

# Toward Common Ground:

## Bridging the Political Divide to Reduce Spending

**October 2010**



## **Toward Common Ground: Bridging the Political Divide to Reduce Spending**

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Our nation faces unprecedented fiscal challenges, as the commitments we've made now and into the future far outpace our fiscal capacity. Congress, the President's National Commission on Fiscal Responsibility and Reform, and citizens across the country must grapple with very difficult decisions about how we can put our fiscal house in order. It will be critical to reach out across party lines and across ideological persuasions to achieve common-sense reforms that can bring us closer to balance.

The U.S. Public Interest Research Group (U.S. PIRG) and National Taxpayers Union (NTU) have joined together to propose a list of 30 specific recommendations to reform our future spending commitments. If enacted in their entirety, these changes would save taxpayers over \$600 billion in total by 2015, the target date for the Fiscal Commission to reduce our publicly-held debt-to-GDP ratio to a more sustainable level of 60 percent. While our organizations have often differed about the proper regulatory scope of government and a host of tax policies, we are united in the belief that we spend far too much money on ineffective programs that do not serve the best interests of the American people.

The cuts deal with specific reforms to entitlement programs, defense spending, wasteful subsidies and a broad range of discretionary items of a smaller scale. While these proposals won't get us all the way there, it is a start that could establish some common ground and make government more accountable in the process.

Some of the suggestions are aimed at procedural improvements, like collecting errant payments for Supplemental Security Income or housing subsidies. Others seek to eliminate programs that are wasteful or unnecessary, like the Market Access Program, which helps some of the most profitable companies in the world advertise their products abroad.

Every item on the list includes a five-year savings estimate for the Commission's 2015 target. Those estimates are backed up by authoritative official sources such as the Congressional Budget Office, Government Accountability Office, Joint Committee on Taxation, or the Office of Management and Budget, as well as bipartisan panels and audit agencies. The recommendations are specific, detailed, and actionable items that Congress could pursue right now to reduce spending.

Most importantly, we strongly believe this list represents a consensus that can be reached between political factions that spend a great deal of their time fighting one another. In our estimation, these recommendations reduce spending without significantly degrading the level of services provided to the American taxpayer and without neglecting the federal government's commitments.

As a nation, we can no longer afford to delay difficult decisions. It is our hope that this list of spending reductions can serve as a starting point for long-overdue reforms and lay the groundwork for a bipartisan approach to those decisions.

What follows is a general summary of spending reductions that fall into four rough categories: ending wasteful subsidies, improving contracting and asset acquisition, improving program execution and government operations, and addressing outdated or ineffective military programs to align spending with current needs. Following the summary is a list of each specific recommendation, with an estimate of its savings by 2015, totaling over \$600 billion, and a reference to the source from which the estimate is based.

### **Ending Wasteful Subsidies – Total Savings, up to \$62 billion**

Every year, the federal government hands out billions of dollars in subsidies for a wide variety of commercial activities. Though the vast majority of such programs are well-intentioned efforts to provide targeted support to businesses or individuals in need, in practice many are a poor use of scarce taxpayer dollars and fail to achieve their stated objectives. This section recommends spending reductions that focus primarily on “corporate welfare” programs, inefficient agricultural supports, and subsidies for energy production.

First, we recommend the elimination of several programs that use taxpayer resources to promote exports. Operations like the Market Access Program and the Overseas Private Investment Corporation have been shown to benefit some of America's most profitable and recognizable multi-national corporations. Companies like McDonald's, Nabisco, and Fruit of the Loom should market their exports out of their ample budgets.

Next, we tackle something that continues to be a battleground issue for many interest groups: agricultural subsidies. While disagreements in this arena can be fierce, we believe that taxpayers deserve agricultural policies that have not been perverted from their original intention or fallen short of their goals. That's why we identify subsidies for large corporate farming businesses and refundable tax credits for ethanol production as areas ripe for reform.

Finally, we recommend cutting several subsidies for energy production that are reaped primarily by profitable businesses in mature industries. For example, we recommend eliminating a research program for developing ultra-

deepwater petroleum and natural gas drilling technologies. While this program is funded from existing oil and gas revenues, it exists outside the annual appropriations process and should be ended because oil and gas companies can more effectively fund their own applied research.

### **Improving Contracting and Asset Acquisition – Total Savings, up to \$353 billion**

Given the hundreds of billions of dollars that flow through the contracting process, it is unsurprising that vast improvements can be made to their efficiency. First, we recommend ending orders for obsolete parts and supplies in the Army, Navy, Air Force, and Defense Logistics Agency. According to the Government Accountability Office, these agencies waste billions purchasing items that go unused or were never required in the first place. In some cases, the agencies purchase 50 percent more parts than necessary. Streamlining this process would save more than \$184 billion over five years without materially impacting national security.

In addition, this section recommends passing and implementing the findings of the Bipartisan Defense Acquisition Panel. The Panel seeks to ensure that the Pentagon reduces waste, spends taxpayer dollars more carefully and pays for services and programs that provide the best value. It has the potential to save \$135 billion.

### **Improving Program Execution and Government Operations – Total Savings, up to \$77 billion**

Payment errors and duplicative programs are a constant source of headaches and wasted money in the federal budget. This section focuses on myriad improvements that could be made to procedures and programs in order to save tens of billions for taxpayers.

Several recommendations deal with overpayments, primarily in entitlement programs. Recalibrating Medicare reimbursement rates in high-cost regions and better aligning payments to teaching hospitals with actual costs could save more than \$30 billion. In Social Security, there is currently a ceiling on collection of mistaken payments from the Supplemental Security Income program. Removing that cap would improve the government's ability to recover erroneous payments, saving more than \$500 million. Similarly, the Department of Housing and Urban Development overpays on housing subsidies due to incorrect calculations of income and billing. Eliminating those overpayments could save nearly \$5 billion.

The federal government also has substantial unused property and commercial holdings that could be sold for the benefit of taxpayers. The Office of Management and Budget has reported that the federal government owns 55,557 buildings that are "not utilized or underutilized," with a value of \$96 billion.

Instructing the General Services Administration to reduce this backlog by 25 percent could generate as much as \$24 billion.

Finally, this section recommends the elimination of two programs: the Troubled Asset Relief Program (TARP) and the National Drug Intelligence Center (NDIC). While TARP has largely wound down by this point, there remain \$15 billion in commitments of taxpayer resources despite the fact that the banking system is no longer under imminent threat. The NDIC has been the subject of numerous scandals and its poor performance is well documented. The GAO has concluded that it duplicates efforts in drug enforcement and it should be eliminated, for a potential savings of more than \$200 million.

### **Addressing Outdated or Ineffective Military Programs– Total Savings, up to \$107 billion**

While the need for a strong national defense is clear, it is equally clear that the Department of Defense has a number of programs that do not advance those goals while wasting federal resources. Selectively reducing or eliminating procurements while improving the operation of other programs could yield billions in savings.

The bulk of such savings would be realized by scaling back or cancelling outdated or unnecessarily costly systems. This section lays out a menu of options for reducing or cancelling procurements of the V-22 Osprey aircraft, the F-35 Joint Strike Fighter, the Space Tracking and Surveillance System, and the Expeditionary Fighting Vehicle. Several of these programs have failed basic cost-benefit analyses and have incurred large delays and cost overruns.

Another large potential source for savings can be found in aligning our nuclear defense programs with current needs and threats. “Rightsizing” our nuclear arsenal has been supported by a wide range of public officials as well as military and national security experts, including Defense Secretary Robert Gates and Senator John McCain (R-AZ). Pursuing this option could save more than \$56 billion.

Finally, we recommend altering the pricing structure for central repair depots. When military vehicle components need repairs, unit commanders can direct them to be completed in-house or send the equipment to central maintenance depots. Making this change would incentivize unit commanders to use central depots more than their less cost-effective local repair facilities. Allowing depots to charge for the “incremental cost” of repairs could save more than \$1 billion.

Saving Mechanism	Explanation	2015 (\$ in millions)	Source	Link for Additional Information
<b>End Wasteful Subsidies</b>				
Eliminate the Overseas Private Investment Corporation, which subsidizes investment abroad	The Overseas Private Investment Corporation (OPIC) subsidizes the foreign operations of many large multinational corporations through financing and insurance supports. These companies should finance their own operations.	\$ 154	CBO	<a href="http://www.cbo.gov/showdoc.cfm?index=10122&amp;sequence=0&amp;form=6">www.cbo.gov/showdoc.cfm?index=10122&amp;sequence=0&amp;form=6</a>
Eliminate the Market Access Program, which subsidizes overseas advertising	The Market Access program uses taxpayer dollars to fund advertising and promotion by private companies marketing agricultural products in other countries. These companies include McDonalds, Nabisco, Fruit of the Loom, and Mars.	\$ 1,000	CBO	<a href="http://www.cbo.gov/budget/factsheets/factsheets2010b.cfm">http://www.cbo.gov/budget/factsheets/factsheets2010b.cfm</a>
Eliminate subsidies to trade associations for marketing abroad	This subsidizes corporate trade associations in promotion of agriculture exports.	\$ 175	FY 2011 Budget	<a href="http://www.whitehouse.gov/omb/budget/fy2011/assets/tables.pdf">http://www.whitehouse.gov/omb/budget/fy2011/assets/tables.pdf</a>

Saving Mechanism	Explanation	2015 (\$ in millions)	Source	Link for Additional Information
Eliminate subsidies to big agribusiness	Many of these programs have been deemed ineffective or go disproportionately to large, corporate farming businesses. In addition, subsidies to wealthy farmers and individuals who do not use the land for actual farming need to be eliminated.	\$ 35,497	CBO, USDA Budget Summary, Washington Post investigation, Control Spending Now Act	<a href="http://www.cbo.gov/budget/factsheets/2010b/USDA-Policy.pdf">www.cbo.gov/budget/factsheets/2010b/USDA-Policy.pdf</a>
Eliminate refundable tax credits for ethanol	Large oil companies that blend gasoline with corn-based ethanol, rather than the ethanol producers themselves, receive billions of dollars in subsidies each year. The credits combined with the Renewable Fuels Standard set up a taxpayer subsidized mandate, which is bad fiscal policy.	\$ 22,650	Joint Committee on Taxation	<a href="http://www.jct.gov/publications.html?func=startdown&amp;id=3642">http://www.jct.gov/publications.html?func=startdown&amp;id=3642</a>
Eliminate insurance subsidies for repeatedly-flooded homes	The National Flood Insurance Program cannot deny insurance on the basis of frequent losses and thus provides policies for properties that have been repeatedly flooded. While these represent only 1 percent of policies, they account for 25 to 30 percent of claims. When catastrophic weather events hit, taxpayers are on the hook for massive losses.	\$ 891	GAO	<a href="http://www.gao.gov/new.items/d10631t.pdf">http://www.gao.gov/new.items/d10631t.pdf</a>

Saving Mechanism	Explanation	2015 (\$ in millions)	Source	Link for Additional Information
Eliminate ultra-deepwater natural gas and petroleum research program	Funding for this program does not undergo the scrutiny of the appropriations process and this kind of applied research can be more effectively performed by the oil and gas companies themselves.	\$ 158	CBO 2009 Budget Options	<a href="http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf">http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf</a>
Reduce funding for public timber sales that lose money	The Forest Service has spent more on federal timber sales in recent years than it has collected from the companies that harvest the timber. This is an unwise use of taxpayer dollars.	\$ 279	CBO 2009 Budget Options	<a href="http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf">http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf</a>
Sell Southeastern Power Administration and related assets	This Southeastern Power Administration subsidizes energy at below-market costs, which leads to significant distortions. Selling the assets would make energy markets more efficient and earn money for taxpayers.	\$ 1,220	CBO 2009 Budget Options	<a href="http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf">http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf</a>

**Improve Contracting and Asset Acquisition**



Saving Mechanism	Explanation	2015 (\$ in millions)	Source	Link for Additional Information
Implement acquisition reforms identified by the bipartisan Defense Acquisition Panel	Last year Congress passed weapons acquisition reform with bipartisan support. These recommendations would address the other 80% of the Department of Defense acquisition processes, including financial management and information technology. The proposal would also increase competition and improve the acquisition workforce.	\$ 135,000	Bipartisan Defense Acquisition Panel	<a href="http://armedservices.house.gov/pdfs/DARFINALREPORT/DARFINALREPORT032310.pdf">http://armedservices.house.gov/pdfs/DARFINALREPORT/DARFINALREPORT032310.pdf</a>
Eliminate Department of Homeland Security contracts already identified as wasteful	A recent audit by the Defense Contract Audit Agency found 32 contracts collectively worth \$34.3 billion that have been plagued by waste, abuse, or mismanagement from 2001 through 2006.	\$ 34,300	House Committee on Oversight and Government Reform - Report	<a href="http://oversight.house.gov/index.php?option=com_content&amp;view=article&amp;id=2507&amp;catid=44:legislation">http://oversight.house.gov/index.php?option=com_content&amp;view=article&amp;id=2507&amp;catid=44:legislation</a>
End orders for obsolete spare parts and supplies for the Defense Logistics Agency	In examining purchasing and inventory data at the DLA, Army, Navy and Air Force, the Government Accountability Office discovered that the organizations were wasting billions of dollars purchasing items that went unused or were never required (as much as 50% more than required). Reforms to purchasing processes and better data can both save money and better serve the needs of the armed forces.	\$ 35,500	GAO	<a href="http://www.gao.gov/products/GAO-10-469">http://www.gao.gov/products/GAO-10-469</a>
End orders for obsolete spare parts and supplies for the Army		\$ 18,000	GAO	<a href="http://www.gao.gov/new.items/d09199.pdf">http://www.gao.gov/new.items/d09199.pdf</a>
End orders for obsolete spare parts and supplies for the		\$ 37,500	GAO	<a href="http://www.gao.gov/new.items/d09103.pdf">http://www.gao.gov/new.items/d09103.pdf</a>

Saving Mechanism	Explanation	2015 (\$ in millions)	Source	Link for Additional Information
Navy				
End orders for obsolete spare parts and supplies for the Air Force		\$ 93,500	GAO	<a href="http://www.gao.gov/new.items/d07232.pdf">http://www.gao.gov/new.items/d07232.pdf</a>
<b>Improve Program Execution and Government Operations</b>				
Remove the ceiling on the collection of overpayments from the Supplemental Security Income program	This option would improve the government's ability to recover erroneous payments while still protecting recipients from undue hardship.	\$ 580	CBO 2009 Budget Options	<a href="http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf">http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf</a>
Reduce backlog of buildings owned by the federal government that are "not utilized or underutilized" by 25 percent	The federal government owns more than 55,500 buildings that are "not utilized or underutilized," worth more than \$96 billion, according to OMB. Directing the GSA to reduce this by 25 percent over a period of five years would save taxpayers billions.	\$ 24,000	OMB	<a href="http://coburn.senate.gov/public/index.cfm?a=Files.Serve&amp;File_id=2a914cf8-440a-4468-b1c3-2f9f4a571146">http://coburn.senate.gov/public/index.cfm?a=Files.Serve&amp;File_id=2a914cf8-440a-4468-b1c3-2f9f4a571146</a>
Better align Medicare payments to teaching hospitals with actual costs	Re-calibrate payments to cover actual costs for Medicare's graduate medical education program.	\$ 20,500	CBO	<a href="http://www.cbo.gov/doc.cfm?index=9925">http://www.cbo.gov/doc.cfm?index=9925</a>

Saving Mechanism	Explanation	2015 (\$ in millions)	Source	Link for Additional Information
Recalibrate Medicare reimbursement rates in high-cost regions	Hospitals and providers in some regions of the country are paid as much as twice their counterparts in other areas. These high-cost regions are superb at billing for the most expensive tests and procedures, but the care delivered in these areas is worse than regions which focus on quality, primary care medicine These inflated reimbursement rates for high cost-regions may enrich some region's health industries but they do not improve care for patients.	\$ 11,700	CBO	<a href="http://www.cbo.gov/doc.cfm?index=9925">http://www.cbo.gov/doc.cfm?index=9925</a>
Eliminate overpayments for housing subsidies	According to GAO, the Department of Housing and Urban Development wastes hundreds of millions of dollars due to "incorrect subsidy determinations by program administrators, unreported tenant income, and incorrect billing."	\$ 4,480	GAO	<a href="http://www.gao.gov/products/GAO-05-1027T">http://www.gao.gov/products/GAO-05-1027T</a>
Eliminate the Leveraging Educational Assistance Partnership, which is no longer needed	The Leveraging Educational Assistance Partnership (LEAP) program has already met its objectives to incentivize states to provide for student grant programs and is no longer needed. The President has requested that it be eliminated in his FY 2011 Budget Request.	\$ 272	CBO 2009 Budget Options	<a href="http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf">http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf</a>

Saving Mechanism	Explanation	2015 (\$ in millions)	Source	Link for Additional Information
Return unallocated funds from the Troubled Asset Relief Program (TARP)	While TARP has largely wound down, the Office of Financial Stability reports that \$15 billion in commitments remain outstanding. Because the banking system is no longer at risk, this money should be returned to taxpayers.	\$ 15,000	Office of Financial Stability Monthly 105(a) Report – August 2010	<a href="http://financialstability.gov/docs/105CongressionalReports/August%202010%20105(a)%20Report%20final_9%202010%2010.pdf">http://financialstability.gov/docs/105CongressionalReports/August%202010%20105(a)%20Report%20final_9%202010%2010.pdf</a>
Eliminate National Drug Intelligence Center	This center has been the subject of numerous scandals and its performance has repeatedly been called into question. A year after its inception, the GAO concluded that it duplicates efforts in drug enforcement.	\$ 223	FY 2011 Budget - Dept. of Justice Summary	<a href="http://www.justice.gov/jmd/2011summary/html/fy11-ndic-bud-summary.htm">http://www.justice.gov/jmd/2011summary/html/fy11-ndic-bud-summary.htm</a>
<b>End Wasteful or Outdated Military Programs and Systems; Align Military Spending with Current Needs</b>				
Cancel production of the V-22 Osprey aircraft that has experienced massive cost overruns and performance issues	This program has come close to being cancelled several times according to the Sustainable Defense Task Force, and has experienced reliability and performance issues. In addition, the GAO reports that the program has had several scheduling, management, cost and production issues.	\$ 6,164	CBO 2005 Budget Options	<a href="http://www.cbo.gov/doc.cfm?index=6075&amp;type=0">http://www.cbo.gov/doc.cfm?index=6075&amp;type=0</a>

Saving Mechanism	Explanation	2015 (\$ in millions)	Source	Link for Additional Information
Cancel F-35 Joint Strike Fighter and replace with more advanced, cheap and reliable alternatives	According to the Sustainable Defense Task Force, "the F-35 Lightning may represent all that is wrong with our acquisition process." Beyond the cost growth, it has performance and reliability issues and "would provide a capability that is not warranted considering emerging threats."	\$ 22,500	CBO 2009 Budget Options	<a href="http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf">http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf</a>
Alternatively, reduce F-35 procurements by cancelling Navy and Marine Corps Joint Strike Fighters	Eliminating F-35 procurements for Navy and Marine Corps.	\$ 7,400	CBO 2009 Budget Options	<a href="http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf">http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf</a>
End spending for high-risk satellites and replace them with lower-cost alternatives	End funding for high-risk satellites, known as the Space Tracking and Surveillance System, which are not needed and can be replaced alternatives at a lower cost to taxpayers. This program has been subject to poor performance, significant delays and cost overruns. According to a House report, an internal DOD study "indicates that ground based radars not only provide a viable alternative to a space based system, but also provide this capability at significantly lower cost and risk."	\$ 5,000	DoD Fiscal Year 2011 Budget Estimates, Missile Procurement	<a href="http://www.saffm.hq.af.mil/shared/media/document/AFD-100128-067.pdf">www.saffm.hq.af.mil/shared/media/document/AFD-100128-067.pdf</a>

Saving Mechanism	Explanation	2015 (\$ in millions)	Source	Link for Additional Information
Align nuclear arsenal with current needs and threats	Rightsizing the nuclear arsenal to be aligned with current needs is supported by a range of public officials, former military and national security experts, including Sen. John McCain, Secretary of Defense Gates, and 'Consensus for American Security' members Sec. George Shultz, Sen. Chuck Hagel, Gen. Arlen "Dirk" Jameson (U.S. Air Force, RET), Sen. Gary Hart and Adm. William Owens (U.S. Navy, RET).	\$ 56,750	Report of the Sustainable Defense Task Force; Center for Strategic and Budgetary Assessments (CSBA)	<a href="http://www.comw.org/pda/fulltext/1006SDTFreport.pdf">www.comw.org/pda/fulltext/1006SDTFreport.pdf</a>
Cancel the outdated, unreliable and unneeded Expeditionary Fighting Vehicle	According to GAO, the "program's history of cost growth, schedule slips and performance failures and the current challenges (including changing threats) raise the question of whether the business case for the EFV program (in terms of cost, schedule, and performance) is still sound. It is 14 years behind schedule and is highly unreliable." Secretary Gates also acknowledged that amphibious assault capabilities are no longer a huge need.	\$ 16,309	GAO (assumes 2.5% and 3.5% increase in cost per year for acquisition and units)	<a href="http://www.gao.gov/new.items/d10758r.pdf">www.gao.gov/new.items/d10758r.pdf</a>

Saving Mechanism	Explanation	2015 (\$ in millions)	Source	Link for Additional Information
Change depots' pricing structure for repairs to be more cost effective	Incentivize unit commanders to use central depots more than their less cost-effective local repair facilities. The CBO and RAND report that for "the Navy, and the Office of the Secretary of Defense, local maintenance can cost from 25 percent more to twice as much as repairs done at the depots."	\$ 1,030	CBO 2009 Budget Options	<a href="http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf">http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf</a>
<b>Total</b>		<b>\$ 600,322</b>		