms to establish good governance and avert a debt crisis. The RSC Budget would decouple nutrition and farm subsidy programs, institute work requirements into and block grant the SNAP, and reduce antiquated agricultural subsidies.

#### **Decouple Agriculture Subsidy Programs from Nutrition Subsidy Programs**

Congress has reauthorized farm program spending and nutrition program spending (commonly known as "Food Stamps") together in the same legislation for decades. This unlikely pairing ensures increased spending for both programs by combining two disparate political interests that would cost far less on their own. In 2013, the House of Representatives decoupled these two issues only to see them forced back together in the conference committee with the Senate.<sup>383</sup> In fact, about 80 percent of the spending in both the 2014 and 2018 farm bills went towards nutrition rather than agriculture programs. This budget proposes farm subsidies and nutrition subsidies be considered separately, each on their own merits, in future reauthorizations and appropriations.

#### **End Commodity Subsidy Programs**

Under current law, taxpayers provide subsidies for wheat, oats and barley, corn, grain sorghum, long grain rice, medium grain rice, dry peas, pulse crops (lentils, small chickpeas, large chickpeas), soybeans, other oilseeds (sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, crambe, sesame seed), peanuts, upland cotton, extra-long staple cotton, wool, mohair, honey, milk and sugar. This system of central-planning based subsidies dates back to the New Deal's *Agricultural Adjustment Act of 1933* which was ruled unconstitutional

383 See, H.R.2642, the Agricultural Act of 2014 (P.L. 113-79).

in 1936, because “Regulation and control of agricultural production are beyond the powers delegated to the Federal Government.”<sup>384</sup> Despite the fact that “agricultural subsidies have never made economic sense,” farm subsidies continue today.<sup>385</sup>

Furthermore, it is nearly impossible for government to accurately predict and control market conditions. As described in *Farms and Free Enterprise*, “A fundamental problem with all commodity programs is that they attempt to supplant the natural workings of the marketplace with the wisdom of Washington.”<sup>386</sup>

The 2014 Farm Bill created two new general farm support programs, allowing producers to choose their preferred taxpayer-provided subsidy:

- the Price Loss Coverage (PLC) program which pays farmers when the nationwide average price for a commodity falls below a reference price set in law (even if a particular farmer sells his crop for a higher price)
- and the Agriculture Risk Coverage (ARC) shallow loss program which pays farmers when revenues fall below their recent levels.

Eliminating these programs would save taxpayers more than \$54 billion over 10 years.<sup>387</sup>

The Commodity Credit Corporation (CCC) has been given vast discretionary authority to buy surplus agricultural products to manipulate market prices for the purpose of the same kind of subsidies that PLC and ARC achieve. This power to manipulate markets without congressional authority, which was barred by appropriations language from FY 2012 to FY 2017, poses a danger to the market and undermines the nature of our representative government. The RSC Budget would repeal this discretionary authority by requiring any action by the CCC to have congressional approval.

The agricultural risk these programs try to mitigate are already well handled by the private financial markets. Well-regulated futures, swaps and insurance markets provide abundant opportunity for market participants to reduce exposure to negative price movements and other risks, while maintaining the valuable information that improves the efficiency and competitiveness of the agriculture industry. These free market solutions will provide better long-term outcomes for farmers and will eliminate the status quo structure that forces taxpayers to pay for the federal government’s politically driven market manipulation.

Furthermore, the overlapping nature of agriculture related income support programs (ARC, PLC, Crop insurance, trade assistance, CCC payments, etc.) allow farmers to receive subsidies multiple times to cover the same lost revenue. This facilitates double dipping by allowing farmers to receive payments from permanent agriculture subsidy programs as well as funding from agriculture trade assistance payments that the Trump administration set up to respond to tariff increases. RSC’s Budget would prohibit this double dipping.

### **Phase-Out the Sugar Program**

The program consists of both price supports and production limits for domestic sugar producers, as well as import restrictions and tariffs for imported sugar. Because of these restrictions, the price of domestic sugar is about twice that of the world market price.<sup>388</sup> According to CBO, eliminating the sugar program would save \$119

<sup>384</sup> *United States v. Butler*, 297 U.S. 1 (1936). <https://supreme.justia.com/cases/federal/us/297/1/case.html>.

<sup>385</sup> Chris Edwards, Downsizing the Federal Government, “Agricultural Subsidies”, October 7, 2016. <https://www.downsizinggovernment.org/agriculture/subsidies>.

<sup>386</sup> Josh Sewell, Heritage Foundation, “Farms and Free Enterprise: A Blueprint for Agricultural Policy”, September 1, 2016. <http://www.heritage.org/agriculture/report/farms-and-free-enterprise-blueprint-agricultural-policy>.

<sup>387</sup> Congressional Budget Office (CBO), USDA’s Mandatory Farm Programs-CBO’s January 2019 Baseline. <https://www.cbo.gov/system/files?file=2019-01/51317-2019-01-usda.pdf>.

<sup>388</sup> Justin Sykes, Americans for Tax Reform, “Top Five Reasons to End U.S. Sugar Subsidies”, November 15, 2015. <https://www.atr.org/top-five-reasons-end-us-sugar-subsidies>.

million over 10 years. However, the savings would be much greater for American consumers and would come with the added benefit of restoring the efficiencies of free enterprise, competition and individual choice to a large U.S. market. The *Sugar Policy Modernization Act*, introduced by Rep. Virginia Foxx (R-N.C.) in the 115<sup>th</sup> Congress, would be a good step in this direction, bringing much needed reforms to the sugar program and is included in this budget.

### **Eliminate the Milk Program**

According to Citizens Against Government Waste, “The U.S. dairy market is a complex tangle of subsidies and price supports.”<sup>389</sup> Even the market for a commodity as basic as milk is not free from massively inappropriate government interference. The 2014 Farm Bill established two new programs, the Margin Protection Program (MPP) and the Dairy Product Donation Program (DPDP), which each make payments to farmers when margins fall below certain amounts and requires the government to purchase and distribute dairy products when margins fall below a certain level. Additionally, there are a number of other dairy subsidy programs, including the Livestock Gross Margin for Dairy Cattle Program (LGM-D), Dairy Import Tariff Rate Quotas (TRQs) and milk marketing orders. The 2018 Farm Bill allowed a dairy operation to participate in both the LGM-D Program and the Dairy Risk Management Program, even when working on the same production.

This central planning does not work, as proven by the USDA being forced to purchase \$30 million worth of dairy products to alleviate a “cheese glut.”<sup>390</sup> Instead, the milk market should be governed by the commonsense laws of supply and demand. In addition to benefiting consumers and producers alike, eliminating federal dairy subsidy programs will save taxpayers \$1.8 billion over the next decade.<sup>391</sup> Once again, the private market is more than capable of providing the risk-mitigation benefits claimed by dairy program supporters without burdening taxpayers with the risks associated with speculation.

### **Eliminate Agriculture Marketing Orders**

The federal government currently operates 29 agriculture marketing orders for different fruits, vegetables and specialty crops. These agreements, which date back to the market intrusions of the New Deal, allow the government to collude with segments of certain industries to restrict the supply of food to consumers. The cartels created by the agreement are given tools such as volume controls, minimum quality standards and packaging requirements. Our budget would eliminate these agreements.<sup>392</sup>

### **Reform Crop Insurance**

The Federal Crop Insurance Program provides subsidized insurance for farmers to protect them from losses due to poor crop yields or lower than expected prices. Farmers only pay about 40 percent of premiums for crop insurance and taxpayers cover the remaining 60 percent. While the insurance policies are offered by private companies, the federal government reimburses them for administrative costs and reinsures them to guarantee against losses. As described in *Farms and Free Enterprise*, “‘crop insurance’ is less about insurance and more about providing subsidies to farmers.”<sup>393</sup>

This budget would make a modest reform to the crop insurance program by reducing subsidies to 30 percent of premium costs and eliminating the government’s reimbursement to crop insurance companies for administrative

389 Citizens Against Government Waste, “Critical Waste Issues for the 115th Congress”, <https://www.cagw.org/critical-waste-115th>.

390 Nan Swift, National Taxpayers Union, “Free Markets Best for America’s Moo Cows”, October 14, 2016. <http://www.ntu.org/governmentbytes/detail/free-markets-best-for-americas-moo-cows>.

391 Congressional Budget Office (CBO), USDA’s Mandatory Farm Programs-CBO’s January 2019 Baseline. <https://www.cbo.gov/sites/default/files/recurringdata/51317-2018-04-usda.pdf>.

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393 Brian Wright, Heritage Foundation, “Farms and Free Enterprise: A Blueprint for Agricultural Policy”, September 1, 2016. <http://www.heritage.org/agriculture/report/farms-and-free-enterprise-blueprint-agricultural-policy>.

expenses. This would save taxpayers more than \$41 billion over the next 10 years.<sup>394</sup>

Additionally, under the RSC Budget, federal crop insurance subsidies would only be offered to pay for catastrophic policies. Crop insurance subsidies were originally intended to ensure farmers could recover from a bad crop year and replant. This is achieved by catastrophic policies. The program currently pays, in addition to the costs of the catastrophic policies, most, and sometimes all, of the costs of increasing coverage levels beyond this standard. These additional coverage levels could be handled much more efficiently by private insurance companies without jeopardizing the original intent of the crop insurance program.

The RSC Budget also adopts the proposal by Senate Agriculture Committee Chairman Chuck Grassley to cap the overall amount of crop insurance subsidies a single farmer may receive. Chairman Grassley has said, “For years, the top 10 percent of farmers have received over 70 percent of the subsidies from the government. That’s only one of the many reasons it’s so hard for young and beginning farmers to get started.”<sup>395</sup> This program should absolutely not be used to redistribute wealth from American taxpayers to very large land holders that do not need these subsidies to continue their operations in bad crop years. Beyond these reforms, over time, the federal government should transition completely out of subsidizing crop insurance and, instead, allow the free market to meet the demand for this financial product.

### **Repeal Additional Crop Insurance for Organic Crops**

The Farm Bill requires the federal government to pay prices higher than fair market value when making insurance payouts for federally insured organic crops. These higher payments should be repealed to align the program with insurance industry best practices rather than creating politically motivated inflated market conditions.

### **Prohibit New Enrollments in the Conservation Reserve Program**

The Conservation Reserve Program (CRP) provides payments to farmers to take certain cropland out of production for 10 years or more to improve soil, water and environmental quality. Demand for enrollment in CRP has declined steadily over recent years. This budget would respond to this trend and prohibit new enrollments in the CRP. This would save more than \$3 billion over 10 years according to the CBO.<sup>396</sup>

### **Prohibit New Enrollment in the Conservation Stewardship Program**

The Conservation Stewardship Program (CSP) encourages agricultural producers to adopt more environmentally sustainable practices on their working land. This program subsidizes agricultural producers to use conservation techniques that many have already adopted as best practices, interfering with the free market. This budget would prohibit new enrollments in CSP and allow natural incentives to determine the conservation techniques that provide long-term value for farm owners. Land that is currently enrolled in CSP would continue to be eligible to receive payments until the contract expires. The reform recommended by this budget would save more than \$6 billion over 10 years according to the CBO.

### **Eliminate Funding for Farmers Market and Local Food Promotion**

The Farmers Market Promotion Program provides grants to support local farmers’ markets and roadside stands,

<sup>394</sup> Congressional Budget Office (CBO), USDA’s Mandatory Farm Programs-CBO’s January 2019 Baseline. <https://www.cbo.gov/sites/default/files/recurringdata/51317-2018-04-usda.pdf>

<sup>395</sup> Grassley Remarks on the Passage of the 2018 Farm Bill <https://www.grassley.senate.gov/news/news-releases/grassley-remarks-passage-2018-farm-bill>

<sup>396</sup> CBO “Options for Reducing the Deficit: 2019 to 2028” December 2018 <https://www.cbo.gov/system/files?file=2018-12/54667-budgetoptions.pdf#page=25>

community-supported agriculture and agri-tourism activities. These businesses connect local producers with local consumers; however, these activities should not be subsidized by the federal government.

### **Repeal Biomass Crop Assistance Program**

The Biomass Crop Assistance Program (BCAP) provides matching or annual payments to owners and operators of agricultural and forest land to support biomass feedstock production. As made painfully evident by other failed ventures, the federal government should not be in the business of picking winners and losers among energy sources. When the government supports energy sources that cannot profitably survive on their own, it raises energy costs for all American households, industries and, ultimately, the price of every good and service.

### **Agricultural Trade Promotion and Facilitation Program**

The 2018 Farm Bill established the Agricultural Trade Promotion and Facilitation Program, a consolidation of the Market Access Program (MAP), the Foreign Market Development Program (FMDP), also known as the Cooperator Program, the Technical Assistance for Specialty Crops Program (TASC) and the Emerging Markets Program (EMP). The 2018 Farm Bill provided a total of \$255 million in annual mandatory funding, including: MAP funding not less than \$200 million annually; FMD funding not less than \$34.5 million annually; EMP funding not more than \$8 million annually; TASC funding at \$9 million annually; and funding for the Priority Trade Fund at \$3.5 million annually to be distributed at the secretary's discretion.

The FMDP is used to help promote agricultural exports and provide nutritional and technical assistance to foreign consumers. Private industry already operates a program to promote agriculture exports overseas and federal support for this program is inappropriate.

Similarly, the EMP provides federal funding for technical assistance activities designed to promote the exports of private agricultural interests to emerging markets outside the U.S. To do so, the USDA provides funding for technical assistance activities that may include feasibility studies, market research, sectoral assessments, orientation visits, specialized training and business workshops.

The MAP funds overseas marketing and promotion activities for U.S. agricultural products and commodities in partnership with U.S. agricultural trade associations, cooperatives, state regional trade groups and small businesses. While this is no doubt helpful to some businesses across the country, the federal government has no business subsidizing the advertising budgets of corporations.

The Specialty Crop Technical Assistance Program provides subsidies to help export U.S. "specialty crops" such as fruits and vegetables, tree nuts, dried fruits, horticulture and nursery crops.

Eliminating the Agricultural Trade Promotion and Facilitation Program would save taxpayers \$25.5 billion over 10 years.

### **Repeal the Acer Access and Development Program (For Maple Syrup)**

The 2018 Farm Bill authorized \$20 million per fiscal year in grants to states, tribal governments and research institutions to promote the domestic maple syrup industry. Federal funding is not necessary to promote this popular, largely North American-produced product. This budget terminates this program saving \$200 million over 10 years.



**Repeal National Organic Certification Cost Share Program**

The National Organic Certification Cost-Share Program subsidizes organic producers up to 75 percent of their organic certification costs. The consumer market for organic products is mature and highly profitable, and producers can and should make their own decisions as to whether it is worth the time and cost to certify their products. This special-interest program should be eliminated to save taxpayers approximately \$8 million a year.

**Repeal Specialty Crop Block Grants Program**

The Specialty Crop Block Grants Program (SCBGP) provides grants to state agriculture agencies to support specialty crops that are uneconomical to grow on their own merits. Taxpayer dollars make a poor fertilizer. This special-interest subsidy program is inefficient and inappropriate, and it should be repealed. The 2018 Farm Bill authorized \$5 billion per year for this program which would be saved under the RSC Budget.

**Eliminate the National Sheep Industry Improvement Center**

The National Sheep Industry Improvement Center provides grants to support sheep and goat producers, including financing annual trips to Australia. This mature industry does not require taxpayer dollars to enhance its production and marketing. This program should be repealed.

**Eliminate the Rural Economic Development Loan and Grant Program**

The Rural Economic Development Loan and Grant Program provides grants and loans to spur economic development where the private sector cannot support it. According to the GAO, a number of other programs within the Department of Agriculture serve the same purpose.<sup>397</sup> This will save taxpayers \$140 million over the 10-year budgetary window.

***Energy and Commerce*****Repeal the Universal Service Fund**

The Universal Service Fund (USF) provides subsidized telephone and broadband services for low-income individuals and in areas that are considered underserved. The USF is funded by “contributions” from telecommunications companies, but in reality, consumers pay a tax included on each monthly bill. Unfortunately, the programs run by the fund, including the LifeLine program which provides free government-funded cell phones, are fraught with waste, fraud and abuse. This budget repeals the USF, saving taxpayers over \$105 billion in spending over the next 10 years according to the CBO.

**Auction Off All Assets of the Four Remaining Power Marketing Administrations and the Tennessee Valley Authority**

The Tennessee Valley Authority (TVA) was created in 1933 to develop hydroelectric generation on the Tennessee River. Since that time, the federally-run TVA has expanded its electric generating and transmission infrastructure significantly. Four government-run Power Marketing Administrations (PAMs) – Bonneville, Western Area, Southeastern and Southwestern – operate electric systems in several regions around the country. Because power generation no longer needs to be carried out by the federal government, the TVA and the four

<sup>397</sup> United States Government Accountability Office, “List of Selected Federal Programs That Have Similar or Overlapping Objectives, Provide Similar Services, or Are Fragmented Across Government Missions,” March 18, 2011. <https://www.gao.gov/new.items/d11474r.pdf>.

remaining PMAs should be auctioned off to the private sector in a manner that ensures customers maintain service. Our budget would retain the TVA assets that are critical to the Nuclear Triad, and transfers them to DOE. Combined, these actions would reduce the 10-year deficit by more than \$64 billion.

### **Eliminate Corporation for Travel Promotion**

Also known as Brand USA, the Corporation for Travel Promotion is a public-private partnership that promotes international travel to the United States. Federal funding for the program is derived from an assessment on entrants under the Visa Waiver Program. Having a program that increases the cost of coming to the U.S. to fund a program to let people know the U.S. exists and that they should visit is the epitome of federal inefficiency. Not only should these marketing activities be handled by the private sector, but they are currently being handled better by private industries. Eliminating the Travel Promotion Fund would reduce spending by \$200 million over the next decade.

### **Stop Net Neutrality**

A free and open Internet has been one of the greatest catalysts for innovation, opportunity and economic growth. Rigid government regulation of the Internet will only stifle prosperity and progress. Congress should codify the Federal Communication Commission's (FCC) December 2017 action to dismantle the Obama-era "net neutrality" rules that reclassified broadband Internet access as a telecommunication service under Title II of the *Communications Act of 1934*.

## ***Education and Workforce***

### **Allow States to Control Their Education Policies**

Education policy should be set by parents, teachers, school boards and locally elected officials – not Washington bureaucrats. As described by former RSC Chairman Mark Walker, "Innovation starts in our communities, not in Washington."<sup>398</sup> To this end, states should have the ability to completely opt-out of the burdensome and costly mandates created by the federal government. States should also have the option to receive federal education funds in the form of a block grant or refundable tax credits for participating states' residents. This proposal is based on the *Academic Partnerships Lead Us to Success Act* (A-PLUS Act) sponsored by Representative Mark Walker (R-N.C.). This reform would restore local control of our education system and empower parents and teachers to help ensure each child has access to a quality education. It would also allow states to consolidate funding, reducing bureaucracy and increasing transparency and accountability.<sup>399</sup>

In addition, parents should be given the flexibility and choice to remove their students from failing schools and place them in accredited private schools using their portion of the *Elementary and Secondary Education Act* Title I funding. The *Enhancing Educational Opportunities for All Students Act* and the *Transform Education in America Through Choice Act* (TEACH Act) sponsored by Rep. Ted Yoho (R-Fla.) both contain this proposal. These efforts are similar to the work done by Ranking Member Virginia Foxx.

### **Encourage Reforms to Higher Education to Increase Accessibility and Decrease Costs**

As traditional college costs rise, we must look to innovative approaches for higher education that serve a diverse and non-traditional student population. Not all students want to pursue a traditional four-year degree,

<sup>398</sup> Congressman Mark Walker, "Walker Introduces A-PLUS Act to Empower Parents and Teachers", January 25, 2017. <https://walker.house.gov/media-center/press-releases/walker-introduces-plus-act-empower-parents-and-teachers>.

<sup>399</sup> Congressman Mark Walker, "Walker at Heritage Event: 'Education Should Not Be a Partisan Issue'", January 24, 2017. <https://walker.house.gov/media-center/press-releases/walker-heritage-event-education-should-not-be-partisan-issue>.

nor do they need to do so in order to have a successful career. Unfortunately, students who use federal loans and grants can only access these funds if they attend a federally “accredited” institution. Allowing states to experiment with their own accreditation processes – while keeping in place the current system for those who utilize it – would allow a variety of institutions to offer classes to those students who depend on federal grants and loans. In addition, increased state flexibility would allow non-traditional students the opportunity to tailor their education to fit their needs.

### **Eliminate the Pell Grant Mandatory Spending Add-On**

The Pell Grant Program is the largest federal program that supports low-income undergraduate students, assisting about 7 million students per year. According to CBO, studies have shown that schools have responded to the increases in the size of Pell Grants by raising tuition or shifting aid to other students.<sup>400</sup> This budget proposes eliminating the “add-on” funding for the Pell Grant Program that is funded by mandatory spending. This would save taxpayers more than \$62 billion over the next decade while still providing each eligible student thousands of dollars each year through the discretionary funding stream.

### **Eliminate In-School Subsidies for Undergraduates**

Under current law, interest does not accrue for undergraduate students who take advantage of federally subsidized student loans. Meanwhile, recent reforms eliminated the in-school subsidy for graduate students. This budget proposes to also eliminate the in-school subsidy for undergraduate students, saving the taxpayers almost \$22 billion over the next decade.<sup>401</sup> Importantly, this reform would also more accurately show the true cost of these loans to students and parents, encouraging them to properly weigh the risks, costs and benefits of using federal financing and incentivizing students to pursue studies likely to result in careers worth the cost of their degree.

### **Create A Single Income Driven Repayment Plan**

The federal government offers a litany of student loan repayment plans based on the borrower’s income. They vary between the percentage of income a borrower has to pay, the way in which that payment may change over time, the period over which a borrower has to pay and the annual income qualifications. Congress should examine proposals for consolidating income-based repayment plans to make enrollment and repayment simpler and more predictable for future borrowers. While consolidating these plans, this budget also caps the total amount of student loans that can be forgiven through the Public Service Loan Forgiveness Program at \$57,000, requires payments for 25 years instead of 20 before forgiving debt and increases the maximum amount of payments from 10 to 15 percent of the income of the debtor. Additionally, Congress should consider instituting borrowing caps on undergraduate and graduate student loans at a level that promotes responsible borrowing and discourages tuition hikes.

### **Income Sharing Agreements**

This budget also urges Congress to create the legal framework to allow students, universities and private lenders to form income sharing agreements. Currently, the only way students can seek outside financing for their education is through borrowing money. Borrowing forces students to incur potentially tremendous levels of debt before they enter the labor force and then to accrue interest and start repayment while they are getting

400 Congressional Budget Office, “Options for Reducing the Deficit: 2019 to 2028”, December, 2019. <https://www.cbo.gov/system/files?file=2018-12/54667-budgetoptions.pdf#page=36>.

401 Congressional Budget Office, “Options for Reducing the Deficit: 2019 to 2028”, December, 2019. <https://www.cbo.gov/system/files?file=2018-12/54667-budgetoptions.pdf#page=36>.

themselves established in a career. This means some students will enter the labor force under crushing debt, stifling their asset gaining potential during their early working years. With income sharing agreements, however, outside lenders could invest in students they believe to be capable of repaying their loans, and the students can finance their education without incurring a debt that accrues interest. This framework would not force anyone to enter into these innovative agreements but would allow the free market to use these tools to expand affordable access to advanced and technical education programs.

### **Charge Fair Premiums for Federal Insurance for Private Pension Plans**

The Pension Benefit Guarantee Corporation (PBGC) provides federal insurance for participants in private defined-benefit pension plans, covering more than 40 million people. Companies covered by the PBGC pay premiums for this insurance. If an insured pension plan fails without sufficient assets to pay promised benefits, the plan's liabilities are generally assumed by the PBGC. This budget proposes increasing the premiums charged to private pension plans to more closely align them with the risk borne by the PBGC (and the taxpayer) and increasing the incentive for employers to properly fund their pension plans.

In recent years, increases in unrelated federal spending have been offset by increases in PBGC fees which are then diverted away from the insurance fund and by allowing private firms to game the formula used to calculate the fees. As a result, Americans have more poorly funded pension plans, commensurately higher future obligations for the PBGC and diminished PBGC assets.

These diversions have been paired with so called "pension-smoothing" – the use of artificially high discount rates for calculating future pension liabilities which reduces the amount firms are required to pay to adequately fund their plans. As a result of these lower contributions to pension plans, firms have higher taxable income and, thus, more federal government revenue. However, while the additional revenue is spent on unrelated items, in reality, this exercise reduces the solvency of pension plans and increases future liabilities of the PBGC. As with so many other gimmicks, this drives federal spending higher and risks leaving taxpayers on the hook for even more in the future.

This budget calls for an end to both of these grossly irresponsible gimmicks. Further, Congress should look at alternatives to the PBGC and should have the goal of removing the federal government from this process. As long as these pension programs have the American taxpayer as the backstop, the temptation will exist to inadequately fund these programs in order to take advantage of taxpayers and subsidize the compensation owed to the workers covered by the PBGC. Ultimately, the PBGC creates the same moral hazard all government subsidies create, where the government taxes one person to pay another to be less responsible, careful and innovative.

## ***Financial Services***

### **End the Government Sponsored Enterprises Fannie Mae and Freddie Mac and Reform the Federal Housing Administration**

Taxpayers have bailed out Fannie Mae and Freddie Mac to the tune of \$187 billion. Since that time, Government Sponsored Enterprises (GSEs) have funded between 75 and 85 percent of all mortgage originations.<sup>402</sup>

According to the CRS, the U.S. housing finance system supports about \$10 trillion in outstanding single-family residential mortgage debt and over \$1 trillion in multi-family residential mortgage debt, with Fannie and Freddie responsible for a large portion of that debt.<sup>403</sup> The Richmond Federal Reserve's Bailout Barometer estimates that the federal government explicitly or implicitly backs 60.3 percent of the liabilities of the entire financial

<sup>402</sup> Sean M. Hoskins, N. Eric Weiss, Katie Jones, Congressional Research Service, "Selected Legislative Proposals to Reform the Housing Finance System", June 11, 2014. <http://www.crs.gov/Reports/R43219>.

<sup>403</sup> Congressional Research Service, "Housing Issues in the 115<sup>th</sup> Congress" Updated February 25, 2019 <https://fas.org/sqp/crs/misc/R45296.pdf>.

system – putting taxpayers on the hook for nearly \$26 trillion.<sup>404</sup> This budget recommends a repeal of Fannie Mae and Freddie Mac’s federal charters. Further, the Federal Housing Administration should be reformed so it can operate on a self-sufficient basis. This proposal is based on the *Protecting American Taxpayers and Homeowners Act* introduced by former Representative and RSC Chairman Jeb Hensarling (R-Texas).

### **Increase and Extend Guarantee Fees**

While Congress works to wind down GSEs, it should also implement reforms to help level their competition with the private sector. Under current law, Fannie Mae and Freddie Mac are required to charge an additional 0.1 percent Guarantee Fee (G-Fee) through FY 2021. The president’s FY 2019 Budget proposed doubling this fee, to 0.2 percent, and extending it through FY2023 which would decrease deficits by \$26 billion over the FY 2020 – 2029 period.

### **End Dodd-Frank Bailout Authority for Big Banks**

The Dodd-Frank financial reform law provided the Federal Deposit Insurance Corporation (FDIC) the authority to access taxpayer dollars to bail out the creditors of large, “systemically significant” financial institutions. The taxpayers should not be the emergency piggy bank for poor decision-making by financial institutions and corporations. As long as this authority remains in current law, it gives license to these firms to engage in overly high-risk, high-yield activities with the knowledge they would keep any profits and would be able to push any losses off onto the backs of taxpayers. According to the CBO, this budget proposal would save approximately \$20 billion in spending over 10 years by eliminating this bailout authority.

### **Audit and Reform the Federal Reserve**

Article I of the Constitution gives Congress the authority to coin money and to regulate the dollar’s value. To remove politics from decisions about monetary, prudential and supervisory policy, Congress outsourced this responsibility to what is meant to be an independent Federal Reserve. For too long, however, the Federal Reserve has operated without full transparency. Under current law, Congress is prohibited from accessing all of the Federal Reserve’s records. The GAO, which serves as Congress’s non-partisan watchdog, should be allowed to review and inspect the Federal Reserve just as it does any other agencies. Only through increased transparency can Congress conduct necessary oversight and provide accountability to the American people. This commonsense proposal is based on Representative Thomas Massie’s (R-Ky.) *Federal Reserve Transparency Act*.

This budget also recommends the creation of a Centennial Monetary Commission, such as the one proposed by Representative Kevin Brady (R-Texas). This commission should examine how the Federal Reserve’s policies have affected the U.S. economy and make recommendations to Congress for potential reforms.

Finally, the Federal Reserve should be required to adopt a transparent, rules-based monetary strategy. As described by monetary economist John Taylor, “Sound rules-based monetary policy and good economic performance go hand in hand.”<sup>405</sup>

### **Reform the Federal Commemorative Coins Program**

404 Federal Reserve Bank of Richmond, “Bailout Barometer: How Large is the Financial Safety Net?,” September 8, 2017. <https://www.richmondfed.org/safetynet/>.

405 John B. Taylor, Hoover Institution at Stanford University, *Blueprint for America* edited by George Schultz, “National and International Monetary Reform”, July 8, 2016. [http://www.hoover.org/sites/default/files/research/docs/george\\_shultz\\_blueprint\\_for\\_america\\_ch6.pdf](http://www.hoover.org/sites/default/files/research/docs/george_shultz_blueprint_for_america_ch6.pdf).

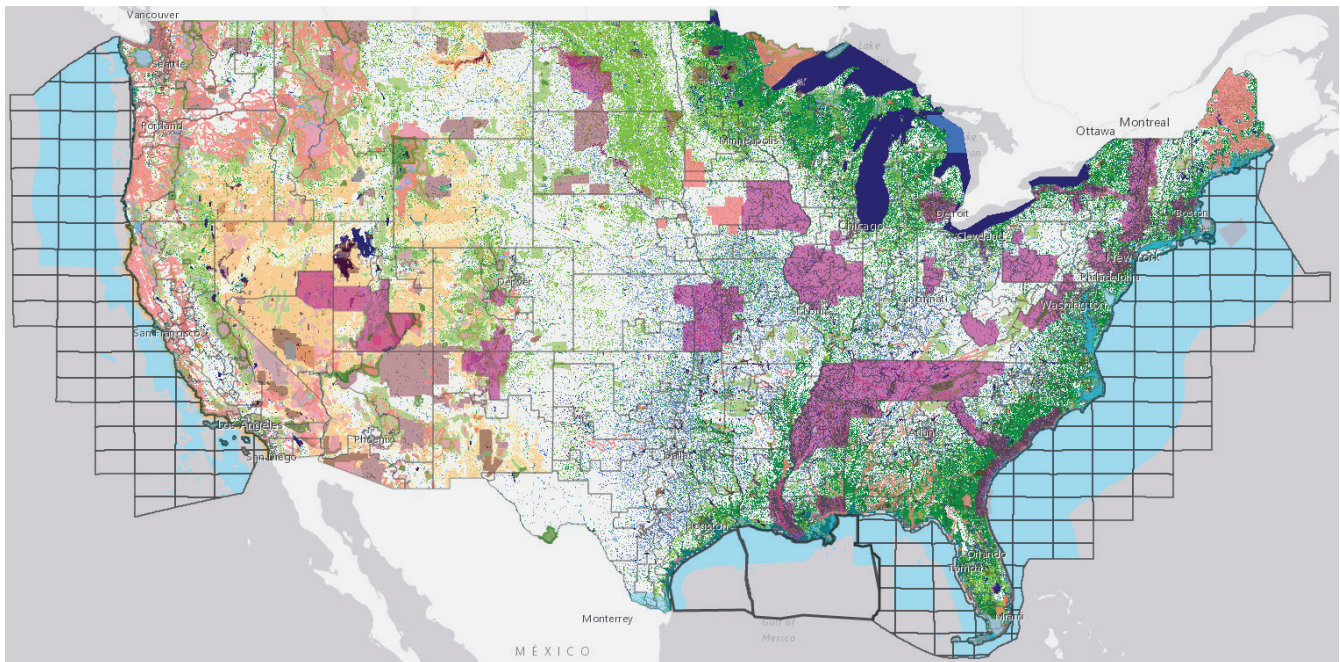


When directed by Congress, the U.S. Mint can create special commemorative coins to honor individuals, organizations, places or events. These coins are sold to the public and a surcharge is devoted to specific private organizations. Instead of using this revenue to circumvent the earmark moratorium and benefiting the well-connected, this surcharge revenue for new commemorative coins should be directed to the Treasury for the purpose of paying down our national debt.

## Natural Resources

### Reduce the Federal Government's Footprint

The federal government's physical footprint is staggering.



House Committee on Natural Resources, "Federal Footprint Map", accessed 4/11/2019. <https://republicans-naturalresources.house.gov/newsroom/documentsingle.aspx?DocumentID=399630>

According to the CRS, "The federal government owns roughly 640 million acres, more than one-quarter of the land in the United States. Four federal agencies—the National Park Service (NPS), Fish and Wildlife Service (FWS) and Bureau of Land Management (BLM), all in the Department of the Interior (DOI), and the U.S. Forest Service (FS) in the Department of Agriculture—administer about 95 percent of those lands."<sup>406</sup> There are also a number of other areas all controlled by an alphabet soup of federal agencies, from the EPA to NOAA, to the BOEM and more.

Additionally, the federal government owns more than 792,000 buildings and structures that cost \$33 billion a year to operate. While there is no known market determined value for these properties, the government's estimated replacement values is \$1.5 trillion.<sup>407</sup>

Bureaucrats in Washington should not control such a vast amount of our nation's lands. In fact, throughout much of the country's history, the focus of federal land management has been to devolve ownership. Between 1781 and 1940, the federal government privatized 792 million acres and transferred 470 million acres to the states.<sup>408</sup>

The federal government should look for ways to reduce its land holdings and real property in a responsible way,

<sup>406</sup> CRS "Federal Land Ownership: Acquisition and Disposal Authorities" Updated March 26, 2019 <https://fas.org/sgrp/crs/misc/RL34273.pdf>.

<sup>407</sup> CATO Chris Edwards "Selling Federal Government Buildings" February 19, 2014 <https://www.cato.org/blog/selling-federal-government-buildings>.

<sup>408</sup> Chris Edwards, Downsizing the Federal Government, "Devolving Federal Lands", January 4, 2017. <https://www.downsizinggovernment.org/devolving-federal-lands>.

transferring them to the private sector, states and local governments whenever possible.

### **Reform the Antiquities Act**

The *Antiquities Act of 1906* was enacted to give the president authority to protect archeological sites from looting. Like other unchecked powers given to the executive branch, this authority has been abused. President Obama used the *Antiquities Act* to remove 533 million additional acres of land and water from productive use, more than any other president.<sup>409</sup> While President Trump has taken steps to roll back Obama-era *Antiquities Act* monument designations in Utah,<sup>410</sup> the law must be reformed to ensure these measures are not necessary in the future.

Because a national monument designation imposes strict restrictions on land use, the *Antiquities Act* can hurt local economies that rely on logging, mineral development, energy creation or recreational activities on federal land. Further, ever-growing federal land holdings spread resources too thin resulting in the neglect and mismanagement of land that often leads to the destruction of the environments these proclamations were intended to protect. Before an area is designated as a national monument, the designation should be approved by an act of Congress.

### **Reform Wilderness Study Area Process and Expand Timber Harvesting**

While Congress has charged the BLM with preserving 8.6 million acres of designated Wilderness Areas, the BLM also oversees 12.7 million acres of Wilderness Study Areas (WSA).<sup>411</sup> WSAs, as the name implies, were meant to remain under WSA status for a short duration of time to determine whether or not to include them as permanent Wilderness Areas. However, most of these lands remain in limbo status for many years. Approximately 700,000 acres of WSA land in Montana alone has been in such status for more than 40 years.<sup>412</sup> While in WSA status, these lands are regulated as Wilderness Areas. As such, these valuable lands are locked away from the American people. Moreover, the forest land in WSA status cannot be properly maintained. The lack of proper forest management on these lands not only restricts access to valuable timber but also allows these areas to turn into tinder boxes, intensifying the loss of life and property when forest fires occur. This budget would implement proposals similar to the *Unlocking Public Lands Act* and the *Protect Public Use of Public Lands Act* introduced by Representative Greg Gianforte<sup>413</sup> (R-Mont.) to quickly review and process WSAs and allow increased forest management and timber harvesting on federally held and managed lands.

### **Eliminate the Puerto Rico and Virgin Islands Rum Cover Program**

The Puerto Rico Rum Cover Program takes the excise tax charged on rum produced in, or imported into, the U.S. and returns the money to the governments of Puerto Rico and the U.S. Virgin Islands to supplement their normal revenues.<sup>414</sup> This program distorts the market by subsidizing the production of rum in these territories while taxing its production in the remainder of the U.S. The RSC Budget eliminates this program.

### **Oversight and Government Reform**

409 Juliet Eilperin and Brady Dennis, Washington Post, "With new monuments in Nevada, Utah, Obama adds to his environmental legacy", December 28, 2016. [https://www.washingtonpost.com/national/health-science/with-new-monuments-in-nevada-utah-obama-adds-to-his-environmental-legacy/2016/12/28/e9833f62-c471-11e6-8422-eac61c0ef74d\\_story.html?utm\\_term=.5ea265d1e108](https://www.washingtonpost.com/national/health-science/with-new-monuments-in-nevada-utah-obama-adds-to-his-environmental-legacy/2016/12/28/e9833f62-c471-11e6-8422-eac61c0ef74d_story.html?utm_term=.5ea265d1e108).

410 CRS "National Monuments and the Antiquities Act" Updated November 30, 2018 <https://fas.org/sqp/crs/misc/R41330.pdf>

411 BLM "Wilderness and Wilderness Study Areas" Accessed April 11, 2019 <https://www.blm.gov/programs/national-conservation-lands/wilderness>

412 <https://gianforte.house.gov/media-center/press-releases/gianforte-introduces-legislation-unlock-public-lands-increase-public>

413 Billings Gazette Tom Lutey "It's time to decide what to do with wilderness study areas, Gianforte tells subcommittee" <https://gianforte.house.gov/media-center/in-the-news/its-time-decide-what-do-wilderness-study-areas-gianforte-tells-subcommittee>.

414 CRS Steven Maguire and Jennifer Teefy "The Rum Excise Tax Cover-Over: Legislative History and Current Issues" <https://fas.org/sqp/crs/misc/R41028.pdf>.



## Deconstruct the Administrative State

The federal bureaucracy has immense power over the lives of every American. Although “more people can vote than ever before, fewer and fewer issues are available to be voted on; much of the ‘people’s business,’ both regulatory and adjudicatory, and on both the state and federal level, is conducted by men and women who will never have to stand for office.”<sup>415</sup> Federal regulations, written and enforced by the bureaucracy, govern virtually every aspect of the economy and society. Those who break these rules are often tried by that same bureaucracy. This process destroys both the bedrock foundations of Congress’ Article I authority and the separation of powers. The federal bureaucracy can no longer be allowed to be judge, jury and executioner over the American people.

It has become virtually impossible to remove most federal employees, even for just cause. A review by the GAO found that the dismissal process is estimated to take 170 to 370 days – plus, “during the dismissal process the employee may make a request for a reasonable accommodation, file a grievance or file an EEOC complaint,” which “may add time to the process.”<sup>416</sup> According to the Heritage Foundation, of 2.1 million federal employees, only 11,046 – or 0.5 percent – were fired in 2017.<sup>417</sup> One analysis found that “federal workers are far more likely to be audited by the IRS or get arrested for drunk driving than they are to be fired from the civil service payroll for poor performance or misconduct.”<sup>418</sup> This system is so absurd that the courts have actually ruled that federal employees have a property right to continued employment.<sup>419</sup> Not only can federal employees stay on the job indefinitely, they are also compensated by the taxpayers an average of 17 percent higher than their private-sector counterparts.<sup>420</sup>

The enactment of the *Department of Veterans Affairs Accountability and Whistleblower Protection Act of 2017*, signed into law in June 2017, was a small step in the right direction in this regard. This important reform allows the secretary of the Department of Veterans Affairs (VA) to remove, demote or suspend VA employees for poor performance or misconduct. Since the bill was signed into law, 3,106 VA employees have been removed for cause, 119 have been issued a long suspension and 102 have been demoted.<sup>421</sup> This budget supports the *Federal Employee Accountability Act*, introduced by Rep. Ted Yoho (R-Fla.), that would apply this success story to all agencies.

While the American people may vote for a new presidential administration every four years, the 2.1 million employees that make up the federal civilian workforce largely stay in place despite the change in the White House. An incoming president is only able to make about 4,000 appointments, just 0.1 percent of the entire federal workforce.<sup>422</sup> This has established a permanent, ultra-powerful and unaccountable administrative state that was never contemplated by the founders. The federal bureaucracy cannot even be checked by its nominal head, the president. We have even witnessed “another level of resistance to the new president that is less visible and potentially more troublesome to the administration: a growing wave of opposition from the federal workers charged with implementing any new president’s agenda.”<sup>423</sup> As one analysis has concluded, “If the

<sup>415</sup> Inez Feltscher Stepman and Jarrett Stepman, ALEC Center to Restore the Balance of Government, “Civil Service Reform for the 21st Century: Restoring Democratic Accountability to the Administrative State”, March 2017. [https://www.alec.org/app/uploads/2017/03/2017-Center-Point\\_-21st-Century-Civil-Service\\_Final.pdf](https://www.alec.org/app/uploads/2017/03/2017-Center-Point_-21st-Century-Civil-Service_Final.pdf).

<sup>416</sup> Government Accountability Office, “Federal Workforce Improved Supervision and Better Use of Probationary Periods Are Needed to Address Substandard Employee Performance”, February 2015. <http://www.gao.gov/assets/670/668339.pdf>.

<sup>417</sup> The Heritage Foundation John W. York, Ph.D. “Firing a Bad Federal Employee May Get a Little Easier” July 19, 2018 <https://www.heritage.org/government-regulation/commentary/firing-bad-federal-employee-may-get-little-easier>.

<sup>418</sup> Kathryn Watson, The Daily Caller News Foundation, “Here’s Why It’s All But Impossible To Fire A Fed”, March 3, 2016. <http://dailycaller.com/2016/03/03/heres-why-its-all-but-impossible-to-fire-a-fed/>.

<sup>419</sup> Jared Cole, Congressional Research Service, “The Civil Service Reform Act: Due Process and Misconduct-Related Adverse Actions”, March 29, 2017. [http://www.crs.gov/Reports/R44803#\\_Toc478635794](http://www.crs.gov/Reports/R44803#_Toc478635794).

<sup>420</sup> Congressional Budget Office, “Comparing the Compensation of Federal and Private-Sector Employees, 2011 to 2015”, April; 25, 2017. <https://www.cbo.gov/publication/52637>.

<sup>421</sup> U.S. Department of Veterans Affairs, Office of Accountability and Whistleblower Protection, “Department of Veterans Affairs Accountability Report Accountability Actions taken 1/21/2018 through 12/131/2018”, January 29, 2019. [https://www.va.gov/accountability/Accountability\\_Report\\_021519\\_1.pdf](https://www.va.gov/accountability/Accountability_Report_021519_1.pdf).

<sup>422</sup> Bonnie Berkowitz and Kevin Uhrmacher, Washington Post, “It’s not just the Cabinet: Trump’s transition team may need to find about 4,100 appointees”, December 5, 2016. <https://www.washingtonpost.com/graphics/politics/trump-transition-appointments-scale/>.

<sup>423</sup> Juliet Eilperin, Lisa Rein and Marc Fisher, Washington Post, “Resistance from within: Federal workers push back against Trump”, January 31, 2017. [https://www.washingtonpost.com/politics/resistance-from-within-federal-workers-push-back-against-trump/2017/01/31/c65b110e-e7cb-11e6-b82f-687d6e-6a3e7c\\_story.html?utm\\_term=.f8c284d0a585](https://www.washingtonpost.com/politics/resistance-from-within-federal-workers-push-back-against-trump/2017/01/31/c65b110e-e7cb-11e6-b82f-687d6e-6a3e7c_story.html?utm_term=.f8c284d0a585).

president does not control the staff of the executive branch, they remain outside of meaningful democratic control.”<sup>424</sup>

This administrative state now operates outside the bounds of the Constitution, so powerful that it has come to be considered a fourth branch of the government.<sup>425</sup> For the sake of our republic and the happiness of the American people, the administration of government must be reformed, lest it become permanently and fatally destructive to the securing of the rights of the citizenry.<sup>426</sup>

Because the Constitution provides that “Congress may by Law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments” and that “no money may be drawn from the Treasury but in consequence of appropriations made by law,” it is necessary and appropriate Congress play a significant role in reforming the federal bureaucracy. The RSC Budget therefore includes a number of commonsense proposals to rein in the administrative state:

- Federal employees should be considered at-will employees, as congressional staff currently are.
- The size of the federal workforce should be reduced by attrition, by limiting new hires to one employee for every three that leave the workforce.
- Automatic raises for federal employees should be eliminated. Pay increases for federal employees should be merit-based not automatic, while still limited to parallel pay increases in the private sector.
- The taxpayers should be protected by prohibiting union work by federal employees during official time and ending the practice of the federal government serving as the dues collector for the unions.
- Agencies should be required to seek congressional approval for the expenditure of fines and fees collected under their jurisdiction, bringing all federal expenditures under the congressional appropriations process.
- Spending limits should be put in place for federal employee conferences, and the heads of federal agencies should be required to personally approve the most expensive conferences.

There should be reasonable limits on the size of bonuses that can be awarded and the number of senior employees who can receive an award. More than \$1 billion in bonuses for federal employees were paid by the taxpayers in 2016. Making the situation worse, these were not disclosed publicly. The *Federal Employee Bonus Disclosure Act*, introduced in the last Congress by former Representative Mark Sanford (R-S.C.), would require disclosure of all bonuses for federal employees. Additionally, this bill would require reports to Congress on all large cash bonuses.<sup>427</sup>

### **Reform Federal Employee Pension Plans**

Federal employees hired since 1984 are entitled to a two-part retirement program, including the Federal Employee Retirement System (FERS) defined benefit plan and a 401k-style plan with up to a 5 percent government matching contribution. Under FERS, federal workers hired before 2013 contribute only 0.8 percent of their pay, while the taxpayers contribute 11.7 percent of employees’ salaries. A 2017 CBO report found that, on average, federal civilian employees receive 17 percent more in benefits than the comparable average private-sector employee.<sup>428</sup>

424 Inez Feltscher Stepman and Jarrett Stepman, ALEC Center to Restore the Balance of Government, “Civil Service Reform for the 21st Century: Restoring Democratic Accountability to the Administrative State”, March 2017. [https://www.alec.org/app/uploads/2017/03/2017-Center-Point\\_-21st-Century-Civil-Service\\_Final.pdf](https://www.alec.org/app/uploads/2017/03/2017-Center-Point_-21st-Century-Civil-Service_Final.pdf).

425 David S. D’Amato, American Thinker, “Dismantling America’s Destructive ‘Fourth Branch’ of Government”, March 9, 2017. [http://www.american-thinker.com/articles/2017/03/dismantling\\_americas\\_destructive\\_fourth\\_branch\\_of\\_government.html](http://www.american-thinker.com/articles/2017/03/dismantling_americas_destructive_fourth_branch_of_government.html).

426 James Madison, The Federalist Papers, “The Particular Structure of the New Government and the Distribution of Power Among Its Different Parts”, February 1, 1788. [http://avalon.law.yale.edu/18th\\_century/fed47.asp](http://avalon.law.yale.edu/18th_century/fed47.asp).

427 Rep. Mark Sanford, Federal Employee Bonus Disclosure Act. <https://www.congress.gov/bills/115th-congress/house-bill/5290?q=%7B%22search%22%3A%5B%22hr+5290%22%5D%7D&s=2&r=1>.

428 Congressional Budget Office, “Comparing the Compensation of Federal and Private-Sector Employees, 2011 to 2015”, April 25, 2017. <https://>

This budget would make several reforms to the FERS. First, instead of basing the amount of a retiree's benefit on the highest three years of earnings, the benefit would be calculated from the highest five-year period. The share of employee contributions to FERS should be increased over time, to more closely align with the private sector. The COLA for FERS and the Civil Service Retirement System (CSRS) should be reduced or eliminated. The Special Retirement Supplement (SRS), which provides additional benefits for retirees younger than 62 but who had a long federal work history, would be eliminated. Additionally, the interest rate provided by the G Fund in the Thrift Savings Plan (TSP) should be reformed to more accurately reflect the yield on a short-term T-bill rate.

This budget would require all federal employees to contribute more towards their retirement. The *Middle Class Tax Relief and Job Creation Act of 2012* required new federal employees to contribute more towards their retirement. No changes were made for current federal employees. This proposal would equalize the treatment for all federal workers.

Additionally, Congress should look at options for new federal workers to be solely enrolled in the TSP system and not into the FERS pension system. Pensions, an inherently unstable situation, require a very low rate of error in a large number of assumptions to be maintained. Keeping FERS on a path to solvency has required constantly downgrading the promised benefits to new workers, while increasing their contributions to pay for the over-promises of the program in the past. Pensions require everyone involved to remain bound to the pension in perpetuity, forcing current and future retirees to sacrifice their freedom and control over their incomes in retirement. Furthermore, pensions lock away large portions of the market's capital that is instead invested and managed by the federal government. FERS alone is projected to control \$1.1 trillion in 2020 and \$9.6 trillion by 2080. Individual retirement accounts put these funds and their investment management in the hands of the people that earned them. The 401(k)-modeled TSP accounts give workers control over their retirement. If new workers were simply enrolled in a TSP system with larger initial and matching federal contributions, this purely defined contribution model would allow the federal retirement system to pay out only to those that are contributing to the pension system. This gives future federal retirees complete control over their retirement income, freeing them from the solvency issues of a pension system.

### **Adopt Premium Support for Federal Employee Health Care**

The Federal Employee Health Benefits Program (FEHBP) provides health insurance coverage for federal employees and their dependents. Participants choose from a range of plans and pay about 30 percent of their premiums. The federal government covers the remaining 70 percent. Because this ratio does not change with the higher-priced coverage options, federal employees have the incentive to choose the more expensive plans on the taxpayer's dime.

This budget would transition to a premium support system for the FEHBP. The government would offer a standard federal contribution towards the purchase of health insurance and employees would be responsible for paying the rest. This option would encourage employees to purchase plans with the appropriate amount of coverage that fits their needs. The government should also reduce its contributions to federal workers' premiums to more closely align with the private sector.

### **Removing Double Dipping and Imbalances in Federal Worker Health Care Programs**

Many retired federal workers can use both Medicare and FEHBP benefits. The RSC Budget would prevent this by ensuring Medicare-eligible federal retirees utilize their Medicare benefits only.

Additionally, the Postal Service Health Insurance Program receives matching funds from the federal government to supplement these benefits for postal workers. Unlike most federal worker health insurance programs, these matching rates are collectively bargained and consistently exceed the same benefits for other programs. The RSC Budget would set these rates by statute to be on par with similar federal worker insurance programs.

**Require Disclosure on Taxpayer-Funded Advertisements**

Until we eliminate all federal advertisements, in the interest of transparency and accountability, the public should know when taxpayer dollars are used to promote government projects. Television and radio advertisements, mailers and brochures purchased at taxpayer expense should include a disclaimer identifying this fact, as well as the cost of the advertisement.

**Use a More Accurate Measure of Inflation, Government Wide**

Many federal programs rely on different measures of inflation to determine benefit levels. This is typically done using changes in the Consumer Price Index for All Urban Consumers (CPI-U) or the Consumer Price Index for All Urban Wage Earners and Clerical Workers (CPI-W). Both of these measures track the changes in prices of particular goods and services. However, these measures do not take in account when a cheaper and more innovative product is available and when consumers switch their spending from previous goods and services to the new one. This would be similar to assuming households spend their money in the same proportions on the same things households did a century ago. To account for this real-world behavior, the BLS has published a more accurate measure of inflation since 2002 called the Chained Consumer Price Index (chained CPI or C-CPI-U). This budget proposes using the more accurate measure for inflation, chained CPI, saving the taxpayers \$230 billion in total over the next ten years according to the CBO.

**Prohibit the Federal Government from Bailing Out Irresponsible States, Territories and Local Governments**

State and local governments are the great laboratories for democracy. Sadly, some states, territories and cities have been negligent in addressing pending financial problems. Taxpayers in financially healthy states should not be responsible for the reckless behavior and mistakes of other parts of the country. This budget would prohibit such bailouts. This proposal is based upon the *State and Local Pensions Accountability and Security Act* sponsored by Representative Brian Babin (R-Texas).

Ignoring the basic principle of the rule of law to allow states to discharge debt in bankruptcy is no different than if the federal government forcibly confiscated the retirement savings of millions of Americans in taxes. In order to prevent the fiscal irresponsibility of a minority of states and territories from being imposed on taxpayers and savers, this budget supports maintaining existing federal bankruptcy law and prohibiting access to bankruptcy proceedings for state governments.

***Transportation and Infrastructure*****Return Transportation and Infrastructure Policy to the States**

Government-directed infrastructure programs are often portrayed as an economic stimulus that will create jobs. This notion is an economic fallacy. While it is easy to see the physical results of what has been constructed by a government project, it is harder to see the harm done by taxing, borrowing or printing money to fund the project.<sup>429</sup> Any dollar spent by the government is a dollar that must first be extracted from the productive economy and then cannot be allocated more efficiently under the basic laws of economics that govern the free market.

A recent academic paper analyzing the potential impact of infrastructure spending as an economic stimulus, in 2017, concluded that “more deficit-financed infrastructure spending is a risky bet. At best, it is likely to be ineffective; at worst, it will be counterproductive. One long-term impact of further stimulus is certain: it would leave the U.S. deeper in debt at a time when the country can ill afford it. As a long-term measure, infrastructure

429 Frédéric Bastiat, “That Which is Seen, and That Which is Not Seen”, July 1850. <http://bastiat.org/en/twisatwins.html>.

spending is not a solution.”<sup>430</sup>

The debate about the stimulative effect of infrastructure spending by the federal government ignores a more important discussion as to whether it is appropriate for the federal government to provide for these projects or if the federal government is even granted the power to provide for transportation and infrastructure projects.

President James Madison, regarded as the father of the Constitution, answered the latter, more important question by vetoing an act passed by Congress to fund the construction of roads, canals and water infrastructure projects. Madison vetoed the “internal improvements” bill because, despite his personal understanding of the importance of roads and canals, the Constitution provides Congress no power to provide for such projects.<sup>431</sup> The 10<sup>th</sup> Amendment reinforces the fact that the authorities granted under the Constitution to the federal government are limited to only those enumerated powers by declaring that the “powers not delegated to the United States by the Constitution ... are reserved to the States respectively, or to the people.” In his veto message, President Madison stated:

**“Having considered the bill this day presented to me entitled ‘An act to set apart and pledge certain funds for internal improvements,’ and which sets apart and pledges funds ‘for constructing roads and canals, and improving the navigation of water courses’...I am constrained by the insuperable difficulty I feel in reconciling the bill with the Constitution of the United States to return it with that objection to the House of Representatives. The legislative powers vested in Congress are specified and enumerated in the eight section of the first article of the Constitution, and it does not appear that the power proposed to be exercised by the bill is among the enumerated powers.”**

The principle of understanding the Constitution as written has not always been respected. It has been over 60 years since President Dwight Eisenhower signed the *Federal Aid Highway Act of 1956* into law, beginning the construction of our nation’s interstate system. Nearly 48,000 miles later, this top-down federal approach for our nation’s highways should be returned to the state and local governments, and ultimately, the free market. State and local officials are in a much better position to understand the local transportation needs than bureaucrats in Washington.

This principle of federalism is succinctly described by the Mercatus Center:

**“It is a common mistake to assume that it is efficient or proper for the federal government to pay for roads and highways. With very few exceptions, most roads, bridges, and even highways are by nature local or, at the highest level, state projects. The federal government should have nothing to do with them.”<sup>432</sup>**

For example, compare the 60-year period since the creation of the federal highway system to the roughly first 60 years of private industry railroad construction in the U.S. between 1830 and 1890. In the same length of time the federal government built 48,000 miles of highway, in a vastly smaller and less industrial U.S., the free market increased the miles of U.S. railroads from 23 miles in 1830 to 163,359 miles in 1890.<sup>433</sup> This network, built without

<sup>430</sup> Veronique de Rugy and Matthew D. Mitchell, Mercatus Center at George Mason University, “Would More Infrastructure Spending Stimulate the Economy in 2017?”, January 2017. <https://www.mercatus.org/system/files/mercatus-derugy-infrastructure-v2.pdf>.

<sup>431</sup> James Madison, “Veto Message on the Internal Improvements Bill”, March 3, 1817. <https://millercenter.org/the-presidency/presidential-speeches/march-3-1817-veto-message-internal-improvements-bill>.

<sup>432</sup> Veronique de Rugy and Matthew D. Mitchell, Mercatus Center at George Mason University, “Would More Infrastructure Spending Stimulate the Economy in 2017?”, January 2017. <https://www.mercatus.org/system/files/mercatus-derugy-infrastructure-v2.pdf>.

<sup>433</sup> Census Report - Historical Statistics of the United States 1789-1945 <https://www2.census.gov/prod2/statcomp/documents/HistoricalStatisticsof->



reliance on government programs, crisscrossed and connected the entire nation.

Current federal transportation policy is supposed to be self-financed by the 18.4 cents per gallon federal gas tax. But, as is too often the case, Washington has spent beyond its means and left taxpayers to foot the bill. In fact, since 2008, Congress has bailed out the Highway Trust Fund (HTF) to the tune of \$143 billion, including \$8 billion in 2015 and an additional \$70 billion in 2016.<sup>434</sup>

Highway spending needs an overhaul. In reality, Washington mandates and carve-outs get in the way of the important and efficient infrastructure spending that local governments and private citizens would make.

### **Stop Spending Federal Highway Trust Fund Money on Local Transportation**

Instead of this broken status quo, Congress should get government out of the way and devolve the federal government's control over most highway and transit programs to state and local governments. This budget supports limiting federal transportation spending to core federal duties. These responsibilities would center primarily on the Interstate Highway System and transportation infrastructure on federal land.

Under the current highway bill, billions of dollars per year – 29 percent of annual spending from the HTF - are taken away from programs that support roads and bridges to fund programs that instead support initiatives purely local in nature or only benefit special interests.<sup>435</sup>

A first step in this transition should be to eliminate the Mass Transit Account (MTA). The MTA accounts for about 15 percent of HTF spending. Money that is diverted to the MTA is primarily spent on state and local projects such as subways, buses, rails and ferry systems, with much of it funneled through the Federal Transit Administration.<sup>436</sup> Diverting money from the HTF inappropriately moves funds from being used on the highways that connect our states to projects that should be financed at the state or local level, and contributes to shortfalls in the HTF resulting in bailouts. The trust fund is projected by CBO to go broke in 2022. This proposal is based in part on the *Highway Restoration Act* that was introduced by former Rep. Mark Sanford (R-S.C.).

The 2015 *Fixing America's Surface Transportation Act* (FAST Act) merged the Transportation Alternatives Program (TAP) into the Surface Transportation Block Grant Program (STBG). STBG provides federal funding for a number of local alternative transportation projects, including bike paths, trails, medians, sidewalks, historical preservation, archeological activities, landscaping, environmental mitigation and scenic overlooks. The STBG program is allocated \$850 million each year and should be eliminated.

The Congestion Mitigation and Air Quality (CMAQ) Program provides highway funding to a variety of non-highway programs that are supposed to reduce congestion and improve air quality. Projects can include diesel engine retrofits, transit projects, encouraging telecommuting, public education about transportation choices, carpool and vanpool marketing, car sharing, and alternative fuels and vehicles. States are not allowed to use these funds on expanding highway capacity. The CMAQ Program is allocated between \$2.3 billion and \$2.5 billion each year and should be eliminated.

The highway bill even allows HTF dollars to be used for the encouragement of pollinator habitats for Monarch butterflies and honey bees.

These types of projects are not the responsibility of the federal government, nor should they be funded with gas tax revenue which is designed to fund roads based on a user fee model.

As the overall level of federal responsibility is reduced, Congress should reduce the federal gas tax. Some have

[heUnitedStates1789-1945.pdf#page=210](#)

434 Congressional Budget Office, "Approaches to Making Federal Highway Spending More Productive", February 11, 2016. <https://www.cbo.gov/publication/50150>.

435 Michael Sargent and Nicolas Loris, Heritage Foundation, "Driving Investment, Fueling Growth: How Strategic Reforms Can Generate \$1.1 Trillion in Infrastructure Investment", May 3, 2017. <http://www.heritage.org/government-regulation/report/driving-investment-fueling-growth-how-strategic-reforms-can-generate>.

436 Federal Transit Administration, About FTA, Accessed March 14, 2019. <https://www.transit.dot.gov/about-fta>.

called for an increase in the gas tax to allow for increased levels of spending. This would hurt hardworking Americans at the pump and harm the economy. The HTF is in poor shape because Congress has intentionally overspent on extraneous programs, not because taxes are too low. The RSC Budget would prohibit any gas tax increase.

Some have suggested the use of federal incentives to induce private infrastructure spending. The instinct here is a correct one, which is that the government should not tax the cost of investment. For this reason, the RSC Budget has consistently called for permanent, full expensing of new business investments. However, this is very different than using the tax code to make the returns from investments in politically-favored projects more profitable, or worse, passing spending through the code to directly subsidize such projects. According to the CBO, as of 2015, there have been only 36 privately financed road projects in the U.S. over the last 25 years through public-private partnerships.<sup>437</sup> An “infrastructure bank” or other government financial instruments would only put taxpayers at additional risk.

It is a mistake to believe the federal government can induce (through tax credits or other means) private sector entities to finance government-driven projects that make economic sense. Rather, such policies end up funding boondoggles from which even the most speculative investor would normally flee. Profitability, at its core, is a measure of how valuable something is. It is a statement about how much more valuable a final product is than the value of the inputs brought together to make it. By definition, when the government taxes someone to build an infrastructure project that isn’t profitable, two misuses of government power have occurred. First, the government has taken hard earned money from someone and secondly, used it to buy inputs more valuable to society than the final product the government produced. This exercise simply steals wealth from some people to reduce the wealth of the whole country.

The appropriate role of the federal government is to ensure the freedom of individuals to negotiate the terms of contracts and to provide for certainty in the enforcement of those contracts, while implementing a commonsense tax code that does not punish investment. Outside of these roles, the federal government should get out of the way and allow the market to allocate private infrastructure investments to their highest and best uses.

### **Reducing the Regulatory Burden on Infrastructure Development**

When carrying out the federal highway program, states are forced to comply with a variety of complex environmental regulations that can add years of delay to the completion of important transportation projects, such as the *Clean Air Act* (CAA), the *Clean Water Act* (CWA), the *Endangered Species Act* (ESA) and the *National Environmental Policy Act* (NEPA).

NEPA requires agencies to review the possible environmental effects of proposed government actions prior to issuing a decision. These studies require several steps, including an environmental assessment, a determination that an action will have no significant impact, an Environmental Impact Statement (EIS) and a Record of Decision. In 2011 the average time to complete a NEPA study was 6.6 years.<sup>438</sup> President Trump’s infrastructure plan proposes several changes to NEPA, including requiring a Record of Decision to be submitted within 21 months with an additional 3 months for the permit to be issued for projects, requiring regulatory changes to streamline the NEPA process, removing the EPA’s review on EISs and focusing agencies’ reviews of NEPA analyses on that particular agency’s area of expertise.<sup>439</sup>

Congress should also consider reforms to certain sections of the CWA that have been used to delay pipeline

<sup>437</sup> Chad Shirley, Congressional budget office, “Testimony Before the Committee on Ways and Means U.S. House of Representatives: The Status of the Highway Trust Fund and Options for Paying for Highway Spending”, June 17, 2015. [https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/50298-TransportationTestimony\\_1.pdf](https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/50298-TransportationTestimony_1.pdf).

<sup>438</sup> AECOM, 40 Proposed U.S. Transportation and Water infrastructure Projects of Major Economic Significance”, Fall 2016. <https://www.treasury.gov/connect/blog/Documents/final-infrastructure-report.pdf>

<sup>439</sup> The White House, “Legislative Outline for Rebuilding Infrastructure in America,” February 12, 2018. <https://www.transportation.gov/sites/dot.gov/files/docs/briefing-room/304441/legoutline.pdf>.



projects already approved by the FEC<sup>440</sup> and retroactively rescind permits already issued.<sup>441</sup>

These and other permitting reforms should be considered to help reduce regulatory burdens, streamline the permitting process and provide greater certainty to allow projects to be approved in a more efficient manner.

On April 9, 2018, President Trump announced the signing of the One Federal Decision Memorandum of Understanding (MOU) by federal agencies.<sup>442</sup> The MOU ensures a lead federal agency is designated to develop one EIS and one Record of Decision for projects that involve multiple agencies. In addition, the agencies will aim to complete the permitting process within two years.

The MOU creates a similar process outlined in Rep. Tom McClintock's (R-Calif.) *Water Supply Permitting Coordination Act*. The bill would designate the Bureau of Reclamation (BOR) as the lead agency in the review, permitting, licensing and other federal approval processes for water storage projects in the 17 western states, establish responsibilities for BOR and cooperating agencies, and create timelines for approval.<sup>443</sup> The policy of establishing a lead agency for overseeing the permit approval process should be codified to cover other types of projects where agency jurisdiction overlaps.

When the federal government funds a transportation project, it is subject to a number of different federal labor regulations that drive up the cost of the project, such as Davis-Bacon wage requirements and project labor agreements. When projects cost more than necessary as a result of union-friendly regulatory requirements, taxpayers and commuters are harmed. These requirements should be eliminated in order to give taxpayers the best deal possible.

Federally funded infrastructure projects are also restricted in what materials they can use by so-called "Buy America" provisions. Among other things, these provisions require these projects to buy iron, steel and manufactured products made in the United States. Though this would help one set of industries in the U.S., it would do so by raising the cost on around 60 percent of the components in these projects. This increases the cost of all federally funded infrastructure projects, diminishing the value of the work these projects do and amounting to an expanded tax on everyone who uses these projects and on everyone who is taxed to fund them. Our budget removes this prohibition to allow federally funded infrastructure projects to be built in as cost reducing and efficient a manner as possible.

The RSC Budget also adopts Rep. Jim Banks' (R-Ind.) bill, H.R. 1990, to allow state governments to run concession areas at state government owned concession areas. The current regulation against this practice only hinders the abilities of state governments to operate their own rest areas and fund legitimate functions of the states' governments.

### **Eliminate the Essential Air Service Program**

The Essential Air Service Program heavily subsidizes flights to and from rural areas – often at a cost of several hundred dollars per passenger. Congress has debated eliminating this program for years. The federal government should not be borrowing money to provide air service to areas of the country where the market will not support it. This program should be eliminated.

### **Equalize Cost-Sharing for Disasters**

Under current law, the Federal Emergency Management Agency (FEMA) is required to cover at least 75 percent of certain disaster costs, with the state covering the rest. Instead of ensuring states have adequate funds saved

440 Volcovici, Valerie, "Trump infrastructure plan would speed up pipelines, cut environmental reviews", February 12, 2018. <https://www.reuters.com/article/us-usa-budget-infrastructure-energy/trump-infrastructure-plan-would-speed-up-pipelines-cut-environmental-reviews-idUSKBN1FW2Q1>.

441 Bakst, Daren, "Three Key Reforms for Federal Water Policy", November 23, 2016. <https://www.heritage.org/agriculture/report/three-key-reforms-federal-water-policy>.

442 "President Donald J. Trump's Administration Is Improving Inefficient Permitting Reviews", April 9, 2018. <https://www.whitehouse.gov/briefings-statements/president-donald-j-trumps-administration-improving-inefficient-permitting-reviews/>.

443 Rep. Tom McClintock, Water Supply Permitting Coordination Act. <https://mcclintock.house.gov/newsroom/speeches/hr1654-water-supply-permitting-coordination-act>.

to address natural disasters, states have relied on FEMA to provide relief, knowing the federal government would step in to provide disaster relief funds. In order to ensure states are not incentivized to rely on the federal coffers for disaster relief, the RSC Budget proposes eliminating the 75 percent minimum federal share and replacing it with a standard requiring equal contributions from the federal and state government.

### **Pathway to Privatize the Air Traffic Control Functions of the Federal Aviation Administration**

The RSC Budget supports the goal of working towards privatizing the Air Traffic Control (ATC) functions of the Federal Aviation Administration (FAA). Several nations, including Canada, have privatized these functions and seen the kind of innovation that only a free market can create.<sup>444</sup> Whenever we can take a function of the federal government and turn it over to the innovative forces of the private sector, we have a moral obligation to do so. Not only does doing so produce less expensive and better quality services, but market forces keep market participants accountable and demand reliability.

## ***Ways and Means***

### **Eliminate the Social Services Block Grant**

The Social Services Block Grant (SSBG) program provides funding to states that can be used for a wide range of social programs. However, this funding is duplicative of many other federal programs. The single largest use of these funds is to cover states' administrative costs of providing information and referrals to government programs. The SSBG should be eliminated, saving more than \$17 billion over the next decade.

## ***Judiciary***

### **Stop Civil Asset Forfeiture Abuse**

Many Americans assume their due process rights are automatically honored by the government. However, under current law, federal, state and local police can seize an individual's property unless that individual can prove he or she acquired it legally. This must change.<sup>445</sup>

Law enforcement agencies, instead of tweeting misleading information about when they seize private property (Asset Forfeiture), should respect the due process rights of the American people.<sup>446</sup> Unfortunately, in July 2017, the Department of Justice (DOJ) revived a suspended civil asset forfeiture policy that creates financial incentives for state and local law enforcement to seize property.<sup>447</sup>

The *Fifth Amendment Integrity Restoration Act* (FAIR Act), sponsored by Representative Tim Walberg (Mich.), would protect our constitutional rights and save American families from a costly and messy legal process to regain what is legally theirs. This legislation would raise the standard to seize assets and reduce incentives for states and localities to unnecessarily seize property in civil forfeiture.

Further, like other fines and fees collected by federal agencies, this budget calls for funds derived from forfeiture proceedings to be appropriated by Congress. This removes the perverse incentive for law enforcement to conduct unconstitutional seizures simply to pad their operating budgets.

<sup>444</sup> CATO Institute "Privatize the FAA" <https://www.cato.org/publications/commentary/privatize-faa>

<sup>445</sup> FreedomWorks, by Jason Pye "From High Seas to Highway Robbery: How Civil Asset Forfeiture Became One of the Worst Forms of Government Overreach" <https://www.scribd.com/document/272213452/From-High-Seas-to-Highway-Robbery-How-Civil-Asset-Forfeiture-Became-One-of-the-Worst-Forms-of-Government-Overreach>

<sup>446</sup> Federal Bureau of Investigation, "Asset forfeiture is used by #lawenforcement to deprive criminals of ill-gotten gains through seizure of assets.", April 3, 2017. <https://twitter.com/FBI/status/848928247240773632>.

<sup>447</sup> United States Department of Justice, Order Number 3946-2017: "Federal Forfeiture of Property Seized by State and Local Law Enforcement Agencies," July 19, 2017. <https://www.justice.gov/file/982611/download>.

**Protect Private Property from Government Seizure**

The Fifth Amendment provides that “Private property [shall not] be taken for public use, without just compensation.” However, the Supreme Court put this important guarantee of private property rights in jeopardy in *Kelo v. City of New London*. That ruling determined local governments may use eminent domain to seize private property and then sell it for development purposes. To prevent this type of government abuse, federal economic development funding to local governments should be dependent on states’ restraint from using eminent domain for private economic development.

***Veterans Affairs (VA)*****Protecting Service Related-Injury Benefits and Reforming Unemployability Benefits for Retirees**

The RSC Budget would ensure individual benefits paid out from the VA for disability are reserved for people disabled as a direct result of their service. Right now, people can receive these benefits for diseases and injuries they acquired while in the military but that were not from their military service. In these cases, these payments are duplicative with SSDI benefits.<sup>448</sup>

Additionally, some people receive unemployability payments from the VA and regular Social Security benefits. The VA program is designed to cover the loss of ability to work for people that are in the workforce, not retirees that are drawing retirement benefits from Social Security. The RSC Budget would end this practice.<sup>449</sup>

The RSC Budget would reinvest savings from both of these measure into the VA to help towards the president’s goal of fully modernizing VA operations and facilities.<sup>450</sup>

448 CBO “Options for Reducing the Deficit 2019 to 2028” December 2018 <https://www.cbo.gov/system/files?file=2018-12/54667-budgetoptions.pdf#page=117>

449 CBO “Options for Reducing the Deficit 2019 to 2028” December 2018 <https://www.cbo.gov/system/files?file=2018-12/54667-budgetoptions.pdf#page=119>

450 President Trump’s FY 2020 Budget “National Security 2020 Budget Fact Sheet” [https://www.whitehouse.gov/wp-content/uploads/2019/03/FY20-Fact-Sheet\\_National-Security\\_FINAL.pdf](https://www.whitehouse.gov/wp-content/uploads/2019/03/FY20-Fact-Sheet_National-Security_FINAL.pdf)





# ***SMARTER BUDGETING***





## SMARTER BUDGETING – DISCRETIONARY SPENDING

Article I, Section 9 of the Constitution provides that “no money shall be drawn from the Treasury, but in consequence of appropriations made by law.” As mandated by the Constitution, this process begins in the House of Representatives. As Madison states in Federalist 58 (which was written to rebut charges that the House would not have sufficient power under the proposed Constitution), “The House of Representatives cannot only refuse, but they alone can propose, the supplies requisite for the support of government. They, in a word, hold the purse that powerful instrument ... This power over the purse may, in fact, be regarded as the most complete and effectual weapon with which any constitution can arm the immediate representatives of the people, for obtaining a redress of every grievance, and for carrying into effect every just and salutary measure.”<sup>451</sup>

For most of U.S. history, all federal spending was done through annually passed appropriations bills, giving Congress annual oversight and power over 100 percent of federal spending. However, automatic, or mandatory, spending now eats up two thirds of our budget and is growing. This leaves Congress with control over only a third of spending with the remainder of spending coming from the coffers of the Treasury automatically. The devolution of Congress’ spending control represents an abdication of its constitutional duty and further empowers the executive branch to administer these automatic spending programs. It is vital members of the House of Representatives regain their resolve and courage “to accomplish their just purposes” in the “trial of firmness” between the two branches.<sup>452</sup>

Also of grave concern is the amount of federal programs currently funded that have little to no constitutional authorization. Article I, Section 8 states the intent to provide for the national defense and general welfare by giving Congress a prescribed list of limited authorities. While liberal expansionists have distorted the original intent of the term “general welfare” to include many state and local initiatives, our founding fathers intended the term to be limited to those specific authorities spelled out explicitly in Section 8’s subsequent clauses.

Specifically, Congress can only provide for the general welfare through the following means:

*To borrow money on the credit of the United States;*

*To regulate commerce with foreign nations, and among the several states, and with the Indian tribes;*

*To establish a uniform rule of naturalization, and uniform laws on the subject of bankruptcies throughout the United States;*

*To coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures;*

*To provide for the punishment of counterfeiting the securities and current coin of the United States;*

*To establish post offices and post roads;*

*To promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries;*

*To constitute tribunals inferior to the Supreme Court;*

*To define and punish piracies and felonies committed on the high seas, and offenses against the law of nations;*

*To declare war, grant letters of marque and reprisal, and make rules concerning captures on land and water;*

*To raise and support armies, but no appropriation of money to that use shall be for a longer term*

<sup>451</sup> James Madison, Federalist 58, “Objection That The Number of Members Will Not Be Augmented as the Progress of Population Demands Considered”. [http://avalon.law.yale.edu/18th\\_century/fed58.asp](http://avalon.law.yale.edu/18th_century/fed58.asp).

<sup>452</sup> Ibid.

*than two years;*

*To provide and maintain a navy;*

*To make rules for the government and regulation of the land and naval forces;*

*To provide for calling forth the militia to execute the laws of the union, suppress insurrections and repel invasions;*

*To provide for organizing, arming, and disciplining, the militia, and for governing such part of them as may be employed in the service of the United States, reserving to the states respectively, the appointment of the officers, and the authority of training the militia according to the discipline prescribed by Congress;*

*To exercise exclusive legislation in all cases whatsoever, over such District (not exceeding ten miles square) as may, by cession of particular states, and the acceptance of Congress, become the seat of the government of the United States, and to exercise like authority over all places purchased by the consent of the legislature of the state in which the same shall be, for the erection of forts, magazines, arsenals, dockyards, and other needful buildings; And*

*To make all laws which shall be necessary and proper for carrying into execution the foregoing powers, and all other powers vested by this Constitution in the government of the United States, or in any department or officer thereof.*

Although the BCA, signed into law by President Obama in 2011 after a sustained effort by the Republican Study Committee and conservatives to “cut, cap, and balance” the federal budget, was an important step for generally instating spending control mechanisms, it was by no means perfect. In some ways it has propped up spending on programs that fall outside of the scope of Congress’s Article I, Section 8 authorities. Importantly, the bill imposed caps on discretionary spending through Fiscal Year 2021. Unfortunately, the BCA imposed an arbitrary “firewall” between defense and non-defense spending. This created a false sense of parity between essential priorities, such as ensuring national security, and less crucial activities of the federal government and programs that would be better managed at the state level. This also encouraged the mistaken presumption that defense spending constitutes half or more of federal spending, when in truth it is closer to one-seventh.

This unfortunate byproduct of bifurcating defense and non-defense discretionary spending was evident in the FY 2018 omnibus spending package enacted on March 23, 2018. Insistence from Democrats to maintain parity, and the requirement that appropriations garner the support of at least 60 Senators, led to the non-defense discretionary spending cap being increased by more than \$130 billion over the next two years pursuant to the terms of the *Bipartisan Budget Act of 2018*. Congress now finds itself going down that same road again as it nears FY 2020, when the post-sequester BCA caps will again be effective without congressional action to raise them.

The RSC Budget breaks down this firewall to ensure Congress can carry out its constitutional responsibility to provide for our nation’s security. Additionally, the RSC trims the non-defense discretionary budget down to non-market distorting and constitutionally allowed programs. The Constitution very carefully outlines the powers delegated to the federal government and reserves the non-enumerated powers to the states and people. Spending federal funds on activities outside of these confines is an unconstitutional use of federal taxpayer dollars. As with many of the mandatory programs, a great deal of the non-defense discretionary programs simply transfers wealth in a haphazard and inefficient manner. These distortions tax productive and enriching activities to produce money for efforts that produce goods and services of lesser value.

In keeping with these basic principles, this budget would cut non-defense discretionary (NDD) spending to \$355 billion and reduce total regular discretionary spending to \$1.085 trillion for FY 2019. Over the next decade, NDD spending would be reduced by more than \$3.34 trillion below the CBO baseline. National defense spending would be increased to \$716 billion for FY 2019. Specific discretionary spending reductions are listed below.

**Rescind Excess Budget Authority**

This budget strongly supports the president and Congress using the *Impoundment Control Act* to rescind excess budget authority.

At the end of 2018, there were \$324 billion in discretionary appropriations subject to rescission that remain available for the executive branch to spend after the end of FY 2018, including \$153.5 billion in appropriations that never expire.<sup>453</sup> While some of these funds are for programs that are intentionally advance-funded or for which flexibility is warranted, in reality, many of these old appropriations will never be spent.

Under the CBO's scoring conventions, an appropriations bill can offset increases in discretionary spending if it also rescinds previously appropriated but unobligated funds. In many cases, funds rescinded in appropriations bills were not planned to be spent and the rescission has no effect on outlays. These lingering unobligated balances are often referred to as "dead budget authority" or "dead BA." The appropriators have abused this CBO scoring rule to spend more in reality while appearing deficit neutral on paper. For instance, the FY 2017 CR signed into law in September 2016 rescinded \$37 million in unobligated funds from a 1990 supplemental appropriations bill in order to "offset" the new Zika funding, despite the fact that the CBO says the rescission did not reduce outlays.<sup>454</sup>

Leaving these unused funds will only perpetuate this budgetary gimmick, leading to more false offsets and increased spending. Furthermore, by over budgeting and leaving these funds in the hands of federal agencies, Congress delegates more of its power to the executive branch. Fortunately, the *Impoundment Control Act of 1974* allows the president to propose specific rescissions to Congress and establishes an expedited procedure to consider the proposed rescissions in both the House and the Senate. The rescission bill would not be subject to the filibuster in the Senate and debate is limited to 10 hours. In the House, the consideration of a rescission bill that has been reported or discharged from the Appropriations Committee is privileged on the floor, meaning any member can move to call it up. If the Appropriations Committee has not reported the rescission bill after 25 days, any member can offer a discharge petition to bring the bill to the Floor under expedited procedures.

President Trump used this process to send a \$15 billion recession package to the House in May of 2018.<sup>455</sup> Though the Congress did not pass this bill, RSC remains committed to working with the president to restore the federal budgeting process to one of order and responsibility.

***Within the Jurisdiction of Multiple House Appropriations Subcommittees:*****Reorganize the Executive Branch**

The RSC Budget supports implementation of many of the government restructuring reforms that have been suggested by both GAO and the Trump administration's "Delivering Government Solutions in the 21<sup>st</sup> Century: Reform Plan and Reorganization Recommendations" plan.<sup>456</sup> These reforms are aimed at increasing transparency, eliminating government inefficiencies, returning true legislative authority to Congress and reducing the federal footprint through reduced costs and regulations.

453 The White House, "FY 2018 4th Quarter Unobligated Balances in Unexpired Accounts for Executive Branch Agencies Reported on SF 133s", November 14, 2018 <https://portal.max.gov/portal/document/SF133/Budget/attachments/1375242472/1611334431.pdf>.

454 Congressional Budget Office, "Senate Amendment 5082 to H.R. 5325, Continuing Appropriations and Military Construction, Veterans Affairs, and Related Agencies Appropriations Act, 2017, and Zika Response and Preparedness Act", Table 4, September 23, 2016. <https://www.cbo.gov/publication/52045>.

455 The Washington Post, by Damian Paletta and Erica Werner "Trump calls on Congress to pull back \$15 billion in spending, including on Children's Health Insurance Program" May 7, 2018 [https://www.washingtonpost.com/business/economy/trump-calls-on-congress-to-pull-back-15-billion-in-spending-including-on-childrens-health-insurance-program/2018/05/07/9427de18-5216-11e8-a551-5b648abe29ef\\_story.html?utm\\_term=.318161e46142](https://www.washingtonpost.com/business/economy/trump-calls-on-congress-to-pull-back-15-billion-in-spending-including-on-childrens-health-insurance-program/2018/05/07/9427de18-5216-11e8-a551-5b648abe29ef_story.html?utm_term=.318161e46142)

456 Office of the President "Delivering Government Solutions in the 21<sup>st</sup> Century" <https://www.performance.gov/GovReform/Reform-and-Reorg-Plan-Final.pdf>

### **Reduce the Size of the Federal Workforce through Attrition**

The federal bureaucracy has become far too big and far too powerful. The Trump administration has already taken action to require agencies to develop a long-term workforce reduction plan and a plan to maximize employee performance.<sup>457</sup> Because the Constitution provides that “Congress may by Law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments” and that “no money may be drawn from the Treasury but in consequence of appropriations made by law,” it is necessary and appropriate Congress play a significant role in reforming the federal bureaucracy.

This budget would build on the administration’s proposal and reduce the size of the federal workforce by limiting new hires to one employee for every three who leave the workforce, while leaving the president with flexibility to adjust federal employment in case of a national emergency.

### **Reduce the Annual Across-the-Board Adjustment for Federal Civilian Employees Pay**

Federal bureaucrats have enormous power over the lives of everyday Americans and also get paid more on average than the people they are supposed to serve. According to CBO, “overall, the federal government paid 17 percent more in total compensation than it would have if average compensation had been comparable with that in the private sector, after accounting for certain observable characteristics of workers.”<sup>458</sup>

Unlike most Americans, federal workers receive an automatic pay increase every year under the *Federal Employees Pay Comparability Act of 1990*. If the president determines a national emergency exists, he can limit the size of the increase and even freeze it. On December 28, 2019, President Trump issued an executive order<sup>459</sup> freezing pay for federal workers. The pay freeze did not affect a 2.6 percent pay increase for U.S. troops. This move is far from unprecedented. President Obama signed legislation blocking pay increases in 2011, 2012 and 2013.

With the national debt now more than \$22 trillion and projected to skyrocket to almost \$34 trillion over the next decade, a fiscal state of emergency exists. Furthermore, the federal government should not use an antiquated automatic raise system that rewards federal employees, which are notoriously hard to fire, regardless of work performance or the merit of their workplace behavior. Even those disciplined for sexual misconduct would still receive a raise under current law. In January 2019, House Democrats blocked a Republican proposal that sought to rectify this issue.<sup>460</sup> This budget supports the full elimination of all automatic raises.

### **Prohibit Federal Employees from Conducting Union Business on Official Time**

In 2016, taxpayers paid federal workers over \$175 million not to do their jobs. Instead, workers were doing union work during their official time.<sup>461</sup> Ending the federal government’s sanction of union activity at federal expense, as proposed by Representative Jody Hice (R-Ga.) in the *Federal Employee Accountability Act*, will make the federal workforce more effective and efficient.

457 Director Mick Mulvaney, Office of Management and Budget, “Memorandum for Heads of Executive Departments and Agencies: Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce”, April 12, 2017. <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/memoranda/2017/M-17-22.pdf>.

458 Congressional Budget Office, “Comparing the Compensation of Federal and Private-Sector Employees, 2011 to 2015”, April, 25, 2017. <https://www.cbo.gov/publication/52637>.

459 Executive Order No. 13856, “Adjustments of Certain Rates of Pay”, December 28, 2019. <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/pay-executive-order-2019-adjustments-of-certain-rates-of-pay-december-28-2018.pdf>

460 The Daily Signal, Fred Lucas “House Democrats Raise Pay for Federal Employees Disciplined for Sexual Misconduct” January 31, 2019 <https://www.dailysignal.com/2019/01/31/house-democrats-raise-pay-for-federal-employees-disciplined-for-sexual-misconduct/>

461 United States Office of Personnel Management, “Labor-Management Relations in the Executive Branch”, October 2014. <https://www.opm.gov/policy-data-oversight/labor-management-relations/reports/labor-management-relations-in-the-executive-branch-2014.pdf>, <https://www.washingtonexaminer.com/policy/economy/federal-workers-got-175-million-to-do-union-work-instead-of-their-jobs>

**Prohibit Automatic Collection of Union Dues for Federal Employee Unions**

Currently, the federal government acts as the dues collector for unionized federal workers by deducting union dues from an employee's paycheck and then remitting dues to the union. If a worker wants to join a union, then the union should collect its dues from the worker, not force the taxpayers to do it. This budget would ban the automatic deduction of union dues for federal workers.

**Prohibit Funds for Government Promotion**

According to the GAO, the federal government spends roughly \$1.5 billion of taxpayer money on public relations activities a year.<sup>462</sup> For instance, taxpayer funded advertisements for Obamacare were expected to be close to \$1 billion, including \$77 million spent by the Obama administration in the last months of its time in office.<sup>463</sup> While it is important the government be transparent and information be accessible, it is highly inappropriate for the government to spend funds promoting more government. As described by the CRS, "it is not surprising that controversies have arisen around government advertisements that ... have promoted the use of social service programs, are viewed as overly expensive or wasteful, or are perceived as possibly misleading."<sup>464</sup> Beginning in FY 2020, funding for government public relations efforts should be restricted to only those that are necessary and appropriate.

***Within the Jurisdiction of the House Appropriations Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies:*****Eliminate Rural Business-Cooperative Service**

The Rural Business-Cooperative Service provides a number of subsidized services limited to certain geographic regions of the country. Individuals choose to live in rural or urban environments because of the lifestyles and benefits those locations provide. However, the federal government should not be in the business of subsidizing the choice of individuals to live in remote areas further from central services.

One such program is the Rural Cooperative Development Grants (RCDG) which provides grants to subsidize rural cooperatives. Grantees are only subject to a 25 percent cost-sharing requirement and may use the funds for the operation, expansion or startup of a cooperative.

Another program is Rural Energy for America which subsidizes the development of renewable energy programs for small rural businesses and agriculture producers. The federal government should not be in the business of subsidizing source-specific types of energy that would be better produced by the private market. According to GAO, this is just one of 679 different economically unsound initiatives meant to promote green energy.<sup>465</sup>

The Rural Business-Cooperative Service should be eliminated beginning in FY 2020, saving more than \$1.3 billion in appropriations over the decade.

462 GAO "Selected Agencies' Activities Supported by Contracts and Public Affairs Staff" September 12, 2017 <https://www.gao.gov/products/GAO-17-711>

463 Susan Crabtree, Washington Examiner, "GOP lawmakers believe over \$1 billion spent to promote Obamacare", April 8, 2014. <http://www.washingtonexaminer.com/gop-lawmakers-believe-over-1-billion-spent-to-promote-obamacare/article/2546910>. And Thomas Phippen, The Daily Caller, "Obama's White House Spent \$77 Million To Advertise Obamacare Last Year", March 13, 2017. <http://dailycaller.com/2017/03/13/obamas-white-house-spent-77-million-to-advertise-obamacare-last-year/>.

464 Wendy Ginsberg, Congressional Research Service, "Advertising by the Federal Government: An Overview", June 23, 2014. <http://www.crs.gov/Reports/R41681>.

465 Government Accountability Office, "Renewable Energy Federal Agencies Implement Hundreds of Initiatives", February 2012. <http://www.gao.gov/assets/590/588876.pdf>.



**Eliminate the Rural Water and Waste Disposal Program Account**

The Water and Wastewater Loan and Grant program provides funding for sewage and sanitation services in rural communities. The president has proposed eliminating this program, calling it duplicative.<sup>466</sup> These types of activities should be handled by the private sector or local and state government, not the federal taxpayers. Eliminating this program in FY 2020 would save \$11.7 billion over a decade.

**Eliminate the Conservation Technical Assistance Program**

The USDA's Conservation Technical Assistance Program provides assistance to landowners to conserve, maintain and improve natural resources. These types of activities are more appropriately handled by the private sector, not the federal government. Eliminating the program beginning in FY 2020 will save taxpayers \$754 million per year.

**Repeal United States Department of Agriculture (USDA) Catfish Inspection Program**

The USDA Catfish Inspection Program should be repealed beginning in FY 2020, saving \$8 million annually. This duplicative program was "airdropped" into the 2008 Farm Bill without prior consideration and was maintained in the 2014 and 2018 Farm Bills, despite the original House passed version repealing the program. The Food and Drug Administration (FDA) is charged with inspecting all seafood and fish, but catfish is now inexplicably the responsibility of the USDA. GAO has made it clear such an arrangement is nonsensical, issuing a report titled "Responsibility for Inspecting Catfish Should Not Be Assigned to USDA."<sup>467</sup>

**Prohibit Funding for National School Lunch Standards**

The Obama administration undertook a high-profile effort to force local school districts to serve "healthy" lunches. These regulations are still on the books and have proved to be costly for schools and unpopular with students. Recent appropriations bills have allowed some schools the opportunity to opt-out of the standards. Beginning in FY 2020, funding for the National School Lunch Program standards should be prohibited, returning control of students' diets to their parents.

**Eliminate the McGovern-Dole International Food for Education Program**

The McGovern-Dole International Food for Education program should be eliminated beginning in FY 2020. According to the OMB, this program "has high costs associated with transporting commodities and it has unaddressed oversight and performance monitoring challenges."<sup>468</sup> Eliminating this program would save \$212 million annually.

**Eliminate Land Acquisition by the Forest Service**

The federal government should be finding ways to reduce its land holdings and associated costs, not expand it. The Forest Service already owns nearly 200 million acres of land, more than six times the size of North Carolina. Eliminating this program would save \$735 million over 10 years.

<sup>466</sup> Office of Management and Budget, "A Budget for a Better America", Fiscal Year 2020 <https://www.whitehouse.gov/wp-content/uploads/2019/03/budget-FY-2020.pdf>

<sup>467</sup> Government Accountability Office, "Seafood Safety: Responsibility for Inspecting Catfish Should Not Be Assigned to USDA", June 8, 2012. <http://www.gao.gov/products/GAO-12-411>.

<sup>468</sup> Office of Management and Budget, "A Budget for a Better America", Fiscal Year 2020. <https://www.whitehouse.gov/wp-content/uploads/2019/03/msar-FY-2020.pdf#page=24>

**Eliminate Single Family Housing Direct Loans & Related Programs**

This program is duplicative of other efforts by the USDA to ensure housing financing. For instance, the USDA offers help through its single-family housing guaranteed loan program. Overall, however, it should not be the federal government's responsibility to guarantee the availability of credit where private lending is not available. Additionally, this budget would eliminate related programs that should be left to the private market or state and local funding. These include USDA's Housing Repair, Rental Housing, Farm Labor Housing, Site Development Loans, Self-help Land Development and Farm Labor Housing Grant programs. Eliminating all such programs will collectively save taxpayers \$510 million in FY 2020.

**Reduce Funding for to the Animal and Plant Health Inspection Service**

The functions of the Animal and Plant Health Inspection Service (APHIS) program should be carried out by the industries the functions are designed to protect. This includes activities like monitoring against agricultural pests and protecting against damage from non-native species. This move would save \$11.7 billion over ten years.

**Eliminate the Forest Products Laboratory**

The goal of this entity is to produce new products from forestry resources to aid in the conservation of forest land.<sup>469</sup> This is exactly the goal of a host of private sector industries that operate in forested areas. The federal government should not be involved with this line of research and development.

***Within the Jurisdiction of the House Appropriations Subcommittee on Commerce, Justice, Science and Related Agencies:*****Eliminate the Economic Development Administration (EDA)**

The Economic Development Administration (EDA) is a duplicative program and provides subsidies in an area not the responsibility of the federal government. The EDA should be eliminated, saving taxpayers \$3.3 billion over ten years.

**Eliminate the International Trade Administration's (ITA) Export Promotion Activities**

The International Trade Administration (ITA) provides export assistance services, including counseling, advocacy, market research and meeting coordination services in addition to its trade enforcement and compliance activities. These are the legitimate, operating practices of companies and should not be paid for by the U.S. taxpayer. Beginning in FY 2020, the ITA's export promotion activities should be eliminated, saving \$498 million per year.

**Eliminate the National Technical Information Service (NTIS)**

The National Technical Information Service (NTIS) is an outdated agency at the Department of Commerce that distributes government documents and data. Most of these documents are available to the public for free online. This agency, which has 150 full time employees, should be eliminated, saving taxpayers \$110 million in FY 2020.



**Eliminate the Hollings Manufacturing Extension Partnership (MEP)**

The Hollings Manufacturing Extension Partnership (MEP), named after former Senator Fritz Hollings (D-S.C.), provides financial support to local centers that provide technical services to small manufacturing companies. Originally meant to be self-sustaining, the program is dependent on annual federal subsidies. This should be eliminated, saving taxpayers \$140 million in FY 2020.

**Eliminate the Legal Services Corporation (LSC)**

Though created with the intent to provide free legal assistance in non-criminal cases, the LSC evolved into an organization that also takes part in taxpayer-bankrolled advocacy for political causes and lobbying. The LSC is marked by misuse of taxpayer money and redundancy as many of LSC's programs are offered by the states. The LSC should be eliminated, saving taxpayers \$418 million in FY 2020.

**Reduce Spending on Local Police Grant Programs**

The DOJ's Office of Justice Programs has a number of grant programs that provide funds to state and local law enforcement agencies for different purposes. In FY 2020 the federal government will spend \$1.7 billion on State and Local Law Enforcement Assistance, \$283 million for Juvenile Justice Programs and \$235 million for Community Oriented Policing Services (COPS). These types of activities are more appropriately funded at the state and local level, not by the federal government, and should be eliminated.

**Eliminate National Oceanic and Atmospheric Administration (NOAA) Grants and Education**

NOAA currently operates several grants and programs that do not provide significant support to the core mission of NOAA. These include the Sea Grant program, the National Estuarine Research Reserve System, Coastal Zone Management Grants, the Office of Education within NOAA and the Pacific Coastal Salmon Recovery Fund. Eliminating these programs would save \$276 million in FY 2020.

**Reduce Funding for the Environmental and Natural Resources Division within the DOJ**

The DOJ's Environmental and Natural Resources Division has been linked with the practice of sue-and-settle. Taxpayer dollars should not be used to support agreements made between federal agencies and special interest groups to effectively create regulations without going through the administrative rule-making process proscribed by Congress. This reduction in funding would save taxpayers approximately \$36 million for FY 2020.

**Eliminate the Community Relations Service of the DOJ**

The DOJ's Community Relations Services Program deviates from the core purpose of the DOJ to investigate and prosecute violations of federal law. Instead, the entity attempts to act as "peacemaker" in local disputes. This is a responsibility of local government. This elimination would save \$17 million for FY 2020.

***Within the Jurisdiction of the House Appropriations Subcommittee on Energy and Water Development and Related Agencies:*****Eliminate the Energy Efficiency and Renewable Energy (EERE) Program**

The EERE program subsidizes research and development in the fields of energy efficiency and renewable energy technologies. Some of the programs within EERE include solar, wind, vehicle technologies, bioenergy technologies, advanced manufacturing, building technologies and weatherization assistance. Not only does this allow the federal government to pick winners and losers, but it also limits research to a small sector of the energy economy—renewables. The federal government should pull out of energy research and allow the market to pursue the most innovative sources of energy production. Programs within the EERE account should be eliminated, saving taxpayers over \$26.8 billion over 10 years.

**Eliminate the Advanced Research Projects Agency – Energy (ARPA-E)**

ARPA-E was created by the failed 2009 stimulus law and is meant to fund high-risk green energy projects. Taxpayers should not bear the burden for research projects that not even the most speculative and daring members of the energy industry will take on themselves. Eliminating ARPA-E beginning in FY 2020 would save taxpayers \$4.1 billion over 10 years.

**Eliminate Nuclear Energy Research**

It is inappropriate for the federal government to conduct research that would otherwise be carried out by private industry. Instead of directly subsidizing non-defense related nuclear energy production with \$1.2 billion each year in research and development funding, the federal government should focus on streamlining the regulatory approval process and complete the Yucca Mountain waste repository. Eliminating this research would save \$13.3 billion over 10 years.

**Eliminate the Fossil Energy Program**

Just as this budget calls for the elimination of renewable and nuclear energy subsidies, it also calls for the elimination of subsidies for conventional energy sources. Funding under the Fossil Energy Program goes to research and development of technology to reduce the carbon emissions of coal power plants. Instead of government-directed subsidies, the U.S. should pursue a market-oriented “all of the above” energy strategy. Beginning in FY 2020, this account should be eliminated, saving taxpayers over \$8.4 billion over 10 years.

**Eliminate Title 17 Innovative Technology Loan Guarantee Program**

The Title 17 Innovative Technology Loan Guarantee Program provides loans to clean energy projects. This is the program that gave us the Solyndra scandal where taxpayers lost more than \$500 million after the Obama administration gambled on a politically favored company. Eliminating this program beginning in FY 2020 would save the taxpayers \$215 million over a decade in reduced administrative expenses alone, as well as save taxpayers from needless exposure to risky ventures.

**Eliminate the Advanced Technology Vehicle Manufacturing (ATVM) Loan Program**

The ATVM Loan program provides subsidies to vehicle manufacturing companies to produce greener cars. This program has provided billions of taxpayer dollars to some of the largest car companies in the world, such as Ford and Nissan, to help increase the fuel efficiency of the vehicles they sell – a feature that should be driven by demand from consumers, not government subsidies.<sup>470</sup> The DOE also lost \$200 million in taxpayer money when Fisker Automotive and the Vehicle Production Group, two companies provided loans under this program, defaulted.<sup>471</sup> As described by Taxpayers for Common Sense, “Putting the full faith and credit of the U.S. government behind up to \$25 billion in risky, high cost projects the private sector won’t finance is fiscally reckless.”<sup>472</sup>

**Eliminate Regional Commissions**

The RSC Budget recommends cutting regional commissions including the Denali Commission, Appalachian Regional Commission, the Northern Border Regional Commission, the Southeast Crescent Regional Commission and the Delta Regional Authority. These economic development programs are duplicative of other programs and spend federal funding for local projects. The federal government is ill-equipped to adequately prioritize local infrastructure and development projects. These activities are also more appropriately carried out by state and local governments. The commissions should be eliminated, saving taxpayers more than \$233 million in FY 2020

**Reduce Funding for the Department of Energy’s (DOE) Biological and Environmental Research Program**

Though the federal government may have a beneficial role in basic research in limited instances, it is imperative the federal government not duplicate and compete with research of the private sector. This program moves well past basic research, and funding for the program should be reduced to ensure it focuses only on core responsibilities and basic research.

**Eliminate Grants for Conservation through the Weatherization and Intergovernmental Programs**

The grants provide funds to improve the energy efficiency of buildings. These subsidies offer a disincentive to private citizens to upgrade their own structures and instead seek federal funds to do so.

**Eliminate EPA Grants for Local Waste and Drinking Water Infrastructure Projects**

These grants use taxpayer money to subsidize infrastructure projects of local governments. The federal government should not provide grants to fund projects inherently local in nature. Further, these grants may reward poor infrastructure upkeep or poor financial planning at the expense of other prepared communities.

***Within the Jurisdiction of the House Appropriations Subcommittee on Financial Services and General Government:*****Eliminate the Election Assistance Commission**

The Election Assistance Commission was created by the 2002 *Help America Vote Act* to help states modernize

<sup>470</sup> U.S. Department of Energy, “ATVM Program Overview”. <https://energy.gov/lpo/atvm>.

<sup>471</sup> Nicole Kaeding, Cato Institute, “Close the Advanced Technology Vehicles Manufacturing Program”, April 14, 2014. <https://www.cato.org/blog/close-advanced-technology-vehicles-manufacturing-program>.

<sup>472</sup> Taxpayers for Common Sense, “Department of Energy: Advanced Technology Vehicles Manufacturing (ATVM) Program”, September 20, 2013. <http://www.taxpayer.net/library/article/department-of-energy-advanced-technology-vehicles-manufacturing-atvm-progra>.

voting equipment. The commission no longer serves a statutory purpose and should be eliminated, saving taxpayers \$4.3 billion over the next 10 years.

### **Eliminate the SEC Slush Fund**

The Security and Exchange Commission's (SEC) so-called "Reserve Fund" is simply a slush fund created by the Dodd-Frank financial regulations law, allowing regulators to spend without oversight by Congress. This fund should be eliminated. The president's FY 2019 budget request proposes to eliminate the Reserve Fund which would save \$505 million over the next 10 years.

### **Eliminate the Community Development Financial Institutions (CDFI) Fund**

The CDFI Fund "was created for the purpose of promoting economic revitalization and community development," a task more appropriately funded by the private sector.<sup>473</sup> The CDFI Fund provides grants to financial institutions that in turn provide capital to community development projects. Eliminating the CDFI Fund would save taxpayers \$2.8 billion over the next 10 years. The president's FY 2020 budget request also proposes to eliminate this program reasoning it was created decades ago to jump-start an industry that is now mature.<sup>474</sup>

### **Eliminate the Entrepreneurial Development Program**

The Small Business Administration's Entrepreneurial Development Program provides technical assistance and education for business owners deemed to be in a position to rapidly expand their business. It is not the government's role to determine which businesses should expand. Eliminating this program will reduce spending by roughly \$2.8 billion over the next 10 years.

## ***Within the Jurisdiction of the House Appropriations Subcommittee on Interior, Environment and Related Agencies:***

### **Reduce Funding for the Environmental Protection Agency (EPA)**

Under the Obama administration, the unelected bureaucrats at the EPA attempted to implement a regulatory agenda to remake the American economy by administrative fiat. Whether it was the Clean Power Plan, the Waters of the U.S. Rule or ozone standards, these regulations have imposed enormous costs on consumers, businesses and local governments, stunting innovation and economic activity resulting in fewer jobs and lower wages. The RSC applauds the efforts of President Trump to dramatically reduce the EPA and refocus it on its original functions. For FY 2020, this budget significantly reduces EPA's funding, saving the taxpayers billions of dollars per year and giving much-needed regulatory relief to job creators.

### **Reduce EPA Research and Development Funding**

The RSC Budget would reduce research and development (R&D) funding within the EPA, as proposed by the president's FY 2020 budget request, in order to limit funding to basic and early stage R&D. This proposal is part of a larger agenda to refocus EPA functions on its core responsibilities.

<sup>473</sup> U.S. Department of the Treasury, Community Development Financial Institutions Fund, "About Us". <https://www.cdfifund.gov/about/Pages/default.aspx>.

<sup>474</sup> Office of Management and Budget, "A Budget for a Better America", Fiscal Year 2020 <https://www.whitehouse.gov/wp-content/uploads/2019/03/budget-FY-2020.pdf>

**Eliminate the Surface Water Protection Program**

The Surface Water Protection Program is comprised of the following programs and regulations: water quality criteria, standards and effluent guidelines; National Pollutant Discharge Elimination System (NPDES); water monitoring; Total Maximum Daily Loads (TMDL); watershed management; water infrastructure and grants management; core wetlands programs and Section 106, of the CWA grant program management. The EPA provides information on the water quality criteria, approves state water quality standards and establishes effluent guidelines. The EPA also assists states on their TMDL and NPDES plans to ensure effectiveness.

It should be the responsibility of the states to manage bodies of water that fall within state lines, not the federal government. Allowing states to manage these bodies of water will ensure better management of resources, as states have a better understanding of the needs of their communities and can benefit from flexibility. This elimination would save \$200 million in FY 2020.

**Eliminate the Federal Vehicle and Fuels Standards and Certification Program**

The Federal Vehicle and Fuels Standards and Certification Program ensures vehicles and fuels meet federal emission standards.<sup>475</sup> The federal government should not mandate emission standards; instead, emission standards should be primarily controlled by the free market as consumers demand vehicles that provide more efficient fuel consumption or, at most, by state and local governments. Eliminating this program would save \$93 million in FY 2020.

**Eliminate the Integrated Environmental Strategies Programs**

This program assists developing countries in identifying ways to reduce greenhouse gas emissions.<sup>476</sup> This is not an appropriate use of taxpayer dollars. This elimination would save approximately \$10.6 million in FY 2020.

**Eliminate EPA Grants, Climate Programs, Regional Offices and Wasteful Spending**

The RSC Budget supports the *Wasteful EPA Programs Elimination Act* introduced in the 115<sup>th</sup> Congress by former Rep. Sam Johnson (R-Texas). The bill would: (1) eliminate all EPA grant programs; (2) prohibit the use of funds to implement Obama-era ozone standards; (3) eliminate funding for the eight climate programs listed below; (4) eliminate the National Clean Diesel Campaign and Environmental Justice Program; (5) eliminate EPA regional offices; and (6) require the disposal or leasing of underutilized EPA properties. The EPA allocates billions of dollars annually to grant programs.<sup>477</sup> These community-level grants provide environmental education and encourage support of EPA's goals, priorities and programs. Grants have been used to fund projects like local tree planting, games that show the relationship between oyster reef balls and their habitat, and a household hazardous waste environment fair.<sup>478</sup> These programs are inherently local in nature and should be funded by state and local governments or by the private sector.

Under President Obama, the EPA placed additional regulations on ozone standards, a naturally occurring gas also released by power plants, vehicles and factories. In 2015, the EPA reduced the ozone standard from

<sup>475</sup>

<sup>476</sup> Environmental Protection Agency, Accessed April 2, 2019. <https://nepis.epa.gov/Exe/ZyNET.exe/P1009QXL.TXT?ZyActionD=Zy-Document&Client=EPA&Index=2000+Thru+2005&Docs=&Query=&Time=&EndTime=&SearchMethod=1&TocRestrict=n&Toc=&TocEntry=&Q-Field=&QFieldYear=&QFieldMonth=&QFieldDay=&IntQFieldOp=0&ExtQFieldOp=0&XmlQuery=&File=D%3A%5Czyfiles%5CIndex%20Data%5C00thru05%5Ctxt%5C00000026%5CP1009QXL.txt&User=ANONYMOUS&Password=anonymous&SortMethod=h%7C-&MaximumDocuments=1&FuzzyDegree=0&ImageQuality=r75g8/r75g8/x150y150q16/i425&Display=hpfr&DefSeekPage=x&SearchBack=ZyActionL&Back=ZyActionS&BackDesc=Results%20page&MaximumPages=1&ZyEntry=1&SeekPage=x&ZyPURL>.

<sup>477</sup> United States Environmental Protection Agency, Fiscal Year 2020, "Justification of Appropriation Estimates for the Committee on Appropriations" <https://www.epa.gov/sites/production/files/2019-03/documents/fy-2020-congressional-justification-all-tabs.pdf#page=161>

<sup>478</sup> Environmental Protection Agency, "Profiles of Environmental Education Grants Awarded to Organizations in Indiana", Accessed April 4, 2018. <https://www.epa.gov/education/profiles-environmental-education-grants-awarded-organizations-indiana>.

75bbp to 70ppb through the National Ambient Air Quality Standards. Former EPA Administrator Scott Pruitt attempted to delay implementation of the new standards by delaying the identification of counties that are in nonattainment. However, the U.S. District Court of Appeals ruled that the EPA must identify counties in nonattainment by April 30, 2018.<sup>479</sup> A 70ppb standard will likely result in a near quadrupling of the counties that would fall into the nonattainment category.<sup>480</sup> The EPA also considered lowering the standard to 60ppb, which would result in 93 percent of all counties in the U.S. falling into nonattainment.<sup>481</sup> NERA Economic Consulting has estimated the costs of implementing a 60ppb standard to be \$2.2 trillion.<sup>482</sup>

The EPA's Environmental Justice Program seeks to ensure people in local communities have "equal access to the decision-making process to have a healthy environment."<sup>483</sup> Community-based activism is not a core mission of the EPA, and this program should be eliminated.

The budget proposes eliminating the following eight climate programs that are either unauthorized, better regulated through the free market or more appropriately administered at the state and local level:

- regulation of GHG emissions from vehicles (as well as non-road equipment, locomotives, aircraft and transportation fuels);
- regulation of CO<sub>2</sub> emissions from power plants, factory boilers and other stationary sources;
- the Greenhouse Gas Reporting Program;
- the Global Methane Initiative;<sup>484</sup>
- the Climate Resilience Evaluation Awareness Tool;
- the Green Infrastructure Program;<sup>485</sup>
- the Climate Resiliency Water Utilities Initiative;<sup>486</sup> and
- climate research funding for the Office of Research and Development.

### **Eliminate Diesel Emissions Reduction Act Grants**

Grants made under the Diesel Emissions Reduction Act (DERA) have gone to wasteful projects involving cherry pickers, electrifying parking spaces at rest stops and retrofitting old tractors. DERA grants should be eliminated, saving \$7.2 million in FY 2020.

### **Eliminate Geographic-Specific Programs**

This budget proposes eliminating programs that only benefit specific geographical regions. These activities should be funded by the communities that benefit from them, not the federal government. Eliminating these programs would save \$457 million in FY 2020.

479 Volcovic, Valerie, "Federal court orders EPA to implement smog rules", March 12, 2018.

[https://www.uschamber.com/issue-brief/ozone-national-ambient-air-quality-standards#ozone\\_problems](https://www.uschamber.com/issue-brief/ozone-national-ambient-air-quality-standards#ozone_problems).

480 U.S. Chamber of Commerce, "Ozone National Ambient Air Quality Standards", November 13, 2018. [https://www.uschamber.com/issue-brief/ozone-national-ambient-air-quality-standards#ozone\\_problems](https://www.uschamber.com/issue-brief/ozone-national-ambient-air-quality-standards#ozone_problems).

481 Heritage Foundation, "The Budget Book: 106 Ways to Reduce the Size and Scope of Government", 2015. <https://budgetbook.heritage.org/natural-resources-environment/eliminate-funding-development-implementation-new-ozone-standards/>.

482 David Harrison, Jr. Ph.D., testimony before the House Committee on Oversight and Government Reform, "Impacts of U.S. Environmental Protection Agency Regulations," February 26, 2015. [http://www.nera.com/content/dam/nera/publications/2015/PUB\\_Harrison\\_EPA\\_Testimony\\_0215.pdf](http://www.nera.com/content/dam/nera/publications/2015/PUB_Harrison_EPA_Testimony_0215.pdf).

483 Environmental Protection Agency, "Environmental Justice", Accessed April 5, 2018. <https://www.epa.gov/environmentaljustice>.

484 Environmental Protection Agency, "Learn About the Global Methane Initiative", Accessed April 3, 2018. <https://www.epa.gov/gmi/learn-about-global-methane-initiative>.

485 U.S. Government Accountability Office Report, "Stormwater Management EPA Pilot Project to Increase Use of Green Infrastructure Could Benefit from Documenting Collaborative Agreements", September 2017. <https://www.gao.gov/assets/690/687478.pdf>.

486 This program is now known as the Climate Ready Water Utilities Initiative.



**End Land and Water Conservation Fund (LWCF) Land Acquisition Appropriations**

The LWCF was established in 1964 to fund the purchase of public lands for recreational use by federal agencies and states. The LWCF is populated by a number of different excise taxes and fees, the largest of which is revenues from lease sales in the Outer Continental Shelf. Congress then spends money out of the fund for land acquisition in annual appropriations bills. In FY 2019, \$435 million was appropriated from the LWCF. There are about \$21.6 billion in unspent funds accrued in the LWCF.<sup>487</sup>

However, the federal government already owns more than 640 million acres and has a deferred maintenance backlog of more than \$11.9 billion within the National Park Service alone.<sup>488</sup> Instead of adding additional lands to the government's already too-extensive holdings by continuing appropriations from the LWCF, Congress should begin the process of reducing its footprint. This budget would eliminate the LWCF and rescind its remaining balance.

**Eliminate the National Endowment for the Arts and the National Endowment for the Humanities**

The federal government should not be in the business of funding the arts. The Constitution is clear that in order “to promote the progress of Science and useful Arts” the only authority given to the federal government is to protect private property rights by “securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” Support for the arts can easily and more properly be found from non-governmental sources. Eliminating the National Endowment for the Arts would save taxpayers \$158 million per year and eliminating the National Endowment for the Humanities would save an additional \$157 million per year.

**Eliminate Subsidies for the D.C. Opera House**

The John F. Kennedy Center located along the Potomac River waterfront in Washington, D.C., first opened in 1971. According to its website, the Kennedy Center hosts “an unmatched variety of theater and musicals, dance and ballet, orchestral, chamber, jazz, popular world, and folk music, and multimedia performances for all ages.”<sup>489</sup> It is affiliated with the National Symphony Orchestra and the Washington National Opera.

Tickets can often cost over \$150 a piece, and performances are often sold out. The Kennedy Center's website lists 15 corporations as executive benefactors who provide annual commitments of \$200,000 or greater.<sup>490</sup> It is clear the center is more than capable of supporting itself.

It is inappropriate for the federal government to subsidize a performing arts center in one of the wealthiest areas of the country. Eliminating subsidies to the Kennedy Center would save taxpayers \$467 million over the next ten years.

***Within the Jurisdiction of the House Appropriations Subcommittee on Labor, Health and Human Services, Education and Related Agencies:*****Eliminate the National Labor Relations Board (NLRB)**

The DOJ already oversees a wide variety of civil, criminal and administrative issues, including anti-trust and voting rights. DOJ is certainly capable of handling claims of unfair labor practices and could do so without the pro-union bias and partisanship endemic to the National Labor NLRB. Eliminating the NLRB would save \$284 million in FY 2020 while in no way diminishing the effective implementation of federal labor laws.

487 <https://www.crs.gov/Reports/RL33531?source=search&guid=096c000e939f42f69caab16d16830849&index=2>

488 National park Service “Servicewide, NPS Asset Inventory Summary” [https://www.nps.gov/subjects/infrastructure/upload/NPS-Asset-Invento-ry-Summary-FY18-Servicewide\\_2018.pdf](https://www.nps.gov/subjects/infrastructure/upload/NPS-Asset-Invento-ry-Summary-FY18-Servicewide_2018.pdf)

489 The Kennedy Center, “Welcome to the Kennedy Center”. <http://www.kennedy-center.org/pages/about/welcome>.

490 The Kennedy Center, “Corporate Support: Corporate Contributors”. <http://www.kennedy-center.org/Membership/Corporate>.



### **Eliminate Ineffective Federal Workforce Programs**

According to a review of relevant studies, “There is abundant evidence suggesting that federal job-training programs do not work.”<sup>491</sup> Reviews by the Department of Labor (DOL) have found that “less than half of all adult participants [in the *Workforce Innovation and Opportunity Act* (WIOA) Adult Activities] earn an industry-recognized credential” and that “Job Corps’ performance data is often inflated and unreliable and the program spends little on worker training.”<sup>492</sup> These types of programs would be more effectively, efficiently, and appropriately funded and operated by the private sector instead of government bureaucrats. Despite these problems, the federal government has many different employment and job training programs that cost taxpayers billions each year. In FY 2016, the federal government spent \$6.5 billion on these programs.<sup>493</sup> Beginning in FY 2020, programs found to be ineffective should be eliminated.

### **End Trade Adjustment Assistance (TAA)**

Conservatives believe in free trade. The voluntary trade of goods and services between the people of different nations allows for a more efficient marketplace that raises the standard of living for all.

In opposition to the facts of trade, the Trade Adjustment Assistance (TAA) program was created as a welfare program to assist workers who lost their jobs “as a result of trade,” something determined by government bureaucrats. The program is intended to provide training and reemployment services, income support and wage insurance to eligible workers, instead of allowing them to find jobs in stable and expanding industries.

According to the Cato Institute, “one of the most important reasons to oppose TAA is that its very existence implies that “damage” is done when trade is liberalized.”<sup>494</sup> But, if another reason is needed, “a recent federal evaluation found that TAA hurts its beneficiaries’ job prospects.”<sup>495</sup> Eliminating TAA would save about \$875 million in FY 2020, while restoring market indicators that are more likely to help individuals secure careers in successful industries in the long run.

### **Eliminate the Senior Community Service Employment Program**

The DOL’s Senior Community Service Employment Program (SCSEP) provides job training for unemployed seniors, including through subsidized community service activities. The president proposed to eliminate this program, stating “SCSEP is ineffective in meeting its purpose of transitioning low-income unemployed seniors into unsubsidized jobs. As many as one-third of participants fail to complete the program and of those who do, only half successfully transition to unsubsidized employment.”<sup>496</sup> This program should be eliminated, saving \$408 million in FY 2020.

### **Eliminate the Office of Federal Contract Compliance Programs**

The DOL’s Office of Federal Contract Compliance Programs (OFCCP) was originally created to enforce President Johnson’s executive order prohibiting discrimination by federal contractors. At the time, the Equal Employment

491 Heritage Foundation, “Blueprint for Balance: A Federal Budget for Fiscal Year 2018”, March 28, 2017. <http://www.heritage.org/budget-and-spend-ing/report/blueprint-balance-federal-budget-fiscal-year-2018>.

492 House Committee on Ways and Means, “Chairman Boustany: Better Coordinating Welfare Programs to Serve Families in Need”, November 3, 2015. <https://waysandmeans.house.gov/chairman-boustany-better-coordinating-welfare-programs-to-serve-families-in-need/>.

493 Karen Spar and Gene Falk, Congressional Research Service, “Federal Benefits and Services for People with Low Income: In Brief, February 6, 2018. <https://fas.org/sqp/crs/misc/R45097.pdf>

494 Sallie James, Cato Institute, “The Flawed Logic of Trade Adjustment Assistance”, June 2, 2011. <https://www.cato.org/blog/flawed-logic-trade-adjustment-assistance>.

495 David Muhlhausen and James Sherk, Heritage Foundation, “Trade Adjustment Assistance: Let the Ineffective and Wasteful “Job-Training” Program Expire”, December 4, 2014. <http://www.heritage.org/jobs-and-labor/report/trade-adjustment-assistance-let-the-ineffective-and-wasteful-job-training>.

496 Office of Management and Budget, “America First A Budget Blueprint to Make America Great Again”, Fiscal Year 2018. [https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/2018\\_blueprint.pdf](https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/2018_blueprint.pdf).

Opportunity Commission (EEOC) did not exist; now, strong anti-discrimination laws apply to all employers. This agency is duplicative and should be eliminated saving \$107 million in FY 2020, while sparing taxpayers from ideological witch hunts.

### **Eliminate the International Labor Affairs Bureau**

The DOL's International Labor Affairs Bureau's (ILAB) "global mission is to advance workers' rights and livelihoods, particularly for the world's most vulnerable populations" by representing the U.S. in international organizations, by making grants to other organizations and by conducting research.<sup>497</sup> It should be eliminated, saving \$86 million in FY 2020.

### **Eliminate Title X Family Planning Funding**

Title X, or the family planning federal grant program, provides abortion providers with federal funds to terminate pregnancies and end the lives of hundreds of thousands of innocent babies each year. This money has been used by abortion providers, like Planned Parenthood, to not only underwrite the abortion industry, but it has also been used in support of organizations that dismember and sell fetal body parts. Planned Parenthood is the largest recipient of Title X grants, which are intended to fund valuable health services for low-income women but instead are used by abortion providers to put the safety of women and their unborn babies in danger.<sup>498</sup> Eliminating Title X would save \$286 million per year.<sup>499</sup>

### **Devolve Energy Assistance**

The Low-Income Home Energy Assistance Program (LIHEAP) was established in 1981 to provide assistance to low-income households for heating, cooling, weatherization projects and energy emergencies. LIHEAP payments are made by the federal government to states which administer their programs. The GAO has found that LIHEAP is at risk of fraud and improper payments.<sup>500</sup> This type of assistance would be more appropriately handled by state and local governments, or the private sector. Eliminating LIHEAP would save taxpayers \$3.8 billion in FY 2020.

### **Consolidate the Agency for Healthcare Research and Quality's (AHRQ) activities in the National Institutes of Health (NIH)**

AHRQ looks to conduct research to improve the quality and safety of healthcare. Similar health services research is already conducted in the NIH and by the private sector, and AHRQ would be better housed in an institute within NIH.

### **Eliminate the Community Services Block Grant (CSBG)**

The CSBG provides funding to projects that aim to reduce poverty and address low-income needs. However, these organizations receive, on average, 95 percent of their funding from other sources, including from other federal sources.<sup>501</sup> CSBGs are not tied to performance outcomes and some of the services are already funded

497 U.S. Department of Labor, "FY 2017 Congressional Budget Justification Departmental Management". <https://www.dol.gov/sites/default/files/documents/general/budget/CBJ-2017-V3-02.pdf>.

498 U.S. Congressman Diane Black, "Defund Planned Parenthood". <https://black.house.gov/issue/defunding-planned-parenthood>.

499 <https://www.hhs.gov/opa/title-x-family-planning/fp-annual-report/fpar-2017/index-text-only.html>

500 Government Accountability Office, "Low-Income Home Energy Assistance Program Greater Fraud Prevention Controls Are Needed", June 2010. <http://www.gao.gov/new.items/d10621.pdf>.

501 Office of Management and Budget, Fiscal Year 2019: Efficient, Effective, Accountable: An American Budget, Accessed April 5, 2018. <https://www.omb.eop.go>

through other federal programs. Eliminating the program will save taxpayers \$735 million in FY 2020.

### **Eliminate Health Professions Training Programs**

The RSC Budget proposes to eliminate health professions training programs that provide scholarships and loan repayments to certain health professionals if they commit to working in areas experiencing a health professional shortage. However, the majority of counties, containing a quarter of the U.S. population,<sup>502</sup> have a geographic or population-group Health Professional Shortage Area within them.<sup>503</sup> Additionally, there are 72 different programs that support training and education for health professionals under the jurisdiction of the Department of Health & Human Services (HHS) alone.<sup>504</sup> The federal government should not indirectly subsidize the choices of individuals to live in areas that do not attract health care individuals.

### **Local Control for Pre-Kindergarten Programs**

Head Start provides pre-kindergarten and day care for young children in low-income families. Federal funding for Head Start is about \$10 billion per year, making it one of the largest non-defense discretionary appropriations accounts. The program was established in 1965. While pre-kindergarten programs can be popular amongst the public, the empirical evidence for the efficacy of the Head Start program and other pre-k programs is mixed.<sup>505</sup>

As the evidence shows, pre-k programs would be more appropriately funded and operated at the state and local levels than by distant bureaucrats at the federal level. In recent years, many states have significantly increased their funding for pre-k programs.<sup>506</sup> According to CBO, “many of the children expected to be enrolled in Head Start in the future would be enrolled in an alternative preschool or child care programs (both public and private) if Head Start was eliminated.”<sup>507</sup>

Reforms, such as the *Head Start Improvement Act* introduced by Rep. Jim Banks (R-Ind.), would take a step towards providing states flexibility to better meet the needs of children and families around the country.<sup>508</sup>

### **End Ineffective Education Grant Programs**

Steps towards federalism should be taken in the Department of Education by eliminating ineffective grant programs. According to the president’s budget, the Supporting Effective Instruction State Grants Program, the 21<sup>st</sup> Century Community Learning Centers Program and the Federal Supplemental Educational Opportunity Grant Program “are ineffective, are poorly targeted, or are more appropriately supported by state, local, or private funds.”<sup>509</sup> Eliminating these programs would save taxpayers nearly \$6.7 billion in FY 2020.

[whitehouse.gov/wp-content/uploads/2018/02/budget-fy2019.pdf](https://www.whitehouse.gov/wp-content/uploads/2018/02/budget-fy2019.pdf).

502 Accessed on April 2, 2019 <https://www.kff.org/other/state-indicator/primary-care-health-professional-shortage-areas-hpsas/?activeTab=map&currentTimeframe=0&selectedDistributions=total-primary-care-hpsa-designations&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>

503 Government Accountability Office, Health Professional Shortage Areas, October 2006. <https://www.gao.gov/new.items/d0784.pdf>.

504 GAO “Comprehensive Planning by HHS Needed to Meet National Needs” December 11, 2015 <https://www.gao.gov/products/GAO-16-17>

505 Katharine B. Stevens, American Enterprise Institute, “We’re asking the wrong questions about early childhood education”, April 26, 2016. <http://www.aei.org/publication/were-asking-the-wrong-questions-about-early-childhood-education/>. Lindsey Burke and David Muhlhausen, Heritage Foundation, “Head Start Impact Evaluation Report Finally Released”, January 10, 2013. <http://www.heritage.org/education/report/head-start-impact-evaluation-report-finally-released>.

506 Katharine B. Stevens, American Enterprise Institute, “We’re asking the wrong questions about early childhood education”, April 26, 2016. <http://www.aei.org/publication/were-asking-the-wrong-questions-about-early-childhood-education/>.

507 CBO “OPTIONS FOR REDUCING THE DEFICIT: 2019 TO 2028” December 13, 2018 <https://www.cbo.gov/system/files?file=2018-12/54667-budget-options.pdf>

508 Representative Jim Banks, “Banks Introduces Head Start Improvement Act”, April 5, 2017. <https://banks.house.gov/media/press-releases/banks-introduces-head-start-improvement-act>.

509 Office of Management and Budget, “A Budget for a Better America”, Fiscal Year 2020 <https://www.whitehouse.gov/wp-content/uploads/2019/03/budget-FY-2020.pdf>

**Eliminate Competitive and Project Grant Programs under the Every Student Succeeds Act and Reduce Spending on Formula Grants**

The federal government offers states a plethora of options when it comes to competitive and project grants. Instead of focusing on the needs of their students, states alter vast portions of their curricula and waste countless administrative resources to secure these federal grants. In order to best serve students, state and local education agencies should be attentive to their students and their communities. The federal government should not use taxpayer dollars to manipulate school districts around the country. Education, in keeping with free market principles, should be managed at the state, local and individual levels where situational knowledge and accountability are intrinsically the highest.

**Eliminate the Corporation for National and Community Service (CNCS)**

The CNCS operates four major programs: AmeriCorps, Senior Corps, the Social Innovation Fund and the Volunteer Generation Fund. This agency provides taxpayer funds to individuals and organizations engaging in different types of public service. These types of efforts are not a core responsibility of the federal government and would be more appropriately funded and operated by civil society. Eliminating the CNCS would save \$1.1 billion in FY 2020.

**Eliminate Funding for the Corporation for Public Broadcasting (CPB)**

A free society should not have government-supported media outlets, especially ones that so often convey political news and opinion. There is no shortage of media outlets and news services available to consumers. Even Sesame Street is now on HBO. Eliminating all taxpayer funding for the CPB beginning in FY 2020 would save \$465 million per year.

**Eliminate the Institute of Museum and Library Services (IMLS)**

The IMLS provides grants to local museums and libraries, a task that can be better handled by the private sector and local governments. Eliminating the IMLS would save \$247 million in FY 2020.

**Eliminate the School Improvement Programs Account**

These include grants to local school district for particular projects and improvements. These decisions should be left to local decision makers and should not be manipulated by federal subsidies. Eliminating these grants would reduce federal spending by \$58.4 billion over 10 years.

**Restrict Pell Grants to Students from Families Below 250 Percent of the FPL**

The Pell Grant Program was intended to help people from impoverished families attend college and enter the workforce with marketable skills. By implementing means testing by family income, we can ensure Pell Grant funding is targeted to the potential students the program was designed to provide aid for.

***Within the Jurisdiction of the House Appropriations Subcommittee on Legislative Branch:*****Eliminate Open World Leadership Center**

The Open World Leadership Center is meant to facilitate cultural and political exchanges between the U.S. Congress and leaders in post-Soviet countries. Eliminating the center beginning in FY 2020, more than a quarter-century after the end of the Cold War, would save taxpayers \$6 million per year.

**Privatize and Expand Food Service Market in Congressional Office Buildings**

Matching what is done in many other federal and private office buildings across the country, the cafeterias in congressional office buildings should be converted into food court spaces and leased to private restaurants. Presently, most of the food service on Capitol grounds is either government run or conducted by a single service provider with a monopolistic contract with Congress. We applaud, and would expand, recent efforts that have brought a handful of outside restaurants to these office buildings. They have made a dramatic impact, bringing the higher quality, lower prices and increased variety that only free market competition can deliver.

***Within the Jurisdiction of the House Appropriations Subcommittee on State, Foreign Operations and Related Programs:*****Reduce Foreign Aid**

At a time when our gross national debt is more than \$22 trillion and we must rely on foreign countries to finance our spending, we cannot afford to be as generous to other nations as we have been in the past. Beginning in FY 2020, foreign assistance should be reduced to reflect our need to prioritize domestic programs.

**Eliminate International Organizations and Programs Account**

The International Organizations and Programs Account provides voluntary contributions to international organizations, many of which do not represent American interests and values. Within this account, the U.N. Population Fund provides family planning and abortion funding abroad. Funds should also be withheld from the U.N. Intergovernmental Panel on Climate Change (IPCC), as well as the U.N. Human Rights Council which is comprised of member nations like Cuba, Venezuela, China and Rwanda, all of which have abysmal records on human rights. Eliminating these funds would save \$346 million in FY 2020.

**End Global Green Energy and Climate Change Funding**

The plethora of programs and accounts that have spent U.S. taxpayer funds around the world on ideological activities related to green energy and climate change should be eliminated.

**Enforce Cap on U.N. Peacekeeping Missions**

The *Foreign Relations Authorization Act, Fiscal Years 1994 and 1995*, caps the amount of U.S. contributions for U.N. peacekeeping operations to no more than 25 percent of the total amount for operations. However, the U.S. is currently paying 28.5 percent of all U.N. peacekeeping operations.<sup>510</sup>

The president has stated that the U.S. will “not contribute more than 25 percent for UN peacekeeping costs.”<sup>511</sup>

510 The United Nations “How We Are Funded” Accessed April 29, 2019 <https://peacekeeping.un.org/en/how-we-are-funded>

511 Office of Management and Budget, “America First A Budget Blueprint to Make America Great Again”, Fiscal Year 2018. <https://www.whitehouse.gov>

Reducing the U.S. contribution for peacekeeping will save taxpayers over \$230 million annually while increasing the vested interest of global partners to more prudently address regional problems.

### **Eliminate the Emergency Refugee and Migration Assistance Fund**

The Emergency Refugee and Migration Assistance Fund “enables the president to provide humanitarian assistance for unexpected and urgent refugee and migration needs worldwide.”<sup>512</sup> Eliminating this program would save \$1 million in FY 2020.

### **Eliminate Complex Crises Fund**

The Complex Crises Fund was established in 2010 by the Obama administration without authorization by Congress. The fund is meant to allow the State Department to “respond to unforeseen crises,” and is duplicative of other State Department funding. Eliminating the fund would save \$30 million in FY 2020.

### **Eliminate the East-West Center**

The East-West Center promotes relationships between the U.S., Pacific and Asian countries. Eliminating the center beginning in FY 2020 would save \$17 million.

### **Eliminate Funding for the U.S. Institute of Peace**

The U.S. Institute of Peace was established by Congress in 1984 to promote peace and conflict resolution. In 2011, the institute moved into a new, elaborately designed, \$180 million headquarters overlooking the Lincoln memorial.<sup>513</sup> Eliminating funding for the Institute of Peace would save \$39 million in FY 2020.

### **Eliminate the U.S. Trade and Development Agency (USTDA)**

The USTDA promotes U.S. exports to developing countries by connecting companies with foreign buyers, holding conferences and workshops, and other forms of assistance. These types of activities are solely the purview of the private sector. Any federal involvement here is crony capitalism funded by U.S. taxpayers. Eliminating the USTDA would save \$82 million in FY 2020.

### **Reform the Board of Broadcasting Governors (BBG)**

The BBG oversees all U.S. civilian international media, including the Voice of America (VOA). According to GAO and the State Department’s Office of Inspector General, the agency suffers from managerial problems and other structural deficiencies. These problems have inhibited the agency’s effectiveness to promote the country’s message across the globe.

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[gov/sites/whitehouse.gov/files/omb/budget/fy2018/2018\\_blueprint.pdf](https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/2018_blueprint.pdf).

<sup>512</sup> United States Department of State, “Migration and Refugee Assistance, Emergency Refugee and Migration Assistance Fiscal Year 2015, Congressional Presentation Document”. <https://www.state.gov/documents/organization/228806.pdf>.

<sup>513</sup> Stranix Associates, “United States Institute of Peace Headquarters”. <http://stranixassociates.com/project/united-states-institute-of-peace-headquarters/>.



**Eliminate the Inter-American Foundation and Federal Contribution to the Inter-American Development Bank**

The Inter-American Foundation and Development Bank provide assistance to Latin America and the Caribbean and are duplicative of other State Department and USAID activities. Eliminating these would save \$24 million per year in FY 2020.

**Eliminate the Asia Foundation and Federal Contribution to the Asian Development Bank**

The Asia Foundation provides assistance to Asia and is duplicative of other State Department and USAID activities. Eliminating the foundation would save \$65 million per year in FY 2020.

**Eliminate the United States African Development Foundation and Contribution to the African Development Bank**

The U.S. African Development Foundation and African Development Bank provide assistance to Africa and are duplicative of other State Department and USAID, and global private sector activities. Eliminating these would save \$238 million in FY 2020.

**Withhold Funding for the Organization for Economic Cooperation and Development (OECD)**

The OECD was founded to “promote policies that will improve the economic and social well-being of people around the world.”<sup>514</sup> Unfortunately, the OECD has become a forum to push left-wing policies such as value added taxes, the Base Erosion and Profit Shifting (BEPS) project and other efforts to reduce tax competition between jurisdictions.<sup>515</sup> U.S. taxpayer funds should not go to an organization that works against their interests.

**Eliminate funding for the Millennium Challenge Corporation**

The Millennium Challenge Corporation provides aid to some of the fastest growing economic regions of the world in the form of choosing winners and losers in their markets and investing in businesses they believe should be supported. This interferes in the economic progress in these regions and is an inappropriate use of federal dollars.

**Reduce Global Health Funding to 2000 Enacted Levels**

These programs fund disease control and public health activities in developing nations. Since the implementation of these programs, their goals have been achieved or nearly achieved. These regions are among the fastest growing economic regions on Earth, and the further development of these public health systems would be better handled by the local governments.<sup>516</sup> By reducing funding to the 2000 enacted level, of \$1 billion annually, the U.S. can maintain its commitments to aid in this process and reduce spending by \$87 billion over 10 years.

<sup>514</sup> Organisation for Economic Co-operation and Development, “About the OECD”. <http://www.oecd.org/about/>.

<sup>515</sup> Andrew F. Quinlan, Center for Freedom and Prosperity, “CF&P Letter Calls on Congress to Include OECD with UN Defunding Effort”, January 9, 2017. [http://freedomandprosperity.org/files/OECD/OECD\\_defunding\\_letter\\_01-2017.pdf](http://freedomandprosperity.org/files/OECD/OECD_defunding_letter_01-2017.pdf).

<sup>516</sup> CBO “OPTIONS FOR REDUCING THE DEFICIT: 2019 TO 2028” December 13, 2018 <https://www.cbo.gov/system/files?file=2018-12/54667-budge-toptions.pdf#page=170>



## ***Within the Jurisdiction of the House Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies:***

### **Eliminate Funding for the Washington Metropolitan Transit Authority (WMATA)**

The federal government should not be directly subsidizing the public transit system of one of the most affluent metropolitan areas in the U.S. Eliminating the subsidy for WMATA would save the nation's taxpayers \$153 million in FY 2020.

### **Eliminate Amtrak Operating Grants and Capital Grants**

The federal government has subsidized the National Railroad Passenger Corporation - better known as Amtrak - since it was created by Congress in 1970. The railroad service is a notoriously poor fiscal manager, losing \$72 million on food and beverage service alone in 2012. Furthermore, Amtrak uses their subsidies to pull private luxury train cars for a reduced fee. Taxpayer money should certainly not be used for this activity.

Clearly, Amtrak has no incentive to improve its performance if it is able to count on the taxpayers for a bailout each year. The federal government should not force taxpayers to subsidize Amtrak, which should be privatized. Eliminating Amtrak funding would save taxpayers \$2 billion in FY 2020.

### **Eliminate the New Starts Transit Program**

The New Starts Transit Program, sometimes called Capital Investment Grants, provides billions in subsidies to local transit for capital improvements to fixed-guideway projects, including streetcars, subways and dedicated bus lanes. Often these projects are inefficient and fail to reduce congestion. Because this program subsidizes only new projects, it incentivizes transit agencies to build expensive projects without regard to cost, putting taxpayers on the hook for operating costs down the road and diverting funds from adequately maintaining existing roads and other infrastructure.

Eliminating the New Starts Transit Program would save taxpayers \$2.7 billion in FY 2020.

### **Eliminate BUILD Grants**

BUILD Grants, originally known as TIGER Grants when created by President Obama, were enacted as part of Obama's failed stimulus law. The program is particularly problematic because projects are selected by the administration, often for political purposes (Democrat districts received 69 percent of funding during the Obama administration), and go towards projects more appropriately funded by state or local governments.<sup>517</sup> GAO has found problems with the funding decisions made by the administration under this program.<sup>518</sup> The program is a remarkably poor investment, and Congress chose not to reauthorize it in the highway bill signed into law by President Obama in 2015. Ending appropriations for the grants would save taxpayers \$1.5 billion in FY 2020.

### **Prohibit High-Speed Rail Funding**

The failed 2009 stimulus law provided \$8 billion for high-speed rail projects. To be clear, there was no demand for these big-government projects and high-speed rail often costs significantly more than other forms of transportation. Thankfully, the governors of Florida, Ohio and Wisconsin rejected funds for high-speed rail projects so the residents of their states would not get stuck with the bill. The high-speed rail boondoggle

<sup>517</sup> Baruch Feigenbaum, Reason Foundation, "Eliminate TIGER Program", February 17, 2015. <http://reason.org/news/show/eliminate-tiger-program>.  
<sup>518</sup> Government Accountability Office, "Surface Transportation: Actions Needed to Improve Documentation of Key Decisions in the TIGER Discretionary Grant Program", May 28, 2014. <http://www.gao.gov/products/GAO-14-628R>.

shows why the states, local governments and the market should take a leading role in determining where transportation dollars get spent, not bureaucrats in Washington.

### **Eliminate Funding for Community Development Block Grants (CDBG) and Community Development Loan Guarantees (CDLG)**

The CDBG program has been unauthorized (yet still funded) for decades and is a prime example of the federal government's failure in prioritizing local programs. CDBG has paid for programs as diverse as doggie daycare, a local circus and decorative sidewalks in an affluent suburb.<sup>519</sup> Beginning in FY 2020, CDBG and CDLG funding should be eliminated. The president has criticized the program because "the Federal Government has spent over \$150 billion on this block grant since its inception in 1974, but the program is not well-targeted to the poorest populations and has not demonstrated results."<sup>520</sup>

### **Reduce Funding for the HUD Office of Housing**

The Office of Housing regulates the housing industry, a task better left to state and local governments which already administer the vast majority of housing assistance programs in the U.S. Beginning in FY 2020, funding for the Office of Housing should be reduced.

### **Reduce Funding for the Public Housing Capital and Operating Funds**

The Public Housing Capital Fund and the Public Housing Operating Fund provide federal funding for public housing projects, a task better left to state and local governments. Beginning in FY 2020, funding for Public Housing Capital and Operating Funds should be eliminated.

### **Eliminate HOME Investment Partnership Program**

The HOME Investment Partnership Program provides federal funding to state and local governments to engage in a wide variety of housing development activities. Eliminating the HOME Investment Partnership Program would save taxpayers almost \$1.4 billion annually in FY 2020.

### **Eliminate the Choice Neighborhoods Program**

The Choice Neighborhoods Program provides grants to develop neighborhood revitalization plans and to implement these plans. Eliminating the Choice Neighborhoods Program would save taxpayers \$153 million in FY 2020.

### **Eliminate the Self-Help Homeownership Opportunity Program (SHOP)**

The SHOP provides grants to organizations that provide housing, including for land acquisition, infrastructure improvements and administrative costs. Eliminating the SHOP would save taxpayers \$55 million in FY 2020.

<sup>519</sup> Congressman Tom McClintock, "Draining A Slush Fund: Community Development Block Grants", June 27, 2012. <http://mcclintock.house.gov/newsroom/speeches/draining-a-slush-fund-community-development-block-grants>.

<sup>520</sup> Office of Management and Budget, "America First A Budget Blueprint to Make America Great Again", Fiscal Year 2018. [https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/2018\\_blueprint.pdf](https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/2018_blueprint.pdf).

**Eliminate the Section 4 Capacity Building for Community Development and Affordable Housing Program**

The Section 4 Capacity Building for Community Development and Affordable Housing Program provides taxpayer funding to a limited number of specific charitable organizations to carry out community development and housing activities.

**Eliminate the Home Equity Conversion Mortgage Program**

This program provides a federal guarantee to reverse mortgages. This has the effect of artificially increasing house prices and creating a moral hazard that encourages financial institutions to engage in riskier behavior than they would otherwise engage in.





# ***APPENDIX - SUMMARY TABLES***

Revenues and Outlays (In billions of nominal USD)											
Table 1A	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2029 Total
Revenues	3,672	3,821	3,950	4,111	4,344	4,528	4,746	4,868	5,023	5,227	44,290
Outlays	4,043	4,108	4,239	4,312	4,356	4,525	4,681	4,827	5,017	5,130	45,238
Deficit(-)/Surplus	-371	-287	-289	-201	-12	3	65	41	6	96	-948
<b>Major Outlay Categories</b>											
Social Security	1,067	1,124	1,186	1,250	1,315	1,388	1,459	1,533	1,608	1,681	13,612
Medicare	619	639	696	692	678	764	813	864	982	904	7,650
Medicaid/CHIP	289	297	306	316	326	335	347	358	370	383	3,326
Other Mandatory	374	363	340	317	290	294	303	290	241	331	3,144
Discretionary	1,242	1,193	1,187	1,190	1,188	1,184	1,194	1,214	1,242	1,258	12,091
Net Interest	451	491	524	548	559	561	564	568	574	574	5,415
Debt Held by the Public	17,069	17,407	17,737	17,980	18,037	18,081	18,064	18,073	18,103	18,039	
Nominal GDP	22,120	22,939	23,778	24,672	25,642	26,656	27,667	28,738	29,862	31,006	263,080

Revenues and Outlays (In percentage of Gross Domestic Product GDP)											
Table 1B	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2029 Average
Revenues	16.6	16.7	16.6	16.7	16.9	17	17.2	16.9	16.8	16.9	16.8
Outlays	18.3	17.9	17.8	17.5	17	17	16.9	16.8	16.8	16.5	17.2
Deficit(-)/Surplus	-1.7	-1.3	-1.2	-0.8	0	0	0.2	0.1	0	0.3	-0.4
<b>Major Outlay Categories</b>											
Social Security	4.8	4.9	5	5.1	5.1	5.2	5.3	5.3	5.4	5.4	5.2
Medicare	2.8	2.8	2.9	2.8	2.6	2.9	2.9	3	3.3	2.9	2.9
Medicaid/CHIP	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.2	1.2	1.2	1.3
Other Mandatory	1.7	1.6	1.4	1.3	1.1	1.1	1.1	1	0.8	1.1	1.2
Discretionary	5.6	5.2	5	4.8	4.6	4.4	4.3	4.2	4.2	4.1	4.6
Net Interest	2	2.1	2.2	2.2	2.2	2.1	2	2	1.9	1.8	2.1
Debt Held by the Public	77.2	75.9	74.6	72.9	70.3	67.8	65.3	62.9	60.6	58.2	67.9



Revenues and Outlays vs. CBO Baseline

(In billions of nominal USD)

Table 2A	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2029 Total
Revenues	-14	-19	-62	-97	-104	-119	-210	-386	-423	-445	-1,880
Outlays	-546	-705	-901	-1,035	-1,184	-1,334	-1,480	-1,619	-1,864	-1,912	-12,580
Deficit Improvement	532	686	839	938	1,080	1,215	1,270	1,233	1,441	1,466	10,700
Major Outlay Categories											
Social Security	-16	-27	-39	-52	-67	-78	-92	-108	-127	-151	-756
Medicare	-56	-86	-121	-149	-182	-200	-219	-244	-275	-326	-1,859
Medicaid/CHIP/Obamacare	-203	-217	-243	-265	-288	-313	-336	-362	-390	-421	-3,039
Other Mandatory	-210	-240	-309	-331	-348	-365	-387	-402	-506	-388	-3,486
Discretionary	-54	-105	-132	-149	-174	-215	-237	-251	-263	-272	-1,852
Net Interest	-8	-30	-57	-89	-124	-163	-207	-253	-302	-354	-1,588
Debt Held by the Public	-532	-1,219	-2,058	-2,996	-4,075	-5,291	-6,560	-7,794	-9,234	-10,700	

Revenues and Outlays vs. CBO Baseline

(In percentage of Gross Domestic Product GDP)

Table 2B	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2029 Average
Revenues	-0.1	0	-0.3	-0.4	-0.4	-0.4	-0.7	-1.4	-1.4	-1.4	-0.7
Outlays	-2.4	-3.1	-3.8	-4.2	-4.6	-5	-5.4	-5.6	-6.2	-6.2	-4.8
Deficit Improvement	2.4	2.9	3.5	3.8	4.3	4.6	4.6	4.3	4.8	4.7	4
Major Outlay Categories											
Social Security	-0.1	-0.1	-0.2	-0.2	-0.3	-0.3	-0.3	-0.4	-0.4	-0.5	-0.3
Medicare	-0.3	-0.4	-0.5	-0.6	-0.8	-0.7	-0.8	-0.9	-0.9	-1.1	-0.7
Medicaid/CHIP/Obamacare	-0.9	-0.9	-1	-1.1	-1.1	-1.1	-1.2	-1.3	-1.3	-1.4	-1.1
Other Mandatory	-0.9	-1	-1.3	-1.3	-1.4	-1.4	-1.4	-1.4	-1.7	-1.2	-1.3
Discretionary	-0.3	-0.5	-0.5	-0.6	-0.7	-0.8	-0.9	-0.9	-0.8	-0.8	-0.7
Net Interest	-0.1	-0.2	-0.2	-0.4	-0.5	-0.6	-0.8	-0.9	-1	-1.2	-0.6
Debt Held by the Public	-2.4	-5.3	-8.6	-12.1	-15.9	-19.9	-23.7	-27.1	-30.9	-34.5	-19.2

### Discretionary Budget Authority

(In billions of nominal USD)

Table 3A	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2029 Total
Defense	745	746	760	778	784	752	768	784	800	817	7,734
Non-Defense	349	357	358	356	359	369	376	387	395	408	3,713

### Discretionary Budget Authority

(In percentage of Gross Domestic Product GDP)

Table 3B	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2029 Average
Defense	3.4	3.3	3.2	3.2	3.1	2.8	2.8	2.7	2.7	2.6	2.9
Non-Defense	1.6	1.6	1.5	1.4	1.4	1.4	1.4	1.3	1.3	1.3	1.4

### Discretionary Budget Authority vs. CBO Baseline

(In billions of nominal USD)

Table 4A	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2029 Total
Defense	98	84	82	83	72	23	21	18	16	14	510
Non-Defense	-217	-222	-236	-252	-264	-270	-279	-285	-293	-298	-2,615

### Discretionary Budget Authority vs. CBO Baseline

(In percentage of Gross Domestic Product GDP)

Table 4B	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2029 Average
Defense	0.4	0.4	0.3	0.3	0.3	0.1	0.1	0.1	0.1	0.0	0.2
Non-Defense	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0



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