

WASTE IN GOVERNMENT: WHAT'S BEING DONE?

HEARING

BEFORE THE

COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

SECOND SESSION

JANUARY 9, 2014

Serial No. 113-102

Printed for the use of the Committee on Oversight and Government Reform



Available via the World Wide Web: <http://www.fdsys.gov>
<http://www.house.gov/reform>

U.S. GOVERNMENT PRINTING OFFICE

87-646 PDF

WASHINGTON : 2014

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
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WASTE IN GOVERNMENT: WHAT'S BEING DONE?

Thursday, January 9, 2014

HOUSE OF REPRESENTATIVES,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
WASHINGTON, D.C.

The committee met, pursuant to call, at 9:35 a.m., in Room 2154, Rayburn House Office Building, Hon. Darrell E. Issa [chairman of the committee] presiding.

Present: Representatives Issa, Mica, Turner, Duncan, McHenry, Jordan, Chaffetz, Walberg, Lankford, Amash, Gosar, Gowdy, Farenthold, Woodall, Collins, Meadows, Bentivolio, DeSantis, Cummings, Maloney, Norton, Tierney, Clay, Lynch, Connolly, Speier, Duckworth, Kelly, Davis, Cardenas and Grisham.

Staff Present: Will L. Boyington, Press Assistant; Molly Boyl, Deputy General Counsel and Parliamentarian; Lawrence J. Brady, Staff Director; Katelyn E. Christ, Professional Staff Member; John Cuaderes, Deputy Staff Director; Adam P. Fromm, Director of Member Services and Committee Operations; Linda Good, Chief Clerk; Tyler Grimm, Senior Professional Staff Member; Frederick Hill, Deputy Staff Director for Communications and Strategy; Christopher Hixon, Chief Counsel for Oversight; Mark D. Marin, Deputy Staff Director for Oversight; Laura L. Rush, Deputy Chief Clerk; Sarah Vance, Assistant Clerk; Peter Warren, Legislative Policy Director; Rebecca Watkins, Communications Director; Jeff Wease, Chief Information Officer; Sang H. Yi, Professional Staff Member; Beverly Britton Fraser, Minority Counsel; Aryele Bradford, Minority Press Secretary; Jennifer Hoffman, Minority Communications Director; Adam Koshkin, Minority Research Assistant; Juan McCullum, Minority Clerk; Leah Perry, Minority Chief Oversight Counsel; Brian Quinn, Minority Counsel; Dave Rapallo, Minority Staff Director; and Daniel Roberts, Minority Staff Assistant/Legislative Correspondent.

Chairman ISSA. The committee will come to order.

The Oversight Committee exists to secure two fundamental principles: First, Americans have a right to know that the money Washington takes from them is well spent; and, second, Americans deserve an efficient, effective government that works for them. Our solemn responsibility is to hold government accountable to taxpayers because taxpayers have a right to know what they get from their government. It is our job to work tirelessly in partnership with citizen watchdogs to deliver the facts to the American people and bring genuine reform to the Federal bureaucracy.

Today's hearing strikes at the heart of the committee's mission: finding and rooting out waste in the Federal government. At the beginning of every session, Congress holds a hearing to learn from

experts about the status of wasteful spending and recommit ourselves to eliminating it. Much like the fiscal outlook in the past, the hearing today will be grim; grim both because of actual waste and because of organizational waste.

President Obama has overseen the highest postwar deficits on record, and last year we had, in spite of tax increases that continue to pile up, a \$680 billion deficit. The American people have a burden on top of their mortgage on their home of \$140,000 per home. Real perspective is that this is unsustainable. If your home were going further in debt every year, you would ask, how long can I tolerate it? And yet in just a few years, your home will be a quarter of a million dollars in debt if we do not quickly reverse the waste and the unnecessary growth in government.

This committee does not appropriate, nor do we tax. Our committee's responsibility is to find within the authorized mission of the government the kind of waste and inefficiency that can be eliminated to deliver to the American people a better value. Reasonable estimates are a better value could save \$200 billion of the stockholders' hard-earned money. In other words, we could eliminate a third of the deficit simply by eliminating known and recognized waste.

Our first panel today are our partners in the Senate, Senator Carper and Senator Coburn. No two people have been more willing to speak out against the organizational waste and misspending than these two Senators. Our second panel will be four individuals who represent organizations that are heavily contributed to the spending reform discussion.

First, though, we will hear from our Senators. It is my great pleasure to welcome my colleagues, Dr. Coburn, who releases the Wastebook every year, and recently released this year's chronicles, the kind of waste that can be eliminated, and chairman, Senator Carper, has been a good partner in this discussion. I look forward to their hearings.

I will remind my colleagues that any questioning or any further comments after their opening statements will be at the discretion of the Senators, and I take pleasure in introducing the ranking member for his opening statement.

Mr. CUMMINGS. Thank you very much, Mr. Chairman. I am very pleased that you called this hearing today. This is the bread and butter of what our committee does, and I hope today's hearing will further this important discussion, which we have had regularly in similar hearings over the past few years. I thank all the witnesses for taking time out of their busy schedules to be here today with us and participate in this hearing.

I am delighted that Ranking Member Coburn has joined us at our first hearing this year to help set the tone for rooting out government waste. Senator, I want to say to you I have seen your reports, and I agree with many issues you identify. Since this may be one of our last opportunities to work together before your retirement, I look forward to an effective and rewarding collaboration, and I thank you for not only your service to your constituents, but your service to our Nation.

Mr. Chairman, I also appreciate that you agreed to my request to invite our good friend Chairman Carper to share his thoughts

and views with us as well. Chairman Carper has been tireless in his efforts to make Federal agencies work more effectively and efficiently. Senators Carper and Coburn have been at the forefront of legislation that has resulted in billions, and I repeat billions, of dollars in savings for the Federal Government.

Today we have a unique opportunity. We have in the room the chairman and ranking member of the Senate Homeland Security and Governmental Affairs Committee. We also have the chairman and ranking member and additional members of the House Committee on Oversight and Government Reform. These are the two key committees that are responsible for reducing waste, fraud, and abuse in our government.

I propose that we use some of our time today to set a bicameral agenda for the coming year. Although we have relatively little time remaining in this Congress, I propose that we try to identify some of the top reform proposals we might be able to achieve on a bipartisan basis. Let us begin with a process today to identify issues on which we have common ground and hopefully save taxpayers billions of dollars going forward.

The Government Accountability Office's annual high risk list and duplicative programs report give us a critical tool for focusing our oversight efforts. Inspector general recommendations are another key we can examine, and then, of course, we have proposals from groups like those here today.

One agency that comes up repeatedly every single year in virtually every single report is the Department of Defense. This makes sense because it is the largest Federal agency with the biggest budget. The Department's financial management as a whole continues to be designated as high risk because GAO determined that DOD has not been able to control costs, ensure basic financial accountability, measure performance, prepare auditable financial statements, and prevent and detect fraud, waste, and abuse. It would be a big step in the right direction if DOD could produce for the first time an auditable financial statement.

DOD has also experienced significant problems with management and oversight of the \$365 billion obligated for contracts last year alone. The Congressional Research Service reports that DOD acquisition programs have experienced poor performance against the backdrop of war in Afghanistan, spiraling contract costs, and decline in the size of defense acquisition workforce.

DOD also leads the Federal Government with wasteful, duplicative IT investments, and I know this is something that our chairman is most interested in. In testimony before the committee last year, GAO warned that several DOD IT investments experienced significant performance problems and were, indeed, high risk. One specific example that GAO highlighted was a contract that the Air Force cancelled in December 2012 after spending \$1 billion on expeditionary combat support system. Despite these and other examples of waste, some progress is being made that we should be proud of and build upon.

Finally, President Obama made it a priority to reduce improper payments when he took office, and improper payments have been reduced from \$125 billion in 2010 to \$106 billion in 2013, but that is still not good enough. Chairman Carper and Ranking Member

Coburn have been active with legislation on this topic, and I hope Chairman Issa and I can partner with you going forward.

There is also improvement in financial management within government agencies. For example, the Department of Homeland Security has obtained a clean audit of its financial statement for the first time in the agency's 10-year history. This committee has been an integral part of improving financial management at DHS, and it is good to see positive results from our continued oversight.

Moving forward, we have to continue this progress by conducting our oversight efforts in a sustained, dedicated, and bipartisan manner. It is not enough for us to convene hearings and hope for the best. We need to work cooperatively and diligently to find tangible solutions to minimize government waste and maximize efficiency. After all, "government reform" is part of the name of this committee.

I anxiously look forward to the testimony, and I thank you, Mr. Chairman, for the courtesy.

Chairman ISSA. I thank the ranking member, and I thank you particularly for alluding to FITARA, something that we have worked on on a bipartisan basis.

All Members will have 7 days to submit their opening statements.

And we now welcome our first panel of witnesses. Senator Carper and Senator Coburn, you need no introduction, and, more importantly, I will not belabor the time necessary to get to your important statements by suggesting one.

Chairman Carper, you are recognized.

WITNESS STATEMENTS

STATEMENT OF THE HON. TOM CARPER, A UNITED STATES SENATOR FROM THE STATE OF DELAWARE

Senator CARPER. Mr. Chairman, to you, to our friend, the ranking member Elijah, to many of our colleagues with whom Dr. Coburn and I have worked, including the fellow from Utah over here most recently on really surplus property, properties that we don't need, excess properties, wasteful properties. I have a prepared statement. I would ask, if we could, that it might be included for the record, Mr. Chairman.

Chairman ISSA. Without objection, both of your entire statements will be placed in the record. We are not running a clock on you, but it isn't the Senate, so bear that in mind.

Senator CARPER. Thank you.

I would like to think that there are three—first of all, thank you for this hearing. Thank you for giving us a chance to participate. Last year when Dr. Coburn and I were renewing our positions as ranking member and chair of the Homeland Security and Governmental Affairs Committee, we invited both you and Representative Cummings to come and lead off our hearing on postal reform. I am encouraged to report today that I think Dr. Coburn and I, we have been working on bipartisan legislation, and I think we are very close to hammering out the last final details to enable us to move to a markup in our committee we hope this month, and to be able to report out a bipartisan bill, and to have—I think we are having

some discussions with you already on the direction we are going, but we wanted to have more.

In terms of deficit reduction, part of what they are doing over at the Postal Service is rightsizing the enterprise, figuring out how to spend less money, get a better result for that, and we need to take that kind of lesson across the way in our government.

I like to think there are three ways, three keys to deficit reduction. One of those is entitlement reform. The largest part of our spending is entitlement programs. They are important, but if we are going to make progress on deficit reduction, we can't ignore them.

What I suggest we do is three things. I think Dr. Coburn agrees with it; I think the President agrees with it. One, reform the programs so that they save money, so we save the programs for our children and grandchildren, and that we do so in a way that does not savage old people or poor people, those three things.

The second thing to do for deficit reduction, I think we need some additional revenues. When we had balanced budgets for 4 years between 1997 and 2000, revenues as a percentage of GDP was about 20 percent for 4 years. Spending as a percentage of GDP was about 20 percent for 4 years. We had 4 years of balanced budgets. And I think we need tax reform. I serve on the Finance Committee. We are trying to do that working with Dave Camp and Sandy Levin over here, but we need tax reform that, one, I think lowers corporate rates so that we are competitive with the rest of the world, but also generates some revenues for deficit reduction.

The third thing we need to do is look at everything we do in government, everything we do in government, and ask this question: How do we get a better result for less money or the same amount of money in everything we do? It is almost like a culture change, from a culture of spendthrift towards a culture of thrift, and that is what Dr. Coburn and I do with our committee, and I know it is a lot of what you do.

Most of you know Mike Enzi, Senator from Wyoming. Mike Enzi has what he calls the 80/20 rule, and his 80/20 rule has enabled him to work with Ted Kennedy when he was alive, and they were both leaders of the Health, Education, Labor & Pensions Committee, and they got a lot done. I asked Mike Enzi, I said, how do you get so much done? He says, Well, we subscribe to the 80/20 rule. I said, What is that? He said the 80/20 rule is that we agree—Ted and I agree on 80 percent of the stuff; there is 20 percent of the issues we don't agree on; and what we decide to do is focus on the 80 percent where we agree, and the 20 percent that we don't, we set that aside for another day. And they make great progress as a team, Democrat and Republican. I think Dr. Coburn and I make pretty good progress, and I think you set a good example for us in some of the same regards.

I want to take maybe just a couple minutes and focus on the third of the three pieces I talked about with respect to deficit reduction, and that is how do we get a better result for less money in everything we do. Representative Cummings mentioned improper payments. Dr. Coburn and I have gone back to that well again and again and again. We have introduced legislation, passed it in 2010 with your strong support, again enhanced it again in

2012. We introduced new legislation today so that—not today, but this year, last year, so that we don't continue to waste money on benefits to people that are dead, and a lot of commonsense—a lot of commonsense stuff.

Elijah is right. When we—in fact, when I was new in the Senate, George W. Bush said, we know we are spending a lot of money, wasting a lot of money in improper payments. Let us do something about it. We passed legislation that said let us start that we want agencies to keep track of improper payments and report that. That was 2000, I think. 2010, Dr. Coburn and I, with your help, support, we updated that so that not only would agencies be required to report—identify and report improper payments, but we wanted them to stop making them, and we wanted them to go out and try to recover monies that were improperly paid, and we said we want the managers of agencies to be evaluated in part on how well they are complying with this law. And as Representative Cummings says, improper payments have been dropping since then.

We enhanced that bill last year. We have offered legislation in the Senate called the PRIME Act, which would enable us to do—to waste less money in Medicare and Medicaid. People say we can't curb spending or curtail spending in those entitlements. Well, we can, and there is a lot of things we can do. We put it in the PRIME Act, it has been made part of the SGR legislation that is coming out—that has come out of the Finance Committee, and we hope it is something that you can embrace here in the House. It will enable us to save money in these programs, save the programs, and not savage old people or poor people.

The other thing I want to mention, if I can, is that we have hundreds of thousands of properties that the Federal Government owns. Some of them are defense related; many are not. Some of the properties we own; a lot of them we lease. We waste huge amounts of money, billions of dollars every year, in maintaining these properties that we don't fully use or don't use at all, maintaining the properties, heating them, cooling them, securing them, and it is a real thicket to try to figure out how to deal with it. It involves not just the Congress, but it involves all kind of folks including homeless groups, including communities across the country.

We have got to deal with this, and Dr. Coburn and I are committed to getting it done this year, and we welcome very much the opportunity to work with Republicans and Democrats on this committee. That is just one of the areas where we can get a better result for less money and save money that we are foolishly wasting.

I would just say again, Enzi has got it right, that 80/20 rule. There is a lot to it. Let us focus on that 80 percent that we can agree on. We can't do it by ourselves, obviously you can't do it by yourselves, but if we can marry our fortunes together, work with OMB, especially with GAO, who gives us that great high risk list every 2 years with our—really that is a to-do list—we can get a lot done. And a lot of this stuff like improper payments, the administration actually agrees with us, and property reforms they agree with us, and we want to get something done, so let us just do it. Thank you, Mr. Chairman.

Chairman ISSA. Thank you.

[Prepared statement of Senator Carper follows:]



UNITED STATES SENATE COMMITTEE ON
**HOMELAND SECURITY
& GOVERNMENTAL AFFAIRS**



Senator Tom Carper, Chairman

FOR RELEASE: January 9, 2014

CONTACT:

Emily Spain (Carper) 202-224-2441 or emily_spain@carper.senate.gov

Jennie Westbrook (Carper) 202-224-2627 or jennie_westbrook@hsgac.senate.gov

Testimony of Senator Tom Carper Before the House Committee on Oversight and Government Reform

WASHINGTON – Today, Senate Homeland Security and Governmental Affairs Committee Chairman Tom Carper (D-Del.) testified before the House Committee on Oversight and Government Reform at a hearing, titled “Waste in Government: What’s Being Done”.

Chairman Carper’s testimony, as prepared for delivery, follows:

“Let me begin by thanking Chairman Issa, Ranking Member Cummings and all of the panel members for the opportunity to testify this morning on the important topic of wasteful and inefficient practices by government agencies.

“Clearly, those of us in Congress as well as our counterparts in the administration must do more to tackle government waste and fraud. However, I would like to describe some current initiatives that have shown promise, and also some areas where we can partner with the executive branch to make further progress in strengthening the integrity and efficiency of the federal government.

“As everyone in this room knows, we’ve faced record budget deficits in recent years. Our national debt stands at about \$17.3 trillion, well over double what it was ten years ago. The last time the debt was this high was at the end of World War II. That level of debt was not sustainable then, and it is not sustainable today. While our fiscal situation is improving, we clearly have plenty of work to do on this front.

“In order to be effective in reducing our national debt, we need a bi-partisan approach. We will need to make tough decisions with respect to both spending and revenues -- and also with respect to entitlements. We also need to take a tough and honest look at how we can better manage the resources taxpayers entrust to the federal government, and demand that we find ways to get better results for less money. In short, we need to sharpen our pencils and stop making the kind of expensive, avoidable mistakes that lead to wasteful spending, and makes our agencies and programs vulnerable to fraud and abuse.

“One area in particular where I have focused my efforts is the issue of improper payments. As this panel is well aware, federal agencies have had estimated improper payments at levels of more than a \$100 billion dollars annually during the past several years. These payments come from over 70 programs at more than 20 agencies and include programs like Medicare and Medicaid, the Department of Defense, and the Federal Emergency Management Agency, to name just a few.

“An improper payment occurs when an agency pays a vendor for something it didn’t receive or, maybe, even pays them twice. It can occur when a recipient has died and is no longer eligible for payment, or when a vendor owes the government money and legally should not be getting a payment until this debt is repaid. And, of course, sometimes people or companies receive payments that are actually fraudulent.

"Clearly this level of payment inaccuracy, particularly as the federal government struggles with our massive debt and deficit, is unacceptable. However, we should also note progress, and give agencies credit where credit is due. The federal improper payments numbers are declining each year.

"For fiscal year 2010, the level of improper payments was a record \$121 billion. For fiscal year 2012, it was \$108 billion. The latest number, for fiscal year 2013, is \$106 billion. This is still too high, but I am encouraged that we're seeing these small, but significant drops in the levels of improper payments.

"Fortunately, we can do something about this problem, and if truth be known, we very often have already figured out how to fix these problems.

"In 2010, Congress passed and President Obama signed into law the *Improper Payments Elimination and Recovery Act*, which I co-authored with Dr. Coburn, and others. The law aims to make agencies and agency leadership far more accountable for the expensive mistakes they make and represents a bipartisan and bicameral success in preventing waste and fraud. And then in 2012, Congress enacted an additional law on how to further curb improper payments, called the *Improper Payments Elimination and Recovery Improvement Act*.

"Among other steps, it established in law the "Do Not Pay" Program. This effort, which was initiated by President Obama through executive action, involves screening federal fund recipients against a list of those ineligible to receive those funds, *before* we cut a check. For example, before an agency could award a contract to a company, the agency would have to cross check against the "Do Not Pay" database, which will include a central, comprehensive database of companies and entities that are no longer allowed to do work with the Federal government because of a fraud conviction or for some other reason.

"A wide variety of new ideas have been put forward on how to further curb improper payments, some of which I have put into legislation.

"Last year, Dr. Coburn and I teamed up to introduce legislation to curb waste and fraud in Medicare and Medicaid. The bipartisan and bicameral legislation – "*Preventing and Reducing Improper Medicare and Medicaid Expenditures Act*" or *PRIME Act* - would take a series of common sense steps to identify and prevent waste and fraud. It drills down into specific waste and fraud challenges within health care, such as physician identify theft, the need for improved fraud data sharing between the federal government and state agencies, and quicker identification of improper payments to medical providers. The House companion bill is led by Congressmen Peter Roskam and John Carney. In December the Senate Finance Committee included major portions of the *PRIME Act* in its bill, the '*S-G-R Repeal and Medicare Beneficiary Access Improvement Act of 2013*.'

"Then there is the problem of agencies making payments to people who are actually deceased. For example, the Office of Personnel Management Inspector General reported just two years ago that \$601 million in improper payments were made to federal retirees found to have died over the previous five years. However, such payments to dead people were not unique to this one program. A couple of years ago, one of my home state newspapers reported that, 28 years after a Delaware woman had died, one of her relatives was still fraudulently collecting and cashing her Social Security checks.

"Improving the collection, verification, and use by federal agencies of data on individuals who have died will help curb hundreds of millions, if not billions, of dollars in improper payments. Again, I have teamed up with Dr. Coburn on legislation to fix this frustrating problem, and there is companion legislation introduced here in the House.

“Dr. Coburn and I also recently moved the Digital Accountability and Transparency Act or DATA Act out of Committee. I know this is a bill that is very familiar to members of this panel and I want to congratulate you all on getting the bill passed through the House on a near unanimous vote. As you know, this important piece of legislation seeks to improve transparency of federal spending and establish data standards for such spending. The DATA Act builds off the original laws requiring budget transparency and takes much-needed steps to improve this situation and I am working closely with Senators Warner, Portman and my ranking member Dr. Coburn to get a bill through the Senate.

“The Administration also deserves credit for many good initiatives. Just this week, the Centers for Medicare and Medicaid Services announced an initiative to curb the fraudulent diversion of prescription drugs from the Medicare program. The announcement follows a hearing my committee held in June to highlight the need for stronger oversight of the Medicare prescription drug program. For years, Medicare has lost millions of dollars due to fraudulent prescriptions for painkillers and other drugs. This fraudulent activity is not only a financial drain on a vital federal program, but it is also harmful to those struggling with prescription drug abuse. The Administration’s initiative will help provide the tools and authority needed to actively combat this type of waste and fraud while protecting Medicare beneficiaries and strengthening the Medicare program.

“We have also seen some improvements in financial management by agencies. Most notably, the Department of Homeland Security last year passed for the first time a financial audit with a clean opinion. This is an important accomplishment. However, the Department of Defense has not managed to obtain this critical accountability step, so we still have a lot more work ahead for a major part of our spending.

“I’d like to highlight one additional area where I believe our government could achieve real savings by eliminating waste. There is a general consensus that the federal government has to get smarter about the way it manages buildings and land. GAO has for nearly a decade continuously placed real property management on its high risk list due to long-standing problems with excess and underutilized property; deteriorating and aging facilities; unreliable property data; and a heavy reliance on costly leasing instead of ownership to meet new needs. In July, I, along with Dr. Coburn and a number of our committee colleagues, introduced a bill that would encourage agencies to use new methods of managing their property.

“Of course, these are just a few ideas that Congress and the Administration are pursuing. But we need to do more. We must use every tool available to put our fiscal house back in order and give the American people the government they expect and deserve. It is the right thing to do on behalf of the taxpayers of this country who entrust us with their hard-earned money. By working together on a series of common sense initiatives, we can make important steps in earning their trust once again.”

Chairman ISSA. They might remind us all that they agree with us on 5-day instead of 6-day delivery, too. We will get there.

Dr. Coburn.

**STATEMENT OF THE HON. TOM COBURN, A UNITED STATES
SENATOR FROM THE STATE OF OKLAHOMA**

Senator COBURN. Well, thanks for the opportunity to be here, and I thank every member of the committee that is here.

You know, the problem isn't that the Congress doesn't get along. No, we have a \$680 billion deficit we all agreed to last year. My take is we get along too well. We have Presidents that come and go and Congresses that come and go, but the wasteful spending continues. Why is that? Why does it happen? I mean, we force through in legislation to make the GAO show us where duplication is, and there has been one piece of legislation come out of Congress in 4 years—it didn't even come out of Congress, it came out of the House— that consolidated one of the things the GAO said needed to be consolidated. It is called the SKILLS Act. It is the only thing that has happened in 4 years.

So the problem isn't that we don't know what the problem is. The problem is that we don't act on the problem, and it is hard. There is no question. If you talk to the members of the Labor and Workforce Committee, it is hard when they consolidated 36 programs into 6. That is not easy work. But that bill hasn't even been taken up by the Senate or the Health Committee in the Senate. So the problem is us.

Sequestration couldn't even force Congress— sequestration didn't even force Congress to cut, eliminate or consolidate any of the government's hundreds of duplicative, outdated or ineffective programs, not one. The problem is us. We are not acting on the information that we have. We agreed to undo modest, automatic spending reductions without eliminating a single unnecessary program. Not one. We added \$60 billion back in spending over the next 2 years, but we didn't eliminate any of the waste.

If you can't find waste in any part of the Federal budget, whether it is healthcare programs, defense spending, which is ripe with waste, or even the Tax Code, it is only one reason: You haven't looked. You have not looked.

The government has grown so massive that there is only one department in the entire Federal Government that actually knows all of its programs. That is the Department of Education. They put out a list every year. They are the only one. There has been attempts to try to force that through the Senate. There is a bill in the House to try to make sure every department at least has a list of their programs. You haven't moved it; we haven't moved it. Before you can fix anything, you have got to know what is there. You have to look at it. We haven't looked.

The Pentagon can't pass a simple audit. They were mandated to pass an audit the first time in 1984. We have a bill Audit the Pentagon, an act that has real teeth in it if the Pentagon doesn't perform. When the NDAA came through, they took the teeth out, but put the audit in. Well, we have been telling them to do an audit for 30 years. Do you think they are going to do an audit without any teeth, without any threat, without any consequences of not

doing it? And yet it was pulled out. So we are not going to do it until we get serious about doing it.

If you think about it, even in sequestration, you don't have to agree with everything that I listed in the Wastebook. I could have put 300 there and \$60 billion worth of wasteful spending, but the one thing you can't disagree with is that when we are borrowing \$680 billion a year from our kids, are these things that we listed in the Wastebook a priority for the Government of the United States? And they are not. And the reason they happen is because there is not good oversight by the committees of authority. That is why they happen. It is not meant to embarrass. It is meant to say what are we doing? Why are we not looking? Why are we not working to solve the problems?

Representative Cummings, you mentioned a contract with the Air Force. In 2010 we notified the Air Force that they should cancel that program. That is when they were only a couple hundred million dollars into it. Consequence. What are the consequences of cancelling that program? They paid a close-out fee, but here is the consequences that didn't happen: Whoever was managing that contract or who let that contract in the first place didn't get fired, and the contractor wasn't sued by the Federal Government for non-performance. So the same thing is going to continue to happen until we start demanding accountability, and that accountability has to start with us first. We can't ask the Air Force to be accountable if we are not accountable.

The Wastebook details 100 projects, \$30 billion. You can pick with it on whether or not it is accurate and whether or not it is right, so take—throw 50 percent of it away, \$15 billion. The question is, is in a time when we are borrowing from our future, should we be spending that money now? And I would contend that we shouldn't. And so if we are, why is it happening? And it is happening because we are not doing our jobs, and I am talking collectively, the Senate and the House, the committees.

If you think about the GAO reports that have come out over the last 3 years, another one will come this March, what has happened based on the information that they have given us? One bill out of the House. Nothing out of the Senate. The President, to his credit, has taken a lot of that and put it in his budgets, saying these are right things to do, we should do it. We haven't acted on it, he hasn't acted on it because he can't, because we won't do it.

You know, I would close just by giving you just a little rundown of what is out there. Most people don't realize. We have 679 renewable energy programs from 23 different agencies costing \$15 billion a year. Can anybody logically explain why we would need 679 programs for renewable energy? Nobody can. Each one of those, each one of those 679 has an overhead, has a management team, has associated costs with it. We have 253 different Department of Justice crime prevention programs, \$4½ billion. Why do we have that many? Why can't we consolidate those?

Finally, I will end, and I have got a list, I will be happy to supply it to all your Members, a summary of what the GAO has given us so far in terms of duplicative programs. I met with Congressman Collins before this, says, how do you do it? It is hard work. You have to win over the heart of the committee chairman of jurisdic-

tion and say, won't you do oversight on this? Won't you look at it? Won't you try to consolidate it? And if that doesn't work, what you have to do is embarrass the Members of Congress into doing their job.

I am embarrassed that we as Members of Congress have allowed this list with the multitude of programs that are on there, with the duplicity that is in it, that we haven't fixed it. And we don't have an excuse. We are guilty of not doing our jobs, and the way to turn that around is to start doing it. And I understand this committee has jurisdiction to look at it, but you can't change it unless the committees of jurisdiction act. And so what we need to all be is ambassadors to the separate committees that they will, in fact, do the hard work, do the oversight, streamline, eliminate, combine, and consolidate so that, in fact, we can actually get some savings to spend on things that may be much more important. And what I feel is we are not meeting the charge, we are not meeting our oath, because we fail to do the very, very hard work of having the committee hearings, pulling the people in, and saying, what is the problem? How do we address the problem?

And most agencies, by the way, don't know they are a problem, either, because nobody in the agency knows all the programs. And so it starts with us, and my message would be, we need to redouble our efforts on both sides of the aisle, both sides of the Capitol, to say that we are going to be good stewards. And it is not that the program ideas are bad, but when you have 679, there is no way you can justify that to anybody.

And so I would leave you with that. The first thing you ought to do is consolidate 679 renewable energy programs into maybe two or three and get rid of the overhead, and if you did that throughout the Federal Government on all these programs, we could actually get to a balanced budget without raising taxes, without making hard choices in things that really hurt people, and could actually do our jobs.

Thank you, and I am happy to answer any questions you might have.

Chairman ISSA. Thank you.

Chairman ISSA. And if it is all right with the two Senators for a few minutes, we will go through informal questions. I am not going to yield 5 minutes back and forth, I know you don't have the time for it, and I am not going to recognize myself except to say that, Dr. Coburn, your Wastebook will be inserted into our record today as essentially the collateral material for your opening statement, without objection.

To view Dr. Coburn's "Wastebook," please visit: [\[www.coburn.senate.gov/public/index.cfm?a=Files.Serve&File=id=Occ34c92-6901-425d-a131-d3151d7216ef\]](http://www.coburn.senate.gov/public/index.cfm?a=Files.Serve&File=id=Occ34c92-6901-425d-a131-d3151d7216ef).

Chairman ISSA. Mr. Chaffetz, I understand you had a brief comment?

Mr. CHAFFETZ. Yes. I thank the chairman, and I thank both gentlemen here, both the Senators, for their passion. It is inspirational to me what you are doing, and knowing there are people that truly care.

I particularly wanted to highlight my interaction with Senator Carper. We had a bill here in the House, H.R. 328, that last term

we passed unanimously, passed unanimously in this body, and passed unanimously out of the House, to deal with real property disposal. And working together to get that done with Senator Carper, there is something like, GAO estimates, nearly 78,000 properties that are either not utilized or underutilized. Additionally, the GAO estimates that we spend about \$1.5 billion per year to operate and maintain these properties that we don't need.

My State of Utah, we have got an operating budget of \$12- to \$13 billion, everything we do for the entire year, and yet the Federal Government has got 78,000 excess Federal properties, spend \$1.5 billion.

We have got to solve that. That is the low-hanging fruit. And it does have to happen in a bipartisan, bicameral way, and I just wanted to thank Senator Carper in particular for his working across the aisle in a bicameral way, and I am optimistic that we can actually help solve this.

Senator CARPER. Mr. Chairman, just a brief comment if I could. Chairman ISSA. Of course, Senator.

Senator CARPER. It is a real pleasure for us to work— both of us to work with you. The first things Tom Coburn and I ever did together when he was new in the Senate, he was chairman of the Republicans in the majority, he was chairman of the Federal Financial Management Subcommittee of what is now Department of Homeland Security and Governmental Affairs, we went to Chicago together, and we visited an old postal facility. It was empty, huge facility. It has been empty forever. It is still empty. There are tens of thousands of buildings like that, and we can do something about it.

We are determined to get that legislation through; it is out of our committee. We are determined to get the kind of legislation that we have coauthored together and get it done.

I wanted to just take a moment, it is in my prepared statement, Mr. Chairman, but you have done great work on what we call the DATA Act, try to focus on disclosure and try to focus on data standards for some of the spending that we do. Dr. Coburn and I have worked to get that legislation. Mark Warner, Mark Warner has been the lead, as you know, in the Senate. But we have reported the legislation out of committee, and my hope is that we can get that done. That is one of the 80 percent of the things that we agree on, and, frankly, so does the administration.

Chairman ISSA. Thank you.

I will now go to the ranking member for a short comment.

Mr. CUMMINGS. Just one quick question. You know, first of all, thank you both for your testimony. One of the things I have learned after being on the Earth for 62 years is that a lot of times people don't do things because they can't do everything that they want to do, so they end up doing nothing. Maybe they don't have time, they find excuses, whatever.

I guess where I am going with this is what do you all see? You talk about low-hanging fruit, Senator. I mean, what can we reasonably do, and particularly in light of Senator Coburn's comments, to get some things done? It may not be everything, but at least get some things done so at this time next year we will say, well, we

were able to chip away at this. I mean, what— I mean, what are the—and then——

Senator COBURN. It is not hard. It is not hard.

Mr. CUMMINGS. Yeah, okay.

Senator COBURN. You get rid of a \$680 billion deficit \$1 billion at a time. You have got \$5.6 billion being collected by people who are on disability for unemployment insurance. You have got \$100 million going in unemployment insurance to people who have net incomes greater than a million dollars a year. Those aren't hard things to do. I mean, if you are disabled, the very fact that you are disabled, you are not working, that is one of the requirements other than the short period of time that you might be in a trial period, so it doesn't make sense.

You know, the low-hanging fruit, it is all over, but it requires work. It means we have to move it through the process, but unless you start at a billion dollars at a pop or \$100 million to get to a billion, you are never going to get there, and what has happened is nobody has started.

The whole reason I passed the legislation forcing the GAO to outline all this duplication was I thought it would embarrass us into acting. Boy was I wrong. It hasn't embarrassed us at all because we haven't acted. We haven't done anything except what came out of the class—I mean, the SKILLS Act.

So you do it by a billion at a time, and once you start doing it, what you find out is, you know, it really feels good to be an efficient steward of the taxpayers' money, and it doesn't have to be—these aren't necessarily controversial issues. These don't have to be partisan issues. Do you really think we would disagree in eliminating these 679 green programs? You know, couldn't we all agree that we want the green programs, but couldn't we do it with 10 or 15 instead of 679? I mean, those aren't controversial issues. The fact is just nobody has the initiative to go and do it. We are not seeing initiative by Members of Congress to say, I am taking this on, I am taking this on, let us get it done.

And every year we don't do it, every year we don't reform contracting at the Pentagon, every year the Pentagon can't meet an audit means that they have no idea. Realize, the Constitution requires them to give us a report of how they spend their money, and they can't, and yet we don't want to put any teeth on the Pentagon to force them to do that, that is too hard? We need to embarrass our colleagues that are protecting the Pentagon from becoming responsible.

Mr. CUMMINGS. Thank you, Mr. Chairman.

Senator CARPER. If I could just give a quick response, if I could.

Chairman ISSA. Of course, Senator.

Senator CARPER. When Dr. Coburn and I were the chairs and the ranking member on a subcommittee of Homeland Security and Governmental Affairs, Federal Financial Management, it took me a while, but I finally realized, as much as we wanted to do something about some of these wasteful spending issues, if it was just our subcommittee working on it, we weren't going to get much done, but maybe if we partnered with the full committee, we could get something done. And so we started working with Joe Lieberman and Susan Collins, and we realized maybe if we work

with the House on a bunch of this legislation, a lot of the things that we are talking about here, we could increase the leverage of a little subcommittee.

Then we said, you know, over at GAO every 2 years they come up with their high risk list. It is really a to-do list for us for ways to reduce wasteful spending, inefficient spending. So we started meeting with Gene Dodaro, partnering with his folks at GAO, and that was helpful.

We got ourselves a new—the President nominated a wonderful woman last year, Sylvia Mathews Burwell, to be OMB Director, and they put together good management teams that includes a gal named Beth Cobert, and who is now the Deputy for Management. They have a management initiative, agenda for the administration. So why don't we partner with them as well?

You have got other people that are going to follow Dr. Coburn and I to the witness table, Citizens Against Government Waste, National Taxpayers Union, who really care about this, are passionate about how do we eliminate wasteful spending. And the key is to find that 80 percent of stuff that we agree on, all of us, and then we increase the leverage of a subcommittee or a committee and get real things done and make the kind of progress.

The stuff that we put in the legislation that Dr. Coburn and I authored with input from you, help from many of you and a bunch of folks, but the PRIME Act, which is the next step, we think, in wasteful spending, put it in the SGR reform legislation, the doc fix legislation. Most of it is there. It is great stuff. It is great stuff. It doesn't savage old people or poor people. It helps save those programs, Medicare and Medicaid. It saves them. It saves money.

Chairman ISSA. Thank you.

Mr. Duncan, I understand you had a quick question.

Mr. DUNCAN. Well, I just wanted to express my appreciation to both Senator Carper and Senator Coburn. Both of them were great Members of the House, and they are doing great work in the Senate.

It is sad that every week, sometimes almost every day, we read terrible examples of waste. I read recently about the military building a \$36 million headquarters in Afghanistan that nobody wants, and there is nobody there to use it, it is just going to be a brand new, empty building. I remember USA Today writing about the billion-dollar air marshal program where they are spending \$250 million per arrest, and they have had more air marshals arrested than arrests by air marshals. So many examples.

And before Congressman Chaffetz got here, Senator Carper and I did another property disposal bill years ago. These are properties that the Federal Government doesn't even want, and I know Senator Carper's been working on that for years. And we passed it here in the House, and I don't know, we need to keep trying. But Governor Rendell, when he was mayor of Philadelphia, he was having problems with some government unions, and he said before the Ways and Means Committee, he said the problem with government is, he said, there is no incentive for people to save money, so much of it is squandered. There is no incentive for people to work hard, so many do not. That is the problem. We need to give more incentives or rewards.

We have heard, all of us have heard, about how agencies spend 60 percent of their budget the first 11 months, and then scramble around to spend the last 40 percent in the last month. We need to give more incentives to government employees when they save some money.

But I appreciate the work that both of you have done and are continuing to do. Thank you.

Chairman ISSA. Thank you.

Mrs. Maloney.

Mrs. MALONEY. Thank you for calling this hearing, you and the ranking member, and I welcome our Senators and former colleagues in the House and congratulate you on your work.

Senator Carper, your oversight on the census was very helpful, and I appreciated working with you.

Dr. Coburn, I think your report is terrific. I am just glancing through it. I would like to hear a little bit of a history of it. When did you start it? Have you ever been successful in getting anything out of government that you have identified in the Wasteful report? And why can't we—I understand you are marking up an appropriations bill this week in the Senate, and Senate rules allow you to connect things to it. Why can't you connect a wasteful spending in a bipartisan way to this bill that is moving? Take some action.

And I would like both of you to respond. I was astonished at the reports I have been reading through. I think Ms. Woo had this report on a plane that even the Pentagon doesn't want, the F-35 Joint Strike Fighter. The DOD Chief Acquisitions Under Secretary called it an acquisition malpractice. It is going to cost a trillion to maintain it, and they have already—the cost is now \$400 billion, and they are saying it can't fly at night, can't land on aircraft, isn't useful in today's type of military operations that are more like the Navy SEALs than big planes that can't find a place to land and can't fly at night, and can't land on a—how would you get this out of the budget? How do you get something that even the Pentagon says they don't want out of the budget?

So I am addressing the question to both of you, but, Dr. Coburn, could you start first with your history of this study that I am glancing at that I think is excellent, but have you gotten anything out of the budget that you have identified as extremely wasteful? And how do we get this F-35 that even the Pentagon is saying is wasteful, can't do what we want, is not responding to the type of military that we have in America today, which is more of a single swift strike, like the Osama bin Laden-type operation.

Senator COBURN. Well, addressing the F-35, if you look at the history of that, when you are building planes, before you finish your design, you are going to have cost overruns. So it goes back to what I said earlier: Unless you do procurement reform within the Pentagon and actually have some adults in the room when you are buying something—

Mrs. MALONEY. Well, excuse me. Let me ask you one question. How would you do that? Everyone has cost overruns. You can't outlaw cost overruns. You can document who is doing it, but—

Senator COBURN. Well, only the government has those kind of cost overruns. In the private sector you have a contract, and if you have a fixed-price contract, and if you have a cost overrun, it is on

the provider, it is not on the buyer. So, you know, what we have done is create a culture where you do cost-plus on development; that is why the Nunn-McCurdy laws were put in.

I would dispute some of the—parts of the F-35 are very applicable to what the military wants. There are some questionable areas of it, and there is no question it is way too expensive, I agree with you.

We started the Wastebook about 4 years ago, again with the whole purpose to try to embarrass some of the agencies into thinking about some of the decisions they make. Just remember, Homeland Security, for example, you have billions and billions of dollars' worth of grants every year, but they don't follow them up, they don't see if they were met.

There is only one agency in the Federal Government that is effective at grant writing, and it is the Department of Library and Museum Sciences, and let me tell you what they do. It is well known throughout the country that if you mess with them, and you are not compliant with your grant, and you spend the money other than, you are never going to get another grant. In other words, they create the proper expectation that when you deal with them, you are going to do what you said you are going to do, you are going to meet the requirements of the grant, and you are going to ascertain.

You know, do you realize most of the grant programs we have people get grants for the same thing from two or three different agencies, and none of them even know it? Agencies don't have any idea.

So we need grant reform. We need a mandate on how you write a grant, what the requirements are, what the consequences are. Homeland Security has no idea where their grant money is going, or how effective it is, and whether or not it is risk based. Where is the risk? Is the money going there? So it is lost. And we have thrown money at things, and we haven't done the oversight. I mean, when was the last time a committee of Congress said, we are going to do an oversight on the Department of Justice crime prevention grants, how well are they working, what are their metrics, what are they accomplishing? That is how we found out on job training. We actually did.

I went to Oklahoma and looked at every Federal job training program in the State, every one of them. We have—in a city of 17,000 with an unemployment rate of less than 5 percent, we have 13 Federal job training programs working. Now, it is great about employing people in job training. They don't need a job training program. The other thing we found is the State-run job training programs are actually effective at giving somebody a skill. Most of the Federal job training programs are highly ineffective at giving somebody a skill to make a lifetime wage. And so when was the last time we had an oversight hearing on that?

Mrs. MALONEY. Well, I hope we have some oversight hearings on that.

Senator COBURN. Yeah.

Mrs. MALONEY. But in your report, have you implemented any of the suggestions?

Senator COBURN. Sure, we have done some things. We got a lot of squawk back, you know. We actually don't think that political science grants to study Congress right now are a priority. So I put that in a piece of legislation. They are squawking like crazy, the people who like to earn their money for doing studies of Congress, political science. Actually couldn't that wait until we are actually in a little better financial condition?

It is about perspective. And what would you do if it was your money rather than somebody else's money? And that is the real problem. We don't treat it like it is our money, and we should be.

Chairman ISSA. Thank you.

Senator CARPER. Mr. Chairman?

Chairman ISSA. Let's go to the gentleman from Oklahoma.

Senator CARPER. Mr. Chairman?

Chairman ISSA. Yes, sir?

Senator CARPER. One minute, if I could, in response to Congresswoman Maloney's comments.

You are all probably wondering what am I doing with these water bottles and this cup? This is an aircraft. It looks like a water bottle, but this is an aircraft. This is a C-5 aircraft, one of the largest airplanes in the world. We started building them in the late 1960s into really about the early 1980s. They carry a huge amount of cargo, troops, personnel and all. This is a C-17. It is a great airplane. It carries about half as much as a C-5, flies about half as far without refueling. This is a C-17.

About 12, 13 years ago the Department of Defense and the Pentagon and President Bush said, we need C-17s, but what we really need are C-5s that have been modernized, have engines that don't need to be changed out every thousand flight hours, have hydraulic systems that work, avionics systems that will enable us to fly into the 21st century. They called for modernizing C-5s.

Chairman ISSA. The B models.

Senator CARPER. The Bs. Some As, but mostly the Bs.

And what we started doing about 8 years ago was modernizing two Bs, C-5Bs, and one C-5A. As it turned out, for the price of buying one new C-17, we could modernize two or three of these babies. They fly twice as far, carry twice as much. We are now getting—in Dover Air Force Base we have C-17s. We also have C-5s. We traded our Bs for C-5Ns. One of those aircraft a year ago set 42 world records for carrying cargo, flying literally from here to Turkey nonstop, no refueling. We can fly them over the North Pole to Afghanistan.

For three of these, modernized, they will last another 30 or 40 years, cost as much as one of these. We have plenty of C-17s. We don't need to lease aircraft from the Russians, a huge aircraft from the Russians. We need to modernize what we have. That is what we are doing. We are saving money, better result for less money.

A lot of times we beat ourselves up in the administration, and we should, because of the wasteful spending that we do. This is an example of something that would make sense. It actually does save money and gives us a better result in terms of our airlift capability.

The work that we are doing on improper payments, we are down, as Elijah said, from about \$125 billion in improper payments a couple of years ago down to \$106 billion. We are going to keep moving

that in the same direction. The work that Dr. Coburn and I are doing especially in the PRIME Act will help us further in that regard.

Chairman ISSA. We are going to go into a lightning round very, very quickly, because I am getting more questions, not less. So I am going to ask everyone to stay within a minute.

Mr. Lankford, you were next to ask.

Mr. LANKFORD. Thank you, Mr. Chairman, and, Senators, thank you for being here as well.

Senator Carper, you made the comment about the 80/20 rule. I have found that to be somewhat of a problem as we try to function going between the House and the Senate, even within the House or the Senate, because in my short time being here, most of the bills that come up are messaging bills rather than actual bills to fix a problem. They come with 80 percent of things that we agree on, and we decide to stick on 20 percent of things that are pure politics that we know will kill the bill. So a good idea gets, quote/unquote, voted on, but we know it goes nowhere. And that happens both directions, both parties are doing it.

My question for you is, how do we move past that? How do we begin to deal with the actual issues and resolve the 80 percent of things that we do agree on that we can identify as waste and say, why can't we at least get an amendment on this in the Senate, why can't we vote it out of the House without adding a poison pill to it and to be able to get that moving?

The comment that I want—I want you to be able to answer that. The comment I want to make as well is Dr. Coburn had mentioned identifying different programs. That is actually my bill, the taxpayer rights. That is something this committee has passed, passed with bipartisan support, and we are trying to get that to the floor, and it is one of those aspects I would like to see move through the Senate as well. It does something very simple. It forces every agency to identify every program that they have, what the cost is for administration for that program, how many people are served with that program, how many staff that they have for that program, the statutory authorization for that program, and a strange thing in government life, and that is the metrics, how do you evaluate this program? Because I have seen a tremendous number of programs that have no evaluation. The evaluation is how many people they serve rather than the effectiveness of actually what they do.

And so I am hoping with the broad support that it had in this committee, it can pass with broad support in the House, and we would love to be able to have your help in the Senate to be able to get that through the Senate. That is a reasonable next step after the GAO reports. So your response on just that 80/20 and how we would be able to move some things with the politics of the day.

Senator CARPER. Dr. Coburn and I had breakfast this morning with Jeh Johnson, who is our new Secretary of Homeland Security. Dr. Coburn mentioned at our breakfast, he said the Founders, the people who wrote our Constitution, had in mind a system that was hard to get stuff done. They didn't make it easy. Part of the job of the Senate is to slow it down, but it doesn't mean stop it.

I am going to go back to what I said before. What we have to do is just figure out how to use the leverage of a subcommittee, or

a committee, or two committees working together, working with GAO, with OMB, with all these good government groups, and to pull in the same direction, work with the administration. And especially—we have got a team at OMB. They want to work, they want to do this stuff. The challenge for us is to figure out who the people are and to figure out how to work together, these different entities, and we can do that.

We have got a couple of great examples. We can set an example. Your committee, our committee, we can set an example of bipartisan cooperation on something we all agree on. People don't want us to waste their money. If I had a dollar for every time somebody said to me in the last year, I don't mind paying a little more in taxes; I don't want you to waste my money. That is what they say. I don't mind paying a little more in taxes; I don't want you to waste my money. I don't want to waste my money or theirs, and there is so much we can do in a common agenda here. Let us do it. And we are doing it.

Chairman ISSA. Okay. As we go to Mr. Tierney, I am going to make a commitment and a pledge here consistent with Mr. Lankford. Mr. Coburn, Dr. Coburn, take anything out of your Wastebook that falls within our mutual jurisdiction. If you will make a vote on it with your chairman, I will make sure our committee brings the same bill and votes it out to the full House. And let us start trying to figure out whether it is \$100 million, which would be a billion over 10 years, or a billion that would be \$10 billion over 10 years. You pick something out of the book or something that is not in the book, and if the two of you are prepared to hold a committee vote on it, I will guarantee you a vote here on the same bill, and hopefully if we can suggest ones to you, we can come to the same agreement. And I will begin today scheduling that every week, if we have a bill that we agree on, no matter how small, if it falls within our jurisdiction, either completely or partially, I will guarantee you a vote in this committee on it. So hopefully that will give you an opportunity to go through the book and see if we can't find it, and whether it is FEHBP, the District of Columbia, you name it, let us find something and do something every week if necessary.

Mr. CUMMINGS. Mr. Chairman.

Chairman ISSA. Of course.

Mr. CUMMINGS. Very briefly. Mr. Chairman, I am very glad to hear you say what you just said, because, you know, there is an old song that says you have got me going in circles, and, you know, you can go in circles and never get off the merry-go-round.

Chairman ISSA. And doesn't it go, I am dizzy?

Mr. CUMMINGS. I am not taking it that far, just a circle.

But my point is that, you know, I think it is good that, you know, we have got the four of us here right now, and what you just said is so very, very important. And it just goes back to what both of the Senators have said, that, you know, we have got to—we have got to move forward. And I appreciate your comment, and I am going to work with you. We will.

Chairman ISSA. Mr. Tierney.

Mr. TIERNEY. Thank you very much.

Just a comment that about a year and a half, 2 years ago, we did a bill identifying 250 tax expenditures and recommended just 28 of them be eliminated as low-hanging fruit, which was over \$60 billion a year, and then suggested GAO take a look at the others and recommend which ones should be kept, which ones should be changed, which ones should be eliminated, and we haven't yet got any bipartisan support on that, but I don't think that is a bad way to go, at least a bad way to start.

The other part we look at is the Defense. I mean, it is shameful, I think we can all agree, that the Defense Department's inability to even put financial statements together that can be used as a basis for audits. So do you have any ideas or comments, recommendations on what teeth to put into some sort of legislation that would tell the Department of Defense that unless they produce financial statements that are auditable, and then conduct an audit, something will happen, what might that be?

Second, if you read the Stimson report of last year on the military, I think it recommends savings between \$200 billion and \$800 billion over the course of 10 years. But one of the recommendations in one of the subsidiary opinions that were written were that maybe rather than fight over the particulars of what is going to get cut in the Pentagon, we don't do a sequestration type of cut, but we say to the Pentagon, your budget is going to be reduced by X amount of dollars; you find out where you are going to save it, or you save it in these particular areas and report back to us how you have done it. Do you have any comments on those types of recommendations?

Senator COBURN. Yeah. I was a member of the Bowles-Simpson Commission and actually voted for it, and most of those ideas came out of the work that we did in terms of the Pentagon.

The Audit the Pentagon Act has teeth in it. The Pentagon is the only agency that pays their bills themselves. All the rest of them—all the rest of the bills of the Federal Government are paid by the Treasury, and the teeth that we put in Audit the Pentagon is if you can't get an audited Pentagon statement by 2017, we will have the Treasury start paying your bills, which means—and, by the way, a lot of the bills the Pentagon pay aren't due, and a lot of the bills that should be paid by the Pentagon aren't paid. It is a mess. And when you go to look at anything, there is all this fake accounting to be able to justify to make a payment. So the teeth where it was is to move the payment from the Pentagon.

More importantly, you cannot manage what you cannot measure. The Pentagon can't measure hardly anything. And so the whole drive to get an audit of the Pentagon is not to get an audit of the Pentagon, it is to get them to the place where they can get management numbers that they can actually make decisions on. And the reason you have 20 percent waste in the Pentagon at a minimum is because they have no idea what they are doing because their numbers aren't any good.

So it is a fixable problem, but remember, we had that in the NDAA, and when they incorporated it, they took all the teeth out. So you think we are going to get an audit in 2017? No. Because there is no consequences if there is no audit. And so we are going to continue the same practice.

Mr. TIERNEY. Thank you.
 Chairman ISSA. Thank you.
 Mr. Mica.

Mr. MICA. I think this is a great way to kick off the new year. I congratulate you, Mr. Chairman and the Members of the Senate, with the responsibility for doing this.

Listening to it, it is kind of interesting to hear the efforts of folks, Mr. Duncan, others, for example, disposal of public buildings or vacancies and hearing you talk about your early efforts, and we have all passed legislation, I passed some with Mr. Denham on that subject.

But I come to the conclusion you can only eat an elephant a bite at a time, so you really have to focus. We haul folks down to an empty building; I think the first hearing I did as the chair of Transportation was in the vacant Post Office Building two blocks from the White House. That was in February 2 years ago. Then we went back a year later because they hadn't done anything and hauled the bureaucrats down there into the empty building. The first time it was 32 degrees outside, 38 degrees inside. That tends to get their attention, but it still takes time. That is a success.

We have had successes, but you have to target. We have had a lot of failures. Amtrak, we are going to celebrate a billion dollars this year in a dozen years in food service losses for which we passed a law that you cannot spend money and lose money. TSA—Tom, you were here when we created it—started out with 16,500. We have 15,000 administrators and 66,000 employees, totally out of control. HIDTA, another example, set up to target some high-intensity drug traffic areas. Some of those are still going on, and it is a game that is being played.

So we get constant oversight. I think they just released, we did 1600 hearings in the House. You have got to just keep going after the bastards until you are successful. I don't know anything else you can do.

Chairman ISSA. Senator Carper?

Senator CARPER. Mr. Chairman, I spent a lot of years in my life as a naval flight officer, Active and Reserve Duty. When we were trying to do something hard in the Navy, we used to say it is like turning an aircraft carrier. It takes a long time, but if you keep at it, you can turn them. We used to do—if you were doing something even harder, it is like changing an aircraft engine when the aircraft is in flight, and that is really hard.

Last night I was invited to speak to a bunch of University of Delaware students who are down here for part of a semester. They are interns. They are doing internships on the cost of government here on Capitol Hill and outside of Capitol Hill. I asked all of them, I said, did you all know what you wanted to do with your life when you were 6 years old? Everybody there raised their hands. I said how many of you know what you want to do now? They are like 21, 22, 23 years old. Only just a few of them raised their hand.

I said, I don't care what you want to do, if you will keep in mind four rules. If you do these four rules in your life, you will be successful. Number one, figure out the right thing to do and just do it, and that is really for us as well, to figure out the right thing to do. People all—we don't want to waste money. This is something

we can agree on; this is the 80 percent we can agree on. There is plenty of targets to go after.

Number two is treat other people the way we want to be treated. That applies especially to these entitlement programs. I want to save money in the programs. I want to save these programs for our kids and grandchildren. I want to make sure we don't savage old people or poor people. We have got to treat these folks, the beneficiaries, the way we would want to be treated.

Senator CARPER. The third is to really focus on excellence in everything we do. If it isn't perfect, make it better.

And the last thing is just don't give up turning that aircraft carrier, changing that aircraft engine. Just don't give up. We know we are right. Just don't give up. We are right on a lot of this stuff. We just can't give up. I am not going to. I know this guy is not going to. And I sense the same spirit here today.

Chairman ISSA. Mr. Jordan.

Mr. JORDAN. Thank you, Mr. Chairman.

Senators, picking up the chairman's comments and ranking member, have you two looked at the annual savings, wasteful spending that you see that you agree on, and have you done that analysis that you both agree this is wasteful? If you have done that analysis, what is that number? And if we have done that, it seems to me that is the starting point.

So have you two done that, looked at Mr. Coburn's book, whatever you have identified, we agree on these several programs total so many dollars, let's start there, have you done that?

Senator COBURN. We have not done that jointly. Our analysis of the recommendations just of GAO is at a minimum, if you just followed their recommendations to eliminate duplication, you would save \$150 to \$200 billion dollars a years. That is my office's analysis of what the savings are. Just eliminate duplication. That has nothing do with the \$80 billion of fraud in Medicare and Medicaid.

Mr. JORDAN. Right, right.

Senator COBURN. You know, it has nothing to do with the cost overruns in IT in the Federal Government, which are \$42 billion a year, 50 percent everything we spend in IT.

Mr. JORDAN. I mean, there is all kinds of redundancy. I mean, there are 77 different means tested social welfare programs.

Senator COBURN. Yeah.

Mr. JORDAN. If you had a handful, maybe you would actually help poor people get to a better. So I get all that. But to get something moving, to get off the dime, it seems that you two, the guys testifying, if you two can say, we agree with this, there is our starting point, let's get that legislation in front of the chairman, who said he is willing to do that, the ranking member said he is willing to do that, and now we have got someplace to start and we start to, as Mr. Mica said, eat that elephant one bite at a time.

Senator CARPER. Let me just say, one of the smart things I think we do is we have a good dialogue with GAO, with the head, Gene Dodaro, our Comptroller General.

And also we, not every hearing, but so many hearings every month, we have GAO present at the hearing. They put out this High Risk List, as you know, every other year, beginning of the Congress, and point out any number of ways we can save money.

On that High Risk List for years has been improper payments. And when we first started collecting improper payments and saying what are they, it was, what, \$30 billion was reported, \$40 billion. Finally it peaked out at about \$125 billion, I think 4 years ago, \$125 billion.

And we have authored, co-authored with your support and involvement, one after the other after the other legislation going after improper payments. We are down from about 125 billion, to about 120, to 114, 108, to 106. And we have a whole lot more room to improve.

Another area, the property stuff that we talked about, the Postal Service, to make sure the Postal Service is in a position to repay the \$15 billion that they have borrowed from the Federal Government.

There is a lot that GAO brings to us, and it is a common agenda, and that is what we work, that is our to do list.

Mr. JORDAN. I appreciate it. I mean, that is all great. But we have got to move quickly here. What I am asking is, can you two guys get together and come up with a bill? Get us a bill.

Senator CARPER. Actually, we have. If you look at the PRIME Act, it is part of the SGR legislation I talked about. That is our bill. That is our bill.

Mr. JORDAN. Mr. Coburn is on that bill?

Senator CARPER. Oh, yeah. We do lot of bipartisan bills.

Mr. JORDAN. All right. Thank you, Mr. Chairman.

Senator CARPER. And we will continue to do those as well.

Chairman ISSA. Last but definitely not least, the gentleman from Missouri, Mr. Clay.

Mr. CLAY. Thank you, Mr. Chairman.

Thank you, Senators, for being here today. Could you quickly tell us what you think the challenges are of the Federal Government when it comes to the purchasing and procurement of information technology? Is it that the Federal Government doesn't have the expertise to actually purchase it? When you look at agencies like DOD and HHS and all of the others, do we have the expertise in those agencies to know what we are purchasing, to be able to identify the products that we should be securing from vendors? And just how do we approach that, Senator?

Senator COBURN. The answer is this is difficult. This is not just difficult in government. I have a son-in-law that works for one of the large firms that does this, and his report is GE, big companies have the same difficulty. The difference is, is they have stops.

Mr. CLAY. Yeah.

Senator COBURN. They have stop losses. We don't have any. We spend \$82 billion a year on IT, and at least 50 percent of it is wasted every year. And the problem is we don't know what we want when we go to buy it. And we are gamed a lot.

The second problem, as I mentioned with the Air Force contract, there are no consequences for nonperformance on the contractors and there are no consequences to the procurers within the government as a penalty of losing their job or losing their position if in fact they screw up. So it is about accountability.

It is a difficult area. My estimate is the private sector wastes 25 percent of the money they spend on IT. That is my estimate. We

waste 50 percent. So we can certainly get better. But it is a difficult area.

And we need to be able to compete. One of the bills that Senator Carper and I have is to elevate the salary scales that Homeland Security can utilize to bring the proper people in, in terms of IT. In other words, we have to be able to compete with the private sector. And so we need to do that, and we probably need to do that in a lot of areas in government in terms of IT, because that is an area where we can't compete. So to get the quality people to make those decisions, we have to raise the level of salaries we are willing to do that. We have a bipartisan bill to do that.

Mr. CLAY. And we also have a responsibility, too, as far as oversight over these agencies, and maybe stop the train from leaving the station.

Senator COBURN. Well, I would just give you one other point. Too often government tries to buy something off the shelf and make the off-the-shelf product fit their system rather than buy something off the shelf and make their system fit the off-the-shelf. And that is a big, especially with the Army, it has been a big waste of money in terms of their IT, because they are trying to change—things that we know work perfectly everywhere else it is used doesn't work in the Army because they are actually undermining the integrity of what they bought.

We have a meeting that we have to be——

Chairman ISSA. I want to thank the Senators for——

Senator CARPER. One minute, if I may, on this point. States are laboratories of democracy. We have 50 of them. How can we learn from our States?

I am a recovering governor. We used to do a poor job in terms of IT management. One of the things that is wrong, and Tom has alluded to it, is we would hire people to work in our IT shop, train them, they become skillful, and they get hired away for more money either in other governments or most likely the private sector. And the same is true here. We need to be able to attract and retain the people once they are trained. We need to have a set of incentives that do that, a compensation system that does that.

The second thing, old Rolling Stones song, can't always get what you want, but if you try sometimes you can get what you need. We have a hard time in agencies figuring out not just what we want, but what we actually need, what we actually need, to know for sure this is what we need in a particular agency and to stick with that, not to change it, not to keep changing it. We need folks in those agencies who can manage these projects, that can manage it, and not be managed by the folks that are providing the IT system.

And the last thing, we have to, like, stick with it, just got to stick with it from start to finish. Those are some of the things that would help us.

Mr. CLAY. Senator Carper took license with Mick Jagger's lyrics. Thank you.

Chairman ISSA. Well, you know, there is probably a song that goes, all good things must end, but I am not going to quote it.

Senator, Chairman, Tom, my friend, you have been extraordinarily generous with your time and questions, and I appreciate that. Just to recap, I think we have agreed that there is a lot more

we need to do. And I did mean it that, and Elijah mentioned it as I was offering it, we will, in fact, move what you move if you two can agree to it, because that is the beginning of chipping away at a billion dollars at a time.

Lastly, I think we have talked around FITARA all day. It sounds like you have some ideas of some items, either as a companion bill or to include with it, that we need to do. The President has come out talking about needing to hire better people to prevent something like HealthCare.gov from happening again. We believe that FITARA is part of an organizational change, but we are certainly receptive that with that organizational change, with budget responsibility for chief information officers and the like, we may have to look at how we recruit and retain those people who have those large budgets and huge responsibility. So I look forward to this being the start of a great year together.

I flew in those old C-5s. They had a reputation for landing more often than taking off easily. I appreciate the work you have done to try to modernize a portion of that fleet. I refueled a lot of times with those in the air, because you felt better if you refueled in the air, because you knew you were still flying. You have made a difference, and I think the C-5 as a portion of the fleet certainly is an area you have had leadership on, and I appreciate your mentioning it to a very old soldier.

And with that, we will take a very short recess and reset. And thanks again, Tom.

Senator CARPER. Thank you. Thank you all. Thank you, sir.

[Recess.]

Chairman ISSA. If you would all please take your seats.

Mr. MICA. Mr. Chairman?

Chairman ISSA. The committee will come to order.

What is the purpose of the gentlemen seeking recognition.

Mr. MICA. I ask unanimous consent to insert in the record at this point a copy of a report that my staff and I completed during the recess that shows that we saved somewhere about in the neighborhood of a \$0.5 billion as a result of the committee's work. I'm looking at conference spending, wasteful conference spending, nearly \$0.5 billion dollars. It's very significant. Maybe you saw some reports about GSA savings, but we estimate, again, based on the hearings that we did and expanding that government-wide—

Chairman ISSA. The entire report will be placed in the record, without objection.

Mr. MICA. Thank you.

Chairman ISSA. We now go to our second panel of witnesses, who patiently sat through that short no-question period with the Senators. Mr. Thomas A. Schatz is president of Citizens Against Government Waste. Mr. Chris Edwards is director of Tax Policy Studies at the Cato Institute. Mr. Brandon Arnold is vice president of government affairs at the National Taxpayers Union. And Ms. Jaimie Woo is tax and budget associate with the U.S. Public Interest Research Group.

I want to thank you all for being here. You are the main attraction, notwithstanding the previous period. And I think for all of us, the helpfulness is you know you have partners on the Senate side who are equally interested in what you have to say.

Pursuant to the committee rules, I would ask that you please all rise to take the oath. Raise your right hands. Do you solemnly swear or affirm the testimony you are about to give will be the truth, the whole truth and nothing but the truth? Please be seated.

Let the record indicate that all witnesses answered in the affirmative.

This will be a little shorter perhaps in some ways, but like the first round your entire statements will be placed in the record without objection, and we would ask that you stay as close to the 5-minute guideline as possible.

And with that, Mr. Schatz, you're recognized.

STATEMENT OF THOMAS A. SCHATZ

Mr. SCHATZ. Thank you very much, Mr. Chairman, and thank you for the opportunity to testify here today. My name is Thomas Schatz. I'm president of Citizens Against Government Waste, a nonprofit, nonpartisan organization with more than 1.3 million members and supporters nationwide.

It is no secret that wasteful spending pervades the Federal Government and every agency could perform its functions more effectively and efficiently. Recommendations to eliminate waste, fraud, abuse, and mismanagement are regularly provided by the Government Accountability Office, Congressional Budget Office, congressional committees, the President's budget, and groups like Citizens Against Government Waste and others at the table today.

For example, since 1993, Citizens Against Government Waste has released "Prime Cuts," a compilation of this year's recommendations, 557, that would save taxpayers \$580.6 billion in the first year and \$1.8 trillion over 5 years.

Despite the best intentions of Presidents and legislators to address wasteful spending and improve government efficiency, the size and scope of government continues to grow. One of the main impediments to reducing the mismanagement of the taxpayers' money is Congress' tendency to create a program to solve a problem rather than spending the time to determine whether or not an existing program can address the same subject matter. In fact, until the beginning of 113th Congress, there was no formal requirement that committees even specify whether a reported bill that establishes or reauthorizes a Federal program duplicates another Federal program.

The rules of the House were amended to require both this information reported in each bill and provide committee chairmen with the authority to request a GAO review of any legislation referred to their committee to determine if there was duplication. This should help improve transparency, but it's not a requirement that Congress not approve a new program, it's simply to list that they might have a duplication in this legislation. Proposals by Senator Coburn to change the rules of the Senate in a similar manner have twice failed to receive the necessary 67 votes.

In addition to preventing more duplication, Congress should immediately act to consolidate or eliminate the program identified in GAO's three annual reports, which Senator Coburn has estimated cost taxpayers about \$295 billion annually. One prominent example of that duplication and waste is the 209 science, technology, engi-

neering, and math programs, costing \$3.1 billion spread across 13 agencies in fiscal year 2010. More than a third of these programs were first funded between fiscal years 2005 and 2010. Yet the U.S. does not have enough workers in the STEM fields, U.S. students remain behind students in other nations in math and science education, and the new programs created by Congress were a major factor in creating such a complex and inefficient system that has failed to achieve the intended objectives.

There are other high priorities for CAGW in addition to the foregoing recommendations, such as the Army's Distributed Common Ground System, the Medium Extended Air Defense System, stolen identity refund fraud, also known as tax refund fraud, and mismanagement of information technology.

The causes of wasteful IT spending include inadequate guidance and program management, unclear goals, and last-minute project modification. As a result, systems are often subject to significant delays, fail to meet agency needs, fail to launch at all, or launch without being fully tested. In other words, for observers of Federal IT expenditures, it was no surprise when HealthCare.gov did not launch as planned on October 1st, 2013.

On the positive side, the government is starting to save money through the increased use of cloud computing. Even more money could be saved through the use of software asset management tools, which would prevent the misuse of existing software licenses and the purchase of unnecessary software.

In regard to government-wide procurement, we have supported FITARA. We urge Congress to act on it this year. I was pleased to see it mentioned this morning. And we will continue to support these efforts, because it is the first major procurement reform bill since the Clinger-Cohen Act of 1996.

Unfortunately, in some cases where eliminating waste and inefficiency has been accomplished success has been stymied or at least questioned, particularly through the suspension by the Centers for Medicare and Medicaid Services of some of the recovery audits that have helped correct more than \$4.2 billion in improper Medicare payments.

Regardless of whether the government is in surplus or deficit, there is no excuse for mismanaging the taxpayers' money. The American people would be well served if every day elected Representatives and Senators came to work thinking first and foremost about how they could better manage the taxpayers' money and solve problems effectively with the resources that are already allocated to the Treasury in existing programs. In other words, each Representative and Senator should ask questions first and spend money much later, if at all.

Thank you for the opportunity to testify. I look forward to answering any questions.

Chairman ISSA. Thank you.

[Prepared statement of Mr. Schatz follows:]

Testimony of

Thomas A. Schatz

President, Citizens Against Government Waste

Before the House Committee on Oversight and Government Reform

January 9, 2014

My name is Thomas A. Schatz, and I am president of Citizens Against Government Waste (CAGW). CAGW was founded in 1984 by the late industrialist J. Peter Grace and nationally-syndicated columnist Jack Anderson to build support for implementation of President Ronald Reagan's Grace Commission recommendations and other waste-cutting proposals. Since its inception, CAGW has been at the forefront of the fight for efficiency, economy, and accountability in government. CAGW has more than one million members and supporters nationwide, and, over the past 30 years, it has helped save taxpayers \$1.3 trillion through the implementation of Grace Commission findings and other recommendations.

CAGW does not accept government funds. The organization's mission reflects the interests of taxpayers. All citizens benefit when government programs work cost-effectively, when deficit spending is eliminated, and when government is held accountable. Not only will representative government benefit from the pursuit of these interests, but the country will prosper economically because government mismanagement, fiscal profligacy, and chronic deficits soak up private savings and crowd out the private investment necessary for long-term growth.

It is no secret that wasteful spending is present throughout the federal government and that every agency could perform its functions more effectively and efficiently. Recommendations to eliminate waste, fraud, abuse, and mismanagement are regularly provided by the Government Accountability Office (GAO), the Congressional Budget Office (CBO), the president's budget, and congressional authorizing and appropriations committees. Outside of the government, think tanks, advocacy groups, and private-sector companies also provide ongoing analysis of government expenditures. For example, since 1993, CAGW has released *Prime Cuts*, a compendium of recommendations that emanate from both public and private sources; some still date back to the Grace Commission. The most recent edition of *Prime Cuts* identified 557 recommendations that would save taxpayers \$580.6 billion in the first year and \$1.8 trillion over five years. *Prime Cuts* can serve as a blueprint to cut government spending and put the nation on a path toward fiscal stability.

The first modern comprehensive effort to reform government and/or eliminate wasteful spending occurred through the Commission on Reorganization of the Federal Government, which was established by Congress in 1947 under President Harry Truman and became known as the Hoover Commission, as it was led by former President Herbert Hoover. The commission met from 1947-1949 and again from 1953-1955. More than 70 percent of the recommendations were implemented by executive and legislative action, including the establishment of the Department of Health, Education and Welfare, as well as the General Services Administration.

The next comprehensive study of the federal government occurred under President Reagan, who created the President's Private Sector Survey on Cost Control in the Federal Government in 1982, which became better known as the Grace Commission. The commission issued its final report in 1984 and made 2,478 recommendations that would have saved \$424.4

billion in the first three years after full implementation of the recommendations. Through executive orders, President Reagan helped saved \$100 billion. The administration's annual reports on management of the federal government tracked the implementation of Grace Commission recommendations and provided a list of initiatives that were included in the president's budget.

The Hoover Commission inspired many states to establish similar entities. California created the Little Hoover Commission on State Government Organization and Economy in 1962, and that operation continues today. In turn, President Reagan referred to the Little Hoover Commission as one of the reasons for his desire to establish a similar entity at the federal level.

According to the Little Hoover Commission's website, its mission is to provide reports, recommendations, and legislative proposals to promote efficiency and economy in government. The commission is composed of five citizen members appointed by the governor, four citizen members appointed by the legislature, two senators, and two assembly members. The website states that the commission's "role differs in three distinct ways from other state and private-sector bodies that analyze state programs." First, the commission examines how programs "could and should function in today's world" rather than just determining whether programs "comply with existing requirements." Second, the commission produces reports that "serve as a factual basis for crafting effective reform legislation." Third, the commission follows through with legislative proposals to "implement its recommendations, build coalitions, testifying at hearings and providing technical support to policy makers."

There is no comprehensive list of state-based, permanent entities that function like the Little Hoover Commission. Some states have more specific operations, such as the Sunset

Advisory Commission in Texas, which was established in 1977 and is charged with reviewing all state programs every 12 years on a rotating basis.

The commission's mandate covers approximately 150 state government agencies. Since its inception, 78 agencies have been abolished or consolidated; 37 agencies were completely abolished and 41 had some functions transferred to existing or newly created agencies. The Texas Sunset Commission's website notes that every dollar spent on the sunset process earns the state \$29 in return.

There have never been permanent operations similar to the Little Hoover Commission or the Texas Sunset Commission at the federal level.

While the Hoover and Grace Commissions reviewed operations at virtually every federal agency, there have been both legislative and executive branch efforts to review specific agencies or programs, including task forces, boards, and formal reviews. For example, the Packard Commission in 1981 and the Clinger-Cohen Act of 1996 focused primarily on management functionality at the Department of Defense (DOD). The National Performance Review under Vice President Al Gore was an interagency task force intended to reform and streamline government to be more efficient and less expensive.

The Office of Management and Budget (OMB) under President George W. Bush created the Performance Assessment Rating Tool, which disappeared at the end of the Bush administration. President Obama has initiated numerous efforts to eliminate wasteful spending, including a June 2011 executive order entitled, "Delivering an Efficient, Effective, and Accountable Government," which created the Government Accountability and Transparency

Board, and a presidential memorandum sent to the heads of all executive departments and agencies instructing them to dispose of all unneeded federal real estate.

Congressional attempts to improve the management of the federal government included enacting the Grace Commission's recommendation to establish chief financial officers, which occurred in 1989 (begging the question as to why it took 200 years to provide a financial officer in federal agencies). The Office of Federal Financial Management was created at OMB in 1990 (begging the same question). The Government Performance and Results Act (GPRA) passed in 1993, and the Government Performance and Results Modernization Act (GPRAMA) was signed into law in 2010.

While these initiatives were long overdue and helped improve the management of federal agencies, adopting the Grace Commission recommendation to reorganize OMB into the Office of Federal Management would help change the focus of both OMB and Congress from spending to managing.

Despite the best intentions of presidents and legislators to address wasteful spending and improve government efficiency, the size and scope of government continues to grow. The president's budget includes a list of program terminations and consolidations; a limited number of these programs are eliminated or consolidated every year, usually saving a few billion dollars. On the other hand, the creation of new programs and expansion of existing programs always overwhelm those efforts.

An underlying reason for this consistent failure to improve government efficiency and eliminate waste, fraud, and abuse is Congress's tendency to create a program to solve a problem. Rather than spending the time to examine an issue in depth, including whether or not an existing

program can address the subject matter, members are usually more likely to move forward with a new program. While “waste” can be subjective, everyone should agree that taxpayer dollars should not be mismanaged. Unfortunately, there are very few systems or incentives in place to prevent misspending by Congress and the executive branch.

In an effort to avoid the creation of new, duplicative programs, Sen. Tom Coburn (R-Okla.) introduced S. Res. 427, the Preventing Duplicative and Overlapping Government Programs Resolution, in the 112th Congress. The resolution would require the report accompanying any bill reported by a congressional committee to contain analysis by the Congressional Research Service (CRS) on whether the bill created a new federal program that would duplicate or overlap any existing federal entity, program, or initiative. S. Res. 427 would also require the reporting committee of a bill to explain why the creation of each new program or office would be necessary if a similar program, office, or initiative already existed.

A companion measure, H. Res. 623, was introduced in the House by Rep. Sue Myrick (R-N.C.). Both resolutions would amend the rules of each body of Congress. On June 29, 2011, during consideration of S. Res. 426, a resolution to provide for expedited Senate consent of certain nominations subject to advice and consent, the Senate voted 63-34 in favor of Sen. Coburn’s amendment, which contained identical language to S. Res. 427. That was four votes short of the 67 needed to amend Senate rules. On February 2, 2012, the Senate voted 60-39 in favor of a reintroduced version of Sen. Coburn’s measure, meaning it again failed to receive the requisite amount of votes necessary for passage.

In other words, the Senate voted twice to continue creating new programs without any information about whether or not those programs duplicated or overlapped with existing programs, or explaining why the new programs were necessary.

Sen. Coburn reintroduced the resolution as S. Res. 110 on April 4, 2013, but the measure has yet to receive a vote in the 113th Congress. The House of Representatives has never voted on a similar rules change.

The failure of both the House and Senate to agree on this reasonable rules change to help prevent the creation of duplicative and overlapping programs makes it easier for the size and scope of government to continue to expand. Even the most obvious and well-documented duplication has not been addressed.

For example, Congress would be well-served to act on its own watchdog's voluminous reports. GAO has issued three annual reports, in 2011, 2012, and 2013, regarding duplicative and wasteful federal programs. Collectively, these three reports identified a total of 162 areas in which the executive branch and Congress could take action to address fragmentation, overlap, and duplication or achieve cost savings. The reports address areas in virtually all major federal departments and agencies, demonstrating the pervasive nature of waste in the federal government. Sen. Coburn has estimated that the annual cost of the duplication and overlap identified in GAO's three reports is \$295 billion.

GAO's 2013 report, "Actions Needed to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits," identified 31 areas of government "where agencies may be able to achieve greater efficiency or effectiveness. Within these 31 areas, [GAO] include[s] 17 areas of fragmentation, overlap, or duplication where multiple programs and activities may be creating inefficiencies." The 2013 report identified hundreds of agencies,

offices, and initiatives that provide similar or identical services to the same populations, including: 679 renewable energy initiatives at 23 federal agencies and their 130 sub agencies, costing taxpayers \$15 billion in fiscal year (FY) 2010; 76 programs to prevent or treat drug abuse spread across 15 agencies, costing \$4.5 billion in FY 2012; three federal offices involved in overseeing catfish inspections; and six separate offices at the Department of Homeland Security involved in research and development (two DHS components awarded five separate contracts that each addressed detection of the same chemical).

GAO's 2012 report recommended 81 cost-saving measures that could save taxpayers tens of billions of dollars, including consolidating federal offices, selling excess uranium at the Department of Energy, replacing the \$1 bill with a \$1 coin, and cutting improper payments by Medicare and Medicaid, which GAO cited as an estimated \$65 billion in FY 2011.

The 2012 report also cited 209 science, technology, engineering, and math (STEM) programs costing \$3.1 billion spread across 13 agencies in FY 2010. More than one-third of these programs were first funded between FYs 2005 and 2010, yet the U.S. still does not have enough future workers in STEM fields and U.S. students "continue to lag behind students in other highly technological nations in mathematics and science achievement."

GAO stated that 173 (or 83 percent) of the 209 programs "overlapped ... with at least 1 other program in that they offered similar services to similar target groups in similar STEM fields to achieve similar objectives." This complicated and fragmented system was a result of efforts to "both create and expand programs across many agencies in an effort to improve STEM education and increase the number of students going into STEM fields." The proliferation of

new programs in a short period of time “contributed to overlap and, ultimately, to inefficiencies in how STEM programs across the federal government are focused and delivered.”

GAO reported that there are 82 teacher quality programs in 10 agencies that cost \$10 billion in FY 2009. “The proliferation of programs” and “fragmentation” has limited “the ability to determine which programs are most cost-effective, and ultimately increase program costs.”

GAO identified 47 job training programs in nine agencies that cost \$18 billion in FY 2009. Program analysis is virtually non-existent. Only five had an impact study completed since 2004 to determine whether or not participants secured a job as a result of the program itself rather than a separate cause, and about half have not had a single performance review since 2004. Therefore, “little is known about the effectiveness of most programs.”

Finally, and most absurdly, GAO’s 2011 report identified 56 programs across 20 agencies to promote financial literacy, which are intended to improve the fiscal acumen of the American people. In its 2012 report, GAO noted that the 2011 figures were based on inconsistent criteria from self-reporting by federal agencies. GAO used its own more consistent criteria and revised the number of financial literacy programs to 15 significant programs among 13 agencies, costing \$30.7 million in FY 2010. Regardless of the number of programs and cost, while it would be funny if it wasn’t so sad, a government that itself is going broke should not spending any money trying to teach others how to balance their checkbooks.

Congress cannot claim ignorance of these duplicative, bloated programs. GAO has long published annual accounts of improvident spending. The agency’s representatives testify repeatedly before congressional committees, often reiterating findings from prior reports that the House and Senate have ignored. Some of the recommendations in the three annual reports on

duplication and overlap, while not repetitive of each other, are based on previous GAO reports on specific issues. Others who testify before Congress also find themselves repeating the same proposals ad nauseam, all of which makes taxpayers sick and angry that insufficient steps are being taken to eliminate the waste, fraud, abuse and mismanagement that pervades the federal government.

While some steps have been taken to implement the recommendations in GAO's three annual duplication reports, much more can be done. According to GAO's online "action tracker," 87 actions have been addressed, 187 actions have been partially addressed, and 104 actions have not been addressed. On March 23, 2013, during consideration of the FY 2014 Budget Resolution, the Senate voted 62-37 in favor of Sen. Coburn's amendment to consolidate more than 1,000 of the programs identified in GAO's three reports, including 209 STEM programs, 94 green building programs, 80 teacher quality programs, 53 entrepreneurial support programs, 15 financial literacy programs, and 14 diesel emission programs. However, no legislation in the Senate appears to have been approved to implement the provisions of the amendment. On March 15, 2013 the House approved H.R. 803, the Supporting Knowledge and Investing in Lifelong Skills Act, which would consolidate job training programs, by a vote of 215-212. Democrats voted overwhelmingly against the bill due to differences in how the recommendations should be implemented. The Senate has not considered the legislation.

In an effort to force congressional committees to hold hearings on duplicative programs identified by GAO that fall under their jurisdiction, Rep. Cory Gardner (R-Colo.) introduced H. Res. 160, the Congressional Oversight to Start Taxpayer Savings Resolution. Each committee would be required to begin hearings within 90 days of the release of GAO's annual reports. It is

absurd that a congressional resolution should even be required to force committees to do what they are supposed to do on a regular basis.

The elimination of duplication and overlap within federal agencies was the focus of legislation introduced by Sen. Sam Brownback (R-Kan.) and Rep. Todd Tiahrt (R-Kan.) in 2004. The bills would have established a Commission on the Accountability and Review of Federal Agencies (CARFA), subjecting agencies to three areas of review. First, when two or more agencies were performing the same function, the commission would recommend that the function be consolidated or streamlined into a single agency or program. Second, when the commission found that an agency was mismanaging resources or personnel, wasting funds by egregious spending, or using funds for the benefit of a special interest group, the commission would recommend that the agency or program be eliminated or realigned. Third, when the commission would find that an agency or program had failed to meet its objectives, become irrelevant, or completed its intended purpose, the commission would recommend the elimination of such agency or program.

After completing its evaluation, CARFA would submit to Congress both a plan with recommendations of the agencies and programs that should be realigned or eliminated and proposed legislation to implement this plan. As with the successful base closing or BRAC, model, Congress would consider this legislation on an expedited basis with a comment period from the committees of jurisdiction. Within the expedited time frame, the Congress would take an up-or-down vote on the legislation as a whole without amendment. If CARFA's recommendations were enacted, significant savings would likely result. If CARFA's recommendations were rejected, congressional committees would still have a useful guide for identifying areas in need of scrutiny.

Needless to say, nothing was done about CARFA by the House or the Senate, and no similar legislation has been introduced since Sen. Brownback and Rep. Tiarht left Congress.

Whether or not CARFA legislation is reintroduced or other legislation to establish a new Grace Commission is introduced in this Congress, such a bi-partisan examination of government waste, fraud, abuse, and mismanagement could review the operations of federal agencies and evaluate improvements; look for increased efficiency and reduced costs that can be realized by executive action or legislation; provide additional information and data relating to government expenditures, indebtedness, and personnel management; and seek opportunities for increased managerial accountability and improvements.

Robert Freer, Jr., chairman and founder of the Free Enterprise Foundation and a member of the Grace Commission Task Force on Land/Facilities/Personal Property, wrote in 2010 that, “More than two decades have passed with only partial adoption of [the Grace Commission’s] suggestions, and we are in even deeper soup just as it suggested we would be if we did not follow through. In fact, we are several leagues beyond anything the Commission even conceived of in fiscal jeopardy due to our own profligacy. Any rational society would have long ago reined in its appetites, re-examined its approach to social services, and sharpened its management pencils. It is unclear whether the more than 100 new agencies of government to be created to carry out the new health care initiative will ever be funded, but even the existing governmental structures are woefully in need of a sharp management knife to prune waste, inefficiency, and fraud from their administration. While lamenting the total irresponsibility in growth of government, in calling for a new Grace Commission, we can still hope that government does what it can to carry out its ill conceived programs in a manner as devoid of waste, inefficiency and fraud as possible. A new Grace Commission would help.”

In September 2010, shortly before he was elected to the United States Senate to the seat once held by President Obama, then-Congressman Mark Kirk wrote in *The Hill*, “Congress and the president should establish a new Grace Commission, ... After a two-year study at no taxpayer expense, the panel made 2,478 recommendations, which it estimated would save \$1.9 trillion by the year 2000. A 21st century Grace Commission should also be given the powers of the Base Realignment and Closure Commission, with its recommendations facing certain up or down votes in both chambers.”

In a June 15, 2011 editorial, the *Las Vegas Review-Journal* opined on President Obama’s contemporaneous announcement of his new “Campaign to Cut Waste,” which is led by Vice President Biden. The op-ed concluded as follows: “If Vice President Biden’s new commission is really interested in eliminating waste and redundancy, the first thing they do should also be the last thing they do: Order new copies of the Grace Commission report printed up and handed out to the president and each member of Congress, and then set a good example by voting themselves out of existence.”

One could argue that a new Grace Commission or CARFA is not needed since Congress already has the authority to make any changes it wants to agencies and programs. However, neither the House nor the Senate has done enough on their own, so all alternatives should be pursued in an effort to put an end to the mismanagement of the taxpayers’ money.

In addition to the foregoing recommendations, there are several other areas of high priority for CAGW in its mission to eliminate wasteful spending.

Although it is viewed by many as sacrosanct, the DOD is rife with waste, fraud, and abuse. One glaring example of DOD's mismanagement of resources is the Army's Distributed Common Ground System (DCGS-A).

DCGS-A, a network-based tool intended to provide real-time access to intelligence, surveillance, and reconnaissance, invokes a strong reaction from both its proponents and detractors. According to Army brass, DCGS-A represents a breakthrough in intelligence support capability, while users have called it a "huge, bloated, excessively expensive money pit." The system has been under development for more than a decade and to date has cost taxpayers approximately \$6 billion. Over the next 20 years, DCGS-A will cost an estimated \$28 billion when the cost of training analysts is included.

To date, the system has encountered numerous problems. An April 2012 report by the Army Testing and Evaluation Command (ATEC) stated that DCGS-A is "overcomplicated, requires lengthy classroom instruction," and uses an "easily perishable skill set if not used constantly." A memo released by the Department of Defense (DOD) Operational Test and Evaluation office on November 1, 2012 claimed DCGS-A was "not operationally effective, not operationally suitable and not operationally survivable against cyber threats." Most alarmingly, soldiers who have used DCGS-A while deployed have been highly critical of the system.

The complaints about DCGS-A become even starker when it is contrasted with Palantir, a private sector alternative. According to a June 2013 GAO report, users of Palantir deployed in Afghanistan claimed that the system saved them time and was easy to use. The report stated, "Users indicated [Palantir] was a highly effective system for conducting intelligence information analysis and supporting operations." However, the Army has expended much effort defending

DCGS-A against such criticism, and has repeatedly denied requests for Palantir by soldiers in the field.

Allowing the nation's warfighters to take full advantage of existing private sector technologies such as Palantir would increase their capability and effectiveness. It would have the added benefit of saving taxpayers money. The Army continues to claim that the next version of DCGS-A will address all current problems. However, updates are unlikely to fix the significant inherent flaws in the software. Increased congressional oversight is needed to ensure that everything possible is being done to address the difficulties inherent in DCGS-A, and that warfighters are equipped with the best possible tools to complete their mission. Members of Congress must use their authority to ensure that any additional funding is being used to address existing problems in DCGS-A as opposed to further procurement of a flawed system.

Another area in which the DOD has misspent taxpayer money is the Medium Extended Air Defense System (MEADS). Intended as a replacement for the Patriot missile system, MEADS was been dogged by cost overruns of nearly \$2 billion and ended up a decade behind schedule. A March 9, 2010 *Washington Post* report quoted a U.S. Army memo asserting that the program "will not meet U.S. requirements or address the current and emerging threat without extensive and costly modifications." A March 2011 CBO report recommended terminating MEADS in favor of continuing production of the Patriot. CBO cited an internal Army memo that urged "harvesting MEADS technologies and improving the Patriot program it was designed to replace."

After several years of urging the DOD and Congress to stop funding MEADS, in April 2013, the Council for Citizens Against Government Waste (CCAGW) praised the Obama

Administration for not requesting MEADS funding in its FY 2014 budget request. The House and Senate Appropriations Committees followed suit, withholding funding for MEADS in their respective versions of the FY 2014 DOD Appropriations Act.

However, on November 6, 2013, MEADS underwent a “graduation exercise” to test the program’s ability to intercept missiles. With no plans to continue development or fund procurement of the system, it is difficult to understand why the DOD moved forward with the event. There could be two reasons for this test. First, the prime contractor and the United States’ program allies, Germany and Italy, could be searching for potential contributors to continue development and procurement of MEADS; and second, there could be an effort to somehow get around the elimination of funding for MEADS in the FY 2014 appropriations bill.

Indeed, MEADS proved challenging to finish off. In the summer of 2013, Rep. Rob Andrews (D-N.J.) compared the program to Glenn Close in *Fatal Attraction*, stating “You think [MEADS] is dead and it keeps popping out of the bathtub again.” Moving forward, members of Congress must ensure that if any funding provided to harvest MEADS technologies for application in existing missile defense systems should not crowd out any other defense spending or equate to backdoor funding keeping the program alive.

In the area of taxation, a good example of mismanagement is identity theft, particularly through income tax return fraud. Often referred to as Stolen Identity Refund Fraud (SIRF), the typical scheme involves a fraudster who acquires someone else’s Social Security number and address, files early for a return, and has the return direct deposited to a bank account or debit card or sent to a mailbox belonging to the thief. In the vast majority of cases, IRS issues the

return to the fraudster and significantly delays the time it takes for the would-be recipient to collect his or her rightful refund.

For taxpayers, the costs are diffuse but accumulating at an alarming rate. A November 2012 GAO report stated that, as of September 30, 2012, the IRS had identified 641,690 known cases of tax fraud identity theft in 2012 alone. That represents a rise of 165 percent from 2011, when there were just 242,142 such cases, and it is more than 13 times the amount reported in 2008.

The Treasury Inspector General for Tax Administration (TIGTA) issued two reports in September 2013 regarding the progress made by the IRS to address SIRF. The September 20, 2013 report revealed that some IRS prevention and screening techniques appear to be helping to identify fraudulent tax returns. Unfortunately, for the 2011 tax filing season, TIGTA still uncovered 1.1 million undetected tax returns using Social Security numbers that bear a resemblance to previously confirmed identity theft tax returns. Potentially fraudulent tax refunds totaled approximately \$3.6 billion (a reduction of \$1.6 billion from TIGTA's 2012 report). TIGTA also expanded its tax year 2011 analysis to include tax returns for individual taxpayer identification numbers, and found that potentially fraudulent tax refunds issued for these totaled approximately \$385 million.

The September 26, 2013 TIGTA report reviewed a statistical sample of 100 identity theft cases and found that it took the IRS an average of 312 days to resolve them. Furthermore, significant inactivity on the 100 cases TIGTA reviewed averaged 277 days. TIGTA also revealed that the IRS has "still not taken action to prevent multiple tax refunds from being deposited in the same bank account."

Mismanagement of information technology (IT) is also a long-standing problem. From 2001 to 2012, federal IT spending grew by 76 percent, from \$46 billion to \$81 billion. Unfortunately, according to Oversight and Government Reform Committee Chairman Darrell Issa's (R-Calif.) opening statement at a January 2013 hearing on wasteful IT spending, federal managers estimate as much as \$20 billion of taxpayer money is squandered on IT every year.

The federal government plans to spend approximately \$80 billion for information technology in FY 2014. Analysts from IDC Insights project that agencies will spend around \$2.2 billion in 2014 on cloud computing services, and more than quadruple that spending by 2017.

Despite the estimate of \$20 billion being wasted annually on IT, the increased usage of cloud computing services by the federal government is a positive initiative that could save taxpayers billions of dollars. According to an April 2012 survey by MeriTalk Cloud Computing Exchange, approximately \$5.5 billion has already been saved annually from the adoption of cloud computing tools. In September 2012, MeriTalk followed with a second survey targeting federal IT managers: those managers anticipated savings of up to \$16 billion annually through the use of cloud computing tools.

A survey released on December 19, 2013 by Tripwire indicates that federal agencies are rapidly expanding cloud adoption, and a December 2013 report from Deltek shows that federal cloud adoption is expected to increase by 32 percent annually over the next three years. According to a December 29, 2013 article in *The Washington Post*, the federal government awarded more than \$17 billion in cloud computing-related contracts from October 2012 to September 2013. Civilian agencies make up the vast majority of these contracts with a total of

\$16.5 billion compared to the \$65 million in total awards made by defense agencies and military services.

Over the past several years, OMB has developed tracking initiatives, including TechStat, the IT Dashboard, and PortfolioStat that have improved awareness of IT inventory, duplication, and program management. However, agencies still lag behind in reporting and managing their IT contracts and programs. In July 2013, GAO released a report that stated OMB and federal agencies must more effectively implement major initiatives to save billions of dollars and reduce the amount of wasteful IT spending.

Every administration has tried to improve the IT procurement process. Unfortunately, many of the most notorious mismanaged programs have been in information technology. “Build a system, scrap a system, start all over again” is commonplace for the federal IT environment.

For example, since 1982, the Department of Defense (DOD) and the VA have been trying to create a system that permits them to share medical information in order to improve the care for transitioning service members. Between 2001 and 2008, the VA and DOD spent nearly \$2.6 billion developing and updating VistA, the VA’s health records system, and AHLTA, the medical records system for the DOD, with little to show in the way of interoperability. On February 5, 2013, the two agencies announced that after spending another nearly \$1 billion on a new joint interoperable electronic health record, they were abandoning the effort and focusing instead on making their existing systems more interoperable due to cost concerns that the price tag on the joint project could have potentially reached \$12 billion.

In 2002, the IRS tried to create its own tax preparation program called Cyberfile at a cost of \$17 million. The program never worked and private tax preparation software was already

readily available to consumers. Eventually, the IRS decided to join them instead of trying to beat them and created e-file, which links to private tax preparation companies that in turn provide free services for certain taxpayers.

The Department of Veterans Affairs (VA) attempted not once but twice to build a financial and logistics system; both are in the trash heap at a steep cost to taxpayers. The VA spent \$249 million on CoreFLS, and another \$215 million on FLITE.

A one-billion-dollar Air Force logistics system was shut down in December 2013 with nothing to show for it. At the United States Department of Agriculture (USDA), \$94 million has been spent on a project to develop supply-chain management systems for food distribution, with no measurable results after four years.

The causes of wasteful IT spending include inadequate guidance and program management, unclear goals, and last-minute project modifications, all of which usually emanate from the procuring agency. As a result, systems often are subject to significant delays, fail to meet agency needs, launch without being fully tested, or never launch at all. In other words, for observers of federal IT system expenditures, it was no surprise when healthcare.gov did not work as planned on October 1, 2013.

Another area of IT spending where the federal government can save money is by reducing the number of unnecessary or excessive IT software licenses, bought in part because the government is unable to keep track of what agencies currently own or use. On July 19, 2011, the GAO issued a report criticizing government agencies' inventory management of data centers, noting that 15 federal agencies did not list all of their software assets in their reports. In the private sector, the procurement and utilization of software licenses is routinely and

systematically managed through the use of software asset management (SAM) systems, including Aspera, Eracent, Flexera Software, and Snow Software. These same tools could be applied to government agency IT systems to ensure that chief information officers (CIOs) and purchasing agents are aware of existing software licenses and can document usage in order to make smarter purchasing decisions.

In the past year, CAGW has supported the efforts of Chairman Issa and Subcommittee on Government Operations Ranking Member Gerald Connelly (D-Va.) to address procurement issues government-wide and provide greater accountability for IT program management at federal agencies with the introduction and subsequent mark up of H.R. 1232, the Federal Information Technology Acquisition Reform Act (FITARA). This is the first major undertaking to streamline IT procurement within the federal government since passage of the Clinger-Cohen Act in 1996. In particular, the bill provides agency CIOs with more authority over the IT budgets within their departments as well as provides a direct line of reporting by the CIOs to the head of their respective agencies. By centralizing this authority, agencies should be better able to coordinate and streamline their IT purchases and contracting, as well as improve IT management practices.

Unfortunately, in some cases where eliminating waste and inefficiency has been accomplished, efforts are being made to stymie continued success.

The Tax Relief and Health Care Act of 2006 directed the Centers for Medicare and Medicaid Services (CMS) to implement a national recovery audit program for the Medicare Fee for Service (Parts A and B) program. Under the program, CMS competitively bid for four regional recovery audit contractors (RACs), with each covering about a quarter of the United

States. The RACs are responsible for identifying overpayments and underpayments in Parts A and B and bringing those improper payments to the attention of CMS for recoupment.

One of the reasons for improper payments is incorrect coding for medical procedures or claims for services that are medically unnecessary. When providers submit claims for reimbursement of Part A and B services, those claims are processed by Medicare Administrative Contractors (MACs), the fiscal intermediaries that work for CMS. A MAC will typically review claims for basic accuracy and sufficiency; however, because they have a legal obligation to process and pay claims under relatively short deadlines, they have neither the time nor the resources to ensure payment accuracy. RACs then conduct post-payment review of a small subset of claims to identify improper payments and bring those improper payments to the attention of CMS for recoupment.

RACs are paid on a commission basis for all underpayments and overpayments that they identify. The federal government bears none of the risk of investing in the systems and personnel to conduct the program.

As of December 31, 2012, RACs had corrected more than \$4.2 billion in improper payments, approximately 93 percent (\$3.9 billion) of which were overpayments collected from providers, over the four-year period beginning with FY 2010 (October 2009) through the first quarter of FY 2013 (December 2012). In short, the program works well and should be continued. Unfortunately, under pressure from providers, CMS has suspended a significant portion of its audits and is considering a change in the rules governing some claims. The CMS review process began in the last quarter of 2013 and was extended through March 2014, which means that about \$1 billion per quarter will not be recovered by RACs.

Since its inception, CAGW has been closely following spending at the USDA, particularly during consideration of the Farm Bill by Congress. That legislation is a rare situation in which the headwinds to eliminating waste are more regional in nature than partisan.

For example, the USDA's direct payments program delivers \$5 billion annually to farms based on historical production totals. From this distribution, \$1.3 billion, or 26 percent of the program's expenditures, goes to recipients living on what once was farmland, but who no longer farm. That massive giveaway has rightly come under fire in recent years from lawmakers and policy groups on both ends of the political spectrum, and, as a result, it was eliminated in both the House and Senate versions of the Farm Bill that are to be consolidated over the next several weeks. Unfortunately, what Congress took away with one hand, they gave back with other by replacing direct payments with an even more egregious shallow loss programs.

With regard to the agriculture title of the Farm Bill, neither the House nor Senate versions introduce real reform or repeal profligate subsidy programs. Both bills expand crop insurance subsidies, leave intact the market-distorting sugar and dairy programs, and fail to repeal the \$200 million, corporate-welfare stalwart, Market Access Program. According to Vincent Smith, professor of economics in the Department of Agricultural Economics and Economics at Montana State University and visiting scholar for the American Enterprise Institute, the failure to reform such programs could result in the House bill increasing total federal spending on farm subsidies by \$10 billion per year relative to current law, while the Senate bill could increase farm subsidies by \$5 billion per year.

In particular, the sugar and dairy programs distort the free market and keep prices much higher than necessary for consumers and taxpayers. The U.S. sugar program could accurately be

described as an outdated, Soviet-style command-and-control program that uses price supports, tariffs, import quotas, loans, and marketing allotments to artificially inflate the price of sugar. This federal intervention has led to American consumers paying nearly twice the world price of sugar for the better part of the last 30 years. The program is often justified as providing assistance to small farmers; however, 60 percent of all sugar program benefits go to the wealthiest one percent of farmers.

A new and supposedly “improved” dairy program is included in both the House and Senate versions of the Farm Bill. The Dairy Market Stabilization Program (DMSP), despite being called “reform” by supporters, continues the failed command-and-control policies for milk that have existed for decades. DMSP will limit the supply of milk and, as a result, increase the price Americans pay at the grocery counter for milk and other dairy products, like cheese, yogurt, and ice cream. DMSP will also impose a new layer of job-killing regulations on American companies that manufacture dairy products.

As the CRS reported on September 18, 2012, “DMSP is described most commonly as a supply management program; however, it is perhaps more accurately described as a production disincentive program.” DMSP is contrary to the goals of limited government and economic growth. A new federal program that will directly intervene in markets and increase milk prices for everyone is unnecessary. CRS, while more neutral on the subject, nonetheless concluded the “concept behind the DMSP program is that payment reductions are intended to have one or both of two basic effects, *either of which is expected to result in a higher future farm price for milk* (emphasis added).” DMSP attempts to both limit the supply of milk and increase the demand for dairy products. Moreover, low-income families, who spend a larger percentage of their income on food than other consumers, will be hit hardest.

Despite efforts in both the House and Senate to eliminate or reduce spending on MAP, the program survives. For years, MAP has delivered advertising subsidies to successful agricultural firms, such as Butterball, Tyson, and Sunkist Growers, Inc., to market their goods abroad. Over the past decade, MAP has provided nearly \$2 billion in taxpayer money to agriculture trade associations and farmer cooperatives. According to *Prime Cuts*, the elimination of MAP would save taxpayers \$200 million in the first year and \$1 billion over 5 years.

While CAGW opposes the USDA's MAP, there is another MAP that should be endorsed by members of this committee: Rep. Kevin Brady's (R-Texas) "Maximizing America's Prosperity" (MAP) Act, which was introduced as H.R. 2319 in the 112th Congress. One of the key provisions of Rep. Brady's bill is a "sunset" process, which would provide periodic, systematic review of needlessly duplicative programs or agencies that have outlived their usefulness.

The MAP Act would establish a bipartisan Federal Agency Sunset Commission, inspired by the Texas Sunset Commission, with which Rep. Brady was familiar when he served in the Texas State Legislature prior to being elected to Congress. Each federal agency must justify its existence or face elimination. The commission would consider, among other criteria: the agencies' efficiency of operations; purpose of the agency; whether the agency has operated outside its scope of authority; whether there are better alternatives for achieving the agency's mission; promptness in processing complaints; extent of the inclusion and encouragement of public participation; and the effects of abolishment on the state and local levels. The commission would submit to Congress each year a report containing an analysis for each agency up for sunset review that year consisting of recommendations as to whether the agency should be abolished, reorganized or substantively changed, proposals for funding the agency as well as

legislative action with respect to each agency. Congress would then draft legislation to carry out the recommendations. Rep. Brady plans to reintroduce the MAP Act in 2014.

Another area of mismanagement, where the government is trying to provide a service already being provided by the private sector, is the USDA's role in broadband investment through the Rural Utilities Service (RUS). The agency grew out of the remnants of the Rural Electrification Administration (REA), which was created in the 1930s. The primary goal of the REA was to promote rural electrification to farmers and residents in out-of-the-way communities where the cost of providing electricity was considered too expensive for local utilities to bear alone.

By 1981, 98.7 percent of Americans had electricity and 95 percent had telephone service. Rather than declaring victory and shutting down the REA, the RUS was born, and its mandate was expanded to provide loans and grants for activities including telephone service to underserved areas of the country. That mission was further expanded in 2002 to include broadband services to rural areas of the country unserved or underserved by existing service providers. This sounds much like the mission undertaken by the Universal Service Fund, administered by the Federal Communications Commission, but the RUS lacks a clear definition of what constitutes an underserved region of the country.

In the 2009 American Recovery and Reinvestment Act (stimulus), the RUS received \$2.5 billion for its Broadband Initiatives Program (BIP). According to the USDA, the RUS has obligated BIP funding for 320 projects in 44 states and territories. Despite the program's widespread funding reach, the money is not necessarily being spent wisely by grant recipients. In March 2013, the USDA IG reported that "RUS funded BIP projects that sometimes

overlapped preexisting RUS-subsidized providers and approved 10 projects, totaling over \$91 million, even though the proposed projects would not be completed within the 3-year timeframe RUS established and published.” The IG also found that “the agency could have implemented the program so that it would have focused more exclusively on rural residents who do not already have access to broadband.”

On February 20, 2013, the House Committee on Energy and Commerce held a hearing on the status of broadband spending under the stimulus. Witnesses stated that much of the stimulus broadband funding has produced overbuild leading to direct competition with incumbent private sector providers of broadband services. While Connect North Georgia President, Bruce Abraham, lauded the economic benefits to northern Georgia stemming from the \$33 million broadband stimulus loan it received, Vermont State President of FairPoint Communications, Michael K. Smith, described millions in federal dollars being used for overbuild projects throughout New England that “create a publicly financed competitor aimed at putting FairPoint and other private providers at a competitive disadvantage.”

While RUS provides funding for more than just broadband deployment, those projects are appallingly wasteful. In 2009, Buford Communications of LaGrange, Arkansas, (population 122) received \$667,120 to build a hybrid fiber coaxial network and a new community center. This equates to \$5,468 per resident of LaGrange. Increased broadband connectivity is important, and many private sector companies have already stepped up and improved service for both wireline and wireless customers through their own capital investments. However, when taxpayer funds are used through either grant or loan programs, there should be increased accountability for where and how tax dollars are being spent in order to avoid wasteful spending and overbuild of existing infrastructure. In its 2013 *Prime Cuts* report, CAGW highlighted wasteful spending

at RUS and called for its elimination, which would save \$9.6 billion in one year and \$48.1 billion over five years.

Energy savings performance contracts (ESPCs) are another proven way to save taxpayers billions of dollars by reducing government energy spending. An ESPC is an agreement between a federal facility and an energy services company (ESCO) in which the ESCO agrees to pay for and install energy efficient equipment, such as solar panels, energy efficient windows, lights, and other systems. In exchange for shouldering all of the upfront costs, the federal agency responsible for the facility pays the ESCO a share of the savings resulting from the energy efficiency improvements. Federal and state buildings around the country have benefited from the implementation of ESPCs because if the building modifications do not produce any cost savings, taxpayers are not liable for any expense. The ESCO is additionally obligated to pay for maintenance to equipment, as well as measuring energy consumption and savings.

Despite the fact that ESPCs have achieved bipartisan, bicameral support, scoring rules for legislation are a major impediment to broad implementation. Under CBO's current scoring rules, ESPCs are considered a cost instead of a savings, which makes it more difficult achieve the cost savings and environmental benefits that the private sector and state and local governments are already receiving from the use of such contracts.

Another painless way to save billions of dollars is to phase out the \$1 note and transition to the \$1 coin. The GAO has issued six separate reports over 22 years stating that billions could be saved from eliminating the \$1 note. In its most recent report released in February 2012, the GAO estimated that switching to the \$1 coin would save at least \$4.4 billion over 30 years, or \$146 million per year.

The Currency Optimization, Innovation, and National Savings (COINS) Act, introduced during the 113th Congress as H.R. 3305 in the House by Rep. Michael Fitzpatrick (R-Pa.) and as S. 1105 in the Senate by Sen. Tom Harkin (D-Iowa), would require Federal Reserve Banks to stop issuing the \$1 note four years after enactment of the legislation or when circulation of \$1 coins exceeds 600 million annually, whichever comes first.

A long-standing area of concern for CAGW has been the financially-beleaguered U.S. Postal Service. The time has never been better to enact bold, forward-looking structural reform of Postal Service. These improvements should permit the postal service to meet its universal obligations, right-size its workforce to meet the demands of an evolving postal industry, and most importantly avoid a taxpayer bailout.

While specific programs can be reformed, consolidated, or terminated by Congress at any time, such actions have been few and far between and when they have occurred, they have been ineffective. In fact, the congressional committee structure itself contributes to the duplication and overlap identified by GAO, since federal agencies can't create programs on their own. In some cases, dozens of committees and subcommittees have jurisdiction over a single issue.

A December 2011 Boston University Law Review article by Michael Doran, "Legislative Organization and Administrative Redundancy," noted that:

Every congressional committee has strong incentives to protect and expand its jurisdiction, both through new legislation and through oversight of executive-branch agencies. The establishment and maintenance of administrative programs, even if duplicative of other programs, enable a committee to exercise its existing jurisdiction and to stake new jurisdictional claims. From the perspective of committee members, that

outcome is unquestionably good. In Congress, as in the bureaucracy, turf is everything. No less importantly, standing committees enjoy substantial parliamentary prerogatives in both chambers of Congress. These prerogatives – such as the power to block floor amendments and the power to dominate the bicameral conference committees – effectively prevent chamber majorities from moving legislation unacceptably far from the policy positions preferred by the standing committees.

Mr. Doran noted that congressional committee jurisdictional fragmentation and parliamentary prerogatives therefore “bias legislative outcomes in favor of redundancy.” He concluded that “the institutional structures facilitating redundancy have mixed effects” and suggested that one method to address this problem would be to preserve existing committee jurisdiction while reducing committees’ parliamentary prerogatives, therefore “encouraging redundancy in program design” but “discouraging redundancy in program implementation.”

As this committee continues its efforts to improve the management of the taxpayers’ hard-earned money, it would be helpful to review in a separate hearing how the congressional committee structure affects the duplication and overlap that pervades federal expenditures. Recognizing that Congress may have problems recommending changes to its internal rules, Mr. Doran suggested that a commission similar to BRAC be established in order to make recommendations on committee reorganization.

Even when Congress enacts legislation to improve specific areas of mismanagement, it can take years to get results. For example, GPRA passed in 1993 with the intent of improving project management by establishing basic standards and procedures for measuring the effectiveness of agency expenditures. GPRA included positive steps toward reducing

mismanagement in agency spending, such as increasing transparency and oversight, requiring multiyear strategic plans, annual plans, and annual reports. However, the subjectivity of what defines “success” in accomplishing performance goals has made determining the achievement of the law difficult.

In 2010, GPRAMA substantially modified GPRA by establishing new products and processes that focus on goal setting, and also updating the law to reflect technological changes. GPRAMA established welcome changes such as “quarterly priority progress reviews” and a government-wide performance website. However, the enactment of GPRAMA 17 years after the original GPRA begs the question as to why these provisions were not included either in the original legislation or otherwise long before 2010.

Similarly, the Improper Payments Information Act (IPIA) of 2002 was enacted to require the measurement of incorrect disbursements and incomplete or missing paperwork used for the calculation of payments. According to CRS, “The law required agencies to identify each year programs and activities vulnerable to significant improper payments, to estimate the amount of overpayments or underpayments, and to report to Congress on steps being taken to reduce such payments.” The focus of the legislation was more on reporting improper payments than reducing the amount of improper payments. That helps explain why despite the enactment of the IPIA, the amount of improper payments rose from \$45 billion in fiscal year 2004 to \$125 billion in fiscal year 2010.

Due in part to this increase, Congress enacted the Improper Payments Elimination and Recovery Act in 2010, which required agencies to identify, estimate, report, and recover improper payments. Two years later, President Obama signed into law the Improper Payments

Elimination and Recovery Improvement Act of 2012, which further expanded the efforts to bring improper payments under control. According to OMB's paymentaccuracy.gov website, the government has "avoided over \$47 billion in improper payments over the past three years, almost hitting the President's ambitious goal of avoiding \$50 billion in improper payments by the end of FY 2012." While this achievement is laudable, the starting point for cutting improper payments was far greater than it needed to be.

Regardless of whether the federal government is in surplus or deficit, there is no excuse for mismanaging the taxpayers' money. For example, Sen. Coburn's "Wastebook 2013" included 100 examples of absurd expenditures totaling \$30 billion that would qualify as inefficient use of federal resources under any circumstances.

For example, the Army spent \$297 million to develop a football field-sized blimp to provide continuous surveillance of the Afghan battlefield. It was never used, and in 2013 the Army sold it back to the contractor that was building it for \$301,000, or .10 percent of what it cost to build. As Sen. Coburn noted, in an era of smaller and more agile surveillance devices, the "mega blimp" did not make sense. GAO found that the airship weighed 12,000 pounds more than intended and could not fly either at the projected height or for as many days as anticipated.

Sen. Coburn's "Wastebook 2013" also pointed out that the federal government not only has far too many empty and little used federal buildings, it also has to spending money to maintain them, including keeping the lights on when no one is even in the facilities. In 2010, GAO found that an empty building owned by the Veterans Affairs Administration cost \$20,000 annually to operate, and that the General Services Administration spent nearly \$2 million on a warehouse that was completely empty from 2008 through 2011. In total, the government spends

at least \$1.5 billion annually maintaining properties it no longer needs. This kind of mismanagement would not be tolerated in the private sector; someone would either lose their job or the organization would go broke.

Better stewardship of the taxpayers' money should be the mantra for every member of Congress. Every American would be well-served if every day elected representatives and senators came to work thinking first and foremost about how they could better manage the taxpayers' money and solve problems effectively with the resources that are already allocated to the federal treasury and through the use of existing programs, and only after doing all that can be done to answer that question affirmatively then seek another way to solve the problem. In other words, rather than thinking that his or her committee or subcommittee has the best or the only answer to solve a perceived problem, each representative and senator should first think about how to solve the problem and then determine if a new program is needed.

I appreciate the opportunity to testify before the committee today, and would be glad to answer any questions.

Chairman ISSA. And at this time I'm going to ask unanimous consent that the 2012 Congressional Ratings for the Council of Citizens Against Government Waste be placed in the record, and the February 2013 publication of "Prime Cuts Summary" be placed in the record. Without objection, so ordered.

Chairman ISSA. We now go to Mr. Edwards.

STATEMENT OF CHRIS EDWARDS

Mr. EDWARDS. Thank you very much, Chairman Issa and Ranking Member Cummings. I'm Chris Edwards, editor of DownsizingGovernment.org at the Cato Institute.

The Federal Government faces a dismal fiscal future with rising spending and debt. If you look at the CBO long-range projection, long-range baseline, that looks bad enough, but for reasons I go through in my written testimony, our fiscal future is much worse than the CBO baseline shows. The upshot to me is that we need to look at every Federal agency and cut and terminate waste and low priority programs.

What is waste? Well, it's government spending where the cost is higher than the benefits created for citizens, and in my view, it's also Federal activities that the Federal Government does a poor job at that could be much better carried out by State, local governments, and the private sector.

As I think Congressman Duncan mentioned, there are stories in the media of GAO reports every week about waste in the Federal Government. My research for DownsizingGovernment.org shows there was waste and cost overruns and fraud and abuse all the way back to the beginning of the Republic. The 19th century is full of examples of wasteful spending. So what I take out of that is that there's a basic structural problem with the Federal Government and how it operates. Waste is endemic and chronic.

There's a lot of reasons for that. The Federal Government today has become just so huge that Federal auditors and oversight committees just can't keep track of all the spending. There are 2,200 separate subsidy and benefit programs in the Federal Government today. They are all susceptible to fraud, waste, and abuse. Unlike the private sector, poorly performing Federal agencies never go bankrupt, they're not subject to takeover bids, there is no built-in mechanism to provide for efficiency in the Federal Government like there is in the private sector. Federal managers face no profit incentive, giving them little reason to proactively reduce waste and fraud.

The only real solution, then, from my point of view is that we need to downsize the Federal Government. How do we do that? One thing we need to do is we need to revive federalism. We spend \$560 billion a year on Federal aid to the States. In my extensive research, the aid system is rife with waste and inefficiency. Senator Coburn's Wastebook had many, many examples, and many of the examples were aid to State programs.

So why is that? There's really bad incentives built into the Federal aid system. State and local governments simply do not spend Federal money as frugally and efficiently as they spend Federal money. Coburn's report, for example, goes into a gold-plated million-dollar bus stop in Arlington, Virginia, near where I live. 80

percent of the money for that bus stop came from higher levels of government, so Arlington County has no incentive to spend the money efficiently. And that happens throughout the Federal aid system.

I think the three layers of government in the United States should be sort of like a tidy layer cake, with each layer funding its own programs. The citizens would know who's responsible for those programs. The aid system makes American government sort of like a giant, confused marble cake. Citizens have no idea who's responsible for various programs like bus stops that go over cost. So I think cutting aid programs would be a great way to reduce waste.

My other recommendations I go into, privatization. Private sector companies have built-in incentives to minimize waste. Many governments around the world have figured that out. There has been a privatization revolution that has gone on around the world in recent decades. Over \$2 trillion of electric utilities and railroads and airports and post offices have been privatized all around the world. That revolution has bypassed the Federal Government in the United States for some reason.

Many things the Federal Government does today have been privatized in other countries. As this committee may know, Germany, the Netherlands and Britain have privatized their post offices. Now Canada and Britain have privatized their air traffic control systems. Most European countries use private airport screening, as I think Congressman Mica is certainly familiar with. Passenger rail has been privatized in Britain.

If you look at a system like air traffic control, our system is really falling behind. It's got massive cost overruns, it can't handle technology. We're running our air traffic control, which is a high-tech business, we're running it like a bureaucracy. It makes no sense. The solution here is privatization like Britain and Canada have done. The Canadian system, set up as a nonprofit corporation, nonsubsidized, works extremely well. It's one of the safest systems in the world. It is a leader in IT. That's where the United States needs to go with air traffic control.

Similarly, with the Postal Service, as I'm sure you're familiar with, Mr. Chairman, the Royal Mail, a 500-year-old government company was privatized a few months ago in Britain, raised \$3 billion for the federal government. The British Government did that for the same reasons that we've got problems with our USPS: declining mail volume, the need for greater efficiency in the modern economy. So if Britain has done it, I see no reason why this country can't privatize its postal system.

So in sum, I think reviving federalism and pursuing privatization would go a long way to cutting waste in the Federal Government. Thank you very much.

Chairman ISSA. Thank you.

[Prepared statement of Mr. Edwards follows:]

Reducing Wasteful Federal Spending

Statement of Chris Edwards,

Editor, DownsizingGovernment.org, Cato Institute,

before the House Committee on Oversight and Government Reform

January 9, 2014

Mr. Chairman and members of the committee, thank you for inviting me to testify today. My comments will examine the need to cut spending, causes of government waste, and budget reforms that policymakers should consider.

The Need to Cut Spending

Federal spending and debt have soared this century. As a share of gross domestic product (GDP), spending grew from 18 percent in 2000 to 22 percent today, while debt held by the public jumped from 35 percent to 75 percent. Some of the causes of these increases include the cost of wars, the effects of the recession, and the growth of entitlement programs.

Projections from the Congressional Budget Office (CBO) show that—without reforms—spending and debt will continue rising for decades to come. Under the CBO’s long-term baseline, spending is expected to grow to more than 26 percent of GDP by 2038 and debt will rise to 100 percent.¹

However, the CBO baseline may be optimistic for at least six reasons:

1. Policymakers may break future spending caps under the Budget Control Act.
2. The United States may face unforeseen wars and military challenges.
3. The economy may have another deep recession.
4. Future presidents and congresses may launch expensive new spending programs.
5. Interest rates may be higher than projected, further pushing up federal interest costs.
6. Rising spending and debt will suppress economic growth in coming decades. That negative effect is not accounted for in CBO’s baseline after the first 10 years.

These factors could make our fiscal outlook even worse than the official baseline. The upshot is that policymakers should begin to identify low-priority programs to cut and terminate. They should scour every agency for waste.

Narrowly defined, government “waste” is usually thought as the sort of silly or embarrassing projects and failures that Senator Tom Coburn identifies in his annual wastebook.² Most people would agree that spending \$1 million on studying romance novels or the Pentagon spending \$300 million on unused blimps is a waste of money.

However, as an economist, I have a broader view of waste. Waste means the misallocation of resources to low-value activities. It means government spending on projects that cost

more than the benefits they create. It means subsidies and regulations that cause individuals and businesses to reduce their productive efforts or to engage in unproductive activities. Federal waste occurs when the government causes the inefficient use of capital, labor, time, and effort.

The federal government will spend \$3.6 trillion this year. The waste problem is not just that there are cost overruns and mismanagement in many federal agencies. The problem is that the federal government does many things that would be done better by state and local governments and the private sector, and that it does many things that should not be done at all.

Why Is the Federal Government So Wasteful?

I have been reading the *Washington Post* for 24 years, and there has been a never-ending stream of articles on federal waste and agency failures. Programs do not work, officials are wasting taxpayer money, and many unscrupulous people are receiving improper payments.

However, federal waste is not just a modern phenomenon. I have researched some of the oldest federal agencies and found that cost overruns, pork-barrel spending, fraud, and scandals were common as far back as the 19th century. In that century, for example, the Bureau of Indian Affairs was rife with corruption and organized groups plundered the aid sent to Indian tribes.³ The Army Corps of Engineers has also been known for mismanagement and pork-barrel spending for a very long time. The House Ways and Means Committee issued a report in 1836, for example, looking into chronic cost overruns in that agency's projects.⁴

So federal waste is not new, and it is not isolated to either political party. It is a structural problem with the way government works. Private businesses can also make bad decisions, have cost overruns, and misallocate investments. But private markets have built-in mechanisms to minimize those problems, whereas the government does not. The federal government has a hard time learning from its mistakes, and so wasteful spending has become chronic.

Here are 15 reasons for federal government wastefulness:

1. The government has become so huge that federal auditors, private watchdogs, and congressional oversight committees cannot even begin to review all the spending. The federal government funds more than 2,200 subsidy and benefit programs, and they are all susceptible to waste, fraud, and abuse.⁵
2. People tend not to spend other people's money as carefully as they spend their own. For federal decisionmakers, the source of funding for their favored programs can seem to be distant or abstract, but private-sector decisionmakers must weigh the costs and benefits of spending their own money.
3. Unlike in the private sector, poorly performing federal agencies are not subject to takeover bids, nor do they go bankrupt, and thus there is no built-in system to eliminate failed activities. In the private sector, roughly 10 percent of U.S. companies go out of

business each year, and corporate executives get ousted all the time. In the private sector, poor performance gets punished.

4. There are more political rewards for federal policymakers to add new programs and expand existing ones than to weed out low-priority programs and waste. By contrast, private-sector decisionmakers are forced by bottom-line pressures to make tough decisions.
5. Federal managers face no profit incentive, giving them little reason to proactively reduce waste and cut costs. Indeed, without profits to worry about, federal managers often favor budget increases without any idea about whether expansion will add net value to society above the taxpayer costs.
6. Without the profit motive, there is little incentive for government workers and managers to innovate. There is less motivation than in the private sector to try and produce better services of higher quality.
7. To policymakers, costs are benefits, and that creates bad incentives. If a Pentagon project has a cost overrun, members with related jobs in their districts may not be worried because an overrun means more spending on their constituents. Academic research has shown that cost overruns are more frequent on government projects than on private-sector projects.⁶
8. Even if a federal agency wanted to adopt business-style efficiencies, the output of much government work is hard to measure, which would make it difficult to set performance goals for managers and workers.
9. Even if federal performance could be easily measured, federal worker pay is generally tied to longevity, not performance. Federal workers receive rising salaries even if they perform poorly.
10. Disciplining federal workers is difficult and they are rarely fired, which can result in agencies carrying heavy loads of poor performers.
11. The government needs complex regulations and extensive paperwork to carry out routine functions such as procurement. One reason is that in the public sector there are no clear goals such as maximizing profits. Another reason is the need to prevent public corruption. The plethora of rules adds to federal inefficiency and sluggishness.
12. Because of the frequent turnover of political appointees in federal agencies, many agencies experience continual changes in their missions driven by transitory and political factors.
13. Congress imposes extra costs on federal agencies in carrying out their duties, such as resisting closure of low-value facilities or cutting projects that affect the states or districts of important members.
14. Federal agencies can get influenced or “captured” by special interest groups that steer policies toward narrow goals, rather than broad public-interest goals.

15. The sheer size of the federal government makes coordination and decisionmaking for many activities very difficult. The multiplicity of congressional committees and executive branch agencies—each with an interest in expansion or mission creep—has led to a great deal of overlap and duplication in federal activities.

What is the solution to these problems? There is no straightforward, technocratic way to “reinvent” the federal government to make it work with a decent amount of efficiency. Some of these problems can be reduced to an extent, but as long as the federal government is as large as it is, it will sadly continue wasting hundreds of billions of dollars from misallocation, mismanagement, and other problems.

The only real solution to the ongoing waste in the federal government is to downsize it. To improve the performance of American government, we should begin decentralizing funding and decisionmaking for programs and activities out of Washington. We should revive federalism and hand more responsibilities back to state governments, while privatizing federal activities where we can.

Reviving Federalism

The federal government spent about \$560 billion on aid to the states in 2013, making aid the third largest item in the federal budget after Social Security and defense. The aid system has grown to more than 1,100 separate programs as the federal government has become involved in a large array of state and local activities, such as education, housing, and community development.⁷

The theory behind grants-in-aid is that the federal government can fund programs in the national interest to efficiently solve local problems. The idea is that policymakers can dispassionately allocate large sums of money across hundreds of activities based on a rational plan designed in Washington.

However, the aid system does not work that way in practice. Federal policymakers are often more focused on securing benefits for their states than ensuring money is spent efficiently. At the same time, aid stimulates overspending by state governments and creates a web of top-down federal rules that stifle state autonomy.

The aid system is rife with waste and inefficiency.⁸ I am not surprised that Senator Coburn’s wastebook provides many examples of dubious spending on aid-to-state programs.

Here are six reasons why the aid system is wasteful:

1. Bad Incentives. The incentive structure of aid programs encourages overspending by federal and state policymakers. Policymakers at both levels can claim credit for spending on a program, while relying on the other level of government to collect part of the tax bill. Aid programs often have a “matching” structure, which further stimulates overspending by the states. Coburn’s report, for example, profiles a gold-plated \$1 million bus stop in Arlington, Virginia, and huge cost overruns at a transit center in Maryland.⁹ These are

classic cases of how local governments are not frugal on projects when the federal government is picking up a substantial share of the tab.

2. Misallocation. Supporters of federal aid assume that funding can be optimally distributed to those areas with the greatest needs. But the aid system often does not work that way. For example, fast-growing Texas and Florida usually get the short end of the stick on highway aid.¹⁰ In private markets, the price mechanism allocates resources and investments efficiently based on market demands. By contrast, federal aid is often distributed based on guesswork, political pull, parochial concerns, and pressure from lobbyists.

3. One Size Fits All. Certain programs may make sense for some states, but not for others. Yet the federal aid system essentially requires all the states to pay for programs dreamed up in Washington, even though residents of the various states may have different needs and viewpoints on the spending. Furthermore, each of the 1,100 aid programs comes with federal rules and regulations that can put a straightjacket on state policy innovation.

The American states were supposed to be laboratories of democracy. State policy diversity is a good thing, as is fiscal competition between the states. If California wants to spend its own funds on high-speed rail, it can do so, and the rest of the states will be able to learn from California's experience. A decentralized approach where states are free to fund their own activities would lead to better public policy for the whole nation.

4. Intense Bureaucracy. Federal aid is not a costless injection of funding to the states. Federal taxpayers pay the direct costs of the grants, but taxpayers at all levels of government are further burdened by the bureaucracy needed to support the system. The aid system engulfs government workers with unproductive activities such as proposal writing, program reporting, regulatory compliance, auditing, and litigation.

Many of the 16 million people employed by state and local governments must deal with complex federal regulations related to the plethora of aid programs. Each of the more than 1,100 aid programs have different rules, and the activities funded by the programs often overlap, which causes more confusion.

5. Policymaking Overload. One consequence of the large aid system is that the substantial time spent by federal policymakers on state and local issues takes away from their focus on truly national issues, such as defense. If members of Congress were to spend less time on local issues such as K-12 schools, for example, they would have more time to oversee the Pentagon and cut its waste. President Calvin Coolidge warned about the danger of "encumbering the national government beyond its wisdom to comprehend, or its ability to administer" interventions into local affairs.¹¹

6. Unclear Responsibilities. The three layers of government in the United States no longer resemble a tidy layer cake, but instead are like a jumbled marble cake with responsibilities fragmented across multiple layers. Federal aid has made it difficult for citizens to figure out which level of government is responsible for particular activities. All three levels of government play big roles in such areas as education, which makes accountability difficult and encourages policymakers to point fingers of blame when problems arise. When every government is responsible for an activity, no government is responsible.

The federal aid system is a roundabout and inefficient funding method for state and local activities. Cutting federal aid programs would be a great way to reduce government waste.

Privatization

I discussed how the private sector has built-in mechanisms to minimize waste that governments do not have. Many governments have figured that out, and since the 1980s there has been a revolution in privatizing government-owned businesses and assets around the world.¹² Over the last three decades, roughly \$2 trillion or more of airports, railroads, electric utilities, post offices, and many other items have been privatized.¹³

Governments have pursued privatization in order to cut waste, spur growth, create higher quality services, and reduce government deficits. Many international studies looking at this reform experience have generally confirmed the benefits of privatization.¹⁴

In the United States, there are many federal activities that could be privatized and have been privatized in other advanced economies. Germany, the Netherlands, and Britain privatized their post offices. Canada and Britain privatized their air traffic control systems. Britain privatized its passenger rail system. Most European countries have privatized their airport security screening. The United States has the Tennessee Valley Authority, but many other nations have privatized their electric utilities.

Let's look at our air traffic control (ATC) system, which is run by the Federal Aviation Administration (FAA). The FAA has been plagued by cost overruns and uninspiring performance for decades.¹⁵ Currently, the FAA is struggling to move ahead with NextGen, a huge project to bring GPS and digital communications to ATC. Those changes would expand our airspace capacity and allow shorter flight paths, which would save time and reduce costs.

However, "NextGen remains mired by setbacks, cost overruns, and delays as a result of FAA mismanagement," noted one recent study.¹⁶ *Bloomberg* reported that "more than one-third of the 30 contracts critical to building a new U.S. air-traffic system are over budget and half are delayed ... eleven of the 30 contracts underpinning the so-called NextGen system exceed projected costs by a total of \$4.2 billion."¹⁷

The solution is to privatize the ATC system and separate it from the government. Privatizing the FAA would give managers the flexibility they need to improve performance. It would allow for improved cost efficiency and better investment decisions. ATC is a high-tech industry, and so we should not be trying to run it as a bureaucracy.

Canada privatized its ATC in 1996, setting the system up as a nonprofit corporation, Nav Canada.¹⁸ The company is self-supporting from charges on aviation users. It is one of the safest systems in the world, and has won international awards for its efficient and innovative management.¹⁹ Britain has also privatized its ATC system in the form of a nonprofit corporation.

Another candidate for privatization is the U.S. Postal Service. The USPS has been losing money as it faces a long-term decline in mail volume. The USPS needs to reduce costs and

increase efficiencies. While USPS management is trying to make some reforms—such as ending Saturday delivery and closing post office locations—Congress often blocks such efforts. The way ahead is to privatize the USPS and repeal the company’s legal monopoly over first-class mail.

Britain recently privatized its Royal Mail, proceeding with an initial public offering of shares that raised about \$2.7 billion for the government.²⁰ The new private postal company will continue to provide universal service to all households. The government proceeded with this reform because the Royal Mail faces falling mail volumes and the need for greater efficiency to better compete—which are the same problems that the USPS faces.

In sum, governments around the world are tackling the problem of waste in government, and one of the solutions that many nations are pursuing is privatization.

Conclusions

Federal spending is too high and government debt is piling up. Official projections show rivers of red ink for years to come unless policymakers enact reforms. Unless spending and deficits are reduced, the United States will face slower economic growth and possibly further financial crises down the road.

Policymakers should turn their attention to cutting unneeded and wasteful federal spending. Great places to start would be to cut aid programs for the states and to privatize activities where possible. When the federal government takes over activities best left to states, businesses, charities, and individuals, it usually generates a lot of bureaucratic waste and inefficiency, which ultimately harms the economy and reduces American incomes.

Some other nations have made substantial cuts to their government budgets and pursued reforms such as privatization with very beneficial results.²¹ So U.S. policymakers should view spending reforms as an opportunity to create positive and lasting benefits to the economy and society.

Thank you for holding these important hearings.

Chris Edwards
Editor of www.DownsizingGovernment.org
Cato Institute
202-789-5252
cedwards@cato.org

¹ Congressional Budget Office, “The 2013 Long-Term Budget Outlook,” September 2013.

² Office of Senator Tom Coburn, “Wastebook No. 4,” December 2013.

³ www.downsizinggovernment.org/interior/indian-lands-indian-subsidies.

⁴ www.downsizinggovernment.org/usace. And see Ryan Alexander, “The Army Corps of Engineers Excels at Wasting Money,” *usnews.com*, March 27, 2013.

⁵ Program count from www.cfda.gov.

⁶ Research summarized in www.downsizinggovernment.org/government-cost-overruns.

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- ⁷ www.downsizinggovernment.org/fiscal-federalism.
- ⁸ Chris Edwards, "Federal Aid to the States: Historical Cause of Government Growth and Bureaucracy," Cato Institute, May 2007.
- ⁹ Office of Senator Tom Coburn, "Wastebook No. 4," December 2013, pp. 32, 45.
- ¹⁰ Ronald Utt, "Turn Back Transportation to the States," Heritage Foundation, February 2012.
- ¹¹ www.presidency.ucsb.edu/ws/index.php?pid=29566.
- ¹² www.downsizinggovernment.org/privatization.
- ¹³ Worldwide privatization proceeds between 1977 and 1999 is estimated at more than \$1 trillion. See Bernardo Bortolotti, Marcella Fantini, and Domenico Siniscalco, "Privatisation Around the World: Evidence From Panel Data," *Journal of Public Economics*, 2003. Worldwide privatization proceeds between 2000 and 2010 is also estimated at more than \$1 trillion. See John Nellis, "The International Experience With Privatization," School of Public Policy, University of Calgary, January 2012, p. 6.
- ¹⁴ Some overview studies of the results of privatization include: Organization for Economic Cooperation and Development, "Privatising State-Owned Enterprises," 2003; Anthony Boardman and Aidan Vining, "A Review and Assessment of Privatization in Canada," School of Public Policy, University of Calgary, January 2012; and Stuart Holder, "Privatization and Competition: the Evidence from Utility and Infrastructure Privatisation in the UK," National Economic Research Associates, prepared for the Organization for Economic Cooperation and Development, September 1998.
- ¹⁵ www.downsizinggovernment.org/transportation/airports-atc.
- ¹⁶ U.S. Travel Association, "Thanksgiving in the Skies," November 2013, p. 5.
- ¹⁷ Alan Levin, "NextGen FAA Contracts Are \$4.2 Billion Over Budget, GAO Says," *Bloomberg.com*, February 16, 2012.
- ¹⁸ www.navcanada.ca.
- ¹⁹ Chris Edwards, "Privatize the FAA," *Daily Caller*, April 24, 2013. And see Glen McDougall and Alasdair S. Roberts, "Commercializing Air Traffic Control: Have the Reforms Worked?" Suffolk University Law School, February 17, 2009.
- ²⁰ The privatized Royal Mail delivers letters and packages. The government retained what is now called the "Post Office," which is a chain of retail outlets providing postal and other services. See www.royalmailgroup.com/about-us/privatisation-our-journey.
- ²¹ For example, see Joint Economic Committee, "Spend Less, Owe Less, Grow the Economy," Republican staff, March 15, 2011. And see Chris Edwards, "We Can Cut Government, Canada Did," *Cato Policy Report*, May-June 2012.

Chairman ISSA. Mr. Arnold.

STATEMENT OF BRANDON ARNOLD

Mr. ARNOLD. Yes. My name's Brandon Arnold. I'm the vice president of government affairs for the National Taxpayers Union. And thank you to the committee and the chairman and ranking member for having me today.

I'd like first of all to say Senator Coburn's done a phenomenal job with his Wastebook, as have CAGW with their "Prime Cuts," and Chris Edwards and the Cato Institute with DownsizingGovernment.org.

At NTU, we approached our guide to reducing wasteful spending slightly differently. We actually partnered with a group, United States Public Interest Research Group, and Jaimie is immediately to my left here, to find areas of the Federal budget, mostly wasteful in nature, inefficient, unnecessary programs that both the left and the right could agree upon. And we published this report, "Toward Common Ground: Bridging the Political Divide with Deficit Reduction Recommendations for Congress," just last month. It contains 65 specific recommendations, again, that the left and the right can agree upon, and that would save well over \$500 billion over a 10-year window.

Now, let's be honest. If I'm writing this report singly, by myself, I would include a heck of a lot more, but, you know, when you're cooperating, there's a lot of talk about bipartisan cooperation here, we are very pleased to work with U.S. PIRG and find stuff that we both agreed upon. I won't—I don't have time to—go through all 65 recommendations in this brief period here, but the report is included in its entirety in the binder there, and I hope you guys will—

Chairman ISSA. Without objection, the entire binder will be placed in the record.

Mr. ARNOLD. Thank you. I hope you will look at it, share it with your staffs, share it with your colleagues, and use it as best you can.

Let me just to touch on a couple quick highlights, if I may. Included in that \$500 billion figure is up to \$152 billion in savings from eliminating wasteful subsidies to agribusiness and other corporations. This includes things like cutting \$2 billion by eliminating the Market Access Program, which pays for large corporations to market their products overseas; reducing funding by a billion dollars for the EDA, the Economic Development Administration.

Also, there's \$197.2 billion in savings from ending low priority or unnecessary military programs. Included in that \$197 billion figure is reducing by \$1.9 billion expenditures on military bands. There's as much as \$42.3 billion from improvements to program execution and government operations. That includes \$140 million in savings from eliminating duplicative catfish inspection program, which has been cited numerous times by many groups on the left, right, by many outlets of media as being an absolutely wasteful, duplicative program that's duplicated at the FDA, as well as at NOAA.

There's also \$131.6 billion in savings from reform to entitlement programs, often a tricky area to root out waste and fraud, but we

found \$1.8 billion by stopping improper Medicare payments to non-covered chiropractic services and \$7.6 billion from aligning Medicare lab fees with those in the private sector.

So of those 65 recommendations, I'm pleased to say that one has been enacted into law already in the budget deal that Congress passed last month. There was a \$50 million savings that came from the Ultra-Deepwater Natural Gas and Petroleum Research program. It's a little bit of a mouthful there. Pleased to see that that was included in the budget deal. And again, that will save \$50 million. So that's one down and 64 to go. There's a lot of work to be done.

The second half of my testimony, and I know Jaimie's going to get a little bit more into the report in just a moment, the second half of my testimony I try to touch on a few legislative changes, more process-based changes that Congress could enact to reduce and eliminate waste and fraud. I'll touch on those just very, very quickly, and obviously they're there in my written testimony.

But strengthening whistleblower protections. We took a step forward in 2012 with S. 743, which I know was supported by the chairman and ranking member, to increase whistleblower protections for Federal employees. We took a step back, unfortunately, with the Conyers court decision in 2013 that'll exempt many Federal employees from whistleblower protection. So there's work to be done there.

Ending the use-it-or-lose-it spending spree that occur at the end of the fiscal year. I believe Congressman Duncan alluded to those in his earlier remarks. Reestablishing the "Byrd Committee," sometimes called the anti-appropriations committee. Creating a sunset commission or committee to require the periodic review of programs that are no longer needed. Auditing the Pentagon. This has been mentioned several times today already. Limiting spending. Just reducing spending, keeping spending caps in place, requiring agencies and departments to prioritize their programs when you start to trim away at their budgets can be very effective in reducing waste.

Touching on entitlement programs, critically important. My organization strongly supports the PRIME Act, which Senators Carper and Coburn spoke of earlier. And certainly involving the executive branch. The legislative branch can't do it alone. The executive branch needs to be part of the solution as well.

I see I'm just about out of time, so I will end my remarks there. Thank you.

Chairman ISSA. Thank you.

[Prepared statement of Mr. Arnold follows:]



“Waste in Government: What’s Being Done?”

Testimony of

Brandon Arnold

Vice President of Government Affairs

National Taxpayers Union

Committee on Oversight and Government Reform

United States House of Representatives

January 9, 2014

Introduction

Chairman Issa, Ranking Member Cummings, and distinguished Members of the Committee, my name is Brandon Arnold and it is a great pleasure to have the opportunity to testify before you today. I am the Vice President of Government Affairs for National Taxpayers Union (NTU), a non-partisan citizen group founded in 1969 to work for lower taxes and limited government at all levels. NTU is America’s oldest non-profit grassroots taxpayer organization, with 362,000 members nationwide.

Waste is a permanent problem facing government. Former Rep. Barney Frank (D-MA) often contended that it is extremely difficult to reduce waste because the fat doesn’t sit on top of the meat where it could easily be cut away, but rather is marbled. He’s correct in part: there is a great deal of fat that is marbled and thus, quite hard to reduce or eliminate. But there is also a tremendous amount of “low-hanging fruit” – wasteful and unnecessary spending that can and should be targeted by all Members of Congress, regardless of their ideological leanings.

Common Ground on Reducing Wasteful Spending

National Taxpayers Union has partnered with U.S. Public Interest Research Group, a left-leaning organization, on three separate occasions to highlight opportunities for spending reductions that should garner broad support. I was a coauthor of the most recent edition of this joint report, “Toward Common Ground: Bridging the Political Divide with Deficit Reduction Recommendations for Congress,” which was released last month.

The report contains 65 specific recommendations that would reduce the deficit by approximately \$523 billion over ten years with a particular focus on wasteful and inefficient spending. I hope you will read the entire report, (available here: <http://www.ntu.org/news-and-issues/uspig-ntu-toward-common-ground-2013-1.pdf>), but in the interest of brevity, I will mention just a few highlights of our findings.

- **Up to \$151.6 billion in savings from eliminating wasteful subsidies to agribusiness and other corporations.** This figure includes saving \$2 billion by eliminating the Market Access Program, which pays for large corporations to market their products overseas and reducing funding by \$1 billion for the Economic Development Administration, which was intended to benefit low-income communities but has instead become a source for many wasteful earmarks.
- **As much as \$197.2 billion in savings from ending low-priority or unnecessary military programs.** This includes saving taxpayers \$1.9 billion by reducing expenditures on military bands, \$691 million by reducing printing and reproduction costs at the Pentagon, and \$8.4 billion by consolidating commissaries and retail stores on military bases.
- **As much as \$42.3 billion in savings from improvements to program execution and government operations.** This includes saving \$140 million by eliminating a duplicative catfish inspection program at the U.S. Department of Agriculture and \$1.2 billion by cutting the Essential Air Service program, which funds service at dozens of facilities that serve fewer than 10 passengers per day or are within easy driving distance of major airports.
- **As much as \$131.6 billion in savings from reforms to major entitlement programs.** These recommendations include saving \$1.8 billion by stopping improper Medicare payments on non-covered chiropractic services, \$7.6 billion by aligning Medicare lab fees with those in the private sector, and \$11 billion by reforming and reducing payments to teaching hospitals.

To date, just one of these 65 recommendations has been enacted into law – the Bipartisan Budget Act of 2013 eliminated the Ultra-Deepwater Natural Gas and Petroleum Research program, a change that is projected to save taxpayers \$50 million. There remains much work to be done. I should also point out that our report utilized the most conservative (i.e., most modest) savings estimates possible. In many cases, credible (but somewhat more speculative) third-party analyses put the potential savings for many of these items much higher.

Legislative Strategies for Targeting and Reducing Waste

How can Congress reduce wasteful spending? It is not an easy process as it involves many steps – defining waste, identifying examples of it, crafting a bill, getting this legislation enacted into law, and working with the Administration to ensure it is effectively addressing the problem. The last point can oftentimes be particularly problematic, as some have said that budget rules and agency guidelines are no substitute for the so-called “political will” to address waste, fraud, and abuse. While it is quite true that dedicated, mission-oriented leaders and employees must be part of this process, dismissing the importance of legislative measures is tantamount to surrendering in the fight against needless,

profligate government spending. NTU has encountered several proposals in the current and previous Congresses which could be effective in taming wasteful expenditures. The following are but a few examples:

Strengthen Whistleblower Protections. The previous Congress saw the culmination of a decades-long battle involving hundreds of citizen groups on behalf better protections from official retaliation for federal government whistleblowers. S. 743, signed into law November 27, 2012, reaffirms previously enacted whistleblower statutes, reverses several damaging policy precedents, and establishes new safeguards, such as: creating whistleblower Ombudsmen in Inspector General Offices, removing a hostile court's sole jurisdiction over certain whistleblower proceedings, and allowing the Office of Special Counsel (OSC) to file friend-of-the-court briefs to support whistle-blowing employees who appeal administrative rulings against them.

These reforms have been helpful and the response from the OSC encouraging. Nonetheless more legislative work remains, especially in light of the *Conyers* court decision in 2013 that effectively gave the green light for agencies to reclassify hundreds of thousands of federal positions as "sensitive" (and therefore not fully protected under whistleblower statutes). Congress must act to re-establish the intent of S. 743 by clarifying that agencies do not have this latitude, and that employees who do not have either a security clearance or access to classified information cannot be stripped of their due process rights by relying on a flawed court ruling. In addition, Congress should create a safe communication channel in the law that would allow those who truly do work in national security areas of government to convey information to appropriate committees without fear of reprisal from their supervisors. We applaud the House and Senate's recent work to improve and update the Military Whistleblower Protection Act of 1988.

Address End-of-Fiscal-Year "Use It or Lose It" Spending Sprees. Currently, many agencies operate under a "use it or lose it" philosophy at the end of the fiscal year. This was documented in a September 28, 2013 article in the *Washington Post* that detailed many examples of extravagant, wasteful spending that routinely occurs in the closing days of the year. According to the *Post*, 19.1 percent of all spending occurs in the final five weeks of the fiscal year. Many of the expenditures are rather dubious. For instance, in the last few days of the 2013 fiscal year, the Department of Veterans Affairs spent \$562,000 on artwork; the U.S. Department of Agriculture spent \$127,000 on toner cartridges; and the U.S. Coast Guard spent \$178,000 on cubicle furniture – an expenditure that its own spokesman admitted was "lower-priority." One option for reducing this practice would be converting to biannual budgeting. Representative Reid Ribble (R-WI) has introduced bipartisan legislation, H.R. 1869, to do so.

Reestablish the "Byrd Committee." The late Senator Harry F. Byrd Sr. (D-VA), whose son (also a Senator) was a close advisor to NTU, first created the Joint Committee on the Reduction of Nonessential Federal Expenditures in 1941. Over the next 33 years, the so-called "Byrd Committee" was vital in finding, studying, and eliminating government waste in order to strengthen federal finances. In its first four years of existence alone the Byrd Committee's recommendations directly saved the government

nearly \$2.5 billion while requiring only \$46,000 in funding. Legislation to create such a committee has been introduced regularly, most recently by Rep. Jeff Duncan (R-SC) in the form of H. Res. 119.

Sunset Outdated or Unnecessary Programs. H.R. 606 (112th Congress) would have created a Sunset Commission to methodically evaluate each federal program against standard criteria, thereby producing a report for those initiatives that should be eliminated or reformed. The key to this proposal's success is a provision that the Commission's findings for abolished programs would take effect unless Congress specifically reauthorized each of them. A slightly different version of a sunset bill, H.R. 1954, was introduced by Rep. Richard Hudson (R-NC) in the current Congress. This legislation would require GAO to review three executive departments a year to look for agencies and programs that are no longer needed. Congress would then be required to reauthorize each of these departments with GAO's recommendations in mind. Furthermore, lawmakers could consider a more inclusive, freewheeling process for eliminating wasteful programs. In the 103rd and 104th Congresses, Representatives Rob Andrews (D-NJ) and Bill Zeff (R-NH) proposed a legislative framework that would have permitted more than 50 hours of structured but open (i.e., without prior Committee approval) House floor debate over virtually any federal spending item. Although Leadership generally opposed this "A to Z Spending Cut Plan" as too unwieldy, the fact is not lost on taxpayers that the national debt has more than tripled since the proposal was unceremoniously buried. Perhaps the time has come to unearth "A to Z" and explore the benefits of such an approach; if nothing else, the American people and their elected officials would be part of a prominent national conversation on how government can work better.

Audit the Pentagon. Bipartisan bills to audit the Pentagon have been introduced as H.R. 3184 by Representatives Mike Coffman (R-CO) and Jim Cooper (D-TN), and as S. 1510 by Senators Joe Manchin (D-WV) and Tom Coburn (R-OK). The Pentagon has never fully complied with financial management laws. Senator Coburn's staff estimated in 2011 that a financial audit could produce savings of approximately \$25 billion per year. The need to fully audit the Pentagon is underscored by the disappointing results of the reforms initiated by former-Defense Secretary Robert M. Gates, who directed the Department of Defense to identify and pursue \$100 billion of savings over five years through actions such as manpower reductions. Another \$78 billion was to be achieved by consolidating information technology, reducing bureaucracy at top levels, and cutting back on internal reports. A subsequent Government Accountability Office report could only identify less than \$3 billion in savings DoD might actually realize from some of the efficiency initiatives. A 2012 review initiated by DoD's Comptroller outlined \$60 billion in FY 2013-2017 savings from "more disciplined use of resources," but GAO has expressed doubts that these goals have been adequately articulated.

Limit Spending. Leaner budgets require department and agency heads to exercise additional fiscal discipline and prioritization. Absent such restraints, there are insufficient incentives to meaningfully address waste, fraud and abuse. Accordingly, Congress should have kept the Budget Control Act of 2011 caps in place, although it would have been reasonable to reprioritize the spending within the existing spending limits. Additionally, Congress should pass and send to the states a Balanced Budget Amendment to the Constitution. Doing so would force departments and agencies to prioritize spending and reduce waste. Numerous Balanced Budget Amendments have been introduced in this Congress.

Address Waste in Entitlement Programs. Tackling waste, fraud and abuse in Medicare and Medicaid can be more daunting given the size of the programs and difficult political considerations. Thankfully, there have been bipartisan attempts to make much-needed reforms to these programs. The Preventing and Reducing Improper Medicare and Medicaid Expenditures Act of 2013, or PRIME Act, was introduced in the House by Representatives Pete Roskam (R-IL) and John Carney (D-DE) and in the Senate by Senators Tom Carper (D-DE) and Tom Coburn (R-OK). The bill was endorsed by my organization, NTU, as well as by progressive groups like the Center for American Progress Action Fund. The PRIME Act would make important, common-sense reforms to entitlements such as reining in the abuse of physician identification numbers by criminals seeking illegal access to prescription drugs at the expense of taxpayers, improving the tracking of improper payments to stop this persistent problem before it happens, and helping seniors and other beneficiaries blow the whistle when Medicare or Medicaid funds are being misused.

Involve the Executive Branch. Despite partisan tensions, Members of Congress can and should acknowledge the value of the Executive Branch's recommendations for reducing wasteful expenditures. Constitutional item-veto or enhanced rescission powers are worthwhile topics for consideration (NTU has supported such measures in the past). However, Congress need not engage in such protracted debates to effect some savings with the help of the President. According to an analysis from NTU's research affiliate, National Taxpayers Union Foundation, the White House's FY 2014 Budget lists 215 "cuts, consolidations, and savings" proposals amounting to more than \$25 billion in 2014. A total of 159 specific items pertain to "discretionary" programs, 119 of which (worth \$8.3 billion) were in the FY 2013 budget as well. Granted, some of the "savings" proposals amount to little more than tax increases, which NTU does not support. Others are admittedly controversial from policy standpoints. Nonetheless, NTUF research indicates that the pattern of neglected spending-cut opportunities from Presidential budgets stretches many years back. Congress should more forthrightly consider these recommendations, if for no other reason than to demonstrate due diligence toward deficit reduction.

Additionally, Congress should pay close attention to the recommendations from federal workers via the President's SAVE Award. President Obama created the Securing Americans Value and Efficiency, or SAVE, Award in 2009. As with enhanced whistleblower efforts, SAVE Awards encourage federal employees to identify and reduce wasteful expenditures. According to the White House, 80 SAVE submissions have been included in the President's budgets.

Conclusion

Efforts to reduce wasteful government spending are critical. Although cutting waste can limit some red ink, such efforts alone cannot solve our serious long-term debt and deficit problems. However, they can demonstrate to Americans Congress's desire to act as a good steward of their hard-earned tax dollars. On those grounds alone, Congress has an obligation to root out and eliminate as much wasteful spending as it can. Once again, I appreciate the Committee's good work and the invitation to testify today. I will be pleased to answer any questions you may have.

Chairman ISSA. And since you get sort of a twofer, Ms. Woo, if you'll continue.

STATEMENT OF JAIMIE WOO

Ms. WOO. Good morning. Chairman Issa and Ranking Member Cummings, members of the committee, thank you for inviting me to testify today on behalf of the U.S. Public Interest Research Group. My name is Jaimie Woo, and I'm the Federal tax and budget associate for U.S. PIRG. U.S. PIRG is a federation of 27 State-based consumer advocacy groups. We are a nonprofit, nonpartisan organization that advocates improvements in fiscal policy, to stop special interest giveaways, increase budget transparency and accountability, eliminate waste, ensure subsidies or tax breaks serve the public, and make taxes fairer.

As Congress works to pass a budget for the next year, U.S. PIRG and the National Taxpayers Union, as Brandon had mentioned, have come together to offer a set of deficit reduction recommendations worth more than \$0.5 trillion dollars. This has appeal from across the political spectrum. Our December 2013 joint report, "Toward Common Ground: Bridging the Political Divide with Deficit Reduction Recommendations for Congress," of which I am a co-author, details 65 specific spending cuts over 10 years.

NTU and U.S. PIRG do not often agree on policy approaches to solving our Nation's problems, however, 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 people. In this report, we identified the low-hanging fruit of waste and inefficiency in the Federal budget that both Republican and Democratic lawmakers should recognize as unproductive uses of taxpayer dollars.

U.S. PIRG's approach to spending cuts is guided by four basic principles. Number one, oppose subsidies that provide incentives to companies that do harm to the public interest or do more harm than good. An example is funding for biomass research and development. Large-scale agricultural production of corn or other crops used for biomass often involve massive amounts of fertilizer, water, and land that drastically change the landscape of our country, accelerate problems caused by deforestation, and compete with food production, raising food prices globally.

Number two, oppose subsidies to mature, profitable industries that don't need the incentive. These companies are going to engage in activity regardless of taxpayer support. For example, Congress should eliminate the crop insurance program, which directly subsidizes insurance premiums to large agribusinesses on coverage they should and could purchase on their own.

Number three, support reforms to make the government more efficient. According to the Office of Management and Budget, the Federal Government owns tens of thousands of unused or underutilized buildings or structures, as Senator Carper had mentioned earlier. The public should not have to pick up the tab for maintaining buildings that are not used. Reducing inventory would save nearly \$15 billion over 10 years.

Number four, oppose programs where there is authoritative consensus to do so. So this means when there is a strong independent agreement across the political spectrum that a program is wasteful,

or an agency and department receiving the funding has argued against it. So, for example, the Army, Pentagon, and White House have all said that the Army no longer needs additional Global Hawk drones.

Our report's recommendations are specific, targeted, and name individual programs for reductions or elimination. Each recommendation is also backed up by authoritative sources, such as the Congressional Budget Office and the Government Accountability Office. We are long past the time for general references and rhetorical calls for attacking nameless, faceless programs that contain waste, fraud, and abuse.

And this is the precise reason that U.S. PIRG did not support the recent across-the-board cuts. Such policies fail to differentiate between true public priorities and where there is genuine waste or inefficiencies in the system. Our organization has argued in favor of programs to aid access to higher education and measures to ensure the safety of our Nation's food supply. Across-the-board cuts equate those programs with the wasteful spending we highlighted in our report.

While not in the report, we also urge committee members to review special interest carve outs through tax expenditures and loopholes. These expenditures have the same bottom line effect on our Nation's deficit as direct line item spending. Regardless of whether spending takes place through the Tax Code or through the appropriations process, ordinary taxpayers and small businesses wind up picking up the tab for that missing revenue in the form of cuts to worthwhile programs, higher taxes, or more debt.

We recognize that many of the items on our list challenge long-standing subsidies to narrow yet powerful special interests. Despite the fact that these expenditures serve little or no continuing public service and the public would likely support their elimination, there will no doubt be intense lobbying efforts to preserve these hand-outs. We strongly urge you to resist those efforts and take the first important steps toward addressing our Federal budgeting problems and ensuring that any public expenditure is for the public interest.

Thank you, and I'd be happy to answer any questions.

Chairman ISSA. Thank you.

[Prepared statement of Ms. Woo follows:]

Testimony of Jaimie Woo, U.S. PIRG Tax and Budget Associate
On
Federal Deficit Reduction Recommendations

January 9, 2014

Chairman Issa, Ranking Member Cummings, and members of the Committee, I thank you for inviting me to testify today on behalf of the U.S. Public Interest Research Group – U.S. PIRG.

U.S. PIRG is the federation of 27 state-based consumer advocacy organizations. We are a nonprofit, nonpartisan organization that advocates and educates to encourage a fair, sustainable economy, protect the public health, and foster responsive, democratic government.

As Congress works to pass a budget for the next year, U.S. PIRG and the National Taxpayers Union (NTU) have come together to offer a set of deficit reduction recommendations worth more than half a trillion dollars. These spending cuts and government reforms represent the “low hanging fruit,” with appeal from across the political spectrum.

How government collects and spends money is critically important. Tax and budgeting decisions are the most concrete way that government declares its public priorities and balances between competing values.

Unfortunately, budget-making rules and public laws about taxes and spending often fail the public interest in a number of ways. For instance:

- **Special-Interest Giveaways** – Subsidies and tax breaks are often granted on the basis of private influence or connections instead of their public merits.
- **Lack of Transparency and Accountability** – It is not possible to ensure that government decisions are fair and efficient unless information is accessible and officials can be held to task for their actions.
- **Wasteful and Counter-Productive Expenditures** – Resources too often get wasted or programs create incentives that are unwarranted or undesirable.
- **Unfair Taxes** – Ordinary households bear an increasing burden while large corporations increasingly avoid paying their share.
- **Short-Sighted Decisions** – Laws and regulations often fail to address long-term consequences, instead deferring difficult decisions or opting for short-term “fixes” that can make problems worse.

U.S. PIRG advocates improvements in fiscal policy to stop special-interest giveaways, increase budget transparency and accountability, eliminate waste, ensure that subsidies or tax breaks serve the public, and make taxes fairer.

Public money should be spent for the most effective pursuit of clear public benefits or to encourage beneficial behaviors undervalued by the market. U.S. PIRG believes that taxes should be fair, reliable, transparent, and guided by policy goals rather than political deal making. Budgeting should similarly be open, accountable, and follow long-term planning.

Our December 2013 report with the National Taxpayers Union, [Toward Common Ground: Bridging the Political Divide with Deficit Recommendations for Congress](#) details more than half a trillion in specific spending cuts over ten years and a copy of the report has been included in our written testimony submitted for the record.

NTU and U.S. PIRG do not often agree on policy approaches to solving our nation's problems. On recent high profile debates around health care reform, oversight of the financial markets and energy policy, the two groups proposed and advocated very different solutions.

However, 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.

Here, we identified the "low hanging fruit" of waste and inefficiency in the federal budget that both Republican and Democratic lawmakers should recognize as unproductive uses of taxpayer dollars.

The U.S. PIRG and NTU study identifies 65 specific cuts in federal spending, including:

- \$151.6 billion in savings from eliminating wasteful subsidies to agribusiness and other corporations;
- \$197.2 billion in savings from ending outdated or unnecessary military programs;
- \$42.3 billion in savings from improving program execution and government operations;
- and
- \$131.6 in savings from reforming major entitlement programs.

U.S. PIRG's approach to spending cuts is guided by four basic principles. We cite these principles as an appropriate lens through which deficit reduction measures can be judged.

1. Oppose subsidies that provide incentives to companies that do harm to the public interest or do more harm than good. An example here is funding for biomass research and development. Large-scale agricultural production of corn or other crops used for biomass often involves massive amounts of fertilizer, large quantities of water and vast swaths of land that can drastically change the landscape of our country, accelerate problems caused by deforestation and compete with food production, raising food prices globally.
2. Oppose subsidies to mature, profitable industries that don't need the incentive. These companies would engage in the activity regardless of the taxpayer support. For example, Congress should eliminate the crop insurance program, which directly subsidizes

insurance premiums for large agribusinesses on coverage they should and could purchase on their own. With 75% of ag subsidies going to only 4% of farmers, the most profitable farm operations benefit disproportionately.

3. Support reforms to make government more efficient. Examples here include reducing the inventory of unused or underused government buildings. According to the Office of Management and Budget, the federal government owns roughly 14,000 buildings and structures that are not used or underutilized. The public shouldn't have to pick up the tab for maintaining buildings that aren't used. This would save nearly \$15 billion over ten years. Additionally, we should require the Department of Defense and the VA to jointly purchase prescription drugs, saving more than \$4 billion over ten years.
4. Oppose programs where there is authoritative consensus to do so. This means: (1) strong, independent agreement across the political spectrum that a program is wasteful, or (2) the agency or department receiving the funding has argued against it. For example, the Army, Pentagon, and White House have said that the Army no longer needs additional Global Hawk Drones.

Our report's recommendations are specific, targeted and name individual programs for reductions or elimination. Each recommendation is also backed up by authoritative sources such as the Congressional Budget Office (CBO), Government Accountability Office (GAO), Office of Management and Budget (OMB), governmental agencies such as the Department of Defense (DoD), or bipartisan working groups. We are long past the time for general references and rhetorical calls for attacking nameless, faceless programs that contain waste, fraud and abuse.

This is the precise reason that U.S. PIRG does not support "across the board" cuts -- such policies fail to differentiate between true public priorities and where there is genuine waste or inefficiencies in the system. Our organization has argued in favor of programs to aid access to higher education and measures to ensure the safety of the nation's food supply. "Across the board cuts" equate these programs with the wasteful spending we highlight in the report. Public opinion has been clear and consistent on this point: it supports measures to cut wasteful, inefficient programs while preserving services that have value to the broader public.

While not in the report, we also urge committee members to review special interest carve outs through tax expenditures and loopholes. These expenditures have the same bottom-line effect on our nation's deficit as direct line-item spending. Regardless of whether spending takes place through the tax code or the appropriations process, it should be part of the conversation and it should be transparent, accountable and serve the public.

On January 1st, 55 tax breaks known as the "tax extenders" expired. Instead of renewing them all together and adding billions to the deficit, these tax breaks should be paid for and scrutinized as closely as spending items.

Two especially wasteful tax breaks included in the extenders are the active financing exception and the CFC-look through rule. These provisions are nothing more than loopholes that allow for corporations to use offshore tax havens to avoid taxes. All told, tax havens cost taxpayers \$100 billion in lost revenue each year, according to the Senate Permanent Subcommittee on Investigations. Just as with wasteful spending, ordinary taxpayers and small businesses wind up

picking up the tab for that missing revenue in the form of cuts to worthwhile programs, higher taxes, or more debt.

We recognize that many of the items on our list challenge long-standing subsidies to narrow yet powerful special interests. Despite the fact that these expenditures serve little or no continuing public purpose and the public would likely support their elimination, there will no doubt be intense lobbying efforts to preserve the handouts. We urge you to resist those efforts and take the first important steps toward addressing our federal budgeting problems and ensuring that any public expenditure is for the public interest.

Thank you.

Chairman ISSA. I'll now recognize myself for a short round of questioning.

Mr. Edwards, as you know, I'm a fan of your organization, but let me get into a question on the post office since that's within the jurisdiction of this committee. Privatization of the post office, do you imagine that anybody would take the post office even for free today?

Mr. EDWARDS. Well, as I mentioned, you know, Britain did an IPO for their post office. They sold 52 percent of the ownership.

Chairman ISSA. I understand that. The post office is currently losing 16.2 or so billion dollars without paying a cent in tax, if you look at the deferrals, et cetera, in other words if you account for it the way you would a public company. On \$60 billion of gross revenue, that's not a win.

So very briefly, time's limited, but very briefly, isn't it true that we would have to do a dramatic reorganization, exactly the one that has been stalled for years, before the post office would in fact be privatizable?

Mr. EDWARDS. You could do it either way. In Britain under Thatcher they made major changes to companies before they sold them off. But the way an entrepreneur would think about it is you can take government assets, you can make them a lot more efficient. So the post offices in Germany, Britain, and Austria, they became a lot more efficient after privatization and they went from deficits to surpluses. So just because the government can't make money doesn't mean entrepreneurs can't.

Chairman ISSA. Look, on a bipartisan basis we've been trying to get the post office fixed, and I just want to make sure that I use this opportunity to make one thing, I think, clear, but I want to use you, if you agree. We would have to throw \$100 billion or more into the deficits that exist against an existing current and retired workforce if we were to transfer it to the public sector as it is today. And even if it has the ability to make a profit, let's just say it has the ability to make a \$5 billion profit, you give it a 10 cap, that's \$50 billion, no one is going to absorb our current obligations to our legacy employees based on that, are they?

Mr. EDWARDS. That may well be true, but the British Government took over the unfunded liabilities of the Royal Mail's pensions before they privatized.

Chairman ISSA. Okay. So even looking at the British system, we would have to take that tens of billions or hundreds of billions of dollars of legacy liability. So the American people have a very expensive decision even if we were to, as I said, give away the post office.

Mr. EDWARDS. I think that's probably true, but what you're looking for is economic growth and efficiency, which benefits the overall economy. To my mind, that's kind of a small and narrow issue. If you can have a more efficient mail system for decades in the future, it's worth taking a hit now.

Chairman ISSA. I completely agree with your last statement, and that's why we're trying to reform the post office and then let a future group look at a at least breakeven post office for whether there's opportunities to be a little bit more private than they currently are.

Mr. Arnold, I'm not trying to be the adversary, you guys are my heroes, but I served for 10 years in the military, off and on Active Duty and then in the Reserves. When we look at the savings of DOD, wouldn't we be better off transferring \$65 billion to \$69 billion of noncore military activities out of the Department of Defense as a first step rather than looking at the millions of dollars that are spent in total on, for example, my Marine bands? I might note that there are Medal of Honor recipients who were Marine band people in Korea. Marine bands also are infantry trained and they fight.

Mr. ARNOLD. Well, I think the expenditures that we list with regard to Marine bands, they're not booting these individuals out of the military, but at the same time we're spending a tremendous amount on a service, a portion of the military that I think is probably not directly related to national security, which should be the primary function of the Defense Department. And I think that was the kind of framework that we're operating with when we're looking at the Defense Department holistically, is what is necessary for national security and what can we trim away, given the fact that we're running \$600, \$700 billion dollar annual deficits.

Chairman ISSA. Well, I appreciate that, although we pay for the cost of the Medal of Honor when it's awarded. It's part of the esprit de corps, it's part of what the military is.

I want to make cuts in the military, I really do, but I want to make the cuts that leave us with a military that's effective. And I often see those kinds of cuts and I push back pretty hard, as you can imagine, because I believe that we can trim. But I can tell you this: the Department of Defense Pentagon building is completely filled and has overflow annexes. The military is a fraction of the size it was in World War II, when we didn't have computers, and yet not a single office is empty in the Pentagon. And so I would hope that the committees of jurisdiction would look and ask the question of, why are there more civilians working for the Department of Defense than there are uniformed personnel? Why is there not an empty room at the Pentagon when, in fact, the military has been reduced in size? So that's a little bit of maybe my pushback.

I do appreciate a lot of the other areas that you propose, and I recognize that I've already run over my time on just two subjects.

Mr. Cummings.

Mr. CUMMINGS. Thank you very much, Mr. Chairman.

Mr. Schatz.

Mr. SCHATZ. Yes?

Mr. CUMMINGS. This is your report. Is that right?

Mr. SCHATZ. Yes.

Mr. CUMMINGS. And I was just looking here about, and it's, you know, about page 36, I guess it is, and it talks about eliminating the Legal Services Corporation. And there are so many people who do not have access to legal services. Can you talk about that briefly?

Mr. SCHATZ. Yes, sir.

Mr. CUMMINGS. Yeah.

Mr. SCHATZ. As a retired attorney, I know that attorneys do provide pro bono services, they are essentially required to. And cer-

tainly on the form to renew your license it says, are you providing pro bono services?

We think a lot of the services that are provided through the Legal Services Corporation could be provided through the private sector, through nonprofits, and not necessarily by the Federal Government. Of course before 1974 there was no Legal Services Corporation. I don't know that there's any evidence that the representation was better or worse prior to that time.

Mr. CUMMINGS. You know, I just think that our society is getting to a point where there are folks—and as a lawyer who practiced many years, I saw a lot of people come into court, and they were had a decided disadvantage. And although we have a legal system, a Constitution, legal rights, if people don't have counsel they are kind of out of luck.

And I understand what you're saying. A lot of people say leave it to the pro bono. And as you probably know, in Maryland you really have to do quite a bit of pro bono. But even that, I don't think, captures so many people, the people that I see in—well, I used to see in courts.

And this is a very interesting document. I want to really go through it. How did you all come up with these items?

Mr. SCHATZ. Citizens Against Government Waste has been producing "Prime Cuts" since 1993. We use sources, in those days certainly a lot of old Grace Commission recommendations, some of which are unfortunately still not implemented. CAGW grew out of the Grace Commission. We also look at the Congressional Budget Office produces its report every year, GAO reports, the president's budget, budgets put out by members of Congress, such as the Republican Study Committee and others. It always ties back to something.

Mr. CUMMINGS. Sure.

Mr. SCHATZ. And the database shows you where it came from.

Mr. CUMMINGS. Well, Ms. Woo, you know, the establishment of the Do Not Pay List is one of the most recent tools that resulted from Chairman Carper and Ranking Member Coburn's recent legislation on improper payments. The list permits all agencies to link databases, such as the General Service Administration's excluded parties list system, to check the eligibility of a payee to receive government funds.

What else would your organization propose to help decrease the level of improper payments? You can imagine when the American public hears about improper payments and then see a situation where we're trying to come up with \$6.4 billion to give their neighbors, their relatives, and friends an opportunity to get unemployment and survive, and we are losing money through improper payments, billions. That's something that's very alarming. And I'm just wondering, what would you propose?

Ms. WOO. Thank you, Mr. Cummings. In terms of the entitlement reforms that we have listed, including the improper payments for noncovered chiropractic services that Mr. Arnold had mentioned, that is an area that I could actually follow up with you on in terms of getting back to our healthcare advocates and our healthcare team, and then I could provide you a better answer at a later time.

Mr. CUMMINGS. All right. Do you any of you all have an answer to that question, the improper payment issue?

Well, let's go on to DOD. You know, when you look at DOD and you look at the situation where they can't even provide an audit, I mean, come on. Is it too big to control? And what do you all recommend with regard to DOD? Chairman Issa made some suggestions, and basically it's just transferring certain funds out of there. They have all kinds of funds there for things like medical research and things of that nature. But, I mean, did you all have any other suggestions on that?

Mr. SCHATZ. Well, it helps to know what an agency is spending, what a department is spending.

Mr. CUMMINGS. Yeah. He said—I think Coburn said it.

Mr. SCHATZ. Right.

Mr. CUMMINGS. If you can't measure it—

Mr. SCHATZ. Audit, right.

Mr. CUMMINGS. —you got a problem.

Mr. SCHATZ. Right. We agree with you. I mean, Citizens Against Government Waste helped expose the \$436 hammer and the \$640 toilet seat, which we don't see as much of anymore, but I think things like FITARA and other reforms on procurement will help reduce wasteful spending throughout the government, including DOD. That's an important step to take.

Mr. EDWARDS. I would say two general things about the Pentagon. You're right, it's hugely wasteful. I like spending caps combined with executive branch flexibility. I like the current spending caps. I'm disappointed with the recent budget deal. I think, you know, the Pentagon, if we gave them more flexibility to make these decisions to cut weapon systems and the like that they don't want and they don't need and we put tight caps on them, they would themselves find more efficiency.

I also think one of the problems with the Federal Government again is because it is so huge, many Members spend their time on lots of little activities that, frankly, should be in the realm of State and local government. I think if we trim some of the extraneous functions of the Federal Government, more Members of Congress would focus more on some of the core functions, like Pentagon waste.

Mr. CUMMINGS. Thank you. I see my time has run out.

Mr. CONNOLLY. Mr. Chairman. Mr. Chairman.

Mr. MICA. [presiding] Yes.

Mr. CONNOLLY. Could I just ask Mr. Schatz.

Mr. MICA. Yes.

Mr. CONNOLLY. I couldn't quite hear Mr. Schatz. Did I understand Mr. Schatz to say FITARA, FITARA would save some money?

Mr. SCHATZ. FITARA would help.

Mr. CONNOLLY. Very wise insight, Mr. Schatz. Thank you very much.

Mr. SCHATZ. I never know if something's going to be good or bad when I get up here.

Mr. MICA. Thank you, Mr. Connolly and Mr. Cummings. I guess I'll recognize myself next, having assumed the chair for Mr. Issa here.

One of the things that's frustrating to me is—and these are great groups. You know, you've got Citizens Against Government Waste, Cato, National Taxpayers Union, and Ms. Woo, all of you working sort of in the same vein. But sometimes the voices are a little bit like Congress, they're not unified. Is there an attempt to come together with any of these groups? Do you all come out with a common policy? I mean, we have the groups here and then there are many others out there that are looking at saving taxpayer dollars. Is there some association and do you meet and do you decide on some priorities?

Mr. Schatz.

Mr. SCHATZ. Yes, Mr. Mica. Sometimes there's too many emails. I mean, we really, certainly with NTU in particular, we work very closely. It's kind of a joke around the office, if NTU has signed it, we'll sign it as well, and it's really true. And I think over the years there has been a lot more coordination. For example, the alternate engine for the Joint Strike Fighter we first identified as an earmark back in 2006. Over time, other groups joined with us.

Mr. MICA. But do you also have a joint policy on—

Mr. SCHATZ. It's more coalition letters—

Mr. MICA. Because I think that would be helpful.

Mr. SCHATZ. Well, we need it to be successful, because there are so many people that want to spend money, we have to work together.

Mr. MICA. As I said earlier, you know, you just have to be persistent in this business and then hit a good lick. A good example, and I should have submitted this earlier, I did put this in the record, but this is the oversight on conference spending report that I alluded to. And while I gave credit to the committee, because we did follow up, it wasn't just GSA. And I have to give probably the most credit to the guy in the hot tub, the GSA guy in the hot tub. I mean, he made it go viral.

I remember we did a hearing on the subject. Nobody attended, no one paid any attention until that guy became viral. But from that, we did IRS, we did VA, we did DOD. This is about \$0.5 billion a year in reduced spending on conferences, so these are a success.

My point, too, is that I don't see a lot of these groups joining in. It's not that you want to become cozy with Congress, but when we are on a roll, it does help. The public buildings, I mean, the history of public buildings and all the different bills and people who have attempted—I remember we were in the minority—it's great to be in the minority, but not for too long. I'm sorry, Mr. Cummings. I just bring that up. But when you're there, you can do productive things, and we produced a report, "The Federal Government Must Stop Sitting on Its Assets," and we outlined all the public buildings, Amtrak, I mean, just incredible assets that the Federal Government has. But the problem is you don't get unified support from out there with some of these groups to go after these targeted things.

So while you heard a lot of how we need to coordinate with the Senate and pick priorities, I think it would be good for your groups to coalesce and get behind some of these items. It would, again, enhance our efforts. And then when we do things, like Coburn talked about consolidating programs, the transportation bill consolidated

between 20 and 30 programs. Now the bureaucrats, the little bastards are running around trying to justify their existence. We eliminated or consolidated, but nobody is focusing on the bureaucrats who are trying to justify their existence. They have nothing to do, because you eliminate the program, but they come up. Now the rules, dear God, they've come out with rules to justify their existence.

Anyone want to comment on this new administer by regulation? It's a new phenomena. Mr. Schatz, Mr. Edwards, Mr. Arnold, Ms. Woo?

Mr. SCHATZ. Mr. Mica, we'd be happy to come up on a regular basis and meet with your staff and the staff of any other committee that's interested in consolidating any program.

Mr. MICA. No. We have already done this.

Mr. SCHATZ. Well, we haven't done enough, because we still have them.

Mr. MICA. This is a new phenomena. It's a new phenomena. It's rule by edict, fiat, regulation. And, again, we don't have a focus on what's going on there. There is some oversight. The administration's been kind of clever, too, now, in ruling by fiat and executive order to pack the District Court of Appeals. That's been the only recourse. You could pass a bill from the House and there's nothing done in the Senate, and the edict and the executive order prevails. Are you all paying any attention to that?

Mr. EDWARDS. I'll give a general comment. The groups represented here are, frankly, pretty small, compared to the huge firepower and staffing power of the GAO and CBO. We have to—

Mr. MICA. But they just do reports and they have to be politically correct. You guys don't have to.

Mr. EDWARDS. I agree with you. So we have to pick and choose. For example, I've written extensively about TSA reform in the last half year. I know that's something you've been very supportive of and a leader on. But, you know, it is difficult for outside groups, because most of the experts on Federal programs are in the executive branch and are staffers in Congress and are in the GAO. You know, outside groups, we need to pick and choose our battles, because our funding is limited. And so we'd love to work better more with you.

Mr. MICA. Well, again, combined firepower, maybe some unified effort.

I'm exceeded my time. Let me yield to the gentlelady from New York, Ms. Maloney.

Mrs. MALONEY. Well, I want to thank all of the panelists for your excellent presentation and your hard work in a tremendously important area.

The prior panel had a consensus that one of the most mis-managed agencies was the Pentagon, and they were united in their belief that the Treasury should be paying their books or paying their checks, writing their checks, as opposed to the Pentagon. They pointed out the Pentagon was the only agency in the entire government that themselves pays their checks. And I'd just like to go down the aisle. Do you believe that the Pentagon should be able to pay their checks or should they be just like every other agency and have Treasury pay them? Just a yes-or-no answer. Mr. Schatz?

Mr. SCHATZ. Yes.

Mrs. MALONEY. Pardon me?

Mr. SCHATZ. They should turn it over to another agency.

Mrs. MALONEY. Yeah. Mr. Edwards?

Mr. EDWARDS. Yeah, I agree with that. And I think one thing Congress can do, could give the Pentagon a fixed amount of cuts they want to see from efficiency, but then give the Pentagon flexibility to find those cuts and propose them to Congress.

Mrs. MALONEY. Mr. Arnold.

Mr. ARNOLD. Yes, I agree.

Mrs. MALONEY. Ms. Woo.

Ms. WOO. I will say that U.S. PIRG has worked with NTU on a number of different reports. We've written in conjunction about the common grounds. And we've also worked with Senator Coburn's office to help write this report.

On that matter, I would say that U.S. PIRG is not an expert on defense policy and defense spending and so forth, and so I will give a yes or a no answer on that, but we do take the authority and the authoritative consensus of various experts, you know, in the Pentagon in and the White House and so forth.

Mrs. MALONEY. Well, Ms. Woo, you were very strong on the F-35 Joint Strike Fighter debacle, as you called it in your report, or NYPIRG did, and this is one of the key programs that NYPIRG and NTU, their joint recommendation is cutting it, the Joint Strike Fighter, which is the largest weapon system in history and largest contract in history for the Pentagon. And so far, the DOD has spent 12 years developing it, and by all consensus, their own consensus, it's deeply flawed and has escalated with cost overruns to over \$400 billion. Not only are the overruns now at \$400 billion, they're estimating that it costs a trillion dollars to maintain these planes.

And the price tag is not the only frightening thing about this acquisition. DOD entered into the contract to purchase these planes while critical testing is ongoing, a practice called concurrency. So at the end of 2012 the DOD had procured 121 aircraft at a cost of \$28 billion, but as of 2012 only 22 percent of the testing that they want to do has been completed.

So I would say that this is an area we can work on. We shouldn't be handing out contracts before you've tested them. And I'm going to put in a bill to that effect. And according to the Pentagon's own Office of Operational Tests and Evaluation, in 2013 the plane has, "no night capacity."

So my question, Ms. Woo, would you think that a fighter plane should be able to fly in the night?

Ms. WOO. I do believe that.

Mrs. MALONEY. Okay. And do you agree with DOD's own statements from the chief of acquisition called it—and I quote, this is a quote from the chief of acquisition, I find it startling. He calls it, "acquisition malpractice." Now, would you agree with the head of the chief acquisition, Under Secretary Frank Kendall, would you agree that it's acquisition malpractice which has happened? This is the DOD talking about their own procurement system.

Ms. WOO. Yes.

Mrs. MALONEY. And does the acquisition—what I don't understand, and we can get into a longer conversation on this is, you know, how does an acquisition of a fighter plane become such a debacle that the own acquisition officers are calling it a disaster?

But my main question is what steps does DOD need to take in order to eliminate the wasteful and unnecessary F-35 program? And it's noted in other reports, it may have been yours, Ms. Woo, or someone else's, that it doesn't even address the way that we are moving militarily. It can't land on an aircraft. The Navy has these big boats that the planes land on; the Navy plane cannot land on their own aircraft. So how do you move it around? And we seem to be having these smaller strike forces as opposed to a huge plane that can't fly at night and can't land.

So what are the steps that DOD would need to take to eliminate what by their own acquisition leadership Mr. Kendall is calling an acquisition disaster? What are the steps? Anyone? How do you get rid of a wasteful item in the budget? How would you do that?

Mr. SCHATZ. Well, one of the recommendations we have in prime cuts is to reduce the cost growth in the major defense acquisition portfolio by 20 percent over 5 years. GAO has done a lot of work on this. It's simply changing the way that procurement is achieved at DOD, and it's been an ongoing problem for many, many years. So it's a big operation. We're happy to work with this committee and others to try to reform it in the future.

Mrs. MALONEY. Any other comment? How do you get rid of a wasteful acquisition like this? How do you get rid of it? You've identified it. Now how do you get rid of it?

Mr. ARNOLD. I don't know that it's fair to put the onus solely on DOD. I think it's probably going to require congressional action as well, and you're talking about these massive weapons systems, you're talking about a lot of parochial interests that are involved. So it's extraordinarily difficult, but I think Congress needs to run point. I mean, we have a significant number of weapons systems and other things being done by DOD that they say they do not need and they do not want, yet they are obligated by law to continue to contract and produce, to maintain. So Congress needs to step in at some point, and there's a lot of options in our paper and the publications that Coburn and others have put out that Congress can introduce legislation and pass it and stop these things from taking place.

Mr. MICA. I thank the gentlelady and the witness.

Mr. Lankford.

Mr. LANKFORD. Thank you, Mr. Chairman.

Mr. Edwards, I want to ask you a question about incentivizing agencies and agency individuals. Right now the incentive for an agency is to add more staff, and to try to chase down more dollars, and to spend as much as you can at the end of the year. How do we split that incentive?

You mentioned spending caps. Sequestration caps and other caps really hit at every single program. Some—there are some programs that run more efficiently than others, but a cap like sequestration hits all of them with equal amount of fury.

If I hand to an agency the authority to say I need you to cut 7 percent from your budget or 27 percent from your budget, there's

very little oversight of which programs they're going to cut. They'll keep the ones they like the best, and they'll cut the ones that probably I like the best.

So talk through different options that you have seen for incentivizing agencies in reduction.

Mr. EDWARDS. I mean, I think ultimately for reasons I go into in my testimony, I list 15 reasons why the public sector will never be anywhere near as efficient as the private sector. The profit motive in the private sector is hugely powerful.

Mr. LANKFORD. It is.

Mr. EDWARDS. And the government doesn't have that. Government, there's been lots of talk for pay for performance in the Federal Government for decades, but it never really happens, and I don't think it can. The government has more rules because of basic structural reasons to prevent public corruption and because they have no clear motive like lowering costs and maximizing revenue.

So I think the focus should be on fully eliminating programs and also capping spending, giving executive branch agencies more flexibility. I think executive branch agencies should and can do more to evaluate their own programs. Perhaps agencies should be required to do detailed analyses and rank order their most efficient or highest-priority programs to the lowest-priority programs, and make the information public so that Congress can see it and Congress can use it for decisionmaking. More information is always better.

You know, one thing that I find really striking about the Federal agencies, you go to their Web sites, it's all good news, it's all essentially propaganda about all the great fabulous things they do, but I don't think that's fair to taxpayers. I think Federal agencies should be required to provide more balanced information about their programs, their failings, and what the low-priority activities they do are. And the ultimate decision is up to the Congress, but I think agencies can do more to provide information to Congress about where they fail.

Mr. LANKFORD. Yeah, I would agree. The taxpayers' right to know that Dr. Coburn had mentioned earlier, that's my bill here in the House we've talked about this committee has passed. We had bipartisan input into that bill, and it has passed. I hope the full House will pass it on and we will send it over to the Senate.

But just the basics of doing what every program is, how much we spend, how many people they serve, and the metrics, if there are any metrics, for the program would be a tremendous asset to Congress to make those decisions, because right now there's no description of all those programs or a listing of the programs. So what Dr. Coburn mentioned earlier about the hundreds of duplicative programs, it's very difficult to go through the tedious work of identifying all those programs because they all have different descriptions and different locations.

Mr. EDWARDS. That's right.

Mr. LANKFORD. Mr. Schatz as well, I appreciate, you had mentioned earlier about the rule change in the House. I'm proud to say that was actually my rule change that went through on that one as well to try to identify some of the duplicative programs.

We have a long way to go on that, and you're right, there's not enough teeth to it, and I appreciate you bringing it back out because that is something that I hope in the years ahead we can continue to add more teeth to it so it's more than just identifying and listing, yes, this is duplicative, but a prohibition to that as well.

Are there other rule change things that you have seen that would be an asset in the days ahead to the functioning of the House?

Mr. SCHATZ. I think your—it reminds me a little bit of the Improper Payments Act. The first one just identified the improper payments, then the next two really put some teeth into it. So I hope that the rule that has been adopted would improve over the years, because if you're prohibited from enacting a duplicative and overlapping program, then that helps solve that problem to start.

So I know rules change at the beginning of each Congress. I hope if there's a change in leadership, that rule continues, because it's really critical. It's amazing it took this long to have a rule like that, because one would think any organization wouldn't want to create a duplicative program. So we appreciate your leadership on that. We're happy to come up with some other rules, but I was happy to see that that one was there, because, to be honest, when we started our research for the testimony, we weren't—we didn't even know it was there.

So that's something else that perhaps needs to be emphasized to the committees, that this is a rule, and they should be using it, because, again, if Citizens Against Government Waste didn't know much about it, the rest of the public probably doesn't know, either. So I encourage more information about what you've been doing.

Mr. LANKFORD. Right. It's new, and it's a step process to be able to push on that.

I have one quick question as well for Mr. Arnold and Ms. Woo. One of the items that you identified was requiring DOD and VA to jointly buy prescription drugs. This is something that I have tracked through as well. I have seen figures—you have a little over \$4 billion in savings on that. I've seen figures as high as \$7 billion in savings on that. I don't know if you wanted to mention or add any other detail to it.

The GAO report came out in early 2000 suggesting that DOD and VA jointly purchase prescription drugs. They did it for several years, had millions of dollars of savings until 2005, and then in 2006 DOD changed its formulary, and they never really cooperated again since then. They've studied it, they've looked at it again, but I didn't know if you had any additional detail on it. That's one of those bipartisan areas to look at and say, why wouldn't we try to combine the drug purchasing between DOD and VA? Any other comments that either of you have on that?

Mr. ARNOLD. I think you articulated it pretty well actually. I don't know if I have anything additional to add, but it's something we strongly support.

Mr. LANKFORD. Thank you.

Ms. Woo?

Ms. WOO. Just to kind of repeat what you were saying, that that collaboration had really declined over the past few years, and we're really advocating for that to occur again.

Mr. LANKFORD. Okay, thank you. With that, I yield back.

Mr. MICA. The gentlelady from Illinois Ms. Duckworth is recognized.

Ms. DUCKWORTH. Thank you, Mr. Chairman, and thank you to all the witnesses for being here today to share your thoughts.

Over the past couple weeks, we've been debating whether or not we can afford to extend unemployment insurance for a lifeline for millions of Americans, and in my home district of Illinois, thousands of families were talked about last year cuts to the food stamps program. Yet at the same time in this very committee we saw time and again the waste that happens in government, and it's really infuriating to me to think that I have kids in my district who are going hungry, and yet there's \$900 million worth of unused Stryker parts sitting in a warehouse that the Army—that the military paid for but couldn't use and continued to purchase.

I would like to sort of talk a little bit more about the DOD and its process. You know, this past year, my first year in Congress, two things that happened that really sort of crystallized in my mind the waste that happens in DOD, especially in—under the Defense Logistics Agency. One was a hearing in this very committee on the Supreme Food contract, and that is this corporation, Supreme Food Services, that provide under a sole contract all the food in Afghanistan for the last decade, and, in fact, has now been found to have overcharged the DOD by \$757 million for that food contract. They continue to get extensions to the contract in a non-competitive award process. This is something that the DOD's IG itself discovered and brought to light. And then I talked about the Stryker part also, again a result of a DOD IG investigation.

Mr. Arnold, could you give me any suggestions that you might have as to how DOD can develop some sort of controls over the DLA? I know that, you know, we talked about the audit process, and I absolutely agree, we need to put some teeth into the process of forcing DOD to do the audits, but what about the DLA itself? I mean, if the DOD's own internal IG is identifying these as problems, what is there that we can do?

Mr. ARNOLD. Well, let me confess, first of all, I was a coauthor of the study, and I didn't work quite as much on the defense aspects of it, so in terms of getting into the real technical details, I would have to defer to my colleague, Pete Sepp, who did a lot of work, or perhaps some folks at PIRG. So I don't know that I have a really articulate answer for you, I apologize for that, but I would be happy to get back to you after the hearing.

Ms. DUCKWORTH. No problem.

Ms. Woo?

Ms. WOO. In terms of the consolidations that we found that could occur in the Defense Department, and a lot of them include, and it's listed in our report, consolidating foreign language contracts, uniform designs for the armed services or support services on joint bases, or consolidating management of retail bases. These are all of the smaller things that can add up to a lot of money in the end.

In terms of the process of how that would go about, you know, as I mentioned before, U.S. PIRG, we're not defense experts, and we don't have anything to say about the process by which it would happen, but these are the things that need to be addressed, and

need to be consolidated, and need to be cut, especially because, you know, I think, as Senator Coburn had said, we have so many programs, over 600 programs, for other departments, and the same for the Defense Department. When there are multiple programs for designing uniforms, that needs to be addressed.

Ms. DUCKWORTH. Well, the uniform thing is right after my heart. I'm actually the individual who got passed in this year's NDAA the single camouflage pattern bill that will save the Army alone \$82 million by going back to a single camouflage pattern, which is what we had for most of my entire time in the military up until 2004 when the Marines developed their own.

Mr. Edwards, let's switch gears a little bit and talk about Medicare. I recently had an event in my district where we talked—where we taught our seniors to look into Medicare fraud and waste, taught them to read their own Medicare statements. And one of the things that was quite shocking to me is that the regional Medicare representative who came to teach the course actually made the statement that they know that 10 percent of their payments are to fraudulent and wasteful claims, that they know and accept that they have that 10 percent waste, and that they're working to fix it, but that comes out to about a billion dollars a week.

It is stunning to me that that is acceptable. I don't think that we would accept it in business, and we shouldn't accept it in government. Can you talk a little bit about Medicare, just the waste portion of it; not just the fraud and abuse, because that we can deal with, but the waste?

Ms. WOO. Yeah, absolutely. I think that's appalling to me as well, the fact that they readily knowingly accept that 10 percent. I think you said 10 percent goes to fraudulent claims and improper payments.

But, yeah, there are a lot of different—as listed in our report, there are several different entitlement reforms within the healthcare system that we have advocated for. One of them is better aligning Medicare payments to teaching hospitals, so Medicare—the Medicare Payment Advisory Commission, or MedPAC, has actually stated that the cost of teaching hospitals is much less than the amount of government funding that we're providing them. So better aligning that would save over \$10 billion in the next 10 years. And then there's plenty of other things: Bundling Medicare payments so that a single payment goes to a number of different individual episodes in a 3-month period, that would also advocate for a more effective use of time, more effective and efficient actual services. And so these are the types of things that we think that are really important within the healthcare system that we can and should change.

Mr. MICA. Thank the gentlelady. And we'll recognize now the gentleman from Michigan Mr. Walberg.

Mr. WALBERG. I thank the chairman.

And I just arrived back from meeting with Ed and Workforce Committee and was delighted to hear Senator Coburn talk about the SKILLS Act extensively as being one of our greatest accomplishments, even though it be limited, and I think it was, downsizing the numbers of redundant programs, 35 ineffective, du-

plicative programs, including 27 identified in the 2011 Government Accountability Office.

I guess I would like to ask any of you who would like to weigh in, the fact that this has unfortunately languished in the Senate, and, in fact, what they are even thinking about offering includes only one of our proposals in that SKILLS Act. Could you discuss further proposals to remove arbitrary roadblocks that will help get Americans back to work in the jobs that are currently in demand?

And I know on my own Michigan Web site, the MIjobs.gov lists 52,000 unfilled jobs right now, and most of those—and that's—we know there are many more than that, but that's on that one Web site, a State government Web site, and the majority of reasons why they're not being filled is people don't meet the certification requirements, the qualifications. They haven't been trained for that.

So if you could speak to that issue, what proposals would you have in mind to remove further arbitrary roadblocks to making people employable? Mr. Schatz, I'll start with you, if you would care to answer.

Mr. SCHATZ. Thank you, Mr. Walberg.

Certainly creating progrowth policies here in Washington would be helpful, and certainly that does not entail creating new and duplicative programs, as Dr. Coburn noted. He examined the job training programs in Oklahoma. It turned out the State was far more efficient at creating jobs because the training that they were conducting was related to jobs, and that's something that the government should be looking at as well.

I know that in the House the SKILLS Act was supported strongly by Republicans, not supported as much by Democrats, some differences in how it should be done, but whether it's through legislation, whether it's through progrowth policies, tax reform, there are many other ways to help create jobs. The government needs to be more out of the way rather than trying to force its own view on how jobs should be created, because that's not something that we ever found in the Constitution, yet Members seem to think creating jobs is one of their major functions.

Mr. WALBERG. As opposed to getting out of the way so that people who do know how to create jobs can do that, including our States. And I think that was one of the best points of the SKILLS Act; it did give the flexibility back and the opportunity back to the States to do.

Mr. Edwards?

Mr. EDWARDS. A broad comment on job training. I've looked in detail at the job training programs over the decades, and, you know, it is astounding. The Federal job training programs have never really worked very well. Back over half a century to John F. Kennedy, every decade or so we reorganize them and change them and try to fix them, but the GAO comes back every time and basically says, you can't really show that these things work very well.

I think the Federal Government ought to get out of the job training business. If you look at the data, it is the corporate sector, the business sector in the United States does a much more massive job training, on-the-job training, and the Federal Government's \$18 or so billion is a tiny drop in the bucket. It hasn't really worked very well. I'd take the Federal Government out of that business.

In terms of progrowth policies, there's a gigantic—it's outside the jurisdiction of this committee, but there's a gigantic reform that is on the plate here there should be bipartisan support for, and that's corporate tax reform. We've got the highest corporate tax rate in the world. It absolutely makes no sense. You read in the newspaper every few weeks or every month or two about major corporations who are moving jobs elsewhere, often because of the corporate tax problem we've got.

President Obama says he's for corporate tax reform, Republicans are for it. Why we can't do that I don't understand. Our neighbor to the north, our largest trading partner, Canada, has a 15 percent corporate income tax; we've got a 35 percent rate. It makes no sense at all. That is a big thing we can do, because when businesses, they have a lower corporate rate, they invest more, they buy more machines, and when you buy more machines in investment, you need workers to run those machines. A corporate tax cut would be a huge jobs bill, in my view.

Mr. WALBERG. Mr. Arnold.

Mr. ARNOLD. I'll just—I'll concur with both Chris and Tom, but also add at the State level especially we see licensure laws that place real strong restrictions on the amount of job growth that can occur within a particular field of expertise. And we understand when those are created for surgeons, et cetera, but when those are created for things like interior decorators, they're just protectionism on the part of some these trade associations that, again, limit the access of people seeking jobs to actually become employed.

Mr. WALBERG. I'm out of time, but could Ms. Woo—

Mr. MICA. Go right ahead and respond.

Ms. WOO. Just to add a quick note, in terms of job growth, I'm not going to say anything much just in terms of the confines of our report, but at the same time, you know, the Federal Government is spending billions each year subsidizing large agribusinesses, which really put small farmers, small businesses at competitive disadvantages. Tax loopholes and tax havens where companies are able to shift their profit offshore and use a zero percent tax rate or a very, very minimal tax rate really puts small businesses at competitive disadvantages and really hurts taxpayers in that they have to now pick up the tab through cuts to public programs or more debt or higher taxes, and that can really put a damper on job growth and put a damper on being able to find a job and being able to pick up, you know, your household in that kind of way. So, yeah, I end my statement there.

Mr. MICA. Thank you, gentlemen.

Recognize the gentleman from Illinois Mr. Davis.

Mr. DAVIS. Thank you very much, Mr. Chairman.

You know, I really think that all of the members of this committee agree that waste in government and unnecessary spending is unacceptable. It also appears to me that members will probably agree that this committee is well positioned to investigate and examine issues of waste and conduct legitimate oversight work that holds agencies accountable and help implement necessary reforms.

Despite the various examples of waste identified during today's hearing, there has been some progress in this administration that agencies and Congress should continue to build upon. President

Obama made it a priority to reduce improper payments when he took office, and we should be pleased to see that over the past 3 years the Federal Government has avoided making \$47 billion in improper payments and recaptured \$4.4 billion in overpayments to contractors.

Another initiative established by President Obama is the Securing Americans Value and Efficiency Award, or SAVE Award, which taps the knowledge and expertise of frontline Federal workers for recommendations to help improve government performance and ensure that taxpayer dollars are spent wisely.

Mr. Arnold, in your testimony, you acknowledge and support the SAVE awards, correct? Why do you believe that the SAVE awards can be effective in identifying government waste?

Mr. ARNOLD. Yes, I did include that, and I think that is something that President Obama deserves credit for. I believe he's included about 80 recommendations, people from this program, into his budgets over the past several years. So, yeah, I mean, along the same lines as whistleblower protections, providing an incentive structure for Federal employees to report on the waste that they are seeing and to devise systematic reforms that will help to limit those things that are wasteful, it makes a lot of sense. You know, we can study budgets and GAO reports and CBO reports all day, but we don't have that same on-the-ground experience that these Federal employees do, so we need to tap in to their expertise as well.

Mr. DAVIS. Do you think that we will get from them more of an accurate accounting than other types of oversight might provide?

Mr. ARNOLD. Whether it's more accurate or not I don't know, but it's certainly a different perspective, and it's a very valuable perspective.

Mr. DAVIS. You know, I have always—since I guess being a kid, I've always been amazed at the amount of waste, inefficiency that was always pointed out in government, and I've also been amazed at the notion that the private sector automatically is going to be more efficient than any public sector activity, and I guess because of the profit motive. Given the profit motive, though, does that mean that the level of benefit is going to be greater to the public, or the benefit is going to be part of the profit that the private sector earns, and there might be a kind of balance in terms of public interest and what benefits the public?

I think it's just something to give thought to and consideration, but I certainly appreciate all of the areas of identification and suggestion that the government or the Federal Government is making some progress by no means suggests that we're close to where we need to be in terms of ferreting out waste and inefficiency.

So I thank all of you for your testimony, and I yield back.

Mr. MICA. Thank the gentleman.

The gentleman from Texas Mr. Farenthold.

Mr. FARENTHOLD. Thank you very much, Mr. Mica.

I had a couple of questions. The Wastebook points out that we're potentially spending close to \$700 million to promote HealthCare.gov, a Web site that doesn't work. And I know that my colleague from Missouri, Billy Long, has a bill out that would require advertising purchased by the Federal Government to have a

disclaimer like we have on political ads, you know, this advertisement was paid for with tax dollars, and sometimes it's difficult for the public to know.

As somebody who worked in broadcasting, we ran PSAs, many of which came from government agencies, and we ran them for free in available commercial time, but in other cases you've got the Federal Government paying for advertising. I certainly see a need for maybe advertising for recruiting for our military, but driving people to a Web site that doesn't work, or at least wasn't working well when some of these ads were running, seems to be a problem. Have any of you all looked at government advertising expenditures as a source of waste?

Mr. SCHATZ. We've looked a little more at sponsorships; for example, having agencies sponsor NASCAR, among others. So we've taken it from a little bit of a different direction.

In terms of disclosure, it's not something we've thought about, but I think taxpayers do deserve that kind of transparency because they should know how that money is being spent.

Mr. FARENTHOLD. I do think Mr. Long's bill would go a long way to at least raising public awareness of that.

Mr. Edwards, you talked a lot about moving stuff to the private sector, and I'm a big supporter of that. I think the private sector, with a profit motive and unburdened by as many rules and regulations as exist within government organizations, is a good idea. But I come back to HealthCare.gov. That was outsourced to a private company and had huge, excessive cost overruns. We've talked a little bit about procurement reforms, but, you know, you can't just turn it over to the private sector and not have some sort of oversight on the contracting. And could you talk a little bit about that?

Mr. EDWARDS. I absolutely agree with that, and to go back to what Congressman Davis said, the private sector, it's sort of a two-part partnership in the private sector. Companies want to earn profits, but what we want to do for public policy is we want to maximize competition in the private sector to peel away any excess profits. So companies want to earn profits, and other companies want to grab those profits, and that's why the private system, private sector works.

With Federal contracting, it is a problem, you know. We should absolutely minimize sole-source contracts. You know, the CGI Federal, I guess the prime contractor on Obamacare, I didn't look into the details of that contract, but for Federal contracting we should try to maximize competition every way we can, maximize transparency, maximize the transparency of the competition.

Mr. FARENTHOLD. But we've also had some hearings with respect to contracting reform where, for instance, in building contracts, in design/build contracts, you are going out, and rather than coming to three or four finalists to come up with a very detailed proposal after the initial request, you're ending up with 10. So you've got huge costs associated with bidding for a government contract and the regulations associated with that that have to get built in. So if you're only getting 1 of 10 contracts you're spending hundreds of thousands of dollars bidding on, you've got to recover that cost somewhere else.

Mr. EDWARDS. Yeah, but I mean, the private sector, that's the way the private sector works. When GE goes out and wants to buy—you know, spend the money on IT, they have, you know, people, you know, competing to contract. I'm a big—I think you're referring to the PPP sort of infrastructure of partial privatization. I'm a big fan of it. I think it works well. You look at the Capital Beltway in Virginia, it came—the private sector put a billion dollars into that. It came in on time and on budget. So there may be some extra costs, but I think getting the private sector in, private management, and having contractors compete is the way to go.

Mr. FARENTHOLD. All right. I think both you and Mr. Schatz talked a little bit about centralizing IT for the Federal Government. Are we risking creating another massive bureaucracy in a government that looks like it can't compute its way out of a paper bag? Are we going to create a bigger problem, or are we going to solve something there?

Mr. SCHATZ. I don't think I mentioned the word "centralizing." I think we did talk about giving agency CIOs more authority, because that is their job. That was part of FITARA, and I think it is important that they have more decisionmaking power.

I will point out, however, that there were no CIOs until 1989, which begs the question why we didn't have that prior to that. And we've had other legislation since then to improve management, and it requires continuous work, because, as you say, it is so large, and it is quite difficult. But competition is important, and I think that this legislation is also very important.

Mr. FARENTHOLD. I see my 5 minutes went by a lot faster than I thought it would.

Mr. MICA. Thank you.

Recognize the gentlelady from California Ms. Speier.

Ms. SPEIER. Thank you, Mr. Chairman.

I want to thank each of you. I wonder to what extent you get a little fatigued, coming here every Congress, making recommendations to us. We seem very interested and engaged, and then what happens?

Maybe you could help us by providing me, which I would be happy to provide to the full committee, a list of all the things that we have actually done as a result of the work you've provided to us. You've given us tangible, easy-to-effectuate recommendations, and I frankly think that very few of them have been embraced.

Let me go to the one that both Mr. Arnold and Ms. Woo have agreed is something that the Republicans and Democrats can agree on, and that is spare parts and obsolete parts. This is a plumbing elbow. I bought it at the hardware store for \$1.41. A defense contractor charged us, the taxpayers of this country, \$80 for this. This is a package of washers, \$1.22 at the local hardware store; defense contractor, \$196.50.

It's outrageous. We have a Defense Logistics Agency, it's our hardware store, it's got parts that are going to be there for and can be used for the next 100 years, and what do these various departments do, these various operations within Defense do? They go out to a defense contractor to get the part.

So you've identified something, and I hope to God we do something about this. This is real money. It's \$4 billion; is it not? Mr. Arnold, is it—

Mr. ARNOLD. Yeah. It's \$3.9 billion is the number that we cited in our report, and actually that was one of the more difficult numbers that we had to track down because there was just so many conflicting stories about how much is wasted at the Pentagon on spare parts. So we did end up citing a GAO report, but there are many other studies out there that actually would put that number much higher.

Ms. SPEIER. I'm not going to ask you to speak to it today, but the GAO has just done a series of reports on physician self-referral, where in ancillary medical services, whether it's an MRI, an IMRT, a laboratory is owned by them, they end up referring more of their patients to it, and the result is a savings of probably \$10 billion or more over a 10-year period of time, probably closer to \$20 billion over a 10-year period of time. I'm interested in whether or not you have looked at that issue. You can just respond to me separately on that.

Mr. ARNOLD. Yeah, I think that may be addressed by Medicare bundling, which is something that we did include in our report. If you have a single payment going out to a provider—

Ms. SPEIER. It's not a bundling issue, it's a self-referral issue.

Mr. ARNOLD. I'll have to look at that then.

Ms. SPEIER. Okay. Let me move on to crop subsidies. The GAO has indicated that we've seen a gross increase in crop subsidies. In 2000–2006, it was about \$3 billion each year; now it's looking at \$9 billion per year. The report argues that we could save more than \$84 billion over 10 years by eliminating this program.

What's most stunning is that the GAO reported that the biggest recipient of the subsidy is a corporation; not the family farmer, but a corporation who received \$2.2 million in premium subsidies. Seventy-five percent of these subsidies are going to 4 percent of, quote, "farmers." Now my question to you is who is in this, quote, "4 percent"? Ms. Woo.

Ms. WOO. Yes, that's absolutely correct; 75 percent of the subsidies in the crop insurance program are only going to 4 percent of the recipients. I mean, that 4 percent—

Ms. SPEIER. But who? Give us some names.

Ms. WOO. Oh, I actually don't have that information.

Mr. EDWARDS. Ted Turner, for example.

Ms. SPEIER. Pardon me?

Mr. EDWARDS. Ted Turner is an example. The Rockefellers have got it. Jon Bon Jovi, the rocker, has got farm subsidies. There's a lot of famous—

Ms. SPEIER. Members of Congress?

Mr. EDWARDS. Members of Congress, right.

Ms. SPEIER. I mean, let's just be fair, Mr. Edwards. I'm willing to go after anyone regardless of their political affiliation, but who are the 4 percent? Let's get a list of who the 4 percent is.

Mr. EDWARDS. You know, the think tank EWG.org does a very good job on identifying the particular farmers who are getting particularly the direct payments. The statistic that I think is remarkable is that the average farm household in the United States now

earns income 25 percent higher than the average household in the United States, so farm subsidies are a reverse Robin Hood program. We're taking from average taxpaying families that we're giving to higher-income people. I think it's completely unfair.

Ms. SPEIER. Now, 80 percent of the farmers, though, get about \$5,000 on average, so we're talking about a very small percentage that is getting the lion's share of this money, and if we know who they are, and they're corporations that shouldn't be getting it, we shouldn't be offering it.

The GAO has recommended a cap of no more than \$40,000 as a farm subsidy. Do you all support that?

Mr. EDWARDS. Absolutely. One thing I would point out about farm subsidies that people who don't look at it don't really get, with the direct payments, it's the landowners get the subsidy, it's not even the tenant farmers. So that's why people like the Rockefellers and Ted Turner, they own massive amounts of land. I think Ted Turner is the largest landowner in the country. He gets the subsidies, not the tenant farmers he hires.

Mr. SCHATZ. Just quickly, as Congressman Mica mentioned earlier, cooperating with each other. The farm bill is an area where we have cooperated very well over the years, and we have a good right-left coalition on that issue. Unfortunately a lot of what we wanted didn't get into the farm bill.

Mr. MICA. Thank the gentlelady and the witnesses.

The gentleman from Arizona Mr. Gosar is recognized.

Mr. GOSAR. Well, thank you very much, and some of the previous comments have led right into my aspect. Competition is one aspect for efficiency, but also accuracy in writing contracts is another. Would you not agree, Mr. Schatz?

Mr. SCHATZ. Yes, I do.

Mr. GOSAR. Mr. Edwards?

Mr. EDWARDS. Absolutely.

Mr. GOSAR. Mr. Arnold?

Mr. ARNOLD. Yes.

Mr. GOSAR. Ms. Woo?

Ms. WOO. Could you repeat that one more time?

Mr. GOSAR. Yeah. Competition is one aspect to ensure fair competition, but also accuracy in contracts and calculations are another part of this; is it not?

Ms. WOO. I would agree with that.

Mr. GOSAR. Okay. So are you familiar with the prevailing wage?

Mr. SCHATZ. Davis-Bacon, yes.

Mr. GOSAR. How about you, Mr. Edwards?

Mr. EDWARDS. Yes, absolutely. It should be repealed, in my opinion.

Mr. GOSAR. Mr. Arnold?

Mr. ARNOLD. Yes.

Mr. GOSAR. Well, I mean, I'm of that mindset, too, but, you know, I was taken aback by the GAO account last year of the audit, and what it showed for us is that we've got a problem. So do you believe a fair wage for a fair job that's fair to the taxpayer, Mr. Schatz?

Mr. SCHATZ. Yes, I do. We've also supported repealing Davis-Bacon and the service contracts.

Mr. GOSAR. Okay. How about you, Mr. Edwards?

Mr. EDWARDS. Absolutely.

Mr. GOSAR. Mr. Arnold?

Mr. ARNOLD. Yes.

Mr. GOSAR. Well, it came to my attention, I agree with you, but, I mean, we can stairstep this, because I don't see—there's no benefit to it. Maybe at one time there was, but I don't see much of an aspect now. But would you be surprised that 100 percent of the audited calculations for Davis-Bacon were fraudulent?

Mr. SCHATZ. That doesn't surprise me. I haven't seen the report, but it wouldn't surprise me.

Mr. GOSAR. How about you, Mr. Edwards?

Mr. EDWARDS. I guess it would not surprise me.

Mr. GOSAR. How about you?

Mr. ARNOLD. A hundred percent?

Mr. GOSAR. Uh-huh.

Mr. ARNOLD. It's a little surprising.

Mr. GOSAR. It is surprising, isn't it? How about you?

Ms. WOO. Yeah.

Mr. GOSAR. I'll be honest, I was prepared for maybe 50 percent or 60 percent.

So we actually contract calculations for the prevailing wage, so the Department of Wages, which is crappy—yeah, you heard it from me, crappy—what if we were to exchange that and just say let's give up on right now the prevailing wage, and let's recalculate it so it's properly done for a fair wage for a fair job to the taxpayer and move it to the Bureau of Statistics. Do you know how much money we would actually save in that calculation per year? Estimate between \$15- and \$25 billion a year. Would you be for that?

Mr. SCHATZ. That would certainly be helpful.

Mr. GOSAR. I mean, I'm a scientist, I'm a dentist, so beauty is in my detail, and I compare—I like facts, and the way we're doing it right now, we have no facts to base it on. Some people are being overpaid, some people are being underpaid, and we don't even have a calibration on which we can base our judgment on. So would you think that would be something that you could support, just getting accuracy back into the prevailing wage?

Mr. SCHATZ. Well, it's not just the prevailing wage, Congressman, it's everything that Congress receives in terms of information, but that would be a good place to start.

Mr. GOSAR. Oh, absolutely.

How about you, Mr. Edwards?

Mr. EDWARDS. Absolutely. And the losers are the citizens, because they get less highway maintenance, for example, because wages get inflated. So citizens would get more quality services and more investment that helps them without this particular law.

Mr. GOSAR. I'm going to come back to you, because it's a great question.

How about you?

Mr. ARNOLD. Yes.

Mr. GOSAR. Yes.

And Ms. Woo?

Ms. WOO. I think that the amount of money that you would be getting out of that definitely helps the Federal Government in streamlining processes. In terms of what the wage is supposed to

be or how that's supposed to be calculated, it's not something that's in the purview of U.S. PIRG expertise and our position.

Mr. GOSAR. But that would be a good thing, getting back to facts?

Ms. WOO. Getting back to facts, absolutely.

Mr. GOSAR. So, I mean, coming back to you, Mr. Edwards, I mean, you're exactly right. So, you know, the prevailing wage is an average of 22 percent additionally added to Federal contracts, just for Davis-Bacon. That means if you were to have better accuracy, you could get five bridges for the cost of four. Interesting application to our infrastructure problem.

Mr. EDWARDS. Right.

Mr. GOSAR. So I actually have a bill that actually just changes those six words. It's H.R. 448, the Responsibility in Federal Contracting Act. We would like to see that. It is a down-to-earth, simple thing that I think everybody could agree with, okay?

I have one more thing that I would like to ask you. What do you think the influence of having a sunset clause on every bill so that you see bills coming in front of Congress mandated to show their worth? What do you think about that application, Mr. Schatz?

Mr. SCHATZ. We include that recommendation in our testimony. We support what Congressman Brady has been doing with his MAP Act, which he is reintroducing it, we have long testified in support of the Sunset Commission at the Federal level.

Mr. EDWARDS. I'm very much in favor of that. As you may know, the State of Texas has long had a sunset law that's worked very well, I understand, so I'm in favor of that federally.

Mr. GOSAR. Arizona, too.

Mr. Arnold.

Mr. ARNOLD. I support that as well and actually included it in my testimony.

Mr. GOSAR. Thank you.

Ms. Woo.

Ms. WOO. I'm not too familiar with that, so I can get back to you.

Mr. GOSAR. I would like that. Basically it makes accountability a process of the law, that you answer a Fed three side 7 years down the road.

But I would really love to see the calculations based on fact, and I think both sides of the aisle could benefit from that, so could our infrastructure, and so could our contracting, because those savings I was telling you about did not include Homeland Security, nor the DOD, because they had not been audited, and so the savings could be much more magnified just in a simple six words.

I yield back. Thank you.

Mr. MICA. Thank the gentleman.

Recognize, waiting patiently, the gentleman from Massachusetts Mr. Lynch.

Mr. LYNCH. Thank you, Mr. Chairman. And I do want to thank the panel for your good work and your willingness to come before the committee and help us.

One of the strongest and most effective tools that we have on this committee and in Federal Government for making the government more efficient is the inspector general community. You know, we have 70 inspectors general across the government. I have to say,

because many of them testify before this committee and we worked with them over the years, I would say uniformly they do a great job, they really do. In each of the last—and part of the work that they do, much of it involves rooting out waste, fraud, and abuse in various government programs.

And in each of the last 2 years, the chairman of this committee, and the ranking member of this committee, and our members have signed a letter to the inspector general community generally just asking them how many recommendations they have made within various departments, and how many of those recommendations have either been left open, which means they've been unaddressed, or are actually adopted. And the information that our committee has received in response to that request to the inspectors general is really staggering. There are nearly 17,000 open recommendations across the government with a potential savings of more than \$67 billion.

So this is where our inspector generals have gone out and looked at some of the things that you've talked about and some of the Members on both sides of the aisle have talked about. They've said, we've got to make these changes, and yet in 17,000 instances, the Department has basically refused, and there's been no change. And fulfilling these unimplemented recommendations is really probably a good place to start for many of the things that we're talking about here. I mean, do you agree on that?

Mr. SCHATZ. We not only agree with that, but we've also noted that the funding for IGs has not been up to where it should be as well. We've written on that extensively over the last few years. So it is a good place to start. Between the IGs and GAO, literally hundreds of billions of dollars a year could be saved.

Mr. LYNCH. Right.

Mr. Edwards.

Mr. EDWARDS. Generally the IGs, I agree with you entirely, they do a superb job. It's the one area of Federal spending I would increase substantially. I think the IGs really do a great job.

Mr. LYNCH. Thank you.

Mr. ARNOLD. I agree as well. I think oftentimes the problem, IGs do a great job of pointing out this waste or these problems, but there's not enough incentive structure for the managers at the Federal level to actually implement them. But certainly applaud the work of the inspectors general.

Mr. LYNCH. Thank you.

Ms. Woo.

Ms. WOO. I would say I agree with more collaboration within the Federal Government to root out fraud and waste and abuse, and if that's through the inspectors general, I would agree with that.

Mr. LYNCH. Okay. When you think about what we're doing right now with sequestration, which is, you know, indiscriminate, it's across the board, we're giving good programs a haircut as well as programs that should be completely eliminated, it would seem to me rather than doing this indiscriminate cutting to try to reduce the size of government and the amount of spending, we should probably target these programs that we all agree and the inspectors generals have identified as being completely wasteful.

One of the things that I've been working on with some of the Members on the other side is a lack of transparency in DOD contracting, and our inspectors general there have—even the special inspectors general and the more general ones have identified, you know, billions of dollars in savings, but we've had a very difficult time in getting transparency for the inspector general and also an ability to actually go in and make the changes.

One of the ancillary issues is prescription drugs that the gentleman from Oklahoma earlier brought up, and while the VA and DOD each have the ability to negotiate drug prices, because of the—I don't know how to describe it—just nonfunctioning nature of their system, you have the VA on some drugs paying 100 percent higher prices for the same drug as compared to Department of Defense, mostly, and that's the area of brand-name drugs. So in many cases it's 239 percent higher than what the DOD is spending. And then in other cases on generic drugs, you have the opposite situation where DOD is spending 200 percent what the VA is getting on their prices.

If they were all paying the lowest price, there would be billions and billions of dollars in savings year to year, and what I'm hoping for is we also have 8 million Federal employees, and right now they don't even have the ability to negotiate lower drug prices. So imagine if we were to add—first of all, get both the DOD and the VA down to the lowest reasonable price, and then add in the 8 million employees that are working for the Federal Government, and have them paying the same price, it would be tens of billions of dollars per year in terms of what our pharmaceutical costs would be across the government. It would be incredible. And in these days when we're facing—well, maybe not tens of billions, but several billion dollars a year for prescription drugs that are being purchased by the Federal Government, and I'm just beside myself with the inability of the Federal Government to really get at this.

There may have been a time—I don't believe so, but there may have been a time where we could overlook things like this, but now that we're facing sequestration, we're trying to cut \$1.2 trillion out of the budget, and you have unacceptable costs across the board like this, I just hope that you continue to work with us in terms of, you know, trying to get some of this stuff—the prescription drug prices issue is one that I've been working on a long time, and unfortunately there are probably 10 drug lobbyists for every Member of Congress, so it's an uphill fight. But I think the fight is worth it, and it's more attainable, I think, because of the good work that you all are doing and the people who support you are. So I thank you for that.

Mr. MICA. I thank the gentleman, and his time has expired, and I would like to recognize Mr. Woodall, the gentleman from Georgia.

Mr. WOODALL. Thank you very much, Mr. Chairman. I appreciate you all being here and letting me stand between you and lunch. I've gotten to work with most of you on some other projects in some other venues and really do appreciate all the work that you do. I put your work in the category of those things that the government could be doing instead of you doing it, though I suspect you do a better job at it, and you do it for less, which is why that's valuable.

So I want to come back to something Mr. Edwards said in his testimony, because it's been fascinating to listen to the back and the forth, and it really amplifies for me why the work that the two of you are doing together, why those collaborative efforts are so important.

I heard Ms. Speier talk about waste and fraud and abuse in the Defense Department and how we ought to be able to agree to get that out, then Dr. Gosar said well, we've got this Davis-Bacon issue, and shouldn't we be able to agree to get that out.

Mr. Edwards, you kind of framed what we're talking about. You had three categories, if I can paraphrase you, of spending. You had I think what you called silly projects, just those absolutely horrendous things that we can all agree have no place on the taxpayers' dime or perhaps on anyone's dime. You have those projects for which the benefit does not outweigh the cost, and then you have those projects that just perhaps the Federal Government shouldn't be doing anyway.

And I listened to Mr. Lynch; he's talking about prescription drugs, and I know he's absolutely right. When the Federal Government is picking up two-thirds of all the healthcare bills in America, if you use that monopoly power, you can absolutely drive down the cost of prescription drugs, though using the government's monopoly power to manipulate the marketplace, I would argue, isn't the role of government, and it would fall into that third category of things that the government shouldn't be working on.

Mr. Cummings was talking about the Legal Services Corporation and CAGW's identifying of that, and I really appreciated your answer, because what you said was not folks who can't afford legal services shouldn't get legal services. What you said is there are other opportunities to get those legal services, and can't we utilize those nongovernmental channels?

Dr. Coburn, sitting in Mr. Arnold's chair, was talking about the Army, and he said, golly, they have these software problems because they buy software and they try to mold it to the Army's model instead of buying good off-the-shelf software and molding the Army's model to that. The Legal Services Corporation is exactly that example.

What has happened to the justice system in America that I cannot walk in to court as a citizen and avail myself of the protection? Should we be changing the government to adapt to a very complicated legal system, or should we be changing a complicated legal system to make it accessible to those of us as individuals? And I don't know how we get started without the projects that folks come there collaboratively.

But let me ask you, for example, you all have timber sales in your project, in your list. The U.S. Forest Service manages our timberlands. They're not in the conservation business; they're in the management business. One of your opportunities for savings is just, say, golly, the Forest Service is losing more money on their timber sales than they're gaining in timber sales. Is that an example of something that should go away because that's a bad use of government resources, or is that an example of something that still needs to be done? We need to manage Federal timberlands. Is the solution to get rid of our Federal lands, and that way we don't have

to manage them, or is the solution to farm that out to the private sector?

When we identify wasteful spending, we then have to do the “and so what’s next,” what do we do to fill that void if it creates one? In that example in particular, do you happen to have a “what’s next” vision? Ms. Woo?

Ms. WOO. I think in that example your suggestion of moving that to the private industry is one that we support. Taxpayers shouldn’t be subsidizing for things that can be done by the private industry, especially when the government is very obviously losing money in this case. So I think that whereas taxpayers shouldn’t be subsidizing profit-making ventures for private companies in the timber industry, that would apply to this situation.

Mr. WOODALL. Well, I think that becomes the question— market access program for our farmers is in there as well, you know—is providing markets overseas for our farmers, is that in the category of things that the government shouldn’t be doing, folks should fend for themselves, or is it in the category of things that we’re doing, but we’re not getting an extra dollar of benefit for our dollar of taxpayer burden, and so it’s just inefficient? Would you characterize the things in your book as things the government shouldn’t be involved in, or the things that perhaps we should be involved in but we’re just not doing well?

Ms. WOO. I think it would be the first one in this case especially, and also really depending on the type of benefit that it’s providing. So I think it’s a little bit of combination of both.

In this case the market access program is funding trade associations to have wine-tasting events in Europe, or to have a reality TV show in India to, you know, showcase different designs. I mean, does that really benefit the taxpayer who is paying the \$20 million a year for that reality show? I don’t think so.

So I do think that it is partially not the government’s responsibility to do that, but also there is no benefit that comes out of it for the average taxpayer.

Mr. WOODALL. I hope you will all keep doing with the same fervor that you have always done what you continue to do. I see a real opportunity this year. I appreciate the chairman’s commitment to moving bills forward, and I hope we’ll take him up on it.

Thank you, Mr. Chairman.

Mr. MICA. Thank the gentleman.

And now waiting most patiently, I believe the last member of our committee, the gentlelady from New Mexico, Ms. Lujan Grisham, you are recognized.

Ms. LUJAN GRISHAM. Thank you, Mr. Chairman.

I, too, want to thank the panel for being here today and for your work prior to your testimony today. I don’t think you’re hearing from any Member that we disagree that this is a fundamental responsibility of this committee, it’s a fundamental responsibility of Congress, it’s a fundamental responsibility of any administration, and as that trickles down into investments in the private sector or into other bodies of government, those are also those fundamental responsibilities. And I also agree that regardless of the climate, whether we have resources that we could do anything we desire, or in the climate that we have today where we know that we have

a fiscal crisis in this country that we have to address, that we should be mindful about making sure that we aren't wasting any of our resources. And I hope that having this hearing and starting again that this committee will return to a partnership with you and others at looking at ways to make sure that we are not wasteful, and that we are getting the bang for the buck that we deserve and that our taxpayers and citizens deserve for their investments. And so we're clear about that.

And I know that you touched on this, Mr. Schatz, in your written testimony, that there isn't anybody—I can't imagine anyone—is going to disagree that paying \$900 for a hammer is a good idea. And I know that my eyebrows raise and worse every time I look at healthcare spending and know that at anywhere, anywhere, I can buy a Band-Aid or an aspirin for 1/100th of the cost that I'm going to get it in a hospital or a clinic. So it doesn't make any sense whatsoever, and there's so many areas.

I really want us to focus today in your report on that low-hanging fruit, because I think that many of these program issues are in the eyes of the beholder and create, I think, interesting debates that prevent us all too often from dealing with easy decisions and easy responsibilities by Congress and by the administration and listening to recommendations for you.

I'll give you an example. I mean, some may think that tax breaks for millionaires and billionaires are unnecessary. Others clearly feel that extending emergency unemployment insurance is wasteful. So we're going to continue to debate those programs.

I can give you another example based on some of the testimony today. I come from a State where we don't have a sunset clause, but we've done sunset clauses on some legislation, and because of the political climate, that particular issue or program needs to be reauthorized doesn't get reauthorized, and we spend wasteful money on a special session trying to get that addressed.

So it depends on what's happening. It's a case-by-case basis, but we aren't doing anything on that low-hanging fruit. So I need you to grade us on Congress—I've been here only a year. On adopting sensible, good government reforms outlined in your reports every year, how are we doing on picking up on that low hanging-fruit, A to F?

Mr. SCHATZ. Not so well.

Ms. LUJAN GRISHAM. Is that an F?

Mr. SCHATZ. That would be an F. Although, as I've mentioned, the FITARA bill, which has come out of this committee, would be very, very helpful to improving procurements throughout the Federal Government. So that would be a positive step. Unfortunately, the Senate so far hasn't agreed to that.

Mr. EDWARDS. I think Congress is doing poorly on cutting waste. You know, one of the big problems, as you know, especially if you've only been here a year, is that the government is so vast that I think that there could be 80 percent agreement bipartisan on a lot of these issues, but Members simply don't have time to dig in and look at them. And I think there could be a lot more agreement if we restructured the way Congress works somehow so that Members could actually focus on some of these issues, there could be more agreement. Because I think oftentimes Members sort of re-

flexively don't want to get involved in certain issues if they don't understand them, and so I don't know how to overcome that problem. But there could be more agreement if there's more understanding.

Mr. ARNOLD. Yeah, I would say Congress is doing pretty poorly as well. You know, the problem with eliminating waste, and I think this has kind of been touched on a little bit, is that no matter how wasteful, ridiculous, unnecessary, duplicative a program is, and we can all agree upon that here, there's somebody that benefiting from it. And maybe on genuine terms, maybe on disingenuous terms, but somebody's benefiting from it, and those people are going to fight tooth and nail to keep that program on the books, and it makes it a lot tougher for Congress.

Ms. WOO. I agree with Mr. Arnold's statement in that I do believe that Congress is doing quite poorly, and that's also because of when Congress or when the Federal Government gives a tax break or when they subsidize a corporation or advertising abroad or such things as the Market Access Program, someone's benefiting, and it's typically these wealthy corporations. And as Ms. Speier had mentioned earlier, it's also Members of Congress, it's people who aren't necessarily by benefiting helping the average taxpayer who has to shoulder that burden.

Ms. LUJAN GRISHAM. With the chairman's indulgence just quickly, because I'm over, I'm out of time, a couple more things. I agree and I appreciate that. And like all Members of Congress, I believe we're all interested in getting the right work done. This committee, I think, has an incredibly important role. And it may be a consequence in working in one of the most partisan and unproductive eras of congressional history, but I'm confident that we can move these issues forward in a bipartisan way. I mean, we've got Chairman Issa and Congressman Connolly's IT Acquisition Reform Act, and it passed this committee on a bipartisan basis.

We need this committee to put forward a bipartisan, low-hanging fruit bill every year, maybe more than just one a year, and take the information that we have readily available to us, because we're looking at it and we're all agreeing on much of it, but we aren't doing anything really about it. So this committee still finds those and you do, too, those \$900 hammers. I look forward to many more hearings like this and finding real areas of cooperation. We can make a difference. Thank you very much for being here.

Mr. MICA. Well, thank the gentlelady. And I thank all of the Members. I know Chairman Issa appreciates everyone's cooperation.

I have to thank our witnesses for their extensive, long testimony and participation today and for their work beyond this. So we look forward to working with you in this new year. And this is a great way to start off the new year, particularly for our Oversight Committee.

So there being no further business before the Government Reform and Oversight Committee, this meeting is adjourned. Thank you.

[Whereupon, at 12:38 p.m., the committee was adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE HEARING RECORD

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ONE HUNDRED THIRTEENTH CONGRESS

Congress of the United States House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

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MAJORITY (202) 225-5074
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Opening Statement

Rep. Elijah E. Cummings, Ranking Member

Hearing on "Waste in Government: What's Being Done?"

January 9, 2014

Thank you, Mr. Chairman, for holding today's hearing on making government more efficient and effective. This is the bread and butter of what our Committee does, and I hope today's hearing will further this important discussion, which we have had regularly in similar hearings over the past few years. I thank all of the witnesses for taking time out of their schedules to be here today and participate in the discussion.

I am delighted that Ranking Member Coburn has joined us at our first hearing this year to help set the tone for rooting out government waste. Senator, I have seen your reports, and I agree with many issues you identified. Since this may be one of our last opportunities to work together before your retirement, I look forward to an effective and rewarding collaboration, and I thank you for your service to our nation.

Mr. Chairman, I appreciate that you agreed to my request to invite Chairman Carper to share his thoughts with us as well. Chairman Carper has been tireless in his efforts to make federal agencies work more effectively and efficiently. Senators Carper and Coburn have been at the forefront of legislation that has resulted in billions of dollars in savings for the federal government. I welcome you both.

Today, we have a unique opportunity. We have in one room the Chairman and Ranking Member of the Senate Homeland Security and Governmental Affairs Committee. We also have the Chairman, Ranking Member, and additional Members of the House Committee on Oversight and Government Reform. These are the two key committees that are responsible for reducing waste, fraud, and abuse in our government.

I propose that we use some of our time today to set a bicameral agenda for the coming year. Although we have relatively little time remaining in this Congress, I propose that we try to identify some of the top reform proposals we might be able to achieve on a bipartisan basis. Let's begin a process today to identify issues on which we have common ground and hopefully save taxpayers billions of dollars going forward.

The Government Accountability Office's annual High Risk List and Duplicative Programs Report give us a critical tool for focusing our oversight efforts. Inspector General

recommendations are another key area we can examine. And then of course we have proposals from groups like those here before us today.

One agency that comes up repeatedly every single year in virtually every single report is the Department of Defense. This makes sense because it is the largest federal agency with the biggest budget.

The Department's financial management as a whole continues to be designated as "high risk" because GAO determined that DOD has not been able to control costs, ensure basic financial accountability, measure performance, prepare auditable financial statements and prevent and detect fraud, waste and abuse. It would be a big step in the right direction if DOD could produce, for the first time, an auditable financial statement.

DOD has also experienced significant problems with management and oversight of \$365 billion obligated for contracts last year alone. The Congressional Research Service reports that DOD acquisition programs have experienced "poor performance against the backdrop of war in Afghanistan, spiraling contract costs, and decline in the size of the defense acquisition workforce."

DOD also leads the federal government with wasteful duplicative IT investments. In testimony before this Committee last year, GAO warned that several DOD IT investments "experienced significant performance problems and were indeed high risk." One specific example GAO highlighted was a contract that the Air Force cancelled in December 2012 after spending \$1 billion on the Expeditionary Combat Support System.

Despite these and other examples of waste, some progress is being made that we should be proud of and build upon. President Obama made it a priority to reduce improper payments when he took office, and improper payments have been reduced from \$125 billion in 2010 to \$106 billion in 2013. Chairman Carper and Ranking Member Coburn have been active with legislation on this topic, and I hope Chairman Issa and I can partner with you going forward.

There is also improvement in financial management within government agencies. For example, the Department of Homeland Security has obtained a clean audit of its financial statement for the first time in that agency's ten-year history. This Committee has been an integral part of improving financial management at DHS, and it is good to see positive results from our continued oversight.

Moving forward, we have to continue this progress by conducting our oversight efforts in a sustained, dedicated, and bipartisan manner. It is not enough for us to convene hearings and hope for the best. We need to work cooperatively and diligently to find tangible solutions to minimize government waste and maximize efficiency. After all, government reform is part of the name of this Committee. I look forward to working with all of you in the coming year.

Statement of
Congressman Kerry Bentivolio
Michigan District 11

United States House of Representatives
Committee on Oversight & Government Reform

January 9, 2014

Good morning Chairman Issa, Ranking Member Cummings, and distinguished Members of the Committee.

This hearing is of particular relevance as Congress continues to debate budget issues and cutting our deficit. We are here today because we have a responsibility to make sure that tax dollars are spent effectively. We need to hold government accountable. When we go home, we need to be able to look the taxpayers in the eye and explain to them why we're spending this money and what exactly it's being used for.

The GAO has already published numerous reports demonstrating government waste and overlap. These reports show the 100's of billions in taxpayer money being waste. It is time to figure out exactly where the waste is and what we can do to get rid of it.

I appreciate the testimony already given from the witnesses on how we here in Congress can best save taxpayers' money by avoiding government waste.

Opening Statement

Congressman Matt Cartwright

Committee on Oversight and Government Reform Full Committee Hearing on: "Waste in Government: What's Being Done?"

January 9th, 2014

Thank you, Chairman Issa and Ranking Member Cummings.

Our committee has held a number of hearings now on government waste. Together, we've identified areas and programs that could either be revised or eliminated outright.

The Obama Administration has been a willing partner in this effort. Since 2009, the Administration has made considerable progress rooting out fraud and abuse and cracking down on improper payments.

Members of both parties should look to build on these efforts, and work with the Government Accountability Office and the 73 Inspectors General to ensure we're spending money wisely.

But rather than just talking about waste, let's go after it. Rather than focusing only on certain categories of federal spending, let's look at the whole budget. And rather than enacting broad cuts to social programs, let's find targeted ways to control costs and make government more efficient. I want to thank our witnesses for joining us, and I look forward to hearing your answers.

**United States House of Representatives
STAFF REPORT**



**Oversight of Conference Spending
Saves Taxpayers Hundreds of Millions of Dollars**

Prepared for John L. Mica
Member of Congress
113th Congress

January 3, 2014

Executive Summary

This report is an examination of the impact of Congressional and Inspector General oversight of federal decision-making and spending on conferences. In 2009, Congressman John Mica (FL-07) began to look into irregularities in protocol and federal decision-making regarding conference locations and spending. At that time, Department and Agency conference planners contracted with little regard for budgetary considerations. As a result, taxpayers were forced to pay for outrageous federal junkets. Some of these conferences included high-priced food and entertainment as well as promotional items and improperly accepted gifts. Unfortunately, wasteful spending on federal conferences is not unique to a specific agency.

The federal government bears significant responsibility for wasting taxpayer dollars on unacceptable and unnecessary conferences. Congressional and Inspector General oversight has led to the implementation of tighter controls over conference spending and the elimination of frivolous and gratuitous expenditures. As a result of Congressional oversight, taxpayers have saved hundreds of millions of dollars at IRS, GSA, VA and DOD since FY 2010. These reforms and increased transparency have put Departments and Agencies on notice that wasteful spending on conferences will no longer be tolerated.

Based on estimated savings from these four agencies over past years, government wide savings from reductions in conference spending could reach as high as half-a-billion dollars annually.

Key Findings

For IRS, GSA, VA and DOD, Congressional and Inspector General (IG) oversight of federal spending on conferences has resulted in an estimated savings to taxpayers of more than \$219 million since FY 2010.

- Prompted by Congressional and IG oversight, On November 9, 2011, President Obama issued Executive Order 13589 that directed - "Each agency, agency component, and office of inspector general should designate a senior level official to be responsible for developing and implementing policies and controls to ensure efficient spending on travel and conference related activities."
- As of FY2012, agencies are required to report annual spending on conferences in excess of \$100,000.

I. IRS Conference Spending

- IRS spending on conferences decreased from \$37.6 million in FY2010 to \$4.9 million FY2012. This resulted in a net decrease of 87% from FY2010 to FY2012.

- *IRS' reduction in conference spending equates to an estimated \$64.1 million in savings to taxpayers since FY2010.*
- On June 6, 2013, the House Oversight and Government Reform Committee held a hearing on the IRS SBSE All Managers Conference in Anaheim, CA.

Hearing Findings

- IRS hired 15 outside speakers to present at the conference at a total cost of \$135,000.
- IRS spent \$11,430 to have Shawn Achor, a happiness expert, lead four 90-minute workshops
- Conference attendees received \$64,000 in gifts, trinkets and swag. Some of these gifts included goodie bags containing frames, clocks, keyrings, mugs and plastic squirting fish.
- IRS wasted \$50,187 for two videos shown at the conference. The first was a Star Trek spoof and the second was referred to as the "Cupid Shuffle".

II. GSA Conference Spending

- GSA spending on conferences decreased from \$10.9 million in FY2010 to \$1.3 million in FY2012. This resulted in a net decrease of 88% from FY2010 to FY2012.
- *GSA's reduction in conference spending equates to an estimated \$14 million in savings to taxpayers since FY2010.*
- On April 17, 2012, the House Transportation and Infrastructure Committee held a hearing on GSA's 2010 Western Regions Conference in Las Vegas, NV.

Hearing Findings

- GSA spent \$136,504 on eight separate pre-conference scouting trips
- Conference attendees received gifts that cost of more than \$23,000. These included commemorative coins, canteens, carabiners and a yearbook.
- GSA spent \$75,000 for a bicycle building team exercise

III. VA Conference Spending

- VA spending on conferences decreased from \$86.5 million in FY2011 to \$7.5 million through the first nine months of FY2012. This resulted in an estimated decrease of 88%.
- *VA's reduction in conference spending equates to an estimated \$76.5 million in savings to taxpayers since FY2011.*

- On October 30, 2013, the House Oversight and Government Reform Committee held a hearing on the VA's 2011 Human Resources conferences in Orlando, FL.

Hearing Findings

- VA spent approximately \$98,000 on promotional items, including notebooks, water bottles, fitness walking kits, giant teddy bears and hand sanitizers

IV. DOD Conference Spending

- DOD spending on conferences that cost in excess of \$100,000 decreased from \$89 million in FY2012 to \$12.3 million through the first six months of FY2013
- *DOD's reduction in conference spending equates to an estimated \$64.4 million in savings to taxpayers since FY2012.*

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CCAGW's 2012 Congressional Ratings, for the second session of the 112th Congress, scored 76 votes in the House of Representatives and 58 votes in the Senate. By comparison, in 2011, CCAGW rated 120 votes in the House and 38 votes in the Senate.

CCAGW rates members on a 0 to 100% scale. Members are placed in the following categories: 0-19% Hostile; 20-39% Unfriendly; 40-59% Lukewarm; 60-79% Friendly; 80-99% Taxpayer Hero; and 100% Taxpayer Super Hero.

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Introduction

Since 1989, the Council for Citizens Against Government Waste (CCAGW) has examined roll call votes to help identify which members of Congress have defended taxpayer interests and which have backed down on their promises of fiscal responsibility. The ratings separate the praiseworthy from the profligate by evaluating important tax, spending, transparency, and accountability measures. CCAGW applauds those members of Congress who stood up for taxpayers and ignored the temptations of satisfying local or special interests. However, those who supported a big-government agenda should be prepared to face the consequences for their spendthrift behavior.

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House and Senate Breakdown

In the House, Reps. Jim Jordan (R-Ohio), Mick Mulvaney (R-S.C.), Ben Quayle (R-Ariz.), Ed Royce (R-Calif.), and (now Senator) Jeff Flake (R-Ariz.) achieved the highest scores with a grade of 100 percent, earning the coveted title of Taxpayer Super Hero. No members earned a perfect score in 2011. In 2012, there were 142 Taxpayer Heroes with a grade of 80 percent or above, 87 percent higher than the 76 in 2011. Unlike 2011, when there were no zeroes in either the House or Senate, there were 13 zeroes in the House in 2012.

In 2012, there were no Taxpayer Super Heroes in the Senate. In 2011, Sens. Ron Johnson (R-Wis.) and Pat Toomey (R-Pa.) each scored 100 percent. There were 26 Senate Taxpayer Heroes in 2012, 21 percent lower than the 33 in 2011.

The second session marked the continuance of the divided Congress that was elected in 2010. The results in 2012 were therefore the same as in 2011, as the House of Representatives passed many waste-cutting bills, only to watch its hard work shut down when the legislation reached the Senate.

Victories

House

New Loan Guarantees at the Department of Energy: Before the House passed H.R. 6213, which would prohibit the Department of Energy from issuing new loan guarantees for energy projects following the bankruptcy of Solyndra and other grantees, Rep. Henry Waxman (D-Calif.) tried to strike the prohibition from the bill. His amendment was defeated by a vote of 170-231.

Tax Rate Extension: H.R. 8 extended all expiring 2001 and 2003 tax rates for one year, tied alternative minimum tax exemption amounts to inflation in 2012 and 2013 and extended the marriage penalty tax relief, the \$1,000 child tax credit, and the 15 percent top rate on dividends and capital gains. It also kept the estate tax at its current levels. The bill passed by a vote of 256-171.

Republican Offshore Oil and Gas Drilling Plan: This bill, H.R. 6082, would revise the Interior Department's offshore oil and gas drilling plan by expanding the number of leases that could be reviewed from 15 to 29. The bill passed by a vote of 253 to 170.

Repeal of the Medical Device Tax: One of the most controversial funding mechanisms in the Affordable Care Act (Obamacare) was a 2.3 percent excise tax on medical devices. H.R. 436, the Health Care Cost Reduction Act of 2012, repealed the tax and made other modifications to Obamacare. The bill passed by a vote of 270-146.

Funding for Certain National Science Foundation (NSF) Programs:

Rep. Jeff Flake offered an amendment to H.R. 5326, the fiscal year (FY) 2013 Commerce, Justice, Science (CJS) Appropriations Act, to bar the use of funds in the bill to carry out the NSF's political science program, which supports scientific research that advances knowledge and understanding of citizenship, government, and politics. Supporters argued that the program duplicated similar federal and state efforts. The Flake amendment passed by a vote of 218-208.

Rep. Chip Cravaack (R-Minn.) offered an amendment to the bill to bar the use of funds to carry out the NSF's Climate Change Education Partnership program. His amendment passed by a vote of 238-188.

Senate

Limits to Loan Marketing Payments (Farm Bill): Sen. Charles Grassley (R-Iowa) offered an amendment to S. 3240, the Agriculture Reform, Food, and Jobs Act of 2012 (or “Farm Bill”), to set payment limits for marketing loan gains and loan deficiency payments on certain agricultural commodities. Payments would be limited to no more than \$75,000 for peanuts and other covered commodities. The amendment was one of the few positive reforms to an otherwise bloated piece of legislation, as it was agreed to by a vote of 75-24.

Moratorium on Post Office Closures: Sen. Joe Manchin (D-W. Va.) offered an amendment to S. 1789, a bill to overhaul the U.S. Postal Service, that would place a two-year moratorium on the closure of post offices and mail processing facilities. The amendment was defeated by a vote of 43-53.

Losses

House

NASCAR Sponsorship: Rep. Jack Kingston (R-Ga.) offered an amendment to the FY 2013 Department of Defense Appropriations Act that would restrict the Pentagon's sponsorship of NASCAR events and transfer the savings to a spending reduction account. Unfortunately, the amendment was defeated by a vote of 202–216.

Across-the-Board Cuts: On May 8, 2012, Rep. Marsha Blackburn (R-Tenn.) offered an amendment to H.R. 5326, the CJS appropriations bill, that would have cut spending across-the-board by 1 percent. The amendment was defeated by a vote of 160-251.

On June 6, 2012, the House considered H.R. 5325, the FY 2013 Energy & Water Appropriations Act. Once again, Rep. Blackburn offered an amendment that cut 1 percent across-the-board, which was defeated by a vote of 157-261.

Rep. Jeff Flake subsequently introduced an amendment to the same bill to provide a miniscule 0.27 across-the-board cut. This amendment lost by an even greater margin, 144-274, than Rep. Blackburn's 1 percent cut.

Pacific Salmon Populations: Rep. Paul Broun (R-Ga.) introduced an amendment to H.R. 5326 to reduce by \$15 million the amount provided for expenses associated with the restoration of Pacific salmon populations and direct the same amount to the bill's spending reduction account. This effort was defeated by a vote of 168-239.

Senate

Repeal of the Sugar Program (Farm Bill): In one of the “sweetest” of sweetheart corporate welfare deals in Washington, the sugar industry enjoys protection from competition, while consumers are forced to pay unnecessarily high sugar prices. On June 13, 2012, through an arcane series of parliamentary procedures, Senate Majority Leader Harry Reid (D-Nev.) offered a motion to kill an amendment that would have repealed the Soviet-style federal price-support program for sugar, eliminating the funding entirely for crop year 2015. Sen. Reid’s amendment passed by a vote of 50-46, and the effort to repeal the sugar program was thus defeated.

Prohibition of Earmarks. During debate on S. 2038, the Stop Trading on Congressional Knowledge (STOCK) Act, which would have banned congressional insider trading, Sen. Pat Toomey offered an amendment that would permanently ban earmarking. The proposal was defeated by a vote of 40-59.

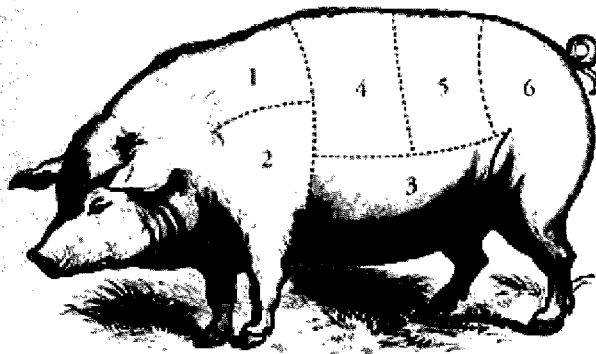
Further Analysis

CCAGW also analyzed ratings based on party affiliation and House membership in the Republican Study Committee. The averages were: Senate Republicans – 80 percent, down 5 percentage points from their 85 percent score in 2011; Senate Democrats – 10 percent, down 7 percentage points from their 17 percent score in 2011; House Republicans – 80 percent, up 11 percentage points from their 69 percent score in 2011; House Democrats – 8 percent, down 4 percentage points from their 12 percent score in 2012; House Republican Study Committee – 84 percent, up 11 percentage points from their 73 percent score in 2011.

CCAGW congratulates the members who stood by taxpayers and championed fiscal responsibility throughout the second session of the 112nd Congress and encourages the constituents of the non-heroes to demand better results in the future.

Citizens Against Government Waste

Prime Cuts Summary



February 2013



INTRODUCTION

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

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

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

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

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

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

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

I. AGRICULTURE



Eliminate the Rural Utilities Service

1-Year Savings: \$9.6 billion

5-Year Savings: \$48.1 billion

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

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

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

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

I. AGRICULTURE (continued)



Eliminate the Sugar Subsidy

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

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

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

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

I. AGRICULTURE (continued)



Eliminate the Dairy Subsidy

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

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

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

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

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

I. AGRICULTURE (continued)



Eliminate the Market Access Program (MAP)

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

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

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

I. AGRICULTURE (continued)



Eliminate the Food for Peace Program

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

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

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

I. AGRICULTURE (continued)



Eliminate the Peanut Subsidy

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

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

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

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II. COMMERCE



Eliminate the Hollings Manufacturing Extension Partnership

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

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

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III. DEFENSE



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

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

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

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

III. DEFENSE (continued)



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

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

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

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

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

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

III. DEFENSE (continued)



Eliminate Funding for the Medium Extended Air Defense System

1-Year Savings: \$195 million

5-Year Savings: \$195 million

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

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

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

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

III. DEFENSE (continued)

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

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

IV. EDUCATION



Eliminate the Robert C. Byrd Honors Scholarship Program

1-Year Savings: \$42 million

5-Year Savings: \$210 million

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

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V. ENERGY



Sell the Southeastern Power Administration and Related Power-Generating Assets

1-Year Savings: \$0

5-Year Savings: \$1.2 billion

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

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

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V. ENERGY (continued)



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

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

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

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

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

VI. ENVIRONMENTAL PROTECTION AGENCY



Eliminate Targeted Water Infrastructure Grants

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

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

VI. ENVIRONMENTAL PROTECTION AGENCY (continued)



Eliminate the ENERGY STAR Program

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

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

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

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

VII. HEALTH AND HUMAN SERVICES



Raise the Retirement Age for Social Security Beneficiaries

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

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

The 2012 Social Security Trustees Report stated that the Social Security Trust Fund incurred a \$45 billion projected deficit in 2011, with a projected deficit of \$53 billion in 2012. The 2011 version of the report warned, "After 2014, cash deficits are expected to grow rapidly as the number of

beneficiaries continues to grow at a substantially faster rate than the number of covered workers." According to the U.S. Census, average life expectancy at birth for all Americans increased from 59.1 years in 1935, the year Social Security was established, to 77.9 years in 2007, the most recent year for which life expectancy data are available. But the eligibility age for Social Security has hardly moved. Reforming the NRA so that it reaches 67 for workers born in 1951 and 70 for workers born in 1969 – and raising it by one month every other year thereafter until it reaches 70 for all retirees – would save taxpayers \$119.9 billion over the next 10 years, according to a March 10, 2011 CBO report.

VII. HEALTH AND HUMAN SERVICES (continued)



Reduce Medicare Improper Payments by 50 Percent over Five Years

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

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

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

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

VII. HEALTH AND HUMAN SERVICES (continued)



Raise the Eligibility Age for Medicare Recipients

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

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

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

VIII. HOUSING AND URBAN DEVELOPMENT



Eliminate Community Development Block Grants (CDBGs)

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

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

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

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

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

VIII. HOUSING AND URBAN DEVELOPMENT (continued)



Eliminate the Neighborhood Reinvestment Corporation (NeighborWorks America)

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

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

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

VIII. HOUSING AND URBAN DEVELOPMENT (continued)



Eliminate the Brownfield Economic Development Initiative

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

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



Terminate HUD Funding for Doctoral Dissertations

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

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

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IX. INTERIOR



Suspend Federal Land Purchases

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

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

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IX. INTERIOR (continued)



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

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

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

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



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

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

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

X. JUSTICE



Terminate Community Oriented Policing Services (COPS)

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

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

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

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

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

X. JUSTICE (continued)



Eliminate Edward Byrne Memorial Justice Assistance Grants

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

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

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

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

X. JUSTICE (continued)



Terminate Funding for the State Justice Institute

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

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

XL LABOR



Repeal the Davis-Bacon Act

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

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

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

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

XI LABOR (continued)



End Susan Harwood Training Grants

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

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

XII. TRANSPORTATION

 Eliminate Federal Subsidies for Amtrak

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

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

Even previous supporters of Amtrak have voiced skepticism. Former Amtrak spokesman and rail expert Joseph Vanich asserted that “Amtrak is a massive failure because it’s wedded to a failed paradigm. It runs trains that serve political purposes as opposed to being responsive to the marketplace. America needs passenger trains in selected areas, but it doesn’t need Amtrak’s antiquated route system, poor service and unreasonable operating deficits.” Even the so-called “Father of Amtrak,” Anthony Haswell, regrets his involvement, stating, “I feel personally embarrassed over what I helped to create.”

XII. TRANSPORTATION (continued)

 End the Essential Air Service (EAS)

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

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

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

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

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

XIII. TREASURY



Replace the \$1 Bill with a \$1 Coin

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

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

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

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

XIV. OTHER RECOMMENDATIONS



Eliminate the AmeriCorps Program

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

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

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

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

XIV. OTHER RECOMMENDATIONS (continued)



Eliminate the Legal Services Corporation (LSC)

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

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

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

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

XIV. OTHER RECOMMENDATIONS (continued)



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

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

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

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

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

XIV. OTHER RECOMMENDATIONS (continued)



Eliminate the Appalachian Regional Commission (ARC)

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

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

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XIV. OTHER RECOMMENDATIONS (continued)



Eliminate the Denali Commission

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

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

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

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XIV. OTHER RECOMMENDATIONS (continued)



Privatize Fannie Mae and Freddie Mac

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

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

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

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

XIV. OTHER RECOMMENDATIONS (continued)



Privatize the United States Postal Service (USPS)

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

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

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

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

XIV. OTHER RECOMMENDATIONS (continued)



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

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

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

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

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XV. GOVERNMENT-WIDE AND MULTI-AGENCY RECOMMENDATIONS



Sell Excess Federal Real Property

1-Year Savings: \$3 billion
5-Year Savings: \$15 billion

Due to a combination of negative incentives and unnecessary red tape, selling federal real estate is a long, costly process. Reforms are essential, because Uncle Sam owns more real property than any other entity in America: 900,000 buildings and structures covering 3.38 billion square feet. In June, 2010, then-OMB Director Peter Orszag estimated that 55,000 federally-owned properties are underutilized or entirely vacant, and that maintenance on those properties cost taxpayers \$1.7 billion annually.

When the General Services Administration Public Buildings Service reports a property as excess, that property must first be screened for use by other federal agencies. If another agency wants it, that agency gets it. If the property goes unclaimed by every eligible agency, according to Title 40 of the U.S. Code and the McKinney-Vento Homeless Assistance Act, it must be screened for use by providers of homeless shelters, who can use the property for free. If shelters are not interested, the property is screened for other public use and sold for up to a 100 percent discount of market value. Finally, if no public use can be identified, the property is auctioned and sold.

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

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



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

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

The U.S. is the largest contributor to the UN, funding 22 percent of the regular UN budget and 27 percent of the UN peacekeeping budget. In FY 2010, the U.S. forked over \$7.69 billion to the UN. The FY 2010 contribution represented a 21 percent increase over the U.S.'s FY 2009 contribution of \$6.35 billion. These numbers have increased dramatically over the past decade; the U.S. contributed just \$3.2 billion in FY 2001. In that same time span, the UN's regular budget has more than doubled and its peacekeeping budget has more than tripled. The UN budget is growing much faster than the economies of its member nations.

As the U.S. attempts to grapple with mounting deficits and debt, organizations like the UN should not be spared the knife when it comes to trimming the budget fat. Fortunately, the \$5.2 billion UN regular budget for FYs 2012-2013 (which is just one of several UN budgets) was 5 percent smaller than the FY 2010-2011 version. However, because UN spending has increased so dramatically, it makes sense to enact larger cuts. After all, former UN Secretary General Boutros Boutros-Ghali once estimated that "perhaps half of the UN work force does nothing useful."

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



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

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

The Ex-Im Bank is an independent government agency founded in 1934 in an effort to encourage U.S. exports. In 2012, the Ex-Im Bank provided a record \$35.8 billion (a 9 percent increase over the previous record level of \$32.7 billion in 2011) in taxpayer-backed direct loans, guarantees, and export-credit insurance to private firms and foreign governments. Whatever its original intent may have been, today the Ex-Im Bank is a prime example of corporate welfare. It has been referred to as "Boeing's Bank," partly because Boeing received 65 percent of the Ex-Im Bank's \$15.3 billion in 2010 financing. The Ex-Im Bank has also made loans to Caterpillar, Chevron, Dell, Emirates Airlines, and Halliburton, all of which borrow regularly from private lenders and are stable, profitable concerns.

OPIC attempts to augment the Ex-Im Bank's import insurance program by providing financing and insurance against political risk in countries where American firms invest. In doing so, the U.S. government subsidizes multinational corporations' risky investments in unstable places where they are less likely to pay off. OPIC loans and insurance subsidies go to companies such as Kimberly-Clark, Levi-Strauss, and Magma Copper Company, which have no trouble getting private credit.

Critics of OPIC range from the Cato Institute and the Heritage Foundation on the right to Corporate Welfare Watch on the left. Ending taxpayer support for both OPIC and the Ex-Im Bank would be an essential step away from corporatism toward free markets.

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



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

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

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

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

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



Increase Use of Software Asset Management

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

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

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

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This booklet was written by Sean Kennedy, Director of Research and Luke Gelber, Manager of Media and Policy. It was edited by Thomas A. Schutz, President.



Toward Common Ground 2013

Bridging the Political Divide
with Deficit Reduction
Recommendations for Congress

U.S. PIRG
Standing Up
To Powerful Interests

NTU
National Taxpayers Union

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December 2013



Authors

Jaimie Woo, U.S. PIRG

Dan Smith, U.S. PIRG

Pete Sepp, National Taxpayers Union

Brandon Arnold, National Taxpayers Union

Acknowledgements

The authors thank the staff of Senator Tom Coburn, Megan Debates from the office of Rep. Peter DeFazio, Alex Cohen from the Center for Public Integrity, and the authors of the Green Scissors 2012 report for their thoughtful and informed assistance. Thank you also to Michael Russo and Steve Chang of U.S. PIRG for their editorial and research support.

The authors bear responsibility for any factual errors. The recommendations are those of U.S. PIRG and National Taxpayers Union. The views expressed in this report are those of authors and do not necessarily reflect the views of our funders or those who provided review.

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National Taxpayers Union

National Taxpayers Union (NTU) is America's independent, non-partisan advocate for overburdened taxpayers. NTU mobilizes elected officials and the general public on behalf of tax relief and reform, lower and less wasteful spending, individual liberty, and free enterprise. Founded in 1969, we work at all levels for the day when every taxpaying citizen's right to a limited government is among our nation's highest democratic principles.

For more information about NTU or for additional copies of this report, please visit www.ntu.org

U.S. Public Interest Research Group (U.S. PIRG)

U.S. PIRG is an advocate for the public interest. When consumers are cheated, or the voices of ordinary citizens are drowned out by special interests lobbyists, U.S. PIRG speaks up and takes action. We uncover threats to public health and well-being and fight to end them, using time-tested tools of investigative research, media exposés, grassroots organizing, advocacy, and litigation. U.S. PIRG's mission is to deliver persistent, result-oriented public interest activism that protects our health, encourages a fair, sustainable economy, and fosters responsive, democratic government.

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Executive Summary

To break through the ideological divide that has dominated Washington in recent years and offer a pathway to address the nation's fiscal problems, National Taxpayers Union and U.S. PIRG joined together to identify mutually acceptable deficit reduction measures. This report documents our recommendations.

What follows is a general summary of recommendations that fall into four categories:

- \$151.6 billion in savings from ending wasteful subsidies;

- \$197.2 billion from addressing outdated or ineffective military programs;
- \$42.3 billion from improving program execution and government operations; and
- \$131.6 billion from reforms to entitlement programs.

Each specific recommendation includes an estimate of potential savings over the next 10 years, and a reference to the source from which the estimate was drawn.

Introduction

As 2013 enters its final stretch, our nation faces enormous fiscal challenges. After the recent partial government shutdown—the first in 18 years—Congress established a Budget Conference Committee to hash out a long-term budget deal and put America's finances back on track.

As a result, National Taxpayers Union (NTU) and U.S. Public Interest Research Group (U.S. PIRG) have joined together to propose to the Budget Conference Committee and to Congress a list of 65 recommendations to reform our future spending commitments. If enacted in their entirety, these changes would save taxpayers more than half a trillion dollars over the coming decade.

While our organizations have typically differed about the proper regulatory role 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. This joint project is an attempt at identifying the “low hanging fruit” of waste and inefficiency in the federal budget, in hopes of transcending some of the ideological and partisan bickering that has helped to create the fiscal mess we see today. In a similar report submitted in 2010, we outlined recommendations for the President's National Commission on Fiscal Responsibility. When the committee chairs and their majority announced their decisions, 20 of the 30 U.S. PIRG-NTU recommendations had been adopted.

The recommendations in “Toward Common Ground 2013” touch nearly every area of federal expenditures, including entitlements, defense spending, wasteful subsidies, and a broad range of improvements to the efficiency and effectiveness of discretionary programs. They include large items, such as eliminating the crop insurance pro-

gram, which would save taxpayers \$84 billion, and relatively small ones, like \$16 million in spending on lavish events for contractors through NASA’s Space Flight Awareness program. They are specific, detailed, and actionable items that Congress could pursue right now to reduce spending and ensure stability for America’s long-term budget.

Methodology

Each recommendation, except for three—which provide one-year estimates—includes a 10-year savings estimate backed up by authoritative sources such as the Congressional Budget Office (CBO), Government Accountability Office (GAO), Office of Management and Budget (OMB), governmental agencies such as the Department of Defense (DoD), or bipartisan

working groups. All cost savings cite the most updated sources. Some cost estimates refer to CBO reports from 2009 and 2011. For these options, the newest CBO report, “Options for Reducing the Deficit: 2014-2023,” cites the older reports, indicating that these estimates have not been updated since. All other major calculations are included in footnotes.

Ending Wasteful Subsidies

Total Savings of up to \$151.6 billion

Every year, the federal government hands out billions of dollars in subsidies for a wide variety of activities, often best described as commercial in nature. Though some of these programs may be well-intentioned efforts to provide targeted support to businesses or individuals, in practice they are a poor use of scarce taxpayer dollars and often fail to achieve their stated objectives. This section recommends spending reductions that focus primarily on “corporate welfare” programs, distortionary agricultural supports, and funding for research that could be done by the private sector more efficiently. If Congress were to enact all 19 recommendations, it would save taxpayers \$151.6 billion over the next decade.

Savings Mechanism	Explanation	Savings (\$ in millions)	Source	Link for Additional Information
\$151.6 Billion in Savings from Elimination of Wasteful Subsidies to Agribusiness and Large Corporations				
Eliminate Crop Insurance Program	This program directly subsidizes insurance premiums for agribusinesses on coverage they would purchase on their own, with the most profitable farm operations benefiting disproportionately. Furthermore, it distorts the insurance market and market for commodity crops by encouraging overplanting and is partially duplicative as other programs provide more rational insurance for farmers.	\$84,107	CBO May 2013 Baseline	http://www.cbo.gov/sites/default/files/cbofiles/attachments/44202_USDAMandator%20FarmPrograms.pdf
— OR —				
Reduce Crop Insurance Subsidies ¹	Taxpayers have subsidized an increasing share of crop insurance premiums. Congress could choose to roll them back closer to the level they were at before the year 2000. This scenario would reduce the subsidy from above 60 percent to 40 percent.	\$22,100	CBO Budget Options	http://www.cbo.gov/sites/default/files/cbofiles/attachments/44715-OptionsForReducingDeficit-2_1.pdf
Limit Administrative Expenses and Return Rates for Crop Insurance ²	Companies offering products through the crop insurance program should have lower overhead due to cheaper premiums, while their present rate of return from the federal program has been higher than what other private companies have experienced.	\$5,200	CBO Budget Options	http://www.cbo.gov/sites/default/files/cbofiles/attachments/44715-OptionsForReducingDeficit-2_1.pdf

Savings Mechanism	Explanation	Savings (\$ in millions)	Source	Link for Additional Information
Eliminate Direct Payments for Commodity Crops	Direct payment programs for the ten largest commodity crops were intended as temporary measures to ease the transition to a farming system less reliant upon federal subsidies. They have since become a fixture despite being identified as wasteful by watchdog groups on the left and right. They also distort the agriculture market by favoring certain crops.	\$45,383	CBO May 2013 Baseline	http://www.cbo.gov/sites/default/files/cbofiles/attachments/44202_USDAMandator%20FarmPrograms.pdf
Cancel Fossil Energy Research, Development and Demonstration Spending ³	These programs provide federal grants for research and development that should be conducted with private dollars.	\$1,700	CBO Budget Options	http://www.cbo.gov/sites/default/files/cbofiles/attachments/44715-OptionsForReducingDeficit-2_1.pdf
Cancel Nuclear Energy Research, Development and Demonstration Spending ⁴		\$4,700	CBO Budget Options	http://www.cbo.gov/sites/default/files/cbofiles/attachments/44715-OptionsForReducingDeficit-2_1.pdf
Cancel Biological and Environmental Research - Biological Systems Science ⁵		\$3,025	Department of Energy	http://science.energy.gov/~media/budget/pdf/sc-budget-request-to-congress/fy-2014/Cong_Budget_2014_Biological_Environmental.pdf
Halt Mixed Oxide - Fissile Materials Dispositions - Construction ⁶	The National Nuclear Security Administration is funding the construction of a facility to blend surplus weapon-grade plutonium with depleted uranium oxide for production of mixed oxide fuel to use in existing nuclear power plants. The nuclear industry, not taxpayers, should fund the production of fuel suitable for power production.	\$602	Department of Energy	http://energy.gov/sites/prod/files/2013/04/f0/Volume1.pdf
Restructure the Power Marketing Administration to Charge Market-Based Rates	The Western Area Power Administration, Southwestern Power Administration, and Southeastern Power Administration provide power (amounting to about 1 percent of the nation's electricity) at below-market rates, leading to market distortions and encouraging greater usage. Requiring the Power Marketing Administrations to charge market rates to wholesale buyers would save approximately \$2 billion.	\$1,920	CBO Budget Options	http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf

Savings Mechanism	Explanation	Savings (\$ in millions)	Source	Link for Additional Information
Eliminate Hollings Manufacturing Extension Program ⁷	The Hollings Manufacturing Extension Program, which provides consulting services to manufacturers, spends hundreds of millions of dollars per year subsidizing large and profitable businesses.	\$1,349	Department of Commerce	http://osec.doc.gov/bmi/Budget/FY14BIB/ENTIREBIB.pdf
Reduce funding for Economic Development Administration ⁸	The Economic Development Administration is supposed to aid needy communities with grants for economic revitalization, but the program has been fraught with inefficiencies for years and has been a source for many wasteful Congressional earmarks.	\$1,000	Center for American Progress	http://www.americanprogress.org/issues/2010/09/pdf/athousandcuts.pdf
Eliminate Feedstock Flexibility Program	The Feedstock Flexibility Program is one of a series of price supports and trade restrictions that conspire to raise the domestic price of sugar higher than that faced by the rest of the world. The program mandates that the federal government purchase surplus sugar and sell it at a loss to biofuels producers to make ethanol.	\$188	CBO May 2013 Baseline	http://www.cbo.gov/sites/default/files/cbofiles/attachments/44202_USDAMandator%20FarmPrograms.pdf
Eliminate Marketing Loan Assistance Program	Through a complicated mechanism, the Marketing Loan Assistance Program provides cash payments to agribusinesses when crop prices drop below a government-guaranteed floor. This is little more than an elaborate subsidy for agribusinesses.	\$990	CBO May 2013 Baseline	http://www.cbo.gov/sites/default/files/cbofiles/attachments/44202_USDAMandator%20FarmPrograms.pdf
Eliminate Overseas Private Investment Corporation (OPIC)	These programs provide funding for various activities to promote trade and exports, such as paying for private advertising abroad. Though well-intended, these programs often fund profitable companies or their trade associations. Taxpayers should not be bearing the cost of their export promotions.	\$421	CBO Budget Options	http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf
Eliminate Market Access Program		\$2,000	CBO May 2013 Baseline	http://www.cbo.gov/sites/default/files/cbofiles/attachments/44202_USDAMandator%20FarmPrograms.pdf
Eliminate Foreign Market Development Program		\$350	CBO May 2013 Baseline	http://www.cbo.gov/sites/default/files/cbofiles/attachments/44202_USDAMandator%20FarmPrograms.pdf
Eliminate U.S. Trade Development Agency ⁹		\$475	USTDA	http://www.ustda.gov/otherinfo/FY2014_CongressionalBudgetJustification.pdf
Eliminate the International Trade Administration's Trade Promotion Activities		\$3,300	CBO Budget Options	http://www.cbo.gov/sites/default/files/cbofiles/attachments/44715-OptionsForReducingDeficit.pdf

Savings Mechanism	Explanation	Savings (\$ in millions)	Source	Link for Additional Information
Eliminate Biomass Crop Assistance Program	This program provides grants of taxpayer money for research and development that should be conducted with private dollars.	\$15	CBO May 2013 Baseline	http://www.cbo.gov/sites/default/files/cbofiles/attachments/44202_USDAMandator%20FarmPrograms.pdf
Eliminate Ultra-Deepwater Natural Gas and Petroleum Research	The ultra-deepwater natural gas and petroleum research program seeks to expand supplies of petroleum and natural gas products. Though it is funded through existing oil and gas revenues, this kind of applied research can be conducted more efficiently by private industry, not through a federal program.	\$50	OMB	http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/budget.pdf
Eliminate Biodiesel Fuel Education Program	This program provides federal grants for research and development that should be conducted with private dollars.	\$10	Agriculture Reform, Food and Jobs Act of 2013	http://www.gpo.gov/fdsys/pkg/PLAW-107publ171/pdf/PLAW-107publ171.pdf and http://www.ag.senate.gov/download/?id=60b7860d-a8dc-4e8b-91e0-d61356974817

Addressing Outdated or Ineffective Military Programs

Total Savings of up to \$197.2 billion

While the need for a strong national defense is clear, it is equally clear that the Department of Defense (DoD) has a number of programs that do not advance this goal and instead waste vital resources. As defense spending comprises the largest portion of the “discretionary” budget and about 20 percent of the total federal budget, it stands to reason that prudently examining DoD’s funding and priorities could generate significant savings for taxpayers. Due to the delicate nature of decisions relating to national security, we have relied on authoritative recommendations from officials and independent experts from across the political spectrum to guide this part of our report. Following these 18 recommendations to carefully reform or eliminate certain weapons programs and make other procedural improvements could save taxpayers as much as \$197.2 billion over the next decade.

Savings Mechanism	Explanation	Savings (\$ in millions)	Source	Link for Additional Information
\$197.2 Billion in Savings from Ending Low-Priority or Unnecessary Military Programs				
Cancel F-35 Joint Strike Fighter and replace with F-16s and F/A-18s	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.” This option, derived from the Congressional Budget Office, would eliminate the F-35 and replace it with sufficiently advanced planes, the F-16 and F/A-18.	\$37,100	CBO Budget Options	http://www.cbo.gov/sites/default/files/cbofiles/attachments/44715-OptionsForReducingDeficit-2_1.pdf and http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/120xx/doc12085/03-10-reducingthedeficit.pdf
— OR —				
Replace F-35B and F-35C Models with F/A-18 E/F ¹⁰	An alternative option would allow the Air Force’s F-35 version to proceed, while canceling the Navy and Marine Corps variants in favor of a battle-proven, lower-cost aircraft.	\$16,500	CBO Budget Options	http://www.cbo.gov/sites/default/files/cbofiles/attachments/44715-OptionsForReducingDeficit-2_1.pdf and http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/120xx/doc12085/03-10-reducingthedeficit.pdf
Reduce Spending on Military Bands ¹¹	This bill would reduce spending, not cut it entirely. With 140 bands and over 5,000 full-time musicians, reducing annual expenditures by less than half should be feasible, especially when other Pentagon programs should take priority.	\$1,880	Rep. Betty McCollum	http://thomas.loc.gov/cgi-bin/query/z?r112:E17JY2-0027:1

Savings Mechanism	Explanation	Savings (\$ in millions)	Source	Link for Additional Information
End Global Hawk Drone Production ¹²	The Army, Pentagon, and White House have said that the Army doesn't need additional drones of this variant.	\$324	OMB	http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/budget.pdf
Cancel Cruiser Modernization Program ¹³	Six Ticonderoga class cruisers are being retired early, and this program is no longer necessary.	\$562	OMB	http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/budget.pdf
Restructure Next Generation Aegis Missile	This missile defense weapon has been widely criticized from a fiscal (GAO) and technological (National Research Council of the National Academy of Sciences) viewpoint; current versions of Aegis offer greater promise of effectiveness and cost stability.	\$2,100	Department of Defense	http://comptroller.defense.gov/defbudget/fy2014/FY2014_Budget_Request_Overview_Book.pdf
Eliminate Duplicative IT Investments	Between FY 2007 and FY 2012, government auditors identified 31 DoD IT initiatives that could be wasting money due to overlap.	\$1,200	GAO	http://www.gao.gov/assets/660/652133.pdf
Terminate Future Space Based Surveillance Follow On Satellite	The modernization of the Space-Based Space Surveillance network has been beset by delays and cost overruns, often related to satellite hardware. DoD has recommended this cost-saving step in the FY 2014 budget.	\$500	Department of Defense	http://comptroller.defense.gov/defbudget/fy2014/FY2014_Budget_Request_Overview_Book.pdf
End Orders for Obsolete Spare Parts for Army, Navy, Air Force, and Defense Logistics Agency ¹⁴	Defense inventory management has been on GAO's "High Risk" list since 1990; the services should accelerate improvements in avoiding excess inventory and obsolete spare parts costs. In FY 2010, DoD achieved roughly an 8 percent cost avoidance by reducing total excess inventory; the services should aim for 12 percent.	\$3,889	GAO	http://www.gao.gov/assets/660/652133.pdf and http://www.gao.gov/products/GAO-12-493
Consolidate Foreign Language Contracts, Uniform Designs, and Support Services at Joint Bases ¹⁵	In 2013 GAO identified several savings opportunities in fragmented DoD programs that fail to coordinate acquisition or basing among the services.	\$2,232	GAO	http://www.gao.gov/assets/660/653604.pdf
Replace some Military Personnel with Civilian Employees	The workforce of the Department of Defense contains thousands of military members doing "commercial" jobs that could be performed by civilians. These jobs do not involve functions that raise concerns about personal safety or national security. The cost of employing a civilian is on average, less than that for a military service member.	\$19,400	CBO Budget Options	http://www.cbo.gov/sites/default/files/cbofiles/attachments/44715-OptionsForReducingDeficit.pdf

Savings Mechanism	Explanation	Savings (\$ in millions)	Source	Link for Additional Information
Use Less Expensive Boosters for Air Force Evolved Expendable Launch Vehicle (EELV)	EELV has been widely criticized for cost-growth problems; since March 2012 the program has reported two unit-cost breaches of limits established under the Nunn-McCurdy law. DoD is proposing modest near-term changes to the program.	\$1,100	Department of Defense	http://comptroller.defense.gov/defbudget/fy2014/FY2014_Budget_Request_Overview_Book.pdf
Reduce DOD Printing/Reproduction Costs by 10% ¹⁶	Numerous plans have been proposed or launched by Congress or the Administration to reduce printing costs across many agencies. Although we propose a 10% cut, there has been bipartisan legislation to cut printing costs by up to 30%: http://beta.congress.gov/bill/112th/senate-bill/1021/text .	\$691	OMB	http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/mil.pdf
Consolidate Management of Retail Stores on Bases	Commissaries and exchanges are administered under a fragmented system; unifying their management under a single system would be more cost-effective. A cash allowance would help to offset any higher prices resulting from operating the system without appropriated subsidies.	\$8,400	CBO Budget Options	http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/120xx/doc12085/03-10-reducingthedeficit.pdf
Reduce Army, Air Force, and Navy Construction Projects or Requirements	DoD's 2014 budget request is proposing to save taxpayer dollars in future years by forgoing numerous construction initiatives.	\$4,100	Department of Defense	http://comptroller.defense.gov/defbudget/fy2014/FY2014_Budget_Request_Overview_Book.pdf
Reduce Spending for "Other Procurement" ¹⁷	The "Other Procurement" category includes spending on items like night vision goggles and radios. According to the President's National Commission on Fiscal Responsibility and Reform, the military spent \$400 billion more than their base budget for these items. Reducing and freezing this spending would save over \$50 billion while still providing a 50 percent increase over "Other Procurement" levels in 2000.	\$85,000	Simpson-Bowles Fiscal Commission Majority Report	http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/Illustrative_List_11.10.2010.pdf
Delay Refurbishment of Abrams Tank	The Army has said it doesn't need additional tank upgrades; this refurbishment is being done primarily to "preserve the industrial base."	\$436	H.R. 804, Rep. Coffman; Testimony of Chief of Staff of Army, Gen. Raymond Odierno	http://www.armed-services.senate.gov/imo/media/doc/Odierno_11-07-131.pdf ; <i>and</i> http://www.jobs-not-wars.org/senator-armys-unrequested-abrams-tank-funding-will-be-addressed/

Savings Mechanism	Explanation	Savings (\$ in millions)	Source	Link for Additional Information
Cancel Army's Ground Combat Vehicle Program	The Ground Combat Vehicle has been deemed too large and heavy to operate effectively in congested areas. The Bradley Infantry Fighting Vehicles are smaller and lighter, and proceeding with upgrades to this family of vehicles would produce additional net savings of \$16 billion between 2024-2036.	\$11,200	CBO Budget Options	http://www.cbo.gov/sites/default/files/cbofiles/attachments/44715-OptionsForReducingDeficit-2_1.pdf
Replace V-22 Osprey with MH-60 and CH-53 Helicopters	The V-22 Osprey has suffered from innumerable schedule, management, cost, and production issues. Reducing future purchases and replacing the functionality with additional MH-60 helicopters would save taxpayers \$17 billion.	\$17,100	Taxpayers for Common Sense/ POGO & Sustainable Defense Task Force	http://www.taxpayer.net/images/uploads/downloads/Spending_Even_Less_Spending_Even_Smarter_5-8-12_FINAL.pdf

Improving Program Execution and Government Operations

Total Savings of up to \$42.3 billion

Payment errors, duplicative programs, and inefficient processes combine to squander tens of billions of taxpayer dollars every year. Taking a comprehensive approach to streamlining the operation of these myriad functions could not only spare taxpayers additional expense, but also improve the quality of services they receive. If enacted in their entirety, these 15 recommendations could save as much as \$42.3 billion over the next decade.

Savings Mechanism	Explanation	Savings (\$ in millions)	Source	Link for Additional Information
\$42.3 Billion in Savings from Improvements to Program Execution and Government Operations				
Consolidate Data Centers and Embrace Cloud Computing ¹⁸	The federal government maintains thousands of data centers, many of which are unnecessary or could be streamlined through technologies such as cloud computing. The Administration is proposing a modest step for FY 2014 by consolidating about 100 such sites.	\$575	OMB	http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/budget.pdf
Reduce Backlog of Buildings Owned by the Federal Government that are Not Utilized or Under-utilized ¹⁹	According to the Office of Management and Budget, the federal government owns roughly 14,000 buildings and structures currently designated as excess or underutilized. While there is potential for far greater savings from orderly disposition of these assets, the Civilian Property Realignment Board would save taxpayers \$15 billion over the first three years.	\$14,800	OMB; CBO	http://www.whitehouse.gov/blog/2011/03/02/cutting-costs-getting-rid-government-buildings-we-dont-need%20and http://www.cbo.gov/sites/default/files/cbofiles/attachments/hr1734substitute.pdf
Eliminate Grants to Large and Medium-Sized Airports	Federal grants currently substitute for funds that larger airports could raise from private sources. By eliminating grants to larger airports, this option would focus federal spending on airports that appear to have fewest alternative sources of funding.	\$8,100	CBO Budget Options	http://www.cbo.gov/sites/default/files/cbofiles/attachments/44715-OptionsForReducingDeficit-2_1.pdf
Require DoD/VA to Jointly Buy Prescription Drugs ²⁰	Pursuant to a recommendation from the Government Accountability Office, the Department of Defense and Veterans Administration began jointly contracting to purchase prescription drugs in order to achieve cost savings. That practice has rapidly declined in recent years, but increased joint efforts could yield substantial savings.	\$4,130	GAO	http://www.gao.gov/new.items/d11318sp.pdf

Savings Mechanism	Explanation	Savings (\$ in millions)	Source	Link for Additional Information
Terminate Harmful and/or Wasteful Army Corps of Engineers Projects	The 2012 Green Scissors Report identifies eight specific Corps projects that are not only expensive boondoggles, but are harmful to the environment. For instance, taxpayers shell out \$700 million for federal beach replenishment projects that encourage development in flood prone areas. These projects should be eliminated.	\$5,896	Green Scissors Report	http://greenscissors.com/content/uploads/2012/06/GS2012-v7E.pdf
Eliminate Catfish Inspection by the Food Safety and Inspection Service	This catfish inspection program is duplicating work already being conducted by FDA and by the National Marine Fisheries Service. Eliminating it would allow for a more efficient allocation of resources.	\$140	GAO	http://www.gao.gov/assets/660/653604.pdf
Unify Military Medical System	GAO notes that the armed services' health system has "no central command authority or single entity accountable for minimizing costs and achieving efficiencies." Unification could reduce overlap and waste without negatively impacting quality of care. Many alternatives have been explored in this area.	\$4,600	GAO	http://www.gao.gov/new.items/d11318sp.pdf
Eliminate Essential Air Service Program	Created in 1978 as a temporary transition to a free-market aviation system, Essential Air Service persists to this day and provides subsidies for air services in rural areas. The program funds service at dozens of facilities that serve fewer than 10 passengers per day or are within easy driving distance of major airports.	\$1,244	CBO Budget Options	http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/102xx/doc10294/08-06-budgetoptions.pdf
Eliminate Certain Payments in Abandoned Mine Restoration Program	The Abandoned Mine Restoration Program makes "unrestricted" grants to states and tribes that have already been certified as completing restoration efforts. As a result, funding has been used for unrelated projects.	\$327	OMB	http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/budget.pdf
End Excessive "Double-Dipping" for Reemployed Annuitants	Agencies have dramatically increased the practice of seeking waivers to rehire retirees who then draw both a salary and retirement benefits.	\$611	OPM discussions with Senator Coburn - "Back in Black" report	All data calculated by Coburn staff - http://coburn.senate.gov/public/index.cfm?fa=Files.Serve&File_id=c6590d01-017a-47b0-a15c-1336220ea7bf

Savings Mechanism	Explanation	Savings (\$ in millions)	Source	Link for Additional Information
Reduce Funding for Timber Sales that Lose Money	The Forest Service spends more on federal timber sales than it has collected from the companies that harvest the timber. Taxpayers should not subsidize profit-making ventures for private timber companies.	\$580	CBO Budget Options	http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/102xx/doc10294/08-06-budgetoptions.pdf
End Livestock Protection Program	The Livestock Protection Program funds efforts to eradicate natural predators of livestock. This should be paid for with private dollars.	\$1,100	Campbell-Defazio Amendment to farm bill	Written Correspondence Between Rep. Defazio and the USDA <i>and</i> http://switchboard.nrdc.org/blogs/mwaage/nra_big_ag_kill_measure_to_sav.html
Eliminate funding for Woodrow Wilson International Center for Scholars ²¹	The Woodrow Wilson International Center for Scholars is a well-established and successful think tank with net assets in excess of \$100 million. There is no reason for taxpayers to subsidize the general operations of one think tank.	\$111	WWIC Annual Report	http://www.wilsoncenter.org/sites/default/files/FY2014BudgetJustification.pdf
Eliminate Small Community Air Service Development Program ²²	The Small Community Air Service Development Program was intended to fund expansion of commercial air service at rural airports, but nearly 70 percent of projects it funds end in failure.	\$60	OMB	http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/appendix.pdf
Eliminate Space Flight Awareness program	NASA's Space Flight Awareness program has a history of paying for lavish events for the benefit of private contractors. While Congress recently prohibited certain practices, the program continues to reward and recognize contractors rather than serve a public benefit.	\$16	Congressional Research Service, Senator Coburn's "Back in Black" report	Congressional Research Service correspondence with the office of Senator Tom Coburn, June 24, 2011

Reforming the Operation of Entitlement Programs

Total Savings of up to \$131.6 billion

Medicare, Medicaid, and Social Security combined comprise roughly 40 percent of the federal budget and, as a result, their budgets also deserve close scrutiny. Our recommendations aim to provide smart reforms that lower costs while improving quality and effectiveness of care. Additionally, giving program administrators greater access to technology and other tools to root out fraud and improper payments could yield tremendous savings and lead to more efficient programs for patients. The nine recommendations in the section, if taken together, could save taxpayers as much as \$131.6 billion over the next decade.

Savings Mechanism	Explanation	Savings (\$ in millions)	Source	Link for Additional Information
\$131.6 Billion in Savings from Reforms to Major Entitlement Programs				
Better Align Medicare Payments to Teaching Hospitals with Actual Costs	Hospitals with teaching programs receive additional funding for costs associated with graduate medical education. However, this funding far exceeds the actual cost of providing such education. Reforming and reducing the payments would allow for substantial savings.	\$10,980	OMB	http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/budget.pdf
Reduce Medicare Payment Rates Across the Board in High-Spending Areas	Per-beneficiary costs are inordinately high in some areas of the country, even after accounting for legitimate differences in the cost for things like labor and office space. Reducing these excess costs would yield nearly \$50 billion in savings over the next ten years.	\$47,600	CBO Budget Options	http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/120xx/doc12085/03-10-reducingthedeficit.pdf
Reduce Fraud, Waste, and Abuse in Medicare and Medicaid	Estimates for the total amount of waste, fraud, and abuse in Medicare and Medicaid vary widely, but the President's FY2014 budget proposes policies that would save \$4.1 billion over the next decade.	\$4,100	OMB	http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/budget.pdf
Clarify Risk Evaluation and Mitigation Strategies (REMS) Policy	In order to develop a generic drug, a drug maker must conduct tests using samples of the brand name drug. But in recent years, some brand name samples have not been supplied to generic drug makers for use in these tests. The justification has been the REMS safety regulations, which are intended to prevent misuse of powerful medications (such as narcotics) by limiting their sale and distribution. This policy would clarify REMS and give patients in Medicare and Medicaid quicker access to generic parts.	\$753	CBO	http://www.cbo.gov/sites/default/files/cbofiles/attachments/S2516.pdf

Savings Mechanism	Explanation	Savings (\$ in millions)	Source	Link for Additional Information
Prevent Improper Payments for Non-Covered Chiropractic Services ²³	The HHS Office of the Inspector General found Medicare inappropriately paid \$178 million for chiropractic claims in 2006, representing 47 percent of claims meeting their review criteria.	\$1,780	Department of Health and Human Services	http://oig.hhs.gov/publications/docs/compendium/2011/CMP-March2011-Final.pdf
Remove Ceiling for Collection of Overpayments from Supplemental Security Income Program	When the Social Security Administration mistakenly overpays a recipient of Supplemental Security Income, they are limited in their ability to recoup those erroneous transfers. Removing the ceiling on collection of these overpayments would aid in efforts to save money and streamline the program.	\$1,480	CBO Budget Options	http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/102xx/doc10294/08-06-budgetoptions.pdf
Reform Durable Medical Equipment Payments	CBO and MedPAC have identified ways of reducing overpayments for durable medical equipment in order to lower costs while preserving access. This would include expanding competitive bidding and limiting Medicaid reimbursement based on Medicare rates, while providing a strong exemption process and excluding customized medical equipment.	\$10,700	CBO and MedPAC	http://cbo.gov/sites/default/files/cbofiles/attachments/44247_APB_HealthCarePrograms.pdf and http://medpac.gov/documents/10142011_MedPAC_SGR_letter.pdf
Align Medicare Lab Payments with the Private Sector	As part of his 2014 budget, the President proposed reducing Medicare's laboratory services costs by lowering fees for lab tests, bringing them into alignment with lower prices paid by the private sector. In addition, the budget proposed promoting electronic reporting of lab results to cut needless paperwork costs.	\$7,600	CBO	http://cbo.gov/sites/default/files/cbofiles/attachments/44247_APB_HealthCarePrograms.pdf
Bundle Medicare's Payments to Health Care Providers for inpatient care and 90 days of postacute care.	Adopt bundled payments in Medicare, so that a single payment is made to providers for individual episodes (including inpatient care and 90 days of postacute care). This will help create incentives for more efficient care, and reduce medical errors. This proposal could also be adjusted for circumstances surrounding specific conditions or treatments.	\$46,600	CBO Budget Options	http://www.cbo.gov/sites/default/files/cbofiles/attachments/44715-OptionsForReducingDeficit-2_1.pdf
— OR —				
Bundle Medicare's Payments to Health Care Providers for inpatient care only. ²⁴	Adopt bundled payments in Medicare, so that a single payment is made to providers for individual episodes (including inpatient care only).	\$16,600	CBO Budget Options	http://www.cbo.gov/sites/default/files/cbofiles/attachments/44715-OptionsForReducingDeficit-2_1.pdf
Total		\$522,682		

Notes

- 1 This is an alternative to eliminating the entire crop insurance program.
- 2 This is an alternative to eliminating the entire crop insurance program.
- 3 We multiplied the outlay savings estimates for 2017-2023 by 4/3 in order to model the difference between a 75% cut (stated in document) and 100% cut. We based these calculations by applying the 2017 estimates to 2015 and 2016 to eliminate the 3-year phase-in CBO recommends.
- 4 We multiplied the outlay savings estimates for 2017-2023 by 4/3 in order to model the difference between a 75% cut (stated in document) and 100% cut. We based these calculations by applying the 2017 estimates to 2015 and 2016 to eliminate the 3-year phase-in CBO recommends.
- 5 This is the FY 2012 x 10 for a 10-year estimate.
- 6 On PDF Page 590, we added FY 2013 projections of Total Project Costs (TPC) from of FY 2014, 2015, and 2016.
- 7 Used FY 2013 annualized number and x 10 years.
- 8 This is one-year estimate multiplied by 10 for a 10-year projection.
- 9 Used FY 2013 appropriations number x 10.
- 10 This is an alternative to canceling the F-35 Joint Strike Fighter. The B/C replacement option would save about 44.6 percent as much as the A/B/C replacement option according to the 2011 report. Using this percentage and multiplying by \$37 billion for the 2013 A/B/C replacement figure, the result rounds to \$16.5 billion.
- 11 This is one-year estimate multiplied by 10 for a 10-year estimate.
- 12 This is a one-year estimate, as provided by the President's budget.
- 13 This is a one-year estimate, as provided by the President's budget.
- 14 In 2010, the DOD reduced the number of spare parts by 8%. To extrapolate for 2011, this is .08 x the 2011 figure of \$9.723B (\$9.2B+\$523M in excess inventory) = \$778M. For a 12% savings, we calculated .12 x 9.723B = \$1,167M. We then subtracted \$778M from \$1,167M to come up with total savings. We multiplied the result, \$389M, by 10 to get the 10-year estimate.
- 15 Authors assumed a 10% savings from foreign language contract consolidation (\$1B) + \$82M from uniforms, and one-half of \$2.3B in 20-year savings from consolidating 26 facilities.
- 16 Authors' calculations from FY 2014 budget request; totals do not include spending from Defense Automated Printing Service. 10% of \$691M (total FY 2014 budget request) x 10, to get the 10-year savings = \$691M.
- 17 This option reduces the FY 2015 funding for "other procurement" from \$38.6B to \$30.1B, which is a savings of \$8.5B. To determine a 10-year estimate, we multiplied by 10.
- 18 This is a one-year estimate, as provided by the President's budget.
- 19 To find the cost of the bill, we added estimated outlays of bill over 10-year period = $3 + (13 \times 9) = \$120$ million. We subtracted the cost associated with implementing the bill (\$120 M) from the savings of the bill (\$15 billion). $\$15B - \$120M = \$14,800M$.
- 20 On PDF page 88, we calculated cost savings based on the 2009 baseline. VA estimated \$666 million in cost avoidance in FY 2005. \$214 million in joint spending in 2009 is 38% of the \$550 million in joint spending in 2005. $38\% \text{ of } \$666 \text{ (potential savings)} = \$253 = \text{savings}$. $\$666 \text{ in potential savings} - \$253 \text{ in savings (in potential realized savings)} = \413 .
- 21 Used FY 2013 annualized number x 10.
- 22 Used FY 2013 CR number x 10 years.
- 23 This is one-year estimate multiplied by 10 for a 10-year estimate.
- 24 This is an alternative to Bundling Medicare's Payments to Health Care Providers for both Inpatient Care and 90 Days of Postacute Care.

Responses from Mr. Edwards
Director of Tax Policy Studies
Cato Institute

Questions from Representative Collins
Committee on Oversight and Government Reform

Hearing on:
“Waste in Government: What’s Being Done?”

1. You all have been active on the issue of government waste for a long time. All of you and the groups you represent have released plans that clearly highlight the waste that is so pervasive throughout our government. It seems that it would be common sense to eliminate large swaths of these types of waste, why do you think that Congress has shown an inability to do that?

I have written many essays about wasteful and unneeded federal programs at www.DownsizingGovernment.org. I think the American economy and society would be better off with the termination of many federal programs and agencies, allowing the states and private sector to fill the void when needed. Why have such reforms not happened yet? I think the main reason is that most members of Congress sincerely believe that the particular federal programs that they support and defend help their states and districts. However, I think that members undervalue the harm done by the programs they support—in terms of the damage caused by the resulting higher taxes and the restrictions on individual freedoms that most federal programs entail.

2. Does Congress have the ability to cut wasteful, inefficient, and duplicative spending? As we’ve heard throughout the hearing, the federal budget is rife it. Knowing, however, that every program has a constituency, and that those constituencies reside within Congressional districts, can Congress actually get this job done? We’ve seen the BRAC approach to this problem when it relates to military installations, is that an approach that you think would be better suited to solve this problem?

Yes, Congress can cut spending anytime that it wants to. And I think it will cut spending in future years as entitlement growth squeezes out spending on other programs. The cuts to defense spending (including base closings) in the early 1990s were dramatic. Those cuts happened not so much because of BRAC, but because most members at the time simply believed that with the end of Cold War, military spending was too high. Despite the lobbying power of the “military-industrial complex”, Congress cut military spending in the 1990s. Special interests can be overcome. If enough members believed that, say, farm subsidies, were damaging and unfair, they would overcome the farm lobbies and cut them.

Note that other high-income democracies—such as Canada in the 1990s—have dramatically cut spending when political leaders believed that it was the right thing to do. So spending will be cut and can be cut when leaders and enough members in Congress come to believe that the country will be better off with a smaller federal government pursuing fewer activities.

3. From your experience, what do you think would be the best way to address wasteful spending in government? Do you think targeted bills that eliminate programs are the best route? Or should we look at making systemic changes to make it easier to address these types of programs on a more regular basis?

Yes, I think that reformers in Congress should focus more on targeted bills to eliminate programs. Cutting programs won't be easy, but it also won't happen unless members make the case for it repeatedly over time. The USPS, for example, should be privatized, as Britain, Germany, and the Netherlands have done. However, it won't happen unless members and leaders do the studies and research and hearings over months and years to make it happen. Welfare reform in 1996 did not just happen. It happened after more than a decade of studies and hearings and calls for reform.



February 7, 2014

Representative Doug Collins
513 Cannon House Office Building
Washington, DC 20515

Dear Congressman Collins,

Thank you for your follow-up questions from the hearing entitled "Waste in Government: What's Being Done?," which was held by the Committee on Oversight and Government Reform on January 9, 2014. I was pleased to appear as a witness at the hearing and I am happy to respond to your additional questions. Please find my responses below.

1. You all have been active on the issue of government waste for a long time. All of you and the groups you represent have released plans that clearly highlight the waste that is so pervasive throughout our government. It seems that it would be common sense to eliminate large swaths of these types of waste, why do you think that Congress has shown an inability to do that?

There are many barriers to reducing waste in the federal government. One of the most difficult problems to overcome is the fact that oftentimes specific individuals, groups, or businesses benefit from what most neutral observers would consider to be waste. The beneficiaries have a much greater incentive to defend the waste than even the most frugal Congressmen or pro-taxpayer advocate. Some economists and political scientists refer to this problem as one of "concentrated benefits and diffuse costs." It is a very difficult obstacle to overcome.

2. Does Congress have the ability to cut wasteful, inefficient, and duplicative spending? As we've heard throughout the hearing, the federal budget is rife with it. Knowing, however, that every program has a constituency, and that those constituencies reside within Congressional districts, can Congress actually get this job done? We've seen the BRAC approach to this problem when it relates to military installations, is that an approach that you think would be better suited to solve this problem.

Yes, Congress does have the ability to cut wasteful spending, but doing so is not an easy task. A BRAC-style approach could be very effective by reducing the ability of Members to defend parochial spending. This is a worthwhile idea, though safeguards must be built into such a process to prevent retrenchment on approved recommendations when they are taking effect over multi-year periods of time.

3. From your experience, what do you think would be the best way to address wasteful spending in government? Do you think targeted bills that eliminate programs are the best route? Or should we look at making systemic changes to make it easier to address these types of programs on a more regular basis.

A targeted approach is generally preferred for waste reduction. Congress should focus its attention on the lowest-hanging fruit – programs that have been repeatedly highlighted by GAO, CBO and watchdog groups – and work to build strong public support for their waste-reduction efforts. Additionally, Congress should pass leaner appropriations bills that require department and agency heads to prioritize spending within their budgets. Though an imperfect strategy, it would help significantly as public officials with excess resources are not strongly incentivized to identify and cut waste. At the same time, Congress should also pursue systemic changes, like instituting sunset clauses for new programs. The problem requires an “all of the above” strategy.

I would be happy to discuss waste reduction strategies in more detail with you or your staff. Please contact me at barnold@ntu.org or 703-299-8665 if I can be of assistance.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brandon Arnold', with a stylized, cursive script.

Brandon Arnold
Vice President of Government Affairs



February 7, 2014

Representative Jackie Speier
211 Cannon House Office Building
Washington, DC 20515

Dear Congresswoman Speier,

Thank you for your follow-up questions from the hearing entitled "Waste in Government: What's Being Done?," which was held by the Committee on Oversight and Government Reform on January 9, 2014. I was pleased to appear as a witness at the hearing and I am happy to respond to your additional questions. Please find my responses below.

1. Former Defense Secretary Gates identified \$100 in efficiencies and the Pentagon ended up with less than \$3 billion in savings. Has anyone looked at what happened to these efficiency initiatives, and if so, what did they find?

I believe you would find some useful information in an article entitled, "Shrinking bureaucracy, overhead, and infrastructure: Why this defense drawdown must be different for the Pentagon," by Mackenzie Eaglen of the American Enterprise Institute. She likens some of the DoD's unhelpful responses to efficiency attempts as a "shell game." The paper can be found here: <http://www.aei.org/article/foreign-and-defense-policy/defense/shrinking-bureaucracy-overhead-and-infrastructure-why-this-defense-drawdown-must-be-different-for-the-pentagon/>

Additionally, I found some interesting analysis contained in a March 2012 study by the GAO entitled, "Defense Headquarters: Further Efforts to Examine Resource Needs and Improve Data Could Provide Additional Opportunities for Cost Savings." It can be accessed here: <http://www.gao.gov/assets/590/589492.pdf>

2. Your report predicts the Department could save nearly \$4 billion if they ended orders for obsolete parts. What do you think is keeping this recommendation from being implemented, are there actions Congress should be taking to realize these savings?

This problem has been repeatedly included on GAO's "High Risk" list since 1990. A 2013 update by GAO suggests that DoD has made some progress (see: <http://www.gao.gov/assets/660/652133.pdf>), yet some observers have noted that any improvements have come about far too slowly. Last year, Senator Coburn unsuccessfully attempted to offer an amendment to the National Defense Authorization Act to require DoD to sell off excess inventory. More information on the amendment can be found here: http://www.coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=4464b437-4332-405f-981e-9e230f1b5602. Similar legislative efforts may be necessary before better results are achieved.

I would be happy to discuss waste reduction strategies in more detail with you or your staff. Please contact me at barnold@ntu.org or 703-299-8665 if I can be of assistance.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brandon Arnold', written in a cursive style.

Brandon Arnold
Vice President of Government Affairs



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Boston, MA 02108 | Chicago, IL 60605 | Denver, CO 80202 | Los Angeles, CA 90010

Representative Doug Collins
Committee on Oversight and Government Reform
2157 Rayburn House Office Building
Washington, DC 20515

Dear Representative Collins,

Thank you for your active engagement during the hearing, "Waste in Government: What's Being Done?" I appreciated receiving your concerns and questions, and have provided my answers below to the best of my ability.

Question 1: You have all been active on the issue of government waste for a long time. All of you and the groups you represent have released plans that clearly highlight the waste that is so pervasive throughout our government. It seems that it would be common sense to eliminate large swaths of these types of waste, why do you think that Congress has shown an inability to do that?

While it would be common sense for Congress to eliminate wasteful spending and reform inefficient programs, too often even the most wasteful programs are ardently defended by special interests concerned more about their bottom line than about spending taxpayer dollars wisely. Efforts to root out the waste are too often stymied by well-resourced lobbying campaigns by these interests.

For example, although representatives from the Air Force and Pentagon have sought to halt the future production of the Global Hawk Drone, in 2011, Northrop Grumman, the production contractor, sent a team of Northrop lobbyists packed with former congressional staff and bolstered by hundreds of thousands of dollars in campaign contributions over to Capitol Hill. They ultimately persuaded Congress to demand the drone's continued production and operation, defying not only the leadership of the Air Force, but also the Chairman of the Joint Chiefs of Staff, Army Gen. Martin Dempsey.¹

Several recommendations in our *Toward Common Ground* report involve ending direct subsidies to large, profitable corporations who are more than willing to spend millions lobbying to secure billions in subsidies. The most recent example of this is in agricultural policy, where despite overwhelming evidence that agricultural subsidies disproportionately benefit giant agribusinesses that don't need taxpayer support, Congress recently passed a Farm Bill that did little to change the status

¹ More information can be found at this article: <http://www.mcclatchydc.com/2013/07/16/196825/global-hawk-the-drone-the-pentagon.html>



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1536 Wynkoop St., Ste. B100
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Los Angeles, CA 90010

quo. It is no coincidence that in 2012, the industry spent \$220 million on lobbying and campaign contributions.

Congressional members need to stand up against special interests and prioritize eliminating wasteful subsidies and programs. Acknowledgement and conversation about these inefficient uses of taxpayer dollars is not enough. Members need to make a concerted effort to resist the ploys by powerful interests and act to cut wasteful programs.

Question 2: Does Congress have the ability to cut wasteful, inefficient, and duplicative spending? As we've heard throughout the hearing, the federal budget is rife with it. Knowing, however, that every program has a constituency, and that those constituencies reside within Congressional districts, can Congress actually get this job done? We've seen the BRAC approach this problem when it relates to military installations, is that an approach that you think would be better suited to solve this problem?

Congress surely has the ability to cut wasteful, inefficient, and duplicative spending. Over the years, Congress has enacted recommendations from previous editions of *Toward Common Ground*, including scrapping the wasteful ethanol tax credit and eliminating the duplicative National Drug Intelligence Center. Unfortunately, special interest pressure has made major reforms few and far between.

Although each program has a constituency, many of the programs listed in our report benefit large and profitable corporations, constituencies that neither need these subsidies nor serve the public interest. For example, 75% of agricultural subsidies go to only 4% of farmers, and over 60% of farmers don't see a dime under the current Farm Bill.² This highly skewed statistic demonstrates that the wealthy agribusinesses are benefitting at the expense of the small farmer, and the average taxpayer is footing the bill. Members of Congress need to serve the interests of all their constituents, not just the ones who can hire lobbyists.

However, a BRAC approach to cutting wasteful spending is not a one-size-fits-all solution. Too many wasteful programs, like agricultural subsidies in the Farm Bill, span too many Congressional districts to make that effective, and such an approach could put in place perverse incentives, or lead to the wrong programs being eliminated while the waste stays in place.

² See our report, *Apples to Twinkies 2013*, for more information:

http://www.uspirg.org/sites/pirg/files/reports/Apples_to_Twinkies_2013_USPIRG.pdf



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Question 3: From your experience, what do you think would be the best way to address wasteful spending in government? Do you think targeted bills that eliminate programs are the best route? Or should we look at making systemic changes to make it easier to address these types of programs on a more regular basis?

Sunlight is often the best disinfectant. Important programs deserve close scrutiny to expose where there is waste. Making spending transparent is a systematic reform that can help representatives identify waste and reduce it, and eliminating anonymous earmarks is a good start. Too often, waste gets buried in fine print and bureaucracy. When tax extenders are voted on as a block package, problematic and unnecessary giveaways are continued year after year without proper scrutiny. Voting on individual parts of massive packaged bills allows for more transparency and efficiency. Tax expenditures have the same bottom-line effect as direct spending, and therefore should receive the same level of scrutiny.

Once waste is exposed, Congress should do its job by eliminating it swiftly. Instead of catering to narrow special interests, members of Congress should serve the taxpaying public at large. Perhaps the most important step to reduce waste and inefficiency is to resist the powerful lobbying efforts of special interests.

Thank you again for your interest and efforts to eliminate wasteful and inefficient programs in our federal budget. Please let me know if you have any further questions. I welcome any opportunities to help you and the committee and look forward to working with you in the near future.

Sincerely,

Jaimie Woo
U.S. PIRG

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Iowa PIRG • Maryland PIRG • MASSPIRG • PIRGIM (PIRG in Michigan) • MoPIRG • MontPIRG • NCPiRG • NHPIRG • NJPIRG
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Representative Jackie Speier
Committee on Oversight and Government Reform
2157 Rayburn House Office Building
Washington, DC 20515

Dear Representative Speier,

Thank you for your active engagement during the hearing, "Waste in Government: What's Being Done?" I appreciated receiving your concerns and questions, and have provided my answers below to the best of my ability.

Question 1: Former Defense Secretary Gates identified \$100 billion in efficiencies and the Pentagon ended up with less than \$3 billion in savings. Has anyone looked at what happened to these efficiency initiatives, and if so, what did they find?

Some of the Gates Recommendations have started to become implemented, but we have not closely tracked their progress. Our last edition of *Toward Common Ground*, written in 2011, included \$100 billion in savings from these recommendations, but since then, there has been some action to implement them.¹

A December 2012 GAO report evaluates the status of the recommendations.² It confirms that the Secretary of Defense and other military departments were tasked to find savings of about \$100 billion. However, in 2011, the Secretary of Defense publicly stated that about one-third of these savings would be used to fund higher-than-expected operating costs, and the remaining two-thirds – over \$70 billion – would be reinvested in high-priority military capabilities over five years. Therefore, these initiatives were more about spending the money effectively, rather than cutting spending in absolute terms.

Additionally, the Secretary of Defense was required to submit a report to the congressional defense committees on the efficiency initiatives. However, the report did not include a comprehensive analysis of reinvestments. The military departments and U.S. Special Operations Command have taken steps to internally track their efficiency initiatives and have developed approaches to periodically review the progress of the efficiency initiatives. According to the GAO report, the DOD's approach still has some limitations due to incomplete reporting and lack of guidance and clear outlines.

¹ The 2011 edition of *Toward Common Ground* can be found here:

http://www.uspirg.org/sites/pirg/files/reports/USPIRG_Toward_Common_Ground.pdf

² Link to report found here: <http://www.gao.gov/assets/660/650490.pdf>



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Question 2: Your report predicts the Department could save nearly \$4 billion if they ended orders for obsolete parts. What do you think is keeping this recommendation from being implemented, are there actions Congress should be taking to realize these savings?

In 2010, the Department of Defense re-examined its on-order and on-hand targets and revised its on-hand excess inventory target to 8% savings by fiscal year 2016. We think they can save four more percent – a 12% savings. Additionally, the DOD did not make any changes to its on-order excess inventory targets, which would result in additional savings.

The following is an excerpt from the GAO on the DOD's method of inventory management:³

"The DOD is developing metrics to assess the effectiveness and efficiency of its inventory management, but it has not determined if it will incorporate these metrics into guidance. This may hamper its ability to assess inventory management performance and sustain management attention on improvement. Material managers should evaluate and be capable of reporting on the performance of inventory management. Based on previous reporting, GAO has found that such metrics should be reportable in a consistent fashion. DOD is currently developing a portfolio of metrics that fall under five key areas: readiness, responsiveness, reliability, cost, and planning and precision. Some metrics that have been identified—such as customer wait time—are currently reported by DOD, while others would be new metrics that would require establishing a data source and methodology. However, the Plan does not include steps to incorporate the metrics, including their methodologies, into DOD guidance. Without guidance specifying standardized definitions, methodologies, and procedures for data collection procedures, DOD's efforts to employ metrics to monitor and evaluate inventory management performance may be hampered."

We agree with the GAO in that the Department should develop metrics by which to measure the efficiency and effectiveness of inventory management, and use these metrics to improve performance. Thus far, DOD has not incorporated these metrics into guidance, so Congress should require the Department to do so, and regularly investigate the degree to which performance has improved.

³ Link to report can be found here: <http://www.gao.gov/assets/660/650490.pdf>

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Thank you again for your interest and efforts to eliminate wasteful and inefficient programs in our federal budget. Please let me know if you have any further questions. I welcome any opportunities to help you and the committee and look forward to working with you in the near future.

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Jaimie Woo
U.S. PIRG

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Response from Mr. Schatz
President
Citizens Against Government Waste

To Representative Speier's Question
Committee on Oversight and Government Reform

Hearing on:
"Waste in Government: What's Being Done?"

1. In your testimony you noted that the Air Force wasted \$1 billion on the Expeditionary Combat Support System, a system which was supposed to help the Air Force get auditable financial statements, only to have nothing to show for it. The Navy spent \$870 million on their ERP program yet the DoD IG still found in July that they did not correct the system's inability to account for \$416 billion in equipment. What specific steps should Congress take to prevent more money from being wasted?

Response:

The federal government has a very poor track record when it comes to creating software. This was certainly the case with the Expeditionary Combat Support System, and has been witnessed more recently with the Army's Distributed Common Ground System and HealthCare.gov. In order to help ensure that more money is not wasted on other software acquisition programs, programmers must test systems prior to deployment. Once a software platform is in the field, it is difficult to make any requisite updates or fixes.

Of course, the best policy in circumstances where the federal government requires software would be to look to the private sector for existing platforms. Commercial competition should be employed whenever possible, with an emphasis on taking into account outcomes, as opposed to building software to requirements that may not provide for the best outcomes. Too often, when the federal government endeavors to build new software, the process becomes bogged down by a variety of requests for divergent functions. This can result in an unwieldy platform that is designed to accomplish many tasks but fails to adequately perform any of them.

On acquisition policy in general, the Government Accountability Office has noted in several reports that cost growth in large acquisition programs commonly occurs because programs are not demonstrating knowledge at key decision points, meaning acquisition processes are advancing under riskier circumstances. Programs that move forward without adhering to a knowledge-based acquisition approach will contain technology, design, and production risks, leading to cost growth and delays.

The federal government should adhere to a knowledge-based acquisition approach. It must incorporate within its procurement system a methodology that ensures contractors proceed with development only after determining that their technologies are mature and designs are stable. This will help to limit future cost growth and delays.

Response from Mr. Schatz
President
Citizens Against Government Waste

To Representative Collins' Questions
Committee on Oversight and Government Reform

Hearing on:
"Waste in Government: What's Being Done?"

1. You all have been active on the issue of government waste for a long time. All of you and the groups you represent have released plans that clearly highlight the waste that is so pervasive throughout our government. It seems that it would be common sense to eliminate large swaths of these types of waste, why do you think that Congress has shown an inability to do that?

Response:

As your question noted, there are myriad examples throughout the government of mismanagement, duplication, overlap, and waste. Congress, unlike the private sector, lacks accountability to the overall ledger for the Federal budget. A December 2011 Boston University Law Review article, "Legislative Organization and Administrative Redundancy," discusses how congressional committee jurisdictional fragmentation and parliamentary prerogatives "bias legislative outcomes in favor of redundancy." The author notes that "the institutional structures facilitating redundancy have mixed effects" and suggests that one method to address this problem would be to preserve existing committee jurisdiction while reducing committees' parliamentary prerogatives, therefore "encouraging redundancy in program design" but "discouraging redundancy in program implementation."

This problem is not the fault of any particular member; rather, it is an overarching structural issue with the system of government in the United States. Reorganizing the congressional committee structure could serve as the subject of a hearing, should the House Committee on Oversight and Government Reform wish to take on that issue in the future. Regardless of the approach, correcting this problem will require bold action by a critical mass of legislators in both chambers of Congress and the president to enact real, structural changes to the legislative process that increase accountability and transparency and disincentivize profligate spending. Unfortunately, it does not appear that such bold action will occur anytime soon.

2. Does Congress have the ability to cut wasteful, inefficient, and duplicative spending? As we've heard throughout the hearing, the federal budget is rife [with] it. Knowing, however, that every program has a constituency, and that those constituencies reside within Congressional districts, can Congress actually get this job done? We've seen the BRAC approach to this problem when it relates to military installations, is that an approach that you think would be better suited to solve this problem?

Response:

Congress does have the ability to cut wasteful, inefficient, and duplicative spending. It lacks, however, the will to save taxpayers money in a permanent and systemic way.

The problem with non-market forces making economic decisions regarding the redistribution of wealth (e.g., lawmakers allocating other people's money from the public treasury) is the economist's ages-old public choice quandary of "concentrated benefits and diffuse costs." The cost of benefits that accrue from any program to its constituent special interest is spread over a much larger population in such a manner that, individually, the cost appears minimal. However, in the aggregate, such an approach to public policy can have the cumulative effect analogous to that of the "boiled frog." If a frog is put into boiling water, it will immediately jump out; however, if that same frog sits in cold water that is slowly heated, it is less likely to perceive the danger before it is boiled alive.

That said, members of Congress can cut wasteful spending, if they recognize that their responsibility extends to all taxpayers that create the wealth in their respective districts, not just the more concentrated special interests that siphon off that wealth for their own parochial interests.

In regard to the BRAC approach, absent more courageous leadership from individual members of Congress, this may be the most effective way for Congress to make substantial spending cuts and improve government efficiency. In fact, the written testimony that CAGW provided to the Oversight & Government Reform Committee on January 9, 2014 specifically referenced legislation introduced by Sen. Sam Brownback (R-Kan.) and Rep. Todd Tiahrt (R-Kan.) in 2004, focusing on the elimination of duplication and overlap within federal agencies. The bills would have established a Commission on the Accountability and Review of Federal Agencies (CARFA), subjecting agencies to three areas of review.

First, when two or more agencies were performing the same function, the commission would recommend that the function be consolidated or streamlined into a single agency or program. Second, when the commission found that an agency was mismanaging resources or personnel, wasting funds by egregious spending, or using funds for the benefit of a special interest group, the commission would recommend that the agency or program be eliminated or realigned. Third, when the commission would find that an agency or program had failed to meet its objectives, become irrelevant, or completed its intended purpose, the commission would recommend the elimination of such agency or program.

After completing its evaluation, CARFA would submit to Congress both a plan with recommendations of the agencies and programs that should be realigned or eliminated and proposed legislation to implement this plan. As with the successful BRAC model, Congress would consider this legislation on an expedited basis with a comment period from the

committees of jurisdiction. Within the expedited time frame, the Congress would take an up-or-down vote on the legislation as a whole without amendment. If CARFA's recommendations were enacted, significant savings would likely result. If CARFA's recommendations were rejected, congressional committees would still have a useful guide for identifying areas in need of scrutiny.

Needless to say, nothing was done about CARFA by the House or the Senate, and no similar legislation has been introduced since Sen. Brownback and Rep. Tiarht left Congress.

3. From your experience, what do you think would be the best way to address wasteful spending in government? Do you think targeted bills that eliminate programs are the best route? Or should we look at making systemic changes to make it easier to address these types of programs on a more regular basis?

Response:

Given the gravity of the nation's fiscal situation, an "all of the above" approach is needed. CAGW has helped to save more than \$1.3 trillion since its founding in 1984 through both the elimination of specific programs such as the alternate engine for the Joint Strike Fighter and systemic changes such as the establishment of the Federal Employees Retirement System to replace the Civil Service Retirement System.

In addition to acting on the recommendations in CAGW's *Prime Cuts*, Congress would be well-served to act on its own watchdog's reports. The Government Accountability Office (GAO) has issued three annual reports regarding duplicative or wasteful federal programs. There are hundreds of agencies, offices, and initiatives that provide similar or identical services to the same populations, including 53 programs across four departments that focus on supporting entrepreneurs; 50 programs across 20 federal agencies promoting financial literacy; and 14 programs across three departments for the administration of grants and loans to reduce diesel emissions.

Much of the waste highlighted by the GAO has been obvious for many years, but Congress has failed to address the problems. While it is gratifying to have a nonpartisan government oversight entity endorse so many of the cuts and consolidations support by CAGW, Congress cannot use ignorance as an excuse to ignore these duplicative, bloated programs.

Despite reminders from all sides that wasteful spending is rampant and endemic to government, many of these glaringly wasteful programs have been allowed to continue and even grow. While the GAO acknowledges that Congress has 'taken actions to address' some of its 2011 recommendations, many of those steps amount to little more than empty rhetoric.

Of course, given CAGW's own origins (from the Grace Commission), we suggest the establishment of a "New Grace Commission." It has been 32 years since Peter Grace, head of W.R. Grace & Co., responding to the call of President Ronald Reagan in 1982 to assemble a group of experts from industry to study the federal government in order to ferret out "waste, fraud and inefficiency." The commission completed a thorough top-to-bottom review of

government operations. One hundred and sixty-one top executives, assisted by 2,000 volunteers from the private sector, contributed more than \$75 million worth of their time and resources to examine all major federal programs and agencies. In January 1984, the Grace Commission's work culminated in a 47-volume report containing 2,478 recommendations to save taxpayers \$424.4 billion over three years.

President Obama should call for a comprehensive bi-partisan examination of government waste, fraud, abuse and mismanagement: in effect, a private sector survey on cost control or Grace Commission by a new name. The new commission could do the following: conduct in-depth reviews of the operations of federal agencies and evaluate improvements in agency operations; look for increased efficiency and reduced costs that can be realized by executive action or legislation; provide additional information and data relating to government expenditures, indebtedness and personnel management; and seek opportunities for increased managerial accountability and improvements.

Robert Freer, Jr., chairman of the Free Enterprise Foundation and a member of the Grace Commission, wrote that, "While lamenting the total irresponsibility in growth of government, in calling for a new Grace Commission, we can still hope that government does what it can to carry out its ill conceived programs in a manner as devoid of waste, inefficiency and fraud as possible. A new Grace Commission would help."

In September 2010, shortly before he was elected to the United States Senate to the seat once held by President Obama himself, then-Congressman Mark Kirk wrote in *The Hill*, "Congress and the president should establish a new Grace Commission, ... After a two-year study at no taxpayer expense, the panel made 2,478 recommendations, which it estimated would save \$1.9 trillion by the year 2000. A 21st century Grace Commission should also be given the powers of the Base Realignment and Closure Commission, with its recommendations facing certain up or down votes in both chambers."