Contract with America

RENEWED

RSC Republican Study Committee

RSC FY 2007 Budget: Contract with America RENEWED

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To the American People:

This year's Republican Study Committee's budget alternative is about freedom and opportunity. It is about allowing American families to keep more of their own money and spend it on their own priorities rather than Washington's, a reality that can only be accomplished through less government, lower taxes, less federal spending, and economic prosperity. This budget therefore is about renewal and change.

In 1994, Republicans across the country embraced a legislative platform of freedom and opportunity, of getting spending under control, reducing the tax burden, and shrinking the size of the federal government. The principles of this "revolutionary" path were laid down in the Contract with America, a "detailed agenda for national renewal" designed to "restore the bonds of trust between the people and their elected representatives." The nation responded to the Contract's vision by transforming the political landscape in the House of Representatives and Washington.

In 1995, the new Majority in the House acted boldly and with initial success to enact the reform agenda it promised in the Contract. In particular, the first House Republican budget resolution that year (H.Con.Res. 67) sought to rein in the size and growth of government as the Contract called for, with all but one member of the new majority voting in favor. The Contract budget sought to balance the budget, strengthen national security, and cut taxes while providing over $1 trillion in deficit reduction. The budget poignantly stated:

> America stands at a crossroads. Down one path lies more and more debt and the continued degradation of the Federal Government and the people it is intended to serve. Down the other lies the restoration of the American dream…we choose the second of these roads. We do it because it's right. We do it because it's sensible. We do it because America's future does not belong to the Congress, or the administration, or any political party. It belongs to the American people themselves.

Unfortunately, we are once again at a historic crossroads in the nation's future. Despite initial successes, Republicans today are confronted with familiar challenges: expanding government, a worsening fiscal position, and an explosive growth in spending and earmarks. In fiscal year 2005, the federal government spent $2.47 *trillion*—49% more than it spent in fiscal year 1995 after adjusting for inflation. The deficit for the current fiscal year is projected to be upwards of $400 billion, the largest nominally in history. In 1995, the public debt limit stood at $4.9 trillion; it now stands at $8.2 trillion, up 67% and yet again in need of an increase. This is not the result of war and economic challenges, as is often claimed, but rather an unwillingness to make choices and trade offs.

In particular, nonpartisans such as the Congressional Budget Office and the Government Accountability Office have been warning Congress that the growth in direct spending (i.e., spending that is on auto-pilot and outside the annual spending process) is occurring at an unsustainable rate due to well-known demographic trends and other factors. By 2040, Social Security, Medicare, and Medicaid alone will consume the entirety of today's budget, as these programs fund the retirement and increased healthcare costs of the baby boom generation. If we do nothing to address the structural flaws, many intentionally embedded by big spenders of the past, future lawmakers will have to either raise taxes to obscene levels, destroying any chance our children and grandchildren will have of a life of prosperity and opportunity, or deny funding to literally every other federal program regardless of its priority—defense, border security, veterans, and so forth. All will go without, if our fiscal situation is not addressed now.

This is not the legacy the Members of the Republican Study Committee wish to leave, a massive government and a crushing burden on future generations. In crafting this year's budget, we have sought to update the budget passed by the first House Republican majority in a generation. Obviously, the replica is not exact; many things have changed in the past decade and much good has been done. However, with regard to the work that remains, we have tried to adhere closely to the policy assumptions of that first budget and renew our commitment to balancing the budget without raising taxes. We too believe that America is at a crossroads, and we too choose the path that leads to the restoration of the American dream. We propose for your consideration the "RSC Budget: The Contract with America Renewed."

MIKE PENCE
Member of Congress
Chairman, Republican Study Committee

JEB HENSARLING
Member of Congress
Chairman, RSC Budget & Spending Taskforce

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RSC Budget Alternative--Total Spending and Revenues
(In millions of dollars)

Fiscal year			2006	2007	2008	2009	2010	2011	2007-2011
Summary									
Total Spending		BA	2,694,484	2,645,451	2,671,165	2,728,886	2,771,292	2,847,709	13,664,503
		OT	2,668,934	2,708,717	2,717,105	2,741,513	2,797,768	2,856,003	13,821,106
	On-Budget	BA	2,265,157	2,197,306	2,208,964	2,247,453	2,271,960	2,329,022	11,254,705
		OT	2,242,021	2,262,787	2,257,421	2,263,020	2,301,476	2,340,846	11,425,550
	Off-Budget	BA	429,327	448,145	462,201	481,433	499,332	518,687	2,409,798
		OT	426,913	445,930	459,684	478,493	496,292	515,157	2,395,556
Revenues	Total		2,312,444	2,400,743	2,521,714	2,639,493	2,763,878	2,866,870	13,192,698
	On-Budget		1,704,036	1,758,926	1,845,251	1,927,713	2,016,539	2,084,848	9,633,277
	Off-Budget		608,408	641,817	676,463	711,780	747,339	782,022	3,559,421
Surplus/Deficit (-)	Total		-356,490	-307,974	-195,391	-102,020	-33,890	10,867	-628,408
	On-Budget		-537,985	-503,861	-412,170	-335,307	-284,937	-255,998	-1,792,273
	Off-Budget		181,495	195,887	216,779	233,287	251,047	266,865	1,163,865
Debt Held by the Public (end of year)			4,952	5,270	5,477	5,591	5,637	5,637	na
Debt Subject to Limit (end of year)			8,524	9,156	9,690	10,146	10,542	10,916	na
By Function									
National Defense (050)		BA	561,112	510,580	481,271	481,126	481,099	481,134	2,435,210
		OT	525,953	534,623	502,489	489,152	484,908	486,641	2,497,813
International Affairs (150)		BA	29,750	25,820	24,179	22,456	22,443	22,432	117,330
		OT	32,673	29,603	25,863	22,853	20,894	19,817	119,030
General Science, Space,		BA	25,192	23,666	21,531	21,237	21,096	17,901	105,431
and Technology (250)		OT	24,300	23,804	22,073	21,206	20,882	18,672	106,637
Energy (270)		BA	1,911	817	41	-169	-395	-509	-215
		OT	625	247	-1,116	-1,398	-1,583	-1,693	-5,543
Natural Resources and		BA	33,701	28,230	27,649	27,419	27,340	26,629	137,267
Environment (300)		OT	32,809	31,991	30,547	29,435	29,284	27,859	149,116
Agriculture (350)		BA	28,915	26,006	20,430	18,742	18,392	18,534	102,104
		OT	27,310	25,581	19,739	18,006	17,506	17,767	98,599
Commerce and Housing		BA	12,629	14,853	10,528	10,300	7,404	6,838	49,923
Credit (370)		OT	5,565	6,025	4,525	5,035	388	-575	15,398
	On-budget	BA	14,529	15,853	13,028	12,000	11,504	11,298	63,683
		OT	7,465	7,025	7,025	6,735	4,493	3,885	29,163
	Off-budget	BA	-1,900	-1,000	-2,500	-1,700	-4,100	-4,400	-13,700
		OT	-1,900	-1,000	-2,500	-1,700	-4,100	-4,400	-13,700
Transportation (400)		BA	74,433	69,371	67,054	63,686	19,197	15,594	234,902
		OT	72,221	70,226	72,017	68,586	50,759	32,178	293,766
Community and Regional		BA	19,354	9,080	7,963	7,963	7,965	7,967	40,938
Development (450)		OT	54,630	26,942	21,875	12,974	9,423	8,466	79,680
Education, Training, Employment		BA	106,413	78,706	75,421	73,973	72,876	71,986	372,962
and Social Services (500)		OT	99,958	86,415	77,978	74,089	72,155	70,929	381,566
Health (550)		BA	268,932	269,698	279,170	291,222	300,435	312,928	1,453,453
		OT	265,610	272,369	279,387	288,810	299,486	311,802	1,451,854
Medicare (570)		BA	342,270	359,207	376,393	395,226	413,594	437,641	1,982,061
		OT	336,790	364,668	376,441	394,815	413,906	437,686	1,987,516
Income Security (600)		BA	351,610	346,496	355,080	365,727	376,340	390,469	1,834,112
		OT	356,727	355,735	361,544	369,553	378,687	391,965	1,857,484
Social Security (650)		BA	556,897	585,379	613,241	645,216	680,429	717,599	3,241,864
		OT	554,483	583,164	610,724	642,276	677,389	714,069	3,227,622
	On-budget	BA	15,173	16,918	18,817	20,697	22,869	26,483	105,784
		OT	15,173	16,918	18,817	20,697	22,869	26,483	105,784
	Off-budget	BA	541,724	568,461	594,424	624,519	657,560	691,116	3,136,080
		OT	539,310	566,246	591,907	621,579	654,520	687,586	3,121,838
Veterans Benefits and		BA	71,956	73,806	75,996	76,885	77,271	81,471	385,429
Services (700)		OT	69,763	72,887	76,254	77,093	77,312	81,289	384,835
Administration of Justice (750)		BA	41,809	42,307	40,721	40,620	40,514	40,404	204,566
		OT	41,677	42,166	41,941	41,375	40,785	40,382	206,649
General Government (800)		BA	18,701	18,206	17,880	17,988	18,100	18,142	90,316
		OT	18,941	18,353	17,962	17,849	17,905	17,940	90,009
Net Interest (900)		BA	217,793	244,718	261,330	268,261	271,855	269,615	1,315,779
		OT	217,793	244,718	261,330	268,261	271,855	269,615	1,315,779
	On-budget	BA	316,593	351,718	377,930	395,761	411,255	421,915	1,958,579
		OT	316,593	351,718	377,930	395,761	411,255	421,915	1,958,579
	Off-budget	BA	-98,800	-107,000	-116,600	-127,500	-139,400	-152,300	-642,800
		OT	-98,800	-107,000	-116,600	-127,500	-139,400	-152,300	-642,800
Allowances (920)		BA	0	-2,830	-2,830	-2,830	-2,830	-2,830	-14,150
		OT	0	-1,685	-2,260	-2,545	-2,685	-2,770	-11,945
Undistributed Offsetting		BA	-68,894	-78,665	-81,883	-96,162	-81,743	-86,296	-424,749
Receipts (950)		OT	-68,894	-79,115	-82,208	-95,912	-81,493	-86,096	-424,824
	On-budget	BA	-57,197	-66,349	-68,760	-82,276	-67,105	-70,567	-355,057
		OT	-57,197	-66,799	-69,085	-82,026	-66,765	-70,367	-355,042
	Off-budget	BA	-11,697	-12,316	-13,123	-13,886	-14,728	-15,729	-69,782
		OT	-11,697	-12,316	-13,123	-13,886	-14,728	-15,729	-69,782

NOTE

The specific items presented in this budget are for illustrative purposes only. The authorizing committees with jurisdiction over the programs mentioned in these functions would make final determinations about the program changes needed to meet the spending levels indicated. The proposals below are intended simply to indicate suggestions of one path toward reaching a balanced budget by fiscal year 2011.

FUNCTION 050: NATIONAL DEFENSE

This function consists of spending for all military activities of the Department of Defense (DoD) and for defense-related activities of the Department of Energy (DoE).

SUMMARY OF POLICY ASSUMPTIONS

RSC Recommendation
Function 050: National Defense
[In millions of dollars]

Fiscal Year		2006	2007	2008	2009	2010	2011	2007-2011
National Defense Function Totals	BA	561,112	510,580	481,271	481,126	481,099	481,134	2,435,210
	OT	525,953	534,623	502,489	489,152	484,908	486,641	2,497,813
DISCRETIONARY		Changes from RSC Baseline						
Increase Spending to Admin. Request	BA	70,444	77,572	48,776	48,017	47,209	46,350	267,924
	OT	22,767	79,105	60,942	52,987	50,512	49,015	292,561
Reduce Funding for Applied Research	BA	0	-1,105	-1,105	-1,105	-1,105	-1,105	-5,525
	OT	0	-575	-997	-1,069	-1,091	-1,098	-4,830
Speed Disposal of Excess Naval Vessels	BA	0	-15	-27	-6	-3	0	-51
	OT	0	-15	-27	-6	-3	0	-51
Introduce HSAs as a TRICARE Option	BA	0	-20	-81	-193	-203	-203	-700
	OT	0	-16	-68	-169	-197	-201	-651
Eliminate Dual-Use Technology Develop.	BA	0	-982	-1,964	-1,964	-1,964	-1,964	-8,838
	OT	0	-501	-1,393	-1,850	-1,930	-1,950	-7,624
Consolidate the Military Exchanges	BA	0	-82	-143	-202	-202	-202	-831
	OT	0	-57	-120	-179	-197	-200	-753
Reduce the Maritime Security Program	BA	0	-78	-78	-78	-78	-78	-390
	OT	0	-72	-78	-78	-78	-78	-384
Close the Domestic Dependent Schools	BA	0	23	-38	-103	-158	-215	-491
	OT	0	14	-15	-74	-132	-188	-395
DIRECT								
Speed Disposal of Excess Naval Vessels	BA	0	-52	-55	-6	-7	0	-120
	OT	0	-52	-55	-6	-7	0	-120

DISCUSSION OF POLICY ASSUMPTIONS

DISCRETIONARY SAVINGS

Increase Defense Spending to the President's FY 2007 Request. The level of defense spending in this function accommodates the President's requested level, as adjusted for the savings proposals described below. Excluding emergency spending, total defense spending in FY 2007 would *increase* by $25.2 billion or *5.8 percent* over the prior fiscal year. This budget also includes a $50 billion bridge fund for FY 2007, in anticipation of additional needs in Afghanistan, Iraq, and the Global War on Terrorism, as proposed by the President. In fiscal years thereafter, this fund will be deficit-neutral, thus encouraging the President and Congress to search for offsets in low-priority, non-defense spending to pay for additional defense spending in the coming fiscal year *or* fund needed spending through regular order. (In addition, the budget adjusts FY 2006 levels to accommodate $70.4 billion in supplemental funding for these activities in the current year). These defense spending increases are significant evidence of this budget's commitment to meeting the nation's security needs. However, any serious effort to balance the budget must not allow the Department of Defense (DoD) to escape the scrutiny that other departments of government will receive.

Reduce Funding for the Applied Research Program. The Applied Research Program at DoD focuses on developing and assessing military technology, taking the results of basic research and applying it to their potential use in the field. However, in recent years, Congress has provided more funding than the President requested due in part to significant earmarking within the program. This budget would reduce funding for the Applied Research Program to the FY 2006 funding level.

Simplify and Speed the Disposal of Excess Naval Vessels. The sale, lease, or grant of excess naval vessels to other nations must be authorized by Congress if the vessel is over 3,000 tons or less than 20 years of age. Other older defense articles, such as military jets and tanks, can be sold by simply notifying Congress. The delay that Congressional authorization creates costs an estimated $4 million per ship to mothball and store. The budget would eliminate administrative red tape, speeding the sale of these naval vessels and saving taxpayers money. This proposal was included in the RSC's "Operation Offset" in 2005.

Introduce Health Savings Accounts as a TRICARE Option. Under the Department of Defense's health care plan, TRICARE, military personnel would have *the option* of receiving a cash allotment to purchase a less comprehensive health care plan and keep the remaining cash or remain in their current plans. The less comprehensive plan would encourage individuals to be more cost-conscious when purchasing health care products by including deductibles, co-payments, and a maximum annual out-of-pocket expenditure limit. This proposal was included in the RSC's "Operation Offset" in 2005.

Eliminate Certain Dual-Use Technology Program. The Pentagon funds a variety of applied research and development programs to develop dual-use technologies (i.e., both military and civilian uses). According to the Cato Institute, such research grants often subsidize large companies, such as Boeing or Hewlett Packard. This budget would eliminate the following dual use programs: the Advanced Electronics Technologies Program, the Computing Systems and Communications Technology Program, the Materials and Electronics Technology Program, the Small Business Innovation and Research & Technology Program, and the Robert C. Byrd Institute for Advanced Flexible Manufacturing (at Marshall University).

Consolidate and Encourage Efficiencies in Military Exchanges. The Pentagon operates three separate military exchanges, the Army and Air Force exchange, the Navy exchange, and the Marine Corps exchange. Consolidating these three exchanges into one would eliminate inefficiencies from duplicative purchasing, different personnel departments, warehouse and inventory systems, and management headquarters while retaining the current ability for service members and their families to receive a wide selection of goods at a low price. This proposal was included in the RSC's "Operation Offset" in 2005.

Eliminate the Department of Defense's Elementary and Secondary Schools. The Pentagon operates special elementary and secondary schools on several domestic bases *in the United States*. This system is separate from the one in operation for military children overseas. This option would phase out these domestic schools over time and shift these military children into the local public school systems. These programs date to the time of segregation when public schools in the South did not serve an integrated military, and most military bases nationwide do not currently contain such schools. This proposal was included in the RSC's "Operation Offset" in 2005.

FUNCTION 150: INTERNATIONAL AFFAIRS

This function covers all spending on international programs by various departments and agencies. It includes spending by the Department of State to conduct foreign relations, economic and humanitarian aid to developing countries, military and other assistance to strengthen allied nations and enhance U.S. security, radio and television broadcasting and exchange programs to promote democracy and U.S. ideals, and financing for the export of U.S. goods and services.

SUMMARY OF POLICY ASSUMPTIONS

RSC Recommendation
Function 150: International Affairs
[In millions of dollars]

Fiscal Year		2006	2007	2008	2009	2010	2011	2007-2011
International Affairs Function Totals	BA	29,750	25,820	24,179	22,456	22,443	22,432	117,330
	OT	32,673	29,603	25,863	22,853	20,894	19,817	119,030
DISCRETIONARY		Changes from RSC Baseline						
Cease Supporting Int. Develop. Banks	BA	0	-1,273	-1,273	-1,273	-1,273	-1,273	-6,365
	OT	0	-113	-702	-1,149	-1,204	-1,229	-4,397
Reduce Peace Corps by 10 Percent	BA	0	-32	-32	-32	-32	-32	-160
	OT	0	-25	-31	-31	-31	-31	-149
Eliminate Export and Investment Subsidies	BA	0	-170	-169	-186	-206	-219	-950
	OT	0	-25	-67	-106	-140	-162	-500
Eliminate USAID	BA	0	-1,896	-3,596	-5,302	-5,302	-5,302	-21,398
	OT	0	-654	-1,778	-3,216	-4,320	-4,838	-14,806
Eliminate Millennium Challenge Accounts	BA	0	-1,745	-1,750	-1,755	-1,760	-1,765	-8,775
	OT	0	-131	-611	-1,251	-1,656	-1,677	-5,326
Eliminate Economic Support to Egypt	BA	0	-503	-503	-503	-503	-503	-2,515
	OT	0	-115	-286	-368	-435	-470	-1,674
Reduce UN Peacekeeping Contribution	BA	0	-517	-517	-517	-517	-517	-2,585
	OT	0	-517	-517	-517	-517	-517	-2,585
Reduce Contributions to Internat. Organ.	BA	0	-147	-147	-147	-147	-147	-735
	OT	0	-144	-147	-147	-147	-147	-732
Reduce Duplication in US Foreign Policy	BA	0	-208	-148	-148	-148	-148	-800
	OT	0	-110	-164	-163	-148	-148	-733
Eliminate Radio Free Europe and Liberty	BA	0	-75	-75	-75	-75	-75	-375
	OT	0	-75	-75	-75	-75	-75	-375

DISCUSSION OF POLICY ASSUMPTIONS

DISCRETIONARY SAVINGS

Cease Supporting the International Development Association (IDA), Multilateral Development Banks (Excluding the World Bank), and the Global Environment Facility. IDA, an affiliate of the World Bank, is supposed to make low-interest loans to the world's poorest nations. The Multilateral Development Banks (MDBs), including the Inter-American Development Bank, the

Asian Development Bank, the African Development Bank, and the European Bank for Reconstruction and Development, finance development projects in less developed countries. Under this proposal, the U.S. would continue to be a member and stockholder in the banks but would stop supplying new capital. The Global Environment Facility, which provides technical assistance and funding for projects to protect the global environment, would also be eliminated. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Reduce Peace Corps by Ten Percent. The Peace Corps provides funding to send Americans overseas to work in underdeveloped countries. While the program's goals might be laudatory, it is questionable whether such activities fit within the federal government's proper role, especially with the availability of private charitable organizations. This proposal would reduce Peace Corps funding by 10 percent. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate International Export/Investment Agencies. This proposal eliminates the Overseas Private Investment Corporation (OPIC), the U.S. Trade and Development Agency, and the Export-Import Bank. OPIC is a government corporation that provides financing and political risk insurance to U.S. companies investing in developing regions, a function that can be performed through the private sector. The Export-Import Bank promotes U.S. exports by providing subsidized financing to foreign buyers of U.S. goods. The bank makes loans set at below-market rates and guarantees private lending without receiving full compensation for the contingent liabilities. Likewise, the U.S. Trade and Development Agency (TDA) provides grants for feasibility studies for major development projects in the developing world. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Development and Humanitarian Assistance. The Agency for International Development (USAID) administers development-related projects and provides technical advice to roughly 100 countries. In many cases, these programs have been wasteful and ineffective. According to the Heritage Foundation, over the past 45 years, the U.S. has spent roughly $1.5 trillion "with few development success stories—none clearly attributable to provision of development assistance." This proposal eliminates USAID funding. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Millennium Challenge Accounts. President Bush's initiative to restructure foreign aid to reward and therefore provide incentives to countries taking steps towards economic independence has been added on top of, *instead of replacing*, the USAID budget. While this program is arguably far more effective in dispensing foreign aid than other programs, any effort to balance the budget must make tough choices and prioritize funding decisions. This proposal was included in the RSC's "Operation Offset" in 2005.

Eliminate Economic Assistance to Egypt. Since 1979, Congress has provided foreign aid to Egypt, as many other nations do. However, Egypt has been unable to spend all of our funds and delayed internal reforms needed to foster self-sustaining growth. Despite being the second largest recipient of U.S. foreign assistance, Egypt's democratic development has been extremely limited and its human rights record remains poor, according to the Department of State's Country Reports on Human Rights Practices for 2004. Egyptian authorities continue to mistreat and torture prisoners, arbitrarily arrest and detain persons, hold detainees in prolonged pretrial detention, and occasionally engage in mass arrests without charge. For instance, according to recent press reports, the runner-up in the last presidential contest, Ayman Nour, was placed behind bars on spurious charges, and in December, 27 Sudanese refugees (including infants and grandparents) were beaten by a Cairo police squad. In addition, according to Freedom in the World 2005, "corruption in Egypt is a serious problem," discrediting claims that such U.S. aid is being spent as intended. This proposal would reduce funding for the Economic Support Fund by eliminating such assistance to Egypt (funding through the separate Foreign Military Financing Program would continue). A similar proposal was included in the RSC's "Operation Offset" in 2005.

Reduce Funding for U.N. Peacekeeping Operations. The United States is the largest financial contributor to the U.N. peacekeeping budget. Current military obligations in Iraq and Afghanistan, including U.S. peacekeeping efforts in the region, are not deducted from what the U.N. assesses the U.S. in dues. In addition, U.N. peacekeepers have been involved in a litany of scandals. In 2002 and 2003, Human Rights Watch accused peacekeepers in Sierra Leone of systematically raping women. In 2005, peacekeeping staff ran up more than $500,000 in unpaid international calls. Currently, peacekeepers stand accused in the Democratic Republic of Congo of widespread sexual exploitation of refugees. According to recent press reports, waste is rampant: The UN paid $10.4 million to lease a helicopter in East Timor when it could have been secured for $1.6 million, $2.4 million to buy aircraft hangers in Congo that were never used, and roughly $193 million in fraudulent contracts (nearly *20 percent* of the $1 billion in contracts that were examined). This proposal would reduce funding for U.N. peacekeeping operations by 50 percent. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Cease Contributions to International Organizations. The United States pays assessed contributions through the Department of State for International Organizations and Conferences, including the Organization for Economic Cooperation and Development (a Paris-based organization that supports higher U.S. taxes), the International Labor Organization, the United Nations Industrial Development Organization, the Universal Postal Union (encourages a "universal, efficient" postal service), and the Bureau of International Expositions. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Reduce Duplication in Foreign Policy. Several small agencies, such as the U.S. Institute of Peace, the Asia Foundation, the National Endowment for Democracy, the East-West Center, and the North-South Center, perform foreign affairs activities that duplicate functions conducted by the Department of State. This proposal would eliminate these agencies and allow for a more coherent foreign policy. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Some Overseas Broadcasting. Radio Free Europe (RFE) and Radio Liberty (RL) broadcast country-specific news to Eastern Europe and the former Soviet Union, respectively. This proposal would eliminate or privatize RFE and RL, now that the Cold War is over. Voice of America broadcasting would remain intact. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

FUNCTION 250: GENERAL SCIENCE, SPACE, AND TECHNOLOGY

This function includes federal funding for broadly based scientific research and development. It includes research funding for three agencies: the National Aeronautics and Space Administration (NASA), the National Science Foundation, and the Department of Energy's (DoE's) general science programs. (Federal funding for research and development related to agency missions or particular industries, such as defense, health, or agriculture, is included in those respective budget functions).

SUMMARY OF POLICY ASSUMPTIONS

RSC Recommendation
Function 250: General Science, Space, and Technology
[In millions of dollars]

Fiscal Year		2006	2007	2008	2009	2010	2011	2007-2011
General Science Function Totals	BA	25,192	23,666	21,531	21,237	21,096	17,901	105,431
	OT	24,300	23,804	22,073	21,206	20,882	18,672	106,637
DISCRETIONARY		Changes from RSC Baseline						
Eliminate NSF Element. & Second. Edu.	BA	0	-86	-171	-171	-171	-171	-770
	OT	0	-10	-55	-113	-146	-158	-482
Reduce NSF Bureaucracy to FY04 Levels	BA	0	-33	-33	-33	-33	-33	-165
	OT	0	-29	-33	-33	-33	-33	-161
Reduce NASA Vehicles System Program	BA	0	-103	-103	-103	-103	-103	-515
	OT	0	-68	-96	-101	-102	-103	-470
Eliminate the Moon/Mars Initiative	BA	0	-625	-2,295	-2,295	-2,295	-2,295	-9,805
	OT	0	-413	-1,683	-2,162	-2,247	-2,275	-8,780
Eliminate Space Shuttle after ISS Complete	BA	0	-421	-690	-983	-1,126	-4,321	-7,541
	OT	0	-278	-569	-854	-1,046	-3,213	-5,960
Eliminate the NASA Education Program	BA	0	-45	-162	-162	-162	-162	-693
	OT	0	-30	-119	-153	-159	-161	-622

DISCUSSION OF POLICY ASSUMPTIONS

DISCRETIONARY SAVINGS

Eliminate Elementary and Secondary Education at the National Science Foundation (NSF). The NSF's Elementary and Secondary Education program promotes math and science education in elementary and secondary schools. However, the program is duplicative of the existing *207* different federal programs dedicated to promoting science, technology, engineering, and mathematics education. This proposal would eliminate this program at NSF. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Reduce NSF Bureaucracy. This proposal would fund the salaries and expenses account at the National Science Foundation at the FY 2004 level. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Reduce the Vehicles Systems Program. NASA's Vehicle Systems Program conducts primarily long-term research for the purposes of developing environmentally friendly air transportation systems. After reviewing this program, the National Research Council recommended that the Vehicles Systems Program reduce its number of research projects. In addition, this type of research is currently being conducted in the private sector. This proposal would reduce funding for the Vehicles Systems Program at NASA to the President's request for FY 2006.

Cancel NASA's Moon/Mars Exploration Initiative and Retire the Space Shuttle After Completion of the International Space Station. In 2004, the President announced a new initiative to explore the Moon and Mars with the goal of returning humans to the Moon by 2020. NASA currently intends to use the savings from phasing out the space shuttle in 2012 to fund this program. However, the proposed transition will take six more years, costing taxpayers money on administrative and program expenses associated with simultaneously operating both programs. This proposal would cancel the new mission and would retire the space shuttle *after* completion of the International Space Station. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Education Program at NASA. NASA's education program is designed to encourage students to study space-related disciplines including science, technology, engineering, and mathematics so they would eventually choose a career related to space exploration. However, the federal government currently operates and provides funding for *207* different education programs, and the education program at NASA is duplicative of these efforts.

FUNCTION 270: ENERGY

This function funds energy research, production, conservation, and regulation. It includes the Department of Energy's (DoE's) civilian programs, such as energy-related research and development; operation of the Strategic Petroleum Reserve; environmental cleanup of federal sites used for civilian energy research and production; development of a repository for nuclear waste at Yucca Mountain, Nevada; and grants to states for energy conservation measures. In addition, Function 270 covers federal agencies that generate and sell electricity, such as the Tennessee Valley Authority and the four power marketing administrations that are managed by DoE.

SUMMARY OF POLICY ASSUMPTIONS

RSC Recommendation
Function 270: Energy
[In millions of dollars]

Fiscal Year		2006	2007	2008	2009	2010	2011	2007-2011
Energy Function Totals	BA	1,911	817	41	-169	-395	-509	-215
	OT	625	247	-1,116	-1,398	-1,583	-1,693	-5,543
DISCRETIONARY		Changes from RSC Baseline						
Eliminate Fossil Energy R&D	BA	0	-478	-598	-598	-598	-598	-2,870
	OT	0	-120	-317	-478	-532	-562	-2,009
Eliminate Supply and Conservation	BA	0	-713	-891	-891	-891	-891	-4,277
	OT	0	-321	-686	-829	-882	-891	-3,609
Eliminate Adv. Approps. for Elk Hills	BA	0	-48	-48	-48	-48	-48	-240
	OT	0	-48	-48	-48	-48	-48	-240
Eliminate Energy Conservation	BA	0	-770	-928	-928	-928	-928	-4,482
	OT	0	-385	-710	-890	-928	-928	-3,841
Reduce Administration Account	BA	0	-79	-79	-79	-79	-79	-395
	OT	0	-55	-71	-79	-79	-79	-363
DIRECT								
Market Rates for Southwestern PMA	BA	0	0	-29	-29	-30	-30	-118
	OT	0	0	-29	-29	-30	-30	-118
Market Rates for Southeastern PMA	BA	0	0	-74	-76	-77	-78	-305
	OT	0	0	-74	-76	-77	-78	-305
Market Rates for Western PMA	BA	0	0	-88	-89	-91	-92	-360
	OT	0	0	-88	-89	-91	-92	-360

DISCUSSION OF POLICY ASSUMPTIONS

DISCRETIONARY SAVINGS

Eliminate the Applied Research for Fossil Fuels Energy. Each year, the Department of Energy (DoE) receives roughly $500 million to fund applied research on sources and uses of petroleum, coal and natural gas. Although the federal government may have a role in basic research, it should not be engaged in applied research—particularly when this type of research is conducted by numerous private sector suppliers generating extensive general revenues with which they fund private fossil fuel research. Often times applied research funding is simply corporate welfare for the oil, gas, and utility industries. The option would eliminate funding for the DoE Applied Research for Fossil Fuels Energy. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Energy Supply and Conservation Program. This program is designed to develop new energy conserving technology, as well as improve productivity of existing energy technology, using basic and applied research. Businesses have incentives to market, and customers to buy, conservation technologies that work well. DoE is left to fund the less reliable and less promising technologies. This option would eliminate funding for the Energy Supply and Conservation Program. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Applied Research for Energy Conservation and Renewable Energy Sources. While energy conservation efforts in the private sector have proven very successful, government spending on energy conservation has been significantly less successful. In addition, much of private research is already subsidized through the tax code, and the federal government should not maintain a role in the development of applied energy technology. This option would eliminate funding for applied research for energy conservation and renewable energy at DoE. A similar option was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Advance Appropriations for Elk Hills School Lands Fund. Pursuant to an agreement with the state of California regarding the disposition of land within Naval Petroleum Reserve Numbered 1 (Elk Hills), the federal government agreed to provide a percentage of the proceeds from selling Elk Hills, subject to appropriation. This proposal would eliminate advance appropriations for Elk Hills school lands fund beginning in FY 2008.

Eliminate Bureaucracy in the Department of Energy. This proposal would fund the DoE administrative account at 65 percent of FY 2006 levels, and freeze funding at the reduced level for all subsequent years. By reducing administrative accounts, the DoE would be forced to significantly streamline its operations. A similar option was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

DIRECT SAVINGS

Restructure the Power Marketing Administrations (PMAs) to Charge Higher Rates. Power Marketing Administrations (PMAs) sell the power generated by the hydroelectric dams built by the federal government. By statute, the PMAs are required to recover their costs, but according to GAO, this does not always occur. For instance, PMAs pay back construction costs at a lower interest rate than the rate at which Treasury borrowed the funds. According to the Administration, the average price of PMA power is roughly 50 percent of market rates (except for Bonneville Power in the Pacific Northwest). Given that the PMAs were established when 25 percent of all households (and 70 percent of farms) lacked electricity, the Clinton Administration had proposed privatizing the PMAs, stating that "the purpose for the federal government developing and conducting these activities has now been achieved." This proposal would allow PMAs to recover all of their costs and charge their customers market rates. Existing contracts would remain intact. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

FUNCTION 300: NATURAL RESOURCES AND ENVIRONMENT

This function covers programs administered by the Department of the Interior, the Forest Service, and the Army Corps of Engineers, including programs that handle land and water management, resource conservation, recreation, wildlife management, and mineral development. This function also includes funding for the National Oceanic and Atmospheric Administration, which oversees ocean and fisheries programs, and the Environmental Protection Agency, which administers the Superfund program, makes grants to states, and issues and enforces environmental regulations.

SUMMARY OF POLICY ASSUMPTIONS

RSC Recommendation
Function 300: Natural Resources and Environment
[In millions of dollars]

Fiscal Year		2006	2007	2008	2009	2010	2011	2007-2011
Natural Resources Function Totals	BA	33,701	28,230	27,649	27,419	27,340	26,629	137,267
	OT	32,809	31,991	30,547	29,435	29,284	27,859	149,116
DISCRETIONARY		Changes from RSC Baseline						
Eliminate Watershed Surveys & Planning	BA	0	-6	-6	-6	-6	-6	-30
	OT	0	-5	-6	-6	-6	-6	-29
Eliminate Water & Flood Prevention	BA	0	-75	-75	-75	-75	-75	-375
	OT	0	-45	-60	-70	-75	-75	-325
Eliminate Bureaucracy at DoInt.	BA	0	-785	-785	-785	-785	-785	-3,925
	OT	0	-613	-735	-777	-782	-783	-3,690
Eliminate Resource & Conserv. Develop.	BA	0	-35	-45	-51	-51	-51	-233
	OT	0	-26	-42	-49	-51	-51	-219
Reduce Forest Service Cap. Improve.	BA	0	-218	-218	-218	-218	-218	-1,090
	OT	0	-44	-120	-157	-183	-201	-705
Moratorium on Federal Land Purchases	BA	0	-78	-87	-96	-98	-98	-457
	OT	0	-26	-55	-76	-88	-93	-338
Reduce BLM Construction	BA	0	-6	-6	-6	-6	-6	-30
	OT	0	-1	-2	-4	-5	-6	-18
Reduce Facility Const. at USDA and DoInt.	BA	0	-182	-182	-182	-182	-182	-910
	OT	0	-40	-89	-135	-160	-174	-598
Reduce Species Conservation Fund	BA	0	-11	-11	-11	-11	-11	-55
	OT	0	-7	-10	-11	-11	-11	-50
Eliminate National Heritage Area Grants	BA	0	-14	-14	-14	-14	-14	-70
	OT	0	-9	-12	-13	-14	-14	-62
Reduce Clean Water State Revolv. Fund	BA	0	-166	-166	-166	-166	-166	-830
	OT	0	-8	-33	-83	-133	-158	-415
Reduce Targeted Wastewater Grants	BA	0	-34	-51	-85	-85	-85	-340
	OT	0	-2	-8	-22	-43	-63	-138
Eliminate Wastewater Grants	BA	0	-338	-508	-846	-846	-846	-3,384
	OT	0	-17	-76	-220	-423	-626	-1,362
Elim. Energy Star/Science to Achieve Prog.	BA	0	-117	-117	-117	-117	-117	-585
	OT	0	-47	-99	-117	-117	-117	-497

DIRECT									
Scale Back CSP	BA	0	-1,650	-1,498	-1610	-1,455	-1,565		-7,778
	OT	0	-727	-1,249	-1534	-1,377	-1,515		-6,402
Limit Future Enrollment in CRP	BA	0	0	-64	-275	-327	-466		-1,132
	OT	0	0	-64	-275	-327	-466		-1,132

Discussion of Policy Assumptions

Discretionary Savings

Eliminate the Watershed Surveys and Planning Program (NRCS). Enacted in 1954, the purpose of this program is to assist federal, state, and local agencies and tribal governments in protecting watersheds from damage caused by erosion, floodwater, and sediment and to conserve and develop water and land resources. Conservation programs are conducted through a number of accounts within the Natural Resources Conservation Service, and current conservation operations within the Department of Agriculture could be combined and reprioritized. This budget would eliminate the Watershed Surveys and Planning program. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Watershed and Flood Prevention Operations (NRCS). This program provides technical and financial assistance to local communities to plan, design, and construct flood prevention, water supply, and water quality improvement projects. By agreement with the Army Corps of Engineers, this program funds only operations in small, rural watersheds and in communities with small populations. In the 2004 Budget, OMB compared the cost effectiveness of the Corps of Engineers, Natural Resources Conservation Service (NRCS), and Federal Emergency Management Agency flood damage reduction programs. Evaluation of projects completed over a five-year period demonstrated that NRCS's program provided the fewest benefits per dollar. The Administration supports cancellation of the program to help fund higher priority and more cost effective programs. This budget would eliminate the Watershed and Flood Prevention Operations program. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Unneeded Bureaucracy at the Departments of Interior and Agriculture. This option would reduce the salaries and expenses accounts at the Departments of Interior and Agriculture by 10 percent. By reducing these administrative accounts, this proposal encourages maximum efficiency and fiscal responsibility at the bureaucratic level of both departments. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives.

Eliminate the Resource Conservation and Development Program. The purpose of the NRCS' Resource Conservation and Development (RC&D) program is to accelerate the conservation, development and utilization of natural resources, improve the general level of economic activity, and to enhance the environment and standard of living in designated RC&D areas. RC&D areas are locally sponsored areas designated by the Secretary of Agriculture for RC&D technical and financial assistance program funds. Conservation programs are conducted through a number of accounts within the Natural Resources Conservation Service, and current conservation operations within the Department of Agriculture could be better combined and reprioritized. In addition, the RC&D Program is duplicative of other USDA and federal resource conservation and rural development efforts. This budget would eliminate the RC&D program. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Reduce Funding for the Capital Improvement and Maintenance Fund at the Forest Service. The Capital Improvement and Maintenance fund provides for improvement and maintenance of national forest facilities, roads, and trails. This option would reduce this fund to the President's FY 2006 requested level. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Impose a Moratorium on Federal Land Purchases. The Departments of Agriculture and Interior currently purchases land each year that is generally used to create or expand designated recreation and conservation areas. Most federal lands are managed by the National Park Service, the Forest Service, or the Bureau of Land Management. In many instances, those agencies find it difficult to maintain and finance operations on their existing landholding. Land management agencies should improve their stewardship of lands already owned before facing added management responsibilities. This budget would place a moratorium on all federal land purchases. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Reduce Construction Funds at the Bureau of Land Management. Construction funds at BLM are primarily used for the construction of buildings, recreation facilities, bridges, roads, and trails on federal land. This proposal would reduce BLM Construction funds to the President's FY 2006 requested level. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Reduce Facility Construction at the Departments of Agriculture and Interior. Construction funding has two budgetary effects. The first involves the initial cost of the project; the second involves the long-term maintenance of any new facility. Under this budget, construction of facilities within the Departments of Interior and Agriculture would be reduced by 50 percent, and the National Forest Service would receive no new funding for the construction of trails. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Low-Priority Multinational Species Conservation Programs. This budget would eliminate several programs that promote projects designed to perpetuate the healthy populations of various species. These programs include: the African Elephant Conservation Program, the Rhinoceros and Tiger Conservation Program, the Asian Elephant Conservation, the Great Ape Conservation Program, the Neotropical Migratory Bird Conservation Program, and the Marine Sea Turtle Conservation Program. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the National Heritage Area Grants. Congress has established 27 National Heritage Areas (NHAs) to commemorate, conserve, and promote areas that include natural, scenic, historic, cultural, and recreational resources. The sizeable number of existing NHAs, together with the number of measures proposed in recent Congresses to study and designate new ones, has intensified interest by the Administration and some Members of Congress in enacting criteria and standards for designating NHAs and limits on federal funding support. NHA designations often lead to restrictive federal zoning and land-use planning. That is, residential and commercial private property owners are often prevented from doing what they want on their own property because of federal concerns that the historic landscape would be disrupted. The National Park Service is facing a multi-billion dollar maintenance backlog and thus will not practically be able to take on any new maintenance requirements. This budget would eliminate the National Heritage Area Grants.

Reduce Funding for the Clean Water State Revolving Fund. The Environmental Protection Agency's state revolving funds (SRF) provide low-interest loans to communities and Native Alaskans to develop wastewater treatment infrastructure. This budget would reduce to the President's FY 2006 requested level, the Clean Water SRF. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Reduce Funding for the Water and Wastewater Grants and Loan Programs. The Department of Agriculture distributes water and wastewater grants and loans to various entities, such as local governments, to assist with the development of water and waste disposal systems in rural areas with a population fewer than 10,000 individuals. This program would be best prioritized and funded at the local level. This budget would reduce this program to the President's FY 2006 requested level. A similar option was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Federal Grants for Wastewater and Drinking Water Infrastructure. The federal government assists states in achieving federally mandated water quality standards by providing wastewater grants. Although congressional authorization for these grants has expired, Congress continues to provide funding. Some contend that by providing failing states with these grants, the federal government is giving the states an incentive to retain poor wastewater treatment infrastructure. This option would eliminate federal grants for wastewater and drinking water infrastructure. A similar option was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Energy Star Program. Started in 1992, the EPA introduced Energy Star as a voluntary labeling program designed to identify and promote energy-efficient products to reduce greenhouse gas emissions. Through 1995, EPA expanded the label to additional office equipment products and residential heating and cooling equipment. In 1996, EPA partnered with the U.S. Department of Energy for particular product categories. The Energy Star label is now on major appliances, office equipment, lighting, home electronics, and more. The EPA has also extended the label to cover new homes and commercial and industrial buildings. The private sector and competitive marketplace are better equipped to provide this function to consumers. This budget would eliminate the Energy Star Program.

Eliminate the Science to Achieve Results Program. Established in 1995, STAR is a competitive, peer-reviewed, extramural research grants program created to encourage interagency collaboration and to increase EPA's access to the nation's scientists and engineers in academic and other nonprofit research institutions. This budget would eliminate the Science to Achieve Results Program.

DIRECT SAVINGS

Scale Back the Conservation Security Program. CSP provides farmers with financial and technical assistance to promote energy, soil, and water and plant conservation. However, many of the farmers to whom financial assistance is given have already adopted conservation practices, and often times adoption of the practices costs less than the assistance subsidy itself. This option would scale back the program by simply eliminating *new* enrollments and by eliminating certain "bonus" payments (for additional conservation efforts), leaving intact existing contracts. This proposal was included in the RSC's "Operation Offset" in 2005.

Limit Future Enrollment of Land in the Conservation Reserve Program. CRP pays farmers *not* to farm their land. This option, which would set a cap on future enrollment (such as 36.4 million acres) and prohibit new enrollees, would scale back the program's expenses while allowing current enrollees to re-enroll. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995, and included in the RSC's "Operation Offset" in 2005.

FUNCTION 350: AGRICULTURE

This function includes programs that support farm income, promote agricultural research, and enhance marketing opportunities for farmers. Almost all of the activities in this function are administered by the Department of Agriculture.

SUMMARY OF POLICY ASSUMPTIONS

RSC Recommendation
Function 350: Agriculture
[In millions of dollars]

Fiscal Year		2006	2007	2008	2009	2010	2011	2007-2011
Agriculture Function Totals	BA	28,915	26,006	20,430	18,742	18,392	18,534	102,104
	OT	27,310	25,581	19,739	18,006	17,506	17,767	98,599
DISCRETIONARY		Changes from RSC Baseline						
Reform the Foreign Agriculture Service	BA	0	-23	-23	-23	-23	-23	-115
	OT	0	-16	-21	-23	-23	-23	-106
Reduce ARS by 10 Percent	BA	0	-113	-113	-113	-113	-113	-565
	OT	0	-86	-103	-110	-110	-110	-519
Terminate CSRS Special Research Grants	BA	0	-164	-167	-170	-173	-176	-850
	OT	0	-84	-121	-151	-170	-173	-699
Terminate P.L. 480, Food for Peace	BA	0	-77	-77	-77	-77	-77	-385
	OT	0	-76	-77	-77	-77	-77	-384
Terminate Outreach for Socially Disad. Farmers	BA	0	-6	-6	-6	-6	-7	-31
	OT	0	-5	-6	-6	-6	-7	-30
Reduce Funds for Nat. Agri. Statistics	BA	0	-28	-28	-28	-28	-28	-140
	OT	0	-24	-28	-28	-28	-28	-136
Eliminate Bureaucracy at USDA	BA	0	-3	-3	-3	-3	-3	-15
	OT	0	-3	-3	-3	-3	-3	-15
DIRECT								
Reform Agriculture Production Programs	BA	0	-1,295	-4,703	-5506	-4,728	-4,201	-20,433
	OT	0	-1,295	-4,703	-5506	-4,728	-4,201	-20,433
Eliminate Market Access Program	BA	0	-10	-160	-200	-200	-200	-770
	OT	0	-10	-160	-200	-200	-200	-770
Eliminate Export Enhancement Program	BA	0	0	0	0	0	0	0
	OT	0	0	0	0	0	0	0
Eliminate Foreign Market Develop. Plan	BA	0	-25	-32	-35	-35	-35	-162
	OT	0	-25	-32	-35	-35	-35	-162
Limit Export Credit Guarantees	BA	0	-48	-48	-48	-48	-48	-240
	OT	0	-26	-47	-48	-48	-48	-217

DISCUSSION OF POLICY ASSUMPTIONS

DISCRETIONARY SAVINGS

Reform the Foreign Agricultural Service. This proposal would involve changes to the Foreign Agricultural Service. The Foreign Agricultural Service maintains attachés at 97 foreign posts to assist overseas development of markets for U.S. farm commodities—largely through collecting information regarding a foreign government's policies, market conditions, etc. This function could be performed by the private sector that benefits from such services. This proposal calls for a 30-percent reduction in such attachés and a 10-percent reduction in all other activities, except the general sales manager. It was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Refocus Federal Support for Agricultural Research and Extension Activities. The Department of Agriculture conducts and supports agricultural research and education. Such research and grants provided by the Agricultural Research Service (ARS), the Cooperative State Research, Education, and Extension Service (CSREES), and the Economic Research Service (ERS) replace funding from the private sector. Requiring the government to scale down this research would permit the private sector to finance more of its own research. This proposal would reduce funding by the ARS by 10 percent; it would eliminate all special research grants within the CSREES, thereby requiring all grants to be awarded competitively. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Public Law 480, Title I Program. The Public Law 480 program provides below-market loans to purchasers of U.S. agriculture commodities in developing countries as a form of export promotion. According to GAO, this subsidy's "importance in helping develop long-term U.S. agricultural markets had not been demonstrated," which is especially troubling since the program dates back to 1954. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Payments to Socially Disadvantaged Farmers and Ranchers. The Socially Disadvantaged Farmers and Ranchers Competitive Grant Program provides funds to land-grant, Hispanic-serving, and Native American-serving institutions, to assist "socially disadvantaged farmers" who own and operate farms. This program is duplicative since these same farmers are eligible for all other farm programs. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Reduce Funding for the National Agricultural Statistics Service. The Service provides estimates of acreage, yield, and production of crops, stocks, and value of farm commodities, and numbers of inventory values of livestock items. Data on crops and livestock products are covered in over 500 reports issued each year. This proposal would reduce funding for the Service by 20 percent. It was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Unnecessary Bureaucracy in the Department of Agriculture. This proposal reduces funding to administer the Department of Agriculture. Specifically, funding is reduced for the Office of the Secretary by 10 percent. A variation of this proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

DIRECT SAVINGS

Reform Agricultural Production Programs. This proposal assumes that direct agricultural spending will be reduced by $20.4 billion relative to currently anticipated levels from fiscal year

2007 through FY 2011, with $1.3 billion in reductions required in FY 2007. Farmers, however, will benefit greatly from other provisions in this budget, including the extension of the 2001 and 2003 tax cuts (with the elimination of the estate tax scheduled in 2010 and increased domestic drilling to lower energy costs). The original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995 generated significant savings from reforms to commodity programs. **Note:** This proposal assumes that up to 50 percent of these assumed commodity savings could be substituted dollar-for-dollar with savings from reforms to the food stamp program (Function 600).

As a result of the 2002 Farm Bill (P.L. 107-171), the farm sector is currently enjoying historic levels of federal taxpayer support. At the same time, the Department of Agriculture (USDA) continues to pronounce that the financial state of the U.S. agriculture sector is sound. For instance, according to USDA, “The 2-year rise from 2002 to 2004 of $46 billion in farm sector net income is unmatched in the history of the U.S. farm income accounts.” USDA maintains that “farm business asset, debt, and equity values are expected to rise through the end of 2005, supported by continuing high levels of net cash income and profit realized in 2004.” For instance, the values of farm business assets are projected to increase by 6.1 percent with the value of farm real estate to increase by 7.3 percent over last year.

Eliminate the Market Export Programs. Both the Foreign Market Development Program and the Market Access Program promote the export of U.S. agricultural products in new markets, a function that could be handled by the private sector businesses that directly benefit. Similarly, the Export Enhancement Program provides cash to exporters as bonuses, encouraging the exporters to sell U.S. products in certain countries at prices below the exporter’s costs of acquiring them. The program provides unnecessary assistance to private corporations in their attempt to offer the lowest price on commodities in other counties. Finally, a number of export guarantee programs ensure U.S. companies will not lose money if foreign companies, who buy U.S. goods, default on loans. A Government Accountability Office report found little evidence that this program actually provides measurable income and employment benefits to the U.S. agricultural sector. This reform would limit the repayment function for these programs (by eliminating the two with long repayment periods, the Intermediate Export Credit Guarantee Program and the Facilities Guarantee Program).

FUNCTION 370: COMMERCE AND HOUSING CREDIT

SUMMARY OF POLICY ASSUMPTIONS

RSC Recommendation
Function 370: Commerce and Housing Credit
[In millions of dollars]

Fiscal Year		2006	2007	2008	2009	2010	2011	2007-2011
Commerce and Housing Function Totals	BA	12,629	14,853	10,528	10,300	7,404	6,838	49,923
	OT	5,565	6,025	4,525	5,035	388	-575	15,398
DISCRETIONARY		Changes from RSC Baseline						
Eliminate US Travel and Tourism	BA	0	-4	-4	-4	-4	-4	-20
	OT	0	-3	-4	-4	-4	-4	-19
Eliminate Minority Business Development	BA	0	-30	-30	-30	-30	-30	-150
	OT	0	-22	-28	-29	-29	-29	-137
Bureau of Industry and Security O&A	BA	0	-19	-19	-19	-19	-19	-95
	OT	0	-16	-18	-19	-19	-19	-91
Eliminate NIST Research and Services	BA	0	-7	-7	-7	-7	-7	-35
	OT	0	-5	-7	-7	-7	-7	-33
Eliminate Const. of Research Facilities	BA	0	-165	-161	-161	-161	-161	-809
	OT	0	-20	-42	-68	-120	-146	-396
Eliminate Industrial Technology Services	BA	0	-128	-138	-163	-178	-178	-785
	OT	0	-21	-74	-122	-152	-170	-539
Eliminate Certain ITA Operations	BA	0	-177	-203	-203	-203	-203	-989
	OT	0	-133	-181	-199	-201	-201	-915

DISCUSSION OF POLICY ASSUMPTIONS

DISCRETIONARY SAVINGS

Eliminate U.S. Travel and Tourism. The Department of Commerce promotes the United States as a tourist destination for foreign travelers through the U.S. Travel and Tourism Program. This is not a priority of the federal government. In addition, most states operate their own travel and tourism offices. This proposal would eliminate funding for the Travel and Tourism Program. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Department of Commerce's Minority Business Development Agency. This agency duplicates functions carried out by the Small Business Administration. Accordingly, this budget proposes its elimination. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Reduce Funding for the Institute of Standards and Technology's Construction of Research Facilities. This budget account supports the construction, maintenance, and repair of NIST facilities. This budget proposes modest spending restraint below the baseline in order to prioritize spending elsewhere in the budget on core federal responsibilities.

Reduce Funding for the National Oceanic and Atmospheric Administration (NOAA). NOAA's current mission is to provide sustained environmental management of coastal and ocean environments and the atmosphere. In addition, NOAA seeks to provide weather information and understand climate variability and change. Most of these functions are duplicative of efforts at other federal agencies, such as the Environmental Protection Agency, the Departments of the Interior and Energy or are provided by the private sector. This budget proposes to begin reducing this duplication by restraining NOAA's budget, which has continued growing in nominal dollars since 2001. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Advanced Technology Program (ATP). The ATP was created in 1988 to provide public funding in cooperation with the private sector on projects by industry or academia seeking to research and develop broad, generic pre-competitive commercial technologies and thereby increase the competitiveness of the industry. However, the ATP has a poor record of selecting promising projects that are not duplicative of existing efforts and distorting the allocation of research dollars and displacing private investment. It has also fostered industry dependency. Companies subject to market forces select research projects in order to sustain their competitiveness, ensure future growth and ultimately earn a return on their investment. Government subsidies for projects that companies either would not risk their own capital on or finance with private debt or equity misallocates capital, tying up resources that can be used more efficiently elsewhere. Therefore, this budget proposes to eliminate funding for the ATP. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Baldrige National Quality Program. Established by Congress in 1987, the Baldrige program provides an award given by the President to eligible businesses and organizations that apply and are found to be outstanding in seven principal areas: leadership; strategic planning; customer and market focus; measurement, analysis, and knowledge management; human resource focus; process management; and results. Awards are given in several categories, including manufacturing, service, small business, education and health care. Given the size and scope of commercially available quality management assistance for firms, from self-help resources to consultants, there is no justification for this federal subsidy. This budget would eliminate funding for this program.

Eliminate the Holling's Manufacturing Extension Program (MEP). In 1989 at the National Institute of Standards and Technology (NIST), Congress started a nationwide network of not-for-profit centers that eventually evolved into the current program structure, with centers in all 50 states and Puerto Rico. According to recent data, MEP annually serves only about seven percent of small manufacturers. MEP is a competitive grant program designed to provide small and medium sized manufacturing firms with managerial and technical assistance, marketing and financial assistance, needs evaluations, knowledge and skills training as well as improving their use of available technology to improve communications, control costs or improve product quality. Nonfederal sources provide two-thirds of the funding match for these centers. Federal funding for MEP subsidizes and largely duplicates services for which a large commercial private market already exists. MEP centers were also originally intended to be self supporting—this has not happened. This budget proposes to eliminate funding for MEP. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Funding for the International Trade Administration's Trade Promotion activities. The International Trade Administration (ITA) of the Department of Commerce runs a trade development program intended to assess the competitiveness of U.S. industries and promote exports. The ITA also operates the U.S. and foreign commercial services, which assist U.S. businesses on exporting. This activity is better accomplished by the firms and industries that stand to benefit from it than by a government agency. When beneficiaries do not pay the full costs of services, the government (i.e., the taxpayer) is effectively subsidizing the industries involved. Those subsidies are an inefficient means of helping the industries because they are partially passed on to foreigners in the form of lower prices for U.S. exports. Moreover, they tend to cause the industries' products to be sold abroad for less than the cost of production and sales: thus, they lower U.S. economic well-being. This budget proposes to eliminate funding for these activities effective in FY 2007. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

FUNCTION 400: TRANSPORTATION

SUMMARY OF POLICY ASSUMPTIONS

RSC Recommendation
Function 400: Transportation
[In millions of dollars]

Fiscal Year		2006	2007	2008	2009	2010	2011	2007-2011
Transportation Function Totals	BA	74,433	69,371	67,054	63,686	19,197	15,594	234,902
	OT	72,221	70,226	72,017	68,586	50,759	32,178	293,766
DISCRETIONARY		Changes from RSC Baseline						
Eliminate FRA Safety and Operations	BA	0	-116	-146	-146	-146	-146	-700
	OT	0	-95	-141	-146	-146	-146	-674
Phase Out Amtrak Subsidies	BA	0	-131	-261	-654	-1,111	-1,307	-3,464
	OT	0	-131	-261	-654	-1,111	-1,307	-3,464
Eliminate FTA Research Centers	BA	0	-75	-75	-75	-75	-75	-375
	OT	0	-8	-40	-65	-86	-110	-309
Devolve Title I FAHP	BA	0	0	0	0	0	0	0
	OT	0	0	0	0	-9,426	-24,088	-33,514
Phase Out ITS Programs	BA	0	0	0	0	0	0	0
	OT	0	-15	-48	-79	-65	-27	-234
Rescind SAFETEA-LU Highway Earmarks	BA	0	0	0	0	0	0	0
	OT	0	-1,225	-3,131	-3,817	-2,817	-1,172	-12,162
FTA Formula Grants and Research	BA	0	0	0	0	0	0	0
	OT	0	-314	-1,204	-2,460	-4,113	-5,706	-13,797
Eliminate Essential Air Service	BA	0	-50	-60	-60	-60	-60	-290
	OT	0	-40	-58	-60	-60	-60	-278
Eliminate Maritime Commission	BA	0	-15	-20	-20	-20	-20	-95
	OT	0	-14	-19	-20	-20	-20	-93
Eliminate MARAD	BA	0	-105	-133	-133	-133	-133	-637
	OT	0	-79	-119	-132	-133	-133	-596
Reduce OST	BA	0	-21	-29	-42	-42	-42	-176
	OT	0	-18	-35	-56	-60	-60	-229
Pipeline and Hazmat Administration	BA	0	-15	-53	-68	-72	-72	-280
	OT	0	9	-33	-58	-69	-72	-223
Privatize the FAA	BA	0	0	0	0	-10,000	-13,000	-23,000
	OT	0	0	0	0	-6,100	-9,530	-15,630
DIRECT								
FAHP CA Impact	BA	0	-6,773	-8,135	-564	-32,929	-32,929	-81,330
	OT	0	0	0	0	0	0	0
Phase Out ITS Programs	BA	0	-55	-94	-110	0	0	-259
	OT	0	0	0	0	0	0	0
FTA Formula Grant and Research	BA	0	-2,426	-4,764	-7325	-8,015	-8,361	-30,891
	OT	0	0	0	0	0	0	0
FTA Formula and Bus Grants	BA	0	0	0	0	-1,000	-1,000	-2,000
	OT	0	0	0	0	0	0	0
Eliminate Essential Air Service	BA	0	-55	-65	-50	-50	-50	-270
	OT	0	-32	-48	-50	-50	-50	-230

Discussion of Policy Assumptions

Discretionary Savings

Eliminate Funding for Certain Federal Railroad Administration Programs. The Federal Railroad Administration (FRA) was created by the Department of Transportation Act of 1966. The purpose of FRA is to: promulgate and enforce rail safety regulations; administer railroad assistance programs; conduct research and development in support of improved railroad safety and national rail transportation policy; provide for the rehabilitation of Northeast Corridor rail passenger service; and consolidate government support of rail transportation activities. This budget proposes to eliminate funding for those FRA functions that can be more effectively carried out by state governments. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Federal Subsidies for Amtrak. Amtrak's model for providing intercity rail service has been a failure since it began service in 1971. Historically, it has carried less than 1% of the traveling public, has required annual federal subsidies to cover operating losses and capital costs every year of its existence—to date some $29 billion in taxpayer resources—lacks adequate cost controls, has deferred capital repair projects and confronts increasing debt service costs. Despite ridership increases—e.g., 11.6% from FY 2000 to FY 2004—Amtrak's costs still continue to rise faster than its revenue. According to the most recent data, on a fully allocated basis (including both interest and depreciation) *every one of Amtrak's routes loses money,* with a per-passenger subsidy ranging from $3 to $466. But the fundamental obstacle faced is an economic one: Amtrak is not cost or time competitive with other transportation modes. Simply put, if allowed to choose, most of the traveling public prefers the car, bus or plane to travel—only Congress' protection of the status quo has shielded Amtrak from this basic market reality.

This budget proposes to reduce and eventually end over 30 years of taxpayer subsidization of a failed government monopoly. Beginning in FY 2007, grants to Amtrak would gradually be reduced and eventually ended by FY 2011 as operations are eliminated, privatized, or absorbed by states who value its services. While some additional shutdown costs would occur for several subsequent years, those costs are assumed to be offset by additional spending reductions elsewhere in the federal budget. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Phase Out and Eliminate Federal Subsidies for Mass Transit. Mass transit includes buses, subways, light rail, commuter rail, monorail, passenger ferry boats, trolleys, inclined railways, and people movers. Federal financial assistance for mass transit began with passage of the 1964 Urban Mass Transportation Act. Congress has also provided it dedicated funding. Since 1982, a portion of highway gas revenues have been deposited into the Mass Transit Account within the Highway Trust Fund. The most recent surface transportation bill, SAFETEA-LU, provides $45.3 billion in guaranteed funding through FY 2009.

There is little justification for the current federal subsidy of mass transit—the benefits from these systems are local, not national. Moreover research indicates that mass transit—particularly light rail—has little or no impact on congestion in urban areas. It is also inordinately expensive to build, maintain, and operate. Today every mass transit system requires some form of federal subsidy. They are unable to cover their own costs from fare box revenues, with many systems also requiring some type of local taxpayer subsidy as well. In part, this stems from the fact that less than 2% of all urban travel trips in America are by transit—federal aid has not reversed this long-term decline in market share so that the average subsidy cost per passenger mile is far higher than for automobiles. Yet transit will receive some 16% of federal funding for transportation funding provided in SAFETEA-LU. This budget proposes to phase out federal capital, operating, and research subsidies for mass transit. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Devolve Title 1 Federal Aid Highway Programs (FAHP). The federal aid highway program provides grants to states for a variety of highway and transportation-related projects, ranging from construction to landscaping. It presently accounts for 21% of highway spending by all levels of government and is funded by gas taxes dedicated to the Highway Trust Fund, ostensibly user fee-based financing. Congress recently enacted a multi-year surface transportation authorization bill, SAFETEA-LU, which increased funding levels over its predecessor as well as expanded the existing program structure.

The FAHP grew out of legislation in 1956 to construct the 42,000 mile Interstate Highway system. That goal was largely completed by the early 1980's, ending the rationale behind a large federal role—to do something that states lacked the planning, coordinating and technical expertise as well as financing resources to implement. Today, responsibility for determining needs, constructing and maintaining this infrastructure is done by state and local transportation departments, not the federal government. The contribution of the federal government today is to re-distribute and allocate resources based on politically derived formulae with costly federal requirements attached—it does not match resources with need and increases project costs. Moreover, the current financing structure, linking dedicated excise taxes and highway users, has been broken. Once the federal government lost its original purpose for financing highways, it expanded its role. This "mission creep" has led to the diversion of supposedly user fee-based taxes to non-highway purposes, from bike paths to funding mass transit. Consequently, FAHP does not encourage the efficient use of its budgetary resources on spending that provides the greatest transportation benefits to the nation.

This budget proposes to return responsibility for highway programs back to the states after the expiration of the current transportation authorization bill SAFETEA-LU. Spending authority—both contract authority and obligation limitations—would be held to baseline levels through 2009 and discontinued thereafter as program responsibilities are returned to the states. Savings associated with these policy proposals will not be returned to the Highway Trust Fund or formula programs.

Transportation Trust Funds. Much federal transportation spending is funded through taxes collected on users which are then deposited in trust funds. This budget proposes realigning current federal transportation programs and returning those responsibilities back to the states. User fees collected to pay for those programs are assumed to continue at current law levels through the end of the budget window to ensure adequate funding to meet prior-year commitments as well as contribute to deficit reduction. After 2011, federal collection of those receipts is assumed to sunset in most cases.

Eliminate Federal Support for Intelligent Transportation Systems (ITS). ITS is the use of various electronic, communication, and computer technology platforms to increase the operational effectiveness of existing transportation infrastructure. Beginning in 1991, Congress has increased funding levels to support federal efforts to research, develop, and operationally test ITS systems. However, the current federal role can and should be fulfilled by states. Moreover, as a 2005 Government Accountability Office report noted, information concerning the cost effectiveness and the actual impacts of ITS are unclear, limited, or don't readily exist. Therefore, consistent with returning responsibility back to the states for managing their transportation spending priorities, this budget proposes eliminating funding for federal ITS assistance. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Earmarks in SAFETEA-LU. The recently enacted $286 billion surface transportation reauthorization bill (SAFETEA-LU, PL 109-59) included several project specific funding categories. Unfortunately, as the rationale for a large federal role in surface transportation has vanished, congressional earmarking has significantly increased. SAFETEA-LU contains over 6,300 member earmarks, representing 8% of the bill's overall funding and a massive increase over the preceding transportation authorization bill's (TEA-21, 1998-2003) then-record level of 1,850 earmarks.

Earmarking is a main driver contributing to the diversion of scarce transportation dollars to lower priority projects–like bike paths, museums, landscaping, parking garages, and so forth. The consequence of this is reduced flexibility for state and local transportation planners, delayed schedules for priority projects, reduced resource allocation, and the evasion of any competitive review. Ultimately the traveling public and the economy bear the cost of this inefficiency, in part through reduced mobility and safety in the movement of goods and people.

This budget proposes to immediately rescind these earmarked SAFETEA-LU categories beginning in FY 2007 while leaving the bill's equity guarantees unchanged. For the 2007-2009 period, total authorized contract authority and obligation limitations for these categories would total some $13.3 billion in funding. Because capital construction programs spend over longer periods, the timing of outlay savings over the budget window would be slower. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Funding for the Essential Air Service (EAS). The EAS was created by the Airline Deregulation Act of 1978 to ensure that certain communities that had been receiving mandated flights prior to deregulation continued to receive a certain level of service. It provides federal subsidies to air carriers serving some 150 communities located more than 70 miles from the nearest medium or large hub airport and if the per passenger subsidy is $200 or less.

This program was originally intended to provide small communities temporary assistance in order to adjust to airline deregulation. Currently, the per-passenger subsidy has fluctuated from

$14 to $385 even as the number of passengers served has declined since 2001. In FY 2006 EAS received $110 million in total funding, including $60 million in discretionary budget authority and $50 million in offsetting receipts from the collection of overflight fees. If passengers and communities want air service, they should pay the full market cost of that decision or not, either way revealing the value they place on this service. This budget proposes to eliminate all funding for EAS–both discretionary and direct spending–beginning in FY 2007. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Federal Maritime Commission. The Federal Maritime Commission (FMC) is an independent regulatory agency responsible for the regulation of oceanborne transportation in the foreign commerce of the U.S. This budget proposes to deregulate federal maritime policy and would eliminate funding for the Commission beginning in FY 2007. Critical functions would be transferred to the U.S. Department of Transportation.

Eliminate Funding for the Maritime Administration (MARAD). MARAD was intended to support the development and maintenance of a U.S.–flag merchant marine fleet to serve as an auxiliary during national emergencies or war. The program provides direct payments to U.S.-flag operators engaged in U.S.-foreign trade. In FY 2006, MARAD received a total of $309 million in discretionary budget authority. The effect of MARAD's subsidy is to undermine competition, thereby increasing costs. Critical sealift support functions will be transferred to the Department of Defense. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Reduce Funding for the Office of the Secretary of Transportation (OST). Because budgetary resources are constrained, this budget proposes to streamline OST funding by 35% over the FY 2007-2009 period before holding funding at that level over the budget window. Numerous functions within the OST are either duplicative of those in the modal agencies or no longer necessary assuming enactment of this budget's policy proposals. Instead, this proposal will allow OST to focus on core federal transportation responsibilities. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Minority Business Programs at the U.S. Department of Transportation. These programs—the Minority Business Resource Program and the Minority Business Outreach—duplicate functions carried out by the Small Business Administration. This budget proposes to eliminate funding for these programs effective in FY 2007. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Privatize the Federal Aviation Administration (FAA). The FAA is responsible for managing U.S. air transportation. Numerous Government Accountability Office studies have outlined inefficiencies at FAA including, impractical hiring practices, security weaknesses that threatened the confidentiality of FAA systems, poor management controls over enforcing safety regulations, and ineffective computer security. In addition, the FAA's recent attempts to modernize operations have cost billions of dollars and provided very little results. Several countries, including Canada, have privatized air traffic control operations, which produces significant government savings and a much more efficient operation. This budget assumes that FAA programs will be privatized beginning in FY 2010.

FUNCTION 450: COMMUNITY AND REGIONAL DEVELOPMENT

This function includes economic and rural development programs, and other programs that assist in the nation's preparation for, and response to, natural and man-made disasters. The function includes spending for flood insurance, homeland security grants for state and local governments' first responders, the Community Development Block Grant program, disaster relief, credit assistance to help develop rural communities, and federal support for certain programs to assist Native Americans.

SUMMARY OF POLICY ASSUMPTIONS

RSC Recommendation
Function 450: Community and Regional Development
[In millions of dollars]

Fiscal Year		2006	2007	2008	2009	2010	2011	2007-2011
Community & Regional Develop. Totals	BA	19,354	9,080	7,963	7,963	7,965	7,967	40,938
	OT	54,630	26,942	21,875	12,974	9,423	8,466	79,680
DISCRETIONARY		Changes from RSC Baseline						
Eliminate CDFI	BA	0	-51	-55	-55	-55	-55	-271
	OT	0	-5	-34	-51	-55	-55	-200
Eliminate NRC	BA	0	-103	-118	-118	-118	-118	-575
	OT	0	-103	-118	-118	-118	-118	-575
Eliminate HUD Policy Develop. & Res.	BA	0	-50	-56	-56	-56	-56	-274
	OT	0	-23	-43	-52	-56	-56	-230
Eliminate Community Development Fund	BA	0	-4,220	-4,220	-4,220	-4,220	-4,220	-21,100
	OT	0	-84	-1,435	-3,207	-3,798	-4,009	-12,533
Eliminate Office of Lead Hazard Control	BA	0	-137	-152	-152	-152	-152	-745
	OT	0	-3	-33	-94	-126	-143	-399
Eliminate Rural Development Programs	BA	0	-370	-370	-370	-370	-370	-1,850
	OT	0	-19	-114	-225	-289	-331	-978
Eliminate EDA	BA	0	-268	-283	-283	-283	-283	-1,400
	OT	0	-27	-97	-154	-225	-275	-778
BIA Construction	BA	0	-35	-35	-35	-35	-35	-175
	OT	0	-35	-35	-35	-35	-35	-175
Eliminate Independent Agencies	BA	0	-121	-132	-132	-132	-132	-649
	OT	0	-27	-62	-142	-114	-124	-469

DISCUSSION OF POLICY ASSUMPTIONS

DISCRETIONARY SAVINGS

Eliminate the Community Development Financial Institution (CDFI). The CDFI is a competitive grant program that was established in 1994 to provide credit, capital and financial services to distressed communities and underserved markets. The program is administered by the Department of Treasury and has five major projects. The activities of CDFI should be properly funded at the state or local level, not by the federal government, since its benefits are not national in scope. Also, many of its goals are duplicative of other federal programs and state efforts. Currently, twelve states operate CDFI related programs. This budget proposes to end funding for CDFI. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Neighborhood Reinvestment Corporation. The Neighborhood Reinvestment Corporation (NRC) is a public, nonprofit organization charged with revitalizing distressed neighborhoods. The NRC oversees a network of locally initiated and operated groups called NeighborWorks organizations (NWOs), which engage in a variety of housing, neighborhood revitalization, and community-building activities. The corporation provides technical and financial aid to start new NWOs and also monitors and assists current ones. The federal government should not fund programs whose benefits are local rather than national. In addition, the NeighborWorks approach duplicates the efforts of other federal programs—particularly those of the Department of Housing and Urban Development—that also rehabilitate low-income housing and promote home ownership and community development. This budget proposes to eliminate funding for this corporation.

Eliminate HUD's Policy Development and Research Programs (PD&R). The PD&R develops policy ideas for planning and implementing changes in HUD housing programs. It maintains information on U.S. housing needs, conditions, and housing market conditions. PD&R has been ineffective; its data is commercially available, while its research functions are duplicated by other government and nonfederal organizations. This proposal would eliminate funding for these programs. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Funding for Various Community Development Programs. The federal government provides a broad array of duplicative federal grant programs to support community development activities. These programs include the Community Development Block Grant program, Economic Development Initiative grants, Indian Economic Block grants, Youthbuild and the Neighborhood Initiatives Program. In addition to being duplicative, most are ineffective, are not well targeted, and are subject to significant congressional earmarking. This budget proposes to eliminate funding for these programs. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Office of Lead Hazard Control. This office was established by HUD to work with housing professionals in an effort to eliminate lead-based paint hazards in privately owned and low-income housing. This proposal would eliminate the Office of Lead Hazard Control.

Reduce Funding for Rural Development Programs at the Department of Agriculture. The Department of Agriculture funds a wide range of programs designed to support community development in rural areas, including the Rural Community Advancement Program, Rural Empowerment Zones and Enterprise Community grants, and Rural Cooperative Development grants. Consistent with this budget's assumption that the private sector is more effective than government in wealth creation and economic development, it proposes to reduce current federal spending below the baseline for these lower-priority programs. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Funding for the Economic Development Administration (EDA). The EDA was established under the Public Works and Economic Development Act of 1965 as amended, to generate jobs, help retain existing jobs, and stimulate industrial and commercial growth in economically distressed areas of the United States by promoting private sector investment. EDA competitive grant assistance is available to rural and urban areas for a wide range of activities. A Government Accountability Office study identified 73 federal programs that can be broadly used to support one or more of this program's activities. In addition, many states and localities provide similar programs. Wealth creation and private investment is more effectively accomplished by the private sector than by the federal government's allocation of capital to eligible program "winners." This option would eliminate funding for the EDA. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Funding for Bureau of Indian Affairs (BIA) Construction. BIA operates 184 schools in 23 states, and the President committed $1 billion to help restore these schools over the last few years. The Administration has called for decreased funds, stating the successful completion of the project. This proposal would eliminate funding for BIA construction.

Eliminate Funding for Various Regional Commissions. Under current law, the federal government provides annual funding to three regional development agencies—the Appalachian Regional Commission (ARC), the Denali Commission, and the Delta Regional Authority—to promote economic growth and development to communities in eligible counties and parishes. The activities of these programs are duplicated by a number of federal agencies, including the Departments of Agriculture, Commerce, Health and Human Services, Housing and Urban Development, Labor and Transportation. In a period when budgetary resources are constrained due to rising expenditures from mandatory programs, the taxpayer cannot afford to continue funding ineffective and duplicative programs. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

This function covers spending by the Departments of Education, Labor, and Health and Human Services for programs that directly provide—or assist states and localities in providing—services to individuals. Activities in this function include making developmental services available to children in low-income families, helping fund programs for elementary and secondary school students, making grants and loans to postsecondary students, and funding job-training and employment services for people of all ages.

SUMMARY OF POLICY ASSUMPTIONS

RSC Recommendation
Function 500: Education, Training, Employment, and Social Services
[In millions of dollars]

Fiscal Year		2006	2007	2008	2009	2010	2011	2007-2011
Education and Training Function Totals	BA	106,413	78,706	75,421	73,973	72,876	71,986	372,962
	OT	99,958	86,415	77,978	74,089	72,155	70,929	381,566
DISCRETIONARY		Changes from RSC Baseline						
Reduce ESEA Funding	BA	0	-1482	-2890	-4298	-5749	-5749	-20,168
	OT	0	-1264	-2706	-4128	-5495	-5721	-19,314
Eliminate English Language Acquisition	BA	0	-676	-676	-676	-676	-676	-3,380
	OT	0	-14	-581	-635	-649	-649	-2,528
Revise the Impact Aid Formula	BA	0	-129	-101	-73	-48	-23	-374
	OT	0	-114	-94	-74	-53	-29	-364
Eliminate Safe & Drug Free Grants	BA	0	-350	-350	-350	-350	-350	-1,750
	OT	0	-7	-298	-340	-350	-350	-1,345
Eliminate & Consolidate Innovation Prog.	BA	0	-457	-628	-628	-628	-628	-2,969
	OT	0	-9	-391	-514	-611	-628	-2,153
Eliminate & Consolidate School Improv.	BA	0	-2175	-3198	-3198	-3198	-3198	-14,967
	OT	0	-259	-2087	-2715	-3132	-3198	-11,391
Eliminate Native Haw. Vocat. Education	BA	0	-3	-3	-3	-3	-3	-15
	OT	0	0	-3	-3	-3	-3	-12
Eliminate Perkins Loan Capital and LEAP	BA	0	-66	-66	-66	-66	-66	-330
	OT	0	-13	-66	-66	-66	-66	-277
Eliminate Admin. Fees Paid to Schools	BA	0	-139	-139	-139	-139	-139	-695
	OT	0	-17	-135	-139	-139	-139	-569
Eliminate Higher Ed. Duplication	BA	0	-1011	-1011	-1011	-1011	-1011	-5,055
	OT	0	-51	-738	-920	-1011	-1011	-3,731
Eliminate Howard Univ. Subsidy	BA	0	-105	-105	-105	-105	-105	-525
	OT	0	-188	-129	-113	-105	-105	-640
Eliminate Corp. for Public Broadcasting	BA	0	-65	-65	-465	-465	-465	-1,525
	OT	0	-65	-65	-465	-465	-465	-1,525
Eliminate National Endowment for the Arts	BA	0	-63	-125	-125	-125	-125	-563
	OT	0	-20	-72	-110	-121	-125	-448
Eliminate Nat. Endow. for the Humanities	BA	0	-71	-142	-142	-142	-142	-639
	OT	0	-31	-87	-124	-138	-142	-522

Eliminate Museum & Library Services	BA	0	-125	-250	-250	-250	-250	-1,125
	OT	0	-22	-123	-217	-236	-241	-839
Reduce DoEd Bureaucracy by 30 Percent	BA	0	-125	-125	-125	-125	-125	-625
	OT	0	-100	-125	-125	-125	-125	-600
WIA Reforms	BA	0	-1117	-1864	-1864	-1864	-1864	-8,573
	OT	0	-140	-1311	-1677	-1807	-1851	-6,786
Eliminate Int. Bur. of Labor & Women's Bur.	BA	0	-42	-83	-83	-83	-83	-374
	OT	0	-27	-62	-73	-77	-80	-319
Eliminate Funds for NCSA	BA	0	-501	-545	-545	-545	-545	-2,681
	OT	0	-124	-313	-396	-452	-477	-1,762
Freeze Head Start at FY05 Level	BA	0	-36	-36	-36	-36	-36	-180
	OT	0	-24	-34	-36	-36	-36	-166
DIRECT								
Eliminate Sub. Loans for Grad. Students	BA	0	-1,690	-1,785	-1825	-1,860	-1,890	-9,050
	OT	0	-1,010	-1,555	-1605	-1,635	-1,665	-7,470
Eliminate Trade Adjustment Assistance	BA	0	-258	-258	-258	-258	-258	-1,290
	OT	0	-52	-129	-258	-258	-258	-955

Discussion of Policy Assumptions

Discretionary Savings

Eliminate Title I Concentration Grants, Education Finance Incentive Grants, and Targeted Grants over Four Years. The Department of Education provides four types of grants to states under Title I of the Elementary and Secondary Education Act (ESEA)—Basic, Concentration, Finance Incentive, and Targeted Grants. The Basic Grants to states include the bulk of ESEA funding, with the other three receiving significantly less annual funding. All Title I grants are designed to target “disadvantaged” students, however, each grant program administers funds to states based on a different formula designed to target different types of localities (counties, local educational agencies, etc.). This proposal would phase out over four years (with a 25 percent reduction each year), the Concentration, Education Finance Incentive, and Targeted Grants. States would continue to receive the larger, more comprehensive basic grant, and would be given maximum flexibility in order to choose how to allocate the funds within each state, according to its specific needs. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the 21st Century Community Learning Centers. 21st Century Community Learning Centers is one of many duplicative education research programs, which provides low-income school districts with after-school programs and activities. OMB’s 2006 PART Assessment stated, “Recent evaluations suggest that the program is not on track to meet most of its long-term goals regarding student achievement or student behavior.” This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Arts in Education Program. This program provides competitive and non-competitive grants for the purpose of integrating arts into education. One non-competitive grant is given to the Kennedy Center, a private entity in Washington D.C. that charges its patrons to view events. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Reading is Fundamental/Inexpensive Book Distribution Program. The program provides funding to nonprofit organizations and public entities for reading motivation programs, including the distribution of inexpensive books. This public-private partnership could be funded through private donations. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Magnet School Assistance. Magnet Schools Assistance is given to education agencies that are implementing court-ordered or federally approved voluntary desegregation plans. According to the 2006 PART Assessment, this program has no ambitious targets or timeframes and federal managers and program partners are not held accountable for cost, schedule or performance results. In addition, to date, the program has shown no adequate progress in achieving its long-term performance goals. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Education for Homeless Children and Youth Program. This duplicative program funds formula grants to states to provide educational assistance for homeless children and youth to attend school. These children are eligible for other education funding for needy children. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Women's Educational Equity Program. Women's Education Equity provides funding to promote the education equity of women, a function which states and school districts could carry out without federal assistance. There is no similar program for men, and the President has repeatedly called for the termination of this program. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Training and Advisory Services. This duplicative program, which was intended to provide technical assistance to schools on issues related to desegregation, received a "results not demonstrated" 2006 PART Assessment rating and has no regular accountability or reporting requirements. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Dropout Prevention Demonstration Program. The program, which provides financial assistance for dropout prevention programs in schools with high dropout rates, repeatedly fails to actually deter students from dropping out of high school. The President has called for the elimination of these demonstration projects. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Education Programs for Native Hawaiians. Native Hawaiians are a racial group, not a tribe, and dispensing benefits to them would likely be subject to strict scrutiny in federal courts. Providing additional financial assistance to this group is not only duplicative of numerous current federal education programs, but is also likely unconstitutional. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Alaska Native Education Equity. Funding for the education of Native Alaskans is duplicative of all other education funding received by the state of Alaska. These students are eligible for all other education assistance, including elementary, secondary and post-secondary grants. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Javits Gifted and Talented Education Program. This program was designed for provide funding for activities for gifted students. However, two-thirds of the funds go to research and development. Javits is duplicative of the Advanced Placement Program, and the research and development funds are also duplicative of the Department of Education's Institute of Education Sciences Research. The program also rests on the questionable policy assumption that the federal government should be subsidizing the education of students who are *gifted and talented*—with undoubtedly bright futures ahead of them. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Ready to Learn Television Program. The Ready to Learn Television (RTL) program is designed to develop television and digital children's programming and provide resources to be distributed using public television to parents and caregivers. The program received a 2006 PART Assessment rating of "results not demonstrated" and no method is in place for measuring its long-term results or management accountability. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Exchanges with Historic Whaling and Trading Partners. This program provides funding to certain entities to provide Alaska Natives, Native Hawaiians and Massachusetts families with educational activities. This program has a narrow focus and should not be utilizing federal funds. The State of Massachusetts can choose to fund the program with state grants.

Eliminate Close-Up Fellowships. This non-competitive grant program gives fellowships to low-income students to travel to Washington, D.C. to learn about the federal government. According to the Administration, this program is popular but has a very successful private fundraising effort that would more than pay for the program without federal support.

Eliminate Federal Support for the University of Hawaii School of Law's Center of Excellence in Native Hawaiian Law. Native Hawaiians are a racial group, not a tribe, and dispensing benefits to them would likely be subject to strict scrutiny in federal courts (and therefore presumably unconstitutional). All to often, "native Hawaiian law" is focused on either asserting or defending the premise that Native Hawaiians should be treated as if they *were* an Indian tribe already (or recognized as such through legislation) and therefore remain eligible for federal subsidies.

Eliminate the National Writing Project. The National Writing Project provides grants for training teachers to teach writing. This program, which is duplicative of the Teacher Quality State Grants program, was given a rating of "results not demonstrated" by the 2006 PART assessment. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Star Schools Program. The Star School Program is duplicative as one of *207* federal education programs dedicated to improve math and science skills in students. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Foreign Language Assistance. FLA provides funds for the promotion of foreign language education. States can use other state grants to accomplish this initiative if they so choose. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Excellence in Economic Education Program. This program is designed to encourage economic and financial literacy in students from kindergarten to high school. The President has called for the termination of this program, citing that it has "little impact" on students.

Eliminate the International Research and Studies Program. This duplicative program is one of nine programs in the Department of Education's International Education and Foreign Language Studies program. The program received a rating of "Results Not Demonstrated" by the 2006 PART assessment, is duplicative of other research programs, and has demonstrated no long-term impact on students.

Eliminate the Native Hawaiian Higher Education Program. Native Hawaiians are a racial group, not a tribe, and dispensing benefits to them would likely be subject to strict scrutiny in federal courts. Providing additional higher education financial assistance to this group is not only duplicative of numerous current federal student loan and grant programs, but is also likely unconstitutional. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Leveraging Educational Assistance Partnerships. LEAP provides funding to states for need-based grants and community service work-study assistance for postsecondary students. The President has called for the termination of this program on the grounds that it has "accomplished its objective of stimulating all states to establish need-based postsecondary student grants."

Eliminate the Fund for the Improvement of Postsecondary Education. This program is one of many duplicative higher education grant programs. It has loosely defined goals and other higher education grant programs are used for the same purpose. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate International Education and Foreign Language Services. Several programs under this service are intended to strengthen student education in foreign languages. According to the 2006 PART Assessment, the program failed to demonstrate effective long-term results and federal managers of the program are not held accountable for cost, schedule and performance results. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Stupak Olympic Scholarships. These scholarships are given to Olympic athletes attending college. Not only did the program receive a 2006 PART rating of "results not demonstrated," but the program is duplicative of all other federal education assistance programs. Like other students, athletes may apply for federal grants, loan assistance and the federal work-study program. Also, Olympic athletes often receive corporate sponsorships that could help them pay their education.

Eliminate the Underground Railroad Program. This program provides grants to nonprofit educational entities to build and maintain facilities that display artifacts relating to the history of the Underground Railroad. The President has called for the termination of this program stating the federal government has completed its funding commitment to the project and private funding and endowment funding can support ongoing operations.

Eliminate Byrd Honors Scholarships. This program, which awards merit-based scholarships to high school seniors through formula grants to state educational agencies, received a 2006 PART Assessment rating of "results not demonstrated." The scholarship program is duplicative of many other state, local, and federal scholarship programs. In addition, many universities and private entities provide scholarships to high school seniors entering college. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Thurgood Marshall Legal Educational Opportunity Program. This program provides minority college students financial aid when applying to law school. The program is duplicative of other federal higher education assistance programs, which provide students with financial aid for college and law school.

Eliminate the Graduate Assistance in Areas of National Need Program. The program gives three-year grants to higher education institutions for the purpose of providing gifted students with limited financial means with fellowships in the areas of science, math and technology. The program received a rating of "results not demonstrated" by the 2006 PART Assessment, as it was found to be inefficient, without measurable long-term goals, and without budgetary and managerial accountability.

Eliminate Federal TRIO Programs. The purpose of the five TRIO programs is to encourage individuals from disadvantaged backgrounds to enter and complete college. However, the programs' effectiveness has been questioned in a number of studies. According to the Administration, the Upward Bound TRIO program is "ineffective" and has had no significant effect on high-risk students. In addition, the program has been unable to demonstrate any improved efficiencies, despite previous poor evaluations. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Migrant and Seasonal Farm Worker Training Program. The program assists "economically-disadvantaged" seasonal farm workers by providing grants to entities providing workers with training. The program received a rating of "ineffective" by the 2006 PART

Assessment. It is duplicative of numerous other programs and has demonstrated no measurable success.

Eliminate the Reintegration of Youthful Offenders Program. This program is a demonstration project that provides ex-offenders under the age of 25 with employment and training services. The President has requested the termination of this program, citing its continued inability to account for employment outcomes.

Eliminate the Prisoner Re-entry Initiative. This $19 million program supports activities to help individuals in prison transition into the community. This effort is largely duplicative of other general workforce training programs.

Eliminate Job Corps. Job Corps is designed to assist disadvantaged youth to transition into the workforce. An Office of the Inspector General audit reported that the program did not have effective controls set in place to protect against budgetary loss in the program. In addition, the program has failed to demonstrate overall efficiency or cost effectiveness.

Consolidate and Block Grant WIA Job Training Programs. The Workforce Investment Act (WIA) gives numerous formula-based grants to states for job-training and other employment services for adults and "disadvantaged" youth. The Administration has proposed a similar reform, stating that "under current law, too few workers are trained, duplicative programs produce excessive overhead costs and administrative complexity, accountability is insufficient, governors have too little control and flexibility, and programs do not train workers for jobs in high-growth industries. This reform would consolidate the existing WIA programs into one block grant, which would be given to states with maximum flexibility to implement job training programs best suited for their needs. Funding for the block grant would be frozen at the FY06 proposed level. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the English Language Acquisition Program. ELA provides formula grants to states to improve language services to immigrant students. The program is duplicative of other federal-funded language programs. In addition, states differ with regard to whether they have heavy immigrant populations and may choose to fund this if necessary. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Revise Funding to School Districts for Impact Aid. Under Title VIII of ESEA, Impact Aid provides federal funding to school districts in areas affected by activities of the federal government, such as large sections of land owned by the federal government or land that has been removed from local tax rolls, such as Indian lands. The formula for determining the allocation of Impact Aid assistance to each school district counts both students actually living on federal and/or Indian land with parents serving in the military or in the federal government (Type A Students), *as well as* those residing in federally-subsidized low-rent housing, or those with parents serving in the armed services or for foreign governments that do not live on federal property (Type B Students). This proposal would eliminate Impact Aid assistance for Type B students and would direct assistance to cover those students putting the greatest burden on the school districts. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate State Grants for Safe and Drug-Free Schools and Communities. These grants to states are to discourage violence and the use of illegal substances such as alcohol, cigarettes, and drugs. States receive funding on the basis of their school-age population and number of poor children, but statistics suggest the program is ineffective. In addition, studies show that schools are among the safest places in the country and relatively drug free. This proposal was included in the RSC's "Operation Offset" in 2005.

Consolidate and Block Grant School Innovation and Improvement Funding. Under Titles II, III, and IV of ESEA, the federal government provides extensive support to states and operates numerous programs designed to enhance teacher recruiting and training, support the immigrant population, etc. While many of these programs provide important services, states would be well served to receive this funding in the form of a block grant, with increased flexibility to use these funds on the programs most needed in that state. This proposal would consolidate the existing School Improvement and Innovation programs (minus those eliminated elsewhere in this budget) and would reduce funding by 50 percent over two years (with a 25 reduction each year) for these combined programs. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Native Hawaiian Vocational Education Program. Native Hawaiians are a racial group, not a tribe, and dispensing benefits to them would likely be subject to strict scrutiny in Federal courts. Providing additional financial assistance to this group is not only duplicative of numerous current federal education and vocational programs, but is also likely unconstitutional. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Perkins Loan Program Capital Contributions Program. The Perkins Loan Program provides funding *to colleges* to make low-interest loans to needy students. The 2004 PART Assessment rated this program as "ineffective." In addition, Perkins loans are duplicative of other federal loan assistance such as the direct and guaranteed student loan programs. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Howard University Academic Program and Divert Half the Savings to the Historically Black and Hispanic Colleges Fund. In 2005, Howard University funded 52 percent of its education and general expenses through its federal appropriation. At the same time, Howard University trails its peers in fundraising—with an alumni response rate of eight percent, far below that of other institutions. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Corporation for Public Broadcasting. CPB, which receives $400 million annually from Congress, funds 15% of the Public Broadcasting Service's annual budget. The other 85% of PBS' budget comes from viewer donations, local government, and universities. CPB and PBS continue to use federal funding to pay for questionable programming, such as a documentary on sex education promoted and partially paid for by the Playboy Foundation. In addition, much of the programming on PBS, such as Sesame Street, could bring in enough annual revenues to cover the loss of federal funding. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the National Endowment for the Arts. The NEA funds art programs and initiatives through grants to various entities. In 2001, America spent $27 billion on non-profit arts funding: $11.5 billion from the private sector; $14 billion in earned income (tickets sales, etc.); and $1.3 billion in combined federal, state, and local public support (of which $105 million was from the NEA—0.4% of total non-profit arts funding). The funding could be funded completely through private donations, and the federal role eliminated. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the National Endowment for the Humanities. The NEH funds humanities programs and initiatives through grants to various entities. As with the NEA, the general public benefits very little from NEA, and it could be funded through private donations. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Institute of Museum and Library Services. IMLS is an independent federal agency that makes grants to museums and libraries. This is a function that could be funded at the state and local level. In addition, museums and libraries receive a significant amount of charitable contributions from the private sector. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Reduce the Department of Education's Bureaucracy by 30 Percent. As the size and scope of the Department of Education is reduced over the coming year, the costs of running the Department can be significantly decreased. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the WIA Pilots and Demonstrations Program. This program provides for pilot and demonstration projects designed to develop and implement effective methods of addressing employment needs. The Administration has stated that numerous earmarks passed by Congress have duplicated the efforts of this program and requested its termination.

Eliminate Funding for the National and Community Service Act. The National and Community Service Act (NCSA) provides authorization of funding for the National Civilian Community Corps (NCCC), AmeriCorps, Learn and Serve America, and the Points of Light Foundation. AmeriCorps, which receives the bulk of this funding, is an inefficient and expensive way of assisting individuals to pay for college—and stretches the notion of what constitutes a "volunteer." In addition, AmeriCorps is not means-tested. As a result, children of wealthy people can edge out low-income children for participation. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Literacy through School Libraries Programs. The program provides grants to local educational agencies to provide students with increased access to up-to-date school library materials and certified professional library media specialists. This limited program could be funded through state and local funding. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Even Start Program. Even Start provides family literacy classes to low-income parents and children. According to the Administration, participants in the program "do not make greater literacy gains than non-participants." In addition, the program has been rated "ineffective" by the PART Assessment.

Eliminate Administrative Fees Paid to Schools in the Campus-Based Student Aid and Pell Grant Programs. Under current law, institutions of higher education administering certain campus-based federal assistance programs are allowed to use five percent of the program funds for administrative purposes. This reform would eliminate the five percent administrative funding for the universities. This proposal was included in the RSC's "Operation Offset" in 2005.

Eliminate the International Labor Affairs Bureau. The Bureau was originally responsible for the Department of Labor's overseas research projects and international labor workers' rights; however, in recent years the Bureau has taken on grant-making activities. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Women's Bureau (DOL). According to the Administration, this $9 million bureau "promotes the interests of wage-earning women, and seeks to improve their working conditions and advance their opportunities for profitable employment." This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Freeze Head Start at the FY 2005 Level. Head Start provides early childhood education programs for low-income children at a cost to taxpayers of $6.8 billion annually. Ten years ago, Head Start was able to serve 750,000 children with $3.3 billion ($4,400 per student); however, in 2005, the program assisted roughly 940,000 students, only a 190,000 student increase in 11 years, spending $7,222 per student. In only ten years, Head Start per-child funding has nearly doubled, yet the program continues to receive a PART Assessment rating of "results not demonstrated." Head Start evaluations have revealed the program has no system in place for monitoring or measuring the true educational progress of Head Start students or the effectiveness of individual Head Start grantees. This option would freeze Head Start funding at $6.8 billion. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

DIRECT SAVINGS

Eliminate Subsidized Loans to Graduate Students. The Federal Direct Loan Program and the Federal Family Education Loan Program provide federally subsidized loans to students attending institutions of higher education for both undergraduate and graduate degrees. This proposal would eliminate new federal loans to graduate students beginning in 2006. Most students attending graduate school have received an undergraduate degree and many received a federally subsidized student loan to pay for their undergraduate studies. In eliminating subsidized loans to graduate students, it is assumed these students will continue their graduate studies utilizing non-subsidized loans from private entities. This proposal was included in the RSC's "Operation Offset" in 2005.

Eliminate Trade Adjustment Assistance. Trade Adjustment Assistance, which was given a 2003 PART Assessment rating of "ineffective," provides additional unemployment benefits and training assistance to workers who lose their jobs as a result of foreign competition, including workers affected by NAFTA. There is no justification, however, for providing more assistance to an unemployed worker who lost a job because of foreign competition than for a worker whose unemployment resulted from domestic competition. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

FUNCTION 550: HEALTH

This function includes spending for health care services, health-related research and training, and consumer and occupational safety, including Medicaid, the State Children's Health Insurance Program, the National Institutes of Health, substance abuse prevention and treatment, and women's health programs.

SUMMARY OF POLICY ASSUMPTIONS

RSC Recommendation
Function 550: Health
[In millions of dollars]

Fiscal Year		2006	2007	2008	2009	2010	2011	2007-2011
Health Function Totals	BA	268,932	269,698	279,170	291,222	300,435	312,928	1,453,453
	OT	265,610	272,369	279,387	288,810	299,486	311,802	1,451,854
DISCRETIONARY		Changes from RSC Baseline						
Reduce Maternal & Child Block Grant	BA	0	-172	-172	-172	-172	-172	-860
	OT	0	-88	-101	-105	-108	-110	-512
Eliminate Title X Family Planning	BA	0	-226	-283	-283	-283	-283	-1,358
	OT	0	-226	-283	-283	-283	-283	-1,358
Eliminate Rural Health Outreach Grants	BA	0	-8	-10	-10	-10	-10	-48
	OT	0	-8	-10	-10	-10	-10	-48
Eliminate State Offices of Rural Health	BA	0	-7	-8	-8	-8	-8	-39
	OT	0	-7	-8	-8	-8	-8	-39
Eliminate Native Hawaiian Healthcare	BA	0	-2	-2	-2	-2	-2	-10
	OT	0	-2	-2	-2	-2	-2	-10
Eliminate Environmental Health & Injury	BA	0	-150	-150	-150	-150	-150	-750
	OT	0	-49	-120	-139	-146	-148	-602
Eliminate CDC's Occup. Safety and Health	BA	0	-168	-168	-168	-168	-168	-840
	OT	0	-55	-135	-156	-163	-165	-674
Streamline Administrative Costs at HHS	BA	0	-130	-130	-131	-131	-131	-653
	OT	0	-72	-115	-125	-129	-130	-571
Eliminate Health Professions Grants	BA	0	-211	-264	-264	-264	-264	-1,267
	OT	0	-211	-264	-264	-264	-264	-1,267
Reduce National Health Services Corp.	BA	0	-63	-63	-63	-63	-63	-315
	OT	0	-22	-54	-59	-60	-62	-257
Reduce NIH Spending by 10 Percent	BA	0	-2858	-2858	-2858	-2858	-2858	-14,290
	OT	0	-728	-2254	-2688	-2784	-2806	-11,260
Eliminate the Ag. for Health. Res. & Qual.	BA	0	-239	-319	-319	-319	-319	-1,515
	OT	0	-239	-319	-319	-319	-319	-1,515
DIRECT								
Revise Fed. Ret. Health Benefits Formula	BA	0	-140	-230	-320	-430	-550	-1,670
	OT	0	-140	-230	-320	-430	-550	-1,670
Block Grant Medicaid and SCHIP	BA	0	-1,125	-9,146	-17,862	-26,825	-36,739	-91,697
	OT	0	-1,125	-9,146	-17,862	-26,825	-36,739	-91,697

DISCUSSION OF POLICY ASSUMPTIONS

DISCRETIONARY SAVINGS

Reduce the Maternal and Child Health Block Grant. The Maternal and Child Health Block Grant subsidizes programs providing services for preventive health care and health services for mothers and children. Since the federal commitment to other programs directed toward maternal and child health and preventive health services has increased substantially in recent years, funding these duplicative block grants could be reduced. This proposal is consistent with the President's 2007 budget proposal to reduce funding for this program. Also, CBO states that the activities conducted by this program can be absorbed by other programs and funded by the states. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Title X Family Planning. Established in 1970, the program was created to distribute contraception to the poor to help curb the population. During the November 16, 1970 floor debate on the original authorization, Rep. Carter, one of the bill's supporters, said the program was greatly needed because, "Estimates have been made by reliable authorities that by the year 2000 our population in the United States will reach 300 million. It is entirely possible that productivity in a nation even as wealthy as ours may not rise sufficiently to properly feed, clothe, and care for this gigantic increase. The quality of life could well be diminished." Despite approximately $5 billion spent on the Title X program since its inception, the U.S. population did rise to approximately 300 million people in 2005 (up from 203 million in 1970), and the catastrophic predictions made to justify this program have proven false. Despite the fact that the Title X program's legal authorization to exist expired after fiscal year 1985, Congress continues to appropriate money, $283 million in FY 2006. Currently a third of the program's clientele are teenagers, who are able to receive contraception without parental consent, and without regard to their family's income. According to the General Accountability Office, Planned Parenthood Federation of America and its affiliates spent $58.7 million federal Title X dollars in FY 2001 (the last year for which these numbers are available). A similar proposal was included in the RSC's "Operation Offset" in 2005.

Eliminate Rural Health Outreach Grants. The Rural Outreach Grants funded by the Health Resources and Services Administration fund local consortia of rural health care providers to coordinate and enhance the availability of health services. These services can be supported through community health centers, the Maternal Child Health Block Grant, Medicaid, and other programs. HHS administers hundreds of health and social services programs that provide resources to rural areas. In addition, the Medicare Modernization Act (MMA) contains several new provisions to support rural health. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate State Offices of Rural Health. Established in 1991, the State Offices of Rural Health Program was created to help rural communities build their health care services by supporting state initiatives and partnerships in rural health development. Since the program's inception, the number of state offices has grown from seven to 50. Funding for the program was intended to help states establish, *not* maintain, offices. All 50 states have received grants, and therefore states can continue these offices if they believe they are useful. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Native Hawaiian Healthcare Program. The program was created to provide primary care services and disease prevention services for Native Hawaiians. Hawaii has a highly developed employer-based health service system which provides coverage to residents not insured through the employer mandate. In addition, Native Hawaiians are a racial group, not an Indian tribe, and dispensing benefits to them would likely be subject to strict scrutiny in federal courts (and thus presumably unconstitutional). This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Occupational Safety and Health Program at the CDC. The National Institute of Occupational Safety and Health (NIOSH) is responsible for "conducting research and making recommendations for the prevention of work-related illnesses and injuries." It is questionable whether this constitutes a "disease" and if the program should be housed within the CDC. Also, the program duplicates functions of the Occupational Safety and Health Administration (OSHA). This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Environmental Health and Injury Program at the CDC. This program supports research to identify risk factors to prevent injuries, deaths, and disabilities resulting from non-work related environments. This activity is not central to CDC's mission, and as such, this budget proposes to eliminate it. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Streamline the Administrative Costs at the Department of Health and Human Services (HHS). Salaries and expenses should be reduced by five percent at the following HHS offices: Health Resources and Services Administration, Substance Abuse and Mental Health Services Administration, Centers for Disease Control, the Office of the Director of the NIH, and the Office of the Assistant Secretary. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Health Professions Grants. The Health Professions training grants at the Health Resources and Services Administration (HRSA) finance academic institutions to help meet the costs of training and educating students to become health professionals. These grants were authorized 40 years ago, partially in response to an anticipated national shortage of physicians that does not exist today. Between 1992 and 2003, the U.S. physician population increased by 31 percent, over twice the rate of growth of the total population. Evaluations have not linked these grants to changes in supply, distribution, and minority representation of physicians and other health professionals: thus, the program received an "ineffective" PART rating. CBO stated that, "continuing these subsidies to persuade people to enter well-paid medical careers is not the best use of federal funds, particularly when there is no national shortage of physicians." Market forces provide strong incentives for individuals to seek training and jobs in health professions and incentives are continuing to rise per capita. Also, subsidies are distributed mainly to institutions and not directly to students. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Reduce Funding for the National Health Services Corps. The NHSC attempts to alleviate any shortage of health care professionals by recruiting physicians and other health care professionals to provide primary care services in what are designated as "Health Professional Shortage Areas." Congress continues to fund the program at levels double the President's requests, even though the 2006 PART Assessment reports that NHSC has failed to demonstrate adequate progress in achieving its long-term goals. This budget would reduce funding for the program. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Encourage Privatization of NIH-Supported Research by Reducing Funding by Ten Percent. This proposal reduces NIH expenditures by ten percent. Under this proposal, the NIH would receive almost $26 billion, which still is more than double the FY96 appropriation of $11.9 billion. NIH has funded numerous nonessential projects in recent years, including a prostitute/masseuse study, reactions to pornography study, and an American Indian transgender research study. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Agency for Healthcare Research and Quality. AHRQ, a part of HHS, supports research "designed to improve the quality of healthcare, reduce its cost, improve patient safety, decrease medical errors, and broaden access to essential services." This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

DIRECT SAVINGS

Transform Medicaid and SCHIP to a Block Grant Program. Medicaid is the nation's health care financing system for the poor. The State Children's Health Insurance Program (SCHIP) is a similar program for the nation's uninsured children. They are both joint federal/state programs, with states matching federal funds. This proposal would convert the current Medicaid and SCHIP programs into a system of block grants to states. States then would add their own funds to the federal contribution to provide health care for low-income residents. Under the block grant, states will have the flexibility to create innovative health care programs for their low-income citizens. A Medicaid/SCHIP block grant would allow the federal government to establish budgetary control over its share of payments—which would be capped at an annual growth of four percent. In contrast, currently Medicaid and SCHIP require the federal government to pay its pre-established share of whatever is spent. The more that is spent the more the federal government pays. A block grant strategy would encourage states to establish efficient and effective programs and discourage them from spending more to get more. This approach recognizes that it is unknown which Medicaid program will work best in all of the 50 states, the District of Columbia, and the five territories—and builds on the landmark success of welfare reform. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Base Federal Retirees' Health Benefits on Length of Service. Federal retirees are generally allowed to continue receiving benefits from the Federal Employees Health Benefits (FEHB) program if they have participated in the program during their last five years of service and are eligible to receive an immediate annuity. More than 80 percent of new retirees elect to continue health benefits. This proposal would reduce health benefits for new retirees who had relatively short federal careers, although it would preserve their right to participate in the FEHB program. This could make the government's mix of compensation fairer and more efficient by improving the link between length of service and deferred compensation, and would also help bring federal benefits closer to those of private companies. This proposal was included in the RSC's "Operation Offset" in 2005.

FUNCTION 570: MEDICARE

SUMMARY OF POLICY ASSUMPTIONS

RSC Recommendation
Function 570: Medicare
[In millions of dollars]

Fiscal Year		2006	2007	2008	2009	2010	2011	2007-2011
Medicare Function Totals	BA	342,270	359,207	376,393	395,226	413,594	437,641	1,982,061
	OT	336,790	364,668	376,441	394,815	413,906	437,686	1,987,516
DIRECT		Changes from RSC Baseline						
Save Medicare from Bankruptcy	BA	0	-27,300	-36,100	-42,000	-48,700	-63,800	-217,900
	OT	0	-27,300	-36,100	-42,000	-48,700	-63,800	-217,900

DISCUSSION OF POLICY ASSUMPTIONS

DIRECT SAVINGS

Medicare is facing bankruptcy. Last year, the Social Security and Medicare Trustees reported that the Federal Hospital Insurance Trust Fund or Medicare Part A—which pays for hospital and other institutional care and is funded by the Medicare payroll tax, will run out of money by 2020, in only 14 years. In addition, Medicare Parts B and D—which pay for physician bills, outpatient services, and now prescription drugs, will be increasingly subsidized through general fund transfers paid by taxpayers, making the program less and less self-financed through payroll taxes and premiums. The new Medicare prescription drug benefit will cost roughly $534 billion over ten years, but this estimate is a mere ten-year snap shot and masks the true magnitude of the program's *$7.5 trillion* long-term unfunded promise.

Fortunately, current law is at least cognizant of the impending dangers facing Medicare with the enactment of a small provision in the Medicare Modernization Act of 2003 (MMA) known as "cost containment." The latest Trustees' report must now include a projection of general revenue spending as a percentage of total Medicare spending (i.e., how much are taxpayers subsidizing Medicare), which compellingly demonstrates the true long-term insolvency of the Medicare program. The projection examines each of the next seven fiscal years in order to determine if the general fund subsidy amounts to less than *45 percent* of the program. If the subsidy exceeds 45 percent in any year *for two consecutive annual reports*, a "Medicare funding warning" would automatically be triggered. The warning is meant to reveal if Medicare spending is putting the rest of federal budget under dire financial strain. If the funding warning is made, some action is required—the President must submit to Congress legislation to reform Medicare. Unfortunately, the last Trustees' report projected that the general fund subsidy will exceed 45 percent in 2012. If significant Medicare reforms are not enacted *this year,* the 2006 report will likely convey a similar message, warning Congress that the general fund is subsidizing too large a portion of Medicare spending.

In light of these concerns, and consistent with this budget's commitment to balance the federal budget, it is imperative the Congress act swiftly in addressing the program's sustainability *and specifically the unprecedented growth in Medicare spending*. This proposal would cap overall Medicare spending growth at an average of 5.4 percent (down from 8.5 percent on average currently), as provided for in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995. In order to align Medicare spending with the 5.4 percent cap, Congress could choose from a number of reform options, which would significantly restrain Medicare spending. Outlined in this proposal are just a few of the numerous reform options available to a Congress serious about controlling federal Medicare spending.

Model Medicare after the Federal Employees Health Benefit Plan (FEHBP). One possible approach for achieving solvency would convert Medicare into a premium-support system, modeled after the FEHBP, in which every Medicare beneficiary would receive a contribution from Medicare to purchase the health care plan of their choice. Choices would include a broad range of plans with varying levels of coverage. Again, beneficiaries would pay extra if the plan they chose was more costly than the amount of the Medicare contribution, and would receive a rebate if they chose a plan that cost less than the amount of the Medicare contribution. Private plans available for purchase by Medicare beneficiaries would include HMOs, preferred provider organizations, medical savings accounts, as well as other innovative insurance products. Any plan available in the market to be purchased with a Medicare contribution would be required to include catastrophic coverage for costs over a set level. In order to prevent marketing abuses, plans also would be required to meet a minimal set of other eligibility requirements, including quality review. Medicare could continue to offer the traditional fee-for-service Medicare program by determining the individual actuarial value of the program and allowing beneficiaries to purchase it with their Medicare contribution. The value of the Medicare contribution would be determined by pegging total Medicare expenditures to the 5.4 percent cap. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Increase the Medicare Part B Premium from 25 percent to 50 percent and Allow Part B Means-Testing to Take Effect Earlier. Medicare Part B provides beneficiaries with health insurance for physician and hospital outpatient services. Beneficiaries pay premiums covering 25 percent of total Part B costs, while the federal government subsidizes the remaining 75 percent. Although initially beneficiaries were expected to cover 50 percent of premium costs, their share was gradually decreased and the 1997 Balanced Budget Act permanently set the 25 percent level. This option would return the beneficiary's share of the premium to 50 percent. (The change would place no burden on the neediest beneficiaries, as Medicaid pays Medicare premiums for individuals earning below 120 percent of poverty.)

In addition, the Medicare Modernization Act (MMA) passed by Congress in 2003, introduced a means-test to the Part B premium, which set graduated premiums for higher-income seniors. Originally, the means-test was to be phased in over five years; however the Deficit Reduction Act of 2005 changed the phase-in from five to three years. This proposal calls for full implementation of Part B means-testing in 2007, which will provide for immediate budget savings and eliminate the administrative expenses associated with a drawn-out transition period.

Means-Test the Part D Prescription Drug Benefit. Under current law, the Medicare prescription drug program is open to any senior citizen, including the very wealthy. As with Part B, enrollees pay an insurance premium, typically ranging between $30 and $40 monthly. This represents 25 percent of the full premium cost, as the government subsidizes 75 percent of a Part D beneficiary's premium. This proposal would relieve the federal government of paying a full share for those enrollees with higher income (on a sliding scale aligned with the current Part B means-test) in excess of $80,000 (individual)/$160,000 (couple).

Restructure Medicare Cost-Sharing Requirements. Medicare Parts A and B are fee-for-service programs, which require beneficiaries to share in the cost of various procedures and services rendered. Under current law, the amount paid by the enrollee for deductibles, co-payments, and other shared costs, varies depending on the type of service provided. In addition, the program does not currently limit cost-sharing expenses paid by beneficiaries; therefore, if an individual incurs a particularly high medical bill, the enrollee's share may be a very large portion of the total bill, which could be very difficult for the individual to pay.

Under this reform, the current complicated blend of cost-sharing requirements would be eliminated. Instead, enrollees would pay a $500 combined deductible for all services covered in Parts A and B of Medicare. In addition, for amounts above the deductible, a standardized 20 percent coinsurance rate would apply to all beneficiaries. Total individual cost-sharing obligations would be capped at $2,500 annually, protecting any individual from being encumbered with the exorbitant medical costs associated with many catastrophic events.

In addition, Medigap reforms would be coupled with the cost-sharing restructuring of Parts A and B. This proposal would modify Medigap policies to prohibit coverage for any portion of the new $500 deductible; however the program could cover 50 percent of the coinsurance payments. A similar proposal was included in the RSC's "Operation Offset" in 2005.

Impose a Home Health Co-payment. Under current law, Medicare beneficiaries are not required to share in any costs related with in-home visits. As more individuals begin to rely on this expensive health care option, associated Medicare costs will also continue to increase. In light of rising costs and new beneficiaries, this proposal would impose a home health co-payment of 10 percent of the total cost of each home health episode (60-day period of services) covered by Medicare. By allowing enrollees to share in the cost of their home health services, individuals would be encouraged to be cost-conscious with regard to home health care, which will facilitate a decrease in Medicare costs. This proposal was included in the RSC's "Operation Offset" in 2005.

Slow the Growth in Payments to Home Health Agencies, Skilled Nursing Facilities, and Hospitals by One Percent. Under current law, Medicare payments are increased annually to reflect changes in medical inflation. Typically, medical inflation ranges anywhere between two and five percent above the Consumer Price Index. This proposal would slow the payments to home health agencies, skilled nursing facilities, and hospitals by one percent. As a result, payments to such Medicare providers would continue to increase annually, but not as much as the increase provided for with medical inflation.

FUNCTION 600: INCOME SECURITY

SUMMARY OF POLICY ASSUMPTIONS

RSC Recommendation
Function 600: Income Security
[In millions of dollars]

Fiscal Year		2006	2007	2008	2009	2010	2011	2007-2011
Income Security Function Totals	BA	351,610	346,496	355,080	365,727	376,340	390,469	1,834,112
	OT	356,727	355,735	361,544	369,553	378,687	391,965	1,857,484
DISCRETIONARY		Changes from RSC Baseline						
Eliminate Rural Housing Programs	BA	0	-80	-80	-80	-80	-80	-400
	OT	0	-14	-36	-54	-71	-80	-255
Eliminate HUD Self-Help Program	BA	0	-61	-61	-61	-61	-61	-305
	OT	0	-5	-29	-41	-54	-61	-190
Eliminate Homeless Assistance Grants	BA	0	-300	-300	-300	-300	-300	-1,500
	OT	0	-3	-51	-171	-225	-270	-720
Eliminate Home Investment Partnership	BA	0	231	231	231	231	231	1,155
	OT	0	2	30	95	152	210	489
Eliminate Other Assisted Housing Programs	BA	0	-26	-26	-26	-26	-26	-130
	OT	0	-16	-26	-26	-26	-26	-120
Eliminate HOPE VI	BA	0	-100	-100	-100	-100	-100	-500
	OT	0	0	-6	-19	-39	-59	-123
Eliminate Native Hawaiian Housing	BA	0	-9	-9	-9	-9	-9	-45
	OT	0	-1	-3	-5	-6	-8	-23
Reduce Special Needs Housing Assistance	BA	0	-239	-239	-239	-239	-239	-1,195
	OT	0	-5	-9	-42	-104	-149	-309
Restrain Section 8 Vouchers	BA	0	-7,048	-11,248	-11,248	-11,248	-11,248	-52,040
	OT	0	-4,724	-9,988	-11,248	-11,248	-11,248	-48,456
Reduce Housing Assistance	BA	0	-742	-742	-742	-742	-742	-3,710
	OT	0	-14	-27	-129	-323	-463	-956
Eliminate HUD Rural Housing	BA	0	-17	-17	-17	-17	-17	-85
	OT	0	-1	-4	-10	-15	-17	-47
Eliminate LIHEAP	BA	0	-2,183	-2,183	-2,183	-2,183	-2,183	-10,915
	OT	0	-1,637	-2,139	-2,183	-2,183	-2,183	-10,325
DIRECT								
Eliminate TAA	BA	0	-215	-450	-647	-665	-683	-2,660
	OT	0	-105	-335	-550	-663	-681	-2,334
Eliminate LIHEAP	BA	0	0	0	0	0	0	0
	OT	0	281	86	7	0	0	374

DISCRETIONARY SAVINGS

Reduce Funding for Department of Agriculture (USDA) Housing Assistance Programs. USDA provides funding – both grants and credit assistance -- for a range of housing related activities, including for homeownership, housing preservation and repair, and rental assistance through offices such the Rural Housing Service. The rural housing environment is very different today than when these programs were created in the 1930s, in part due to advances in technology, an infrastructure build up and increased availability of credit assistance. Moreover, there is considerable program overlap between these Department of Agriculture programs and those offered by HUD. Finally, the Government Accountability Office has identified numerous program challenges with RHS. This budget assumes this program's overlapping functions are transferred to HUD and reduces funding accordingly.

Eliminate Funding for the Self-Help and Assisted Homeownership Opportunity Program (SHOP). SHOP provides funds for eligible national and regional non-profit organizations and consortia to purchase home sites and develop or improve the infrastructure needed to set the stage for their own equity and volunteer-based homeownership programs for low-income persons and families. In particular, SHOP funds are used for eligible entities to develop non-luxury housing for low-income persons and families who otherwise would not become homeowners. This program is duplicative and funding would be eliminated.

Reduce Funding for the Homeless Assistance Grants. HUD's homeless assistance programs were created by the McKinney-Vento Homeless Assistance Act. These homeless assistance programs include HUD's Supportive Housing Program, Shelter Plus Care Program, Single Room Occupancy Program, and the Emergency Shelter Grant Program. Funding for these programs is duplicative of other federal programs serving the same population at the Department of Health and Human Services, the Department of Education, the Department of Labor, the Department of Veterans Affairs, the Department of Agriculture, and the Interagency Council on Homelessness. In addition, numerous nonprofit organizations, state and local agencies, and advocacy groups provide homeless assistance. Given duplication with other federal programs and private sector efforts, this budget proposes to reduce funding below the baseline. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Block Grant Special Purpose Housing Programs. HUD provides funding for several special purpose programs, some targeting individuals with special needs (Housing for the Elderly) or providing low interest loans to developers (Home Investment Partnership program) to spur construction and development of housing for low income families. These programs are duplicative of other, existing HUD programs. This budget proposes to create a new block grant program consisting of these various programs. Beginning in FY 2007, funding would be provided at a reduced level relative to the previous year's aggregate level due to administrative savings and program streamlining and holding it at that level through the budget window as the program's performance is evaluated.

Eliminate Funding for the Section 236 Rental Housing Assistance Payments. HUD subsidizes the interest payments on mortgages for rental or cooperative housing owned by certain private nonprofit or limited-profit landlords and rented to low-income tenants. This proposal eliminates funding for the program.

Eliminate HUD's HOPE VI Program. Originally known as the Urban Revitalization Demonstration (URD), HOPE VI grew out of recommendations by the National Commission on Severely Distressed Public Housing, which was charged with proposing a National Action Plan to eradicate severely distressed public housing. In response, Congress established the Revitalization of Severely Distressed Public Housing (HOPE VI) program in 1992 to address 100,000 of the most severely distressed public housing units in the nation's urban neighborhoods by 2003. This HUD program provides competitive grants to local housing authorities to construct, rehabilitate and transform distressed public housing units into mixed-income communities. However, the 2003 goal has been met and exceeded according to HUD. In addition, in 2002 the Government Accountability Office reported that HOPE VI has 27 percent higher per-unit housing costs than vouchers that serve the same population and 47 percent higher when all costs are considered. It is also duplicative of other federal programs providing similar assistance. Given that the original goal of the program has been met, there is no further justification for continued funding. This budget proposes to eliminate funding for Hope VI. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Funding for the Native Hawaiian Housing Block Grant Program. This federal program provides Native Hawaiians federal housing block grant funds for construction or reconstruction of affordable housing, down payment and closing cost assistance, direct lending or interest subsidies, housing counseling, tenant-based rental assistance and safety activities. Native Hawaiians are a racial group, not a tribe, and dispensing benefits to them would likely be subject to strict scrutiny in Federal courts. Providing additional housing assistance to this group is not only duplicative of numerous current federal housing programs available to all individuals, but is also likely unconstitutional. This budget proposes to eliminate funding for this program.

Reduce HUD Funding for Tenant-Based Rental Assistance. The HUD Section 8 program provides project-based (paid to the housing unit) and voucher-based (tied to the family) federal subsidies to help low-income households with housing costs in private markets. Funding for these programs exceeded $21 billion in new budget authority in FY 2006. This budget proposes to begin restraining assistance levels. In addition, a certain number of vouchers and certificates are turned in each year by tenants who no longer need the assistance. This budget proposes to reissue only half of these and achieve significant savings. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Funding for the Rural Housing and Economic Development Program. The Rural Housing and Economic Development (RHED) Program at HUD provides assistance to help nonprofits in rural communities build capacity for rural housing and economic development, as well as support innovative housing and economic development activities in rural areas. This program is duplicative of numerous existing federal programs. Within HUD, RHED activities are also eligible under the Non-entitlement Community Development Block Grant Program, in which States pass funds to rural areas for housing rehabilitation, public facility improvement, economic development, and assistance to nonprofit entities for community development activities. Funding for this program would be eliminated.

Eliminate Funding for the Low Income Home Energy Assistance Program (LIHEAP). LIHEAP was created in 1981 as a temporary assistance program to help low-income households meet higher home heating and air conditioning costs resulting from higher energy prices. This “temporary” program has become a permanent part of the federal budget. It is a responsibility better met by state and local governments. This budget proposes to eliminate funding for LIHEAP. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

FUNCTION 650: SOCIAL SECURITY

This function covers the Social Security Program.

SUMMARY OF POLICY ASSUMPTIONS

RSC Recommendation
Function 650: Social Security
[In millions of dollars]

Fiscal Year		2006	2007	2008	2009	2010	2011	2007-2011
Social Security Function Totals	BA	556,897	585,379	613,241	645,216	680,429	717,599	3,241,864
	OT	554,483	583,164	610,724	642,276	677,389	714,069	3,227,622
		Changes from RSC Baseline						
No Changes Assumed	BA	0	0	0	0	0	0	0
	OT	0	0	0	0	0	0	0
	OT	0	0	0	0	0	0	0

DISCUSSION OF POLICY ASSUMPTIONS

This budget assumes no changes to Social Security. However, it does recognize that Social Security is in trouble and needs to be reformed in the near future.

Social Security is funded by the payroll taxes of current workers that pay for the benefits of current retirees. At present, Social Security is running a surplus, meaning that there is more money being paid into the system than is needed to pay for current benefits. By now, the American people are well aware and outraged that these Social Security surpluses have bankrolled the rest of the federal government for years. In a maneuver that the late Senator Daniel Patrick Moynihan referred to as “embezzlement,” Social Security surpluses are deposited in the Treasury Department’s general fund to subsidize other government functions, and are replaced with I.O.U.s in the form of government bonds. This practice must be stopped, and a first step in doing so (without incurring greater deficits) is to balance the federal budget.

With the renewed attention brought to Social Security by President Bush this past year, it is no secret that the system’s long-term solvency is in jeopardy. As the Baby Boom Generation retires, the ratio of workers paying into the trust fund and retirees receiving benefits will shrink considerably. By 2017, the surplus will have evaporated and Social Security will begin to pay out more in benefits than it brings in through payroll taxes. This will move the program into permanent and growing deficits. By 2041, the Social Security Trust Fund will be completely exhausted, leaving the program insolvent.

Congress must act now to protect Social Security and put the program on a path toward permanent solvency before the fiscal situation deteriorates even further. Such reform would protect the benefits of seniors and those nearing retirement, maintain a strong safety net for all workers, and close the door on any tax increases. In addition, it would include the *option* of personal Social Security accounts within the current system that will guard an individual's contributions for their retirement, stopping the raid of the Social Security Trust Fund once and for all and allowing what Albert Einstein called the most powerful force in the universe—compound interest—to ensure a better rate of return than the system currently provides.

FUNCTION 700: VETERANS BENEFITS AND SERVICES

This function covers programs that offer benefits to military veterans. Those programs, most of which are administered by the Department of Veterans Affairs, provide health care; disability compensation; pensions; life insurance; housing loans; and education, training, and rehabilitation benefits.

SUMMARY OF POLICY ASSUMPTIONS

RSC Recommendation
Function 700: Veterans Benefits and Services
[In millions of dollars]

Fiscal Year		2006	2007	2008	2009	2010	2011	2007-2011
Veterans Benefits Function Totals	BA	71,956	73,806	75,996	76,885	77,271	81,471	385,429
	OT	69,763	72,887	76,254	77,093	77,312	81,289	384,835
DISCRETIONARY		Changes from RSC Baseline						
Increase Veterans Spending	BA	579	2,982	1,187	857	221	430	5,677
	OT	-514	2,559	1,659	1,278	545	541	6,582

DISCUSSION OF POLICY ASSUMPTIONS

DISCRETIONARY SAVINGS

Increase Veterans Spending to the President's Request. The level of veterans spending in this function accommodates the President's requested level. Excluding emergency spending in FY 2006, total veterans spending in FY 2007 would increase by $4.3 billion or *6.1%* over the prior fiscal year. These spending increases are significant evidence of this budget's commitment to meeting the needs of America's veterans.

However, any serious effort to balance the budget must not allow the Department of Veterans Affairs (VA) to escape the scrutiny that other departments of government will receive. While this budget does not assume any savings from veterans programs, it requires the Committee on Veterans Affairs to identify 1% in savings from total funding under its jurisdiction that are determined to be wasteful, low-priority, or unnecessary, and to submit its findings to the House Budget Committee. These findings would also be inserted in the Congressional Record.

FUNCTION 750: ADMINISTRATION OF JUSTICE

This function is composed of the justice programs of the United States, including federal law enforcement, federal courts, federal prisons, and judicial branch activities.

SUMMARY OF POLICY ASSUMPTIONS

RSC Recommendation
Function 750: Administration of Justice
[In millions of dollars]

Fiscal Year		2006	2007	2008	2009	2010	2011	2007-2011
Administration of Justice Function Totals	BA	41,809	42,307	40,721	40,620	40,514	40,404	204,566
	OT	41,677	42,166	41,941	41,375	40,785	40,382	206,649
DISCRETIONARY		Changes from RSC Baseline						
DOJ Administrative Savings	BA	0	-2	-2	-2	-2	-2	-10
	OT	0	-2	-2	-2	-2	-2	-10
Eliminate the Community Relations Service	BA	0	-10	-10	-10	-10	-10	-50
	OT	0	-9	-10	-10	-10	-10	-49
Eliminate Legal Services Corporation	BA	0	-327	-330	-330	-330	-330	-1,647
	OT	0	-288	-330	-330	-330	-330	-1,608
Eliminate the State Justice Institute	BA	0	-4	-4	-4	-4	-4	-20
	OT	0	-1	-3	-4	-4	-4	-16
Eliminate Justice Assistance Programs	BA	0	-247	-247	-247	-247	-247	-1,235
	OT	0	-40	-111	-168	-212	-247	-778

DISCUSSION OF POLICY ASSUMPTIONS

DISCRETIONARY SAVINGS

Eliminate the Community Relations Service (CRS). Established in 1964 by Title X of the Civil Rights Act of 1964, the mission of CRS is to provide mediation services cost-free to state and local public officials to help resolve racial and ethnic disputes and conflicts, most often involving schools and police agencies. It also provides pro-active services to prevent such tensions. This program is the responsibility of state and local governments, and is often duplicative of programs at that level. This budget proposes to eliminate funding for CRS. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the Legal Services Corporation (LSC). The Legal Services Corporation (LSC) was established by the Legal Services Corporation Act of 1974 to provide free legal assistance to the poor in civil, non-criminal matters. Its origins lie in President Lyndon Johnson's War on Poverty, specifically with the Office of Economic Opportunity (OEO), which in 1965 began making direct grants to local legal aid organizations. Instead of focusing on this core mission, the LSC has assisted lawyers and groups engaged in lobbying, advocacy of political causes, and litigation against the federal government. The program has not been authorized since 1980. Services currently provided by the LSC are duplicated by state and local governments, bar associations, and private organizations. This budget proposes to eliminate funding for the LSC. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the State Justice Institute (SJI). The SJI is a non-profit corporation that was established in 1984 to provide grant awards to assist state courts in the area of criminal justice. Categories of grant assistance include judicial education, technical assistance, project grants for children and families in court, as well as improving the state-federal court relationship, and a scholarship program for state judges. State courts clearly play an important role in the nation's legal system. However, the funding and assistance is a state responsibility, one that is also duplicated by other institutions. There is no evidence it has actually improved the administration of justice. This budget proposes to eliminate funding for SJI. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Block Grant and Reduce Funding for Several Department of Justice Programs. The Department of Justice currently funds a range of justice assistance programs such as the Byrne discretionary grants, Byrne Justice Assistance grants, COPS Hiring Grants, COPs Interoperable Communications Technology Grants, COPs Law Enforcement Technology Grants, Juvenile Accountability Block Grants, National Drug Intelligence Center, and the State Criminal Alien Assistance Program, among others. These programs address problems that are not federal responsibilities. This option would consolidate and reform justice assistance programs and reduce the amount spent on them, thereby yielding administrative savings. Switching from categorical to block grants would allow grant recipients to focus their efforts on areas of greatest need rather than on problems that, though significant nationally, are less important locally.

FUNCTION 800: GENERAL GOVERNMENT

SUMMARY OF POLICY ASSUMPTIONS

RSC Recommendation
Function 800: General Government
[In millions of dollars]

Fiscal Year		2006	2007	2008	2009	2010	2011	2007-2011
General Government Function Totals	BA	18,701	18,206	17,880	17,988	18,100	18,142	90,316
	OT	18,941	18,353	17,962	17,849	17,905	17,940	90,009
DISCRETIONARY		Changes from RSC Baseline						
Eliminate Congressional Printing	BA	0	-44	-44	-44	-44	-44	-220
	OT	0	-28	-39	-43	-43	-43	-196
Reduce GSA Buildings Fund	BA	0	-218	-218	-218	-218	-218	-1,090
	OT	0	-7	-24	-68	-133	-185	-417
Eliminate Merit System Protection Board	BA	0	-36	-36	-36	-36	-36	-180
	OT	0	-33	-36	-36	-36	-36	-177
Eliminate FLRA	BA	0	-25	-25	-25	-25	-25	-125
	OT	0	-23	-25	-25	-25	-25	-123
Eliminate the Office of Govt. Ethics	BA	0	-11	-11	-11	-11	-11	-55
	OT	0	-10	-11	-11	-11	-11	-54
Eliminate D.C. General Assistance	BA	0	-52	-52	-52	-52	-52	-260
	OT	0	-52	-52	-52	-52	-52	-260
Reduce GPO Funding	BA	0	-16	-16	-16	-16	-16	-80
	OT	0	-11	-14	-16	-16	-16	-73
Eliminate Leg. Branch Commissions	BA	0	-5	-5	-5	-5	-5	-25
	OT	0	-5	-5	-5	-5	-5	-25
Eliminate Navajo and Hopi Relocation	BA	0	-9	-9	-9	-9	-9	-45
	OT	0	-7	-9	-9	-9	-9	-43
Eliminate Council on Homelessness	BA	0	-2	-2	-2	-2	-2	-10
	OT	0	-2	-2	-2	-2	-2	-10
Eliminate US-China Commission	BA	0	-3	-3	-3	-3	-3	-15
	OT	0	-3	-3	-3	-3	-3	-15
Eliminate Assistance and Reform	BA	0	-14	-14	-14	-14	-14	-70
	OT	0	-13	-14	-14	-14	-14	-69

DISCUSSION OF POLICY ASSUMPTIONS

DISCRETIONARY SAVINGS

Eliminate Funding for Congressional Printing. The Congressional Printing division of GPO prints approximately 6,000 copies of the Congressional Record daily when Congress is in session, at a cost of over $6.5 million annually. Congressional Printing also prints several other large documents on a regular basis, which are delivered to Member offices daily. The Congressional Record, and all other documents distributed by Congressional Printing can be found on the Internet and are easily accessible to all congressional staff and Members. The significant spending associated with printing, binding, and distributing these documents is unnecessary considering the information is available online. This proposal would eliminate funding for Congressional Printing.

Reduce Funding for New General Services Administration Construction. The General Services Administration (GSA) was established in 1946, to provide goods and services across the government in the most effective and cost-efficient manner. Functioning as the government's "landlord," GSA is tasked to meet office and other space requirements of the federal workforce. At present, the GSA has 11 new construction projects proposed in this year's budget. This budget assumes that private contracting for federal construction could be used to reduce costs, and proposes to reduce by 30 percent, new budget authority in FY 2007 for GSA new construction. Funding levels would be frozen each year thereafter. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate the U.S. Merit Systems Protection Board. The U.S. Merit Systems Protection Board (MSPB) was established in 1978 as an independent, quasi-judicial agency in the Executive Branch that oversees federal merit systems. The Board's mission is to ensure that federal employees are protected against abuses by agency management, to ensure that Executive Branch agencies make employment decisions in accordance with the merit systems principles, and to ensure that federal merit systems are kept free of prohibited personnel practices. These functions could easily be administered by the Office of Personnel Management or the Department of Labor. This budget proposes the elimination of all budget authority for the MSPB.

Eliminate the Federal Labor Relations Authority. The Federal Labor Relations Authority (FLRA) was established in 1978 to provide leadership in establishing policies and guidance relating to federal-sector labor-management relations and with resolving disputes under and ensuring compliance with the Federal Service Labor-Management Relations Statute. Since these functions could be administered by the Office of Personnel Management or the Department of Labor, there is no need for a separate expenditure. This budget proposes the elimination of all budget authority for the FLRA.

Eliminate the Office of Government Ethics. The Office of Government Ethics was established in 1978 and exercises leadership in the Executive Branch to prevent conflicts of interest on the part of government employees, and to resolve those conflicts of interest that do occur. These functions can be performed by the Department of Justice and do not need a separate agency. This budget proposes the elimination of all budget authority for the Office of Government Ethics.

Eliminate Economic Development Funding for the District of Columbia. In previous years, funds have been allocated to the District of Columbia for local development initiatives. In FY 2006, a portion of this money was allocated for a pedestrian and bicycle trail system, the D.C. Water and Sewer Authority, foster care improvements, and payments to the Chief Financial Officer of D.C. for projects. All of these functions should be handled as local initiatives. This budget would eliminate funding for economic development and management reforms in the District of Columbia.

Reduce Funding for the Government Printing Office. The Government Printing Office (GPO) is responsible for the production and distribution of information products and services for all three branches of the federal government. With Internet access now widespread and with innovations in other electronic media, it is no longer necessary to allocate significant sums to the GPO. This budget proposes reducing the GPO's budget authority by 50 percent. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Unnecessary Boards and Commissions. History has shown that boards and commissions are ineffective in achieving their goals. This budget proposes the elimination of funding, starting in FY 2007, for the Commission on Security and Cooperation in Europe, the Congressional-Executive Commission on China, the Antitrust Modernization Commission, the U.S. Interagency Council on Homelessness, the U.S.-China Economic and Security Review Commission, the U.S. Election Assistance Commission, and the Election Reform Program. These functions can all be performed by other executive agencies. This option would eliminate these commissions and boards. A similar proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Eliminate Funding for the Office of Navajo and Hopi Indian Relocation. The Office of Navajo and Hopi Indian Relocation (ONHIR) was created to resolve a lengthy dispute between the Hopi and Navajo tribes involving lands originally set aside by the federal government for a reservation in 1882. ONHIR's chief activities consist of land acquisition, housing acquisition or construction, infrastructure construction, and post-move support, all for families being relocated, as well as certification of families' eligibility for relocation benefits. This function should be transferred to the Bureau of Indian Affairs. This budget proposes elimination of ONHIR.

FUNCTION 920: ALLOWANCES

This function traditionally includes funding contingencies, initiatives, and other proposals where the savings or costs cannot be distributed by function because they cut across programs and agencies and affect multiple budget functions.

SUMMARY OF POLICY ASSUMPTIONS

RSC Recommendation
Function 920: Allowances
[In millions of dollars]

Fiscal Year		2006	2007	2008	2009	2010	2011	2007-2011
Allowances Function Totals	BA	0	-2,830	-2,830	-2,830	-2,830	-2,830	-14,150
	OT	0	-1,685	-2,260	-2,545	-2,685	-2,770	-11,945
DISCRETIONARY	Changes from RSC Baseline							
Repeal the Davis-Bacon Act	BA	0	-1,400	-1,400	-1,400	-1,400	-1,400	-7,000
	OT	0	-330	-830	-1,115	-1,255	-1,340	-4,870
Repeal the Service Contract Act	BA	0	-1,430	-1,430	-1,430	-1,430	-1,430	-7,150
	OT	0	-1,355	-1,430	-1,430	-1,430	-1,430	-7,075

DISCUSSION OF POLICY ASSUMPTIONS

DISCRETIONARY SAVINGS

Repeal the Davis-Bacon Act. The Davis-Bacon Act requires an inflated "prevailing wage" be paid on all federally funded or federally assisted construction projects. This government regulation represents a hidden tax on construction jobs, inflates the costs of federal construction, and destroys opportunities for employment for minorities, small firms, and less-skilled workers. This proposal would repeal the Davis-Bacon Act. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

Repeal the Service Contracts Act. The McNamara-O'Hara Service Contract Act of 1965 is a tax on jobs similar to Davis-Bacon, except that it applies to service, rather than construction, contracts. The Act requires covered contractors and their successors to provide inflated wages and benefits at least equal to the locality's prevailing standards or those in a collective bargaining agreement of the previous contractor. This proposal would repeal the Service Contracts Act. This proposal was included in the original budget resolution (H.Con.Res. 67) passed by the House of Representatives in 1995.

FUNCTION 950: OFFSETTING RECEIPTS

SUMMARY OF POLICY ASSUMPTIONS

RSC Recommendation
Function 950: Offsetting Receipts
[In millions of dollars]

Fiscal Year		2006	2007	2008	2009	2010	2011	2007-2011
Offsetting Receipts Function Totals	BA	-68,894	-78,665	-81,883	-96,162	-81,743	-86,296	-424,749
	OT	-68,894	-79,115	-82,208	-95,912	-81,493	-86,096	-424,824
DIRECT		Changes from RSC Baseline						
Drilling in ANWR (Royalties)	BA	0	0	0	-5,000	-4	-1,006	-6,010
	OT	0	0	0	-5,000	-4	-1,006	-6,010

DISCUSSION OF POLICY ASSUMPTIONS

DISCRETIONARY SAVINGS

Open ANWR for Exploration. This budget assumes that a small portion of the Arctic National Wildlife Refuge (ANWR) in Alaska will be leased for oil and gas exploration, development, and production. ANWR is the most prospective oil and gas province in North America, and is adjacent to the hugely successful Prudhoe Bay field. Leasing is overwhelmingly supported by residents of the State of Alaska and the Native people who live in the area proposed for leasing. Leasing could provide significant revenues to the Treasury, jobs to the U.S. economy, and a valuable domestic energy resource to offset the current transfer of U.S. wealth to other nations.

REVENUES

Summary of Policy Assumptions

The key to continued economic growth and prosperity for this nation is to allow American families and businesses to keep more of their own wealth to spend, save and invest. Since 2001, tax relief proposed by President Bush and passed by Congress has helped spur sustained GDP growth and the creation of over 4.6 million new jobs. This budget rejects the premise that deficit reduction and pro-growth tax policy should be done with tax increases. Transferring wealth to Washington only grows the size of government; it doesn’t help grow the economy or limit federal spending. This budget proposes to prevent any new tax increases on Americans by assuming the permanent extension of current tax law: the 2001 and 2003 tax relief provisions, AMT relief as well as routine extension of several tax provisions such as the Research and Experimentation tax credit.

THE CONGRESSIONAL BUDGET PROCESS

BACKGROUND

The challenge of balancing the budget without raising taxes is only complicated by the current budget process. Written by Democratic majorities in Congress seeking to confront a spending conscious Republican President, the Congressional Budget Act of 1974 defines the parameters of the current budget process. In short, the Act gave lawmakers a process rigged to spend. The choice lawmakers are often presented with when voting in regard to funding for a specific program, is to spend more and be *for* a program or spend less and be against it. Those with a competing vision—members of the Republican Study Committee—who say that *states and families* should be spending more for education, nutrition, housing, transportation, and other needs, are often charged with being against something. This dynamic is the key component of a spending process, developed and fine-tuned over the years to produce more government, higher taxes, and less freedom.

The Family Budget Protection Act (H.R. 2290) is an effort to change that dynamic, and this budget adopts many of its key provisions to both reform the congressional budget process *and* enforce the commitment to balance the budget made through adoption of this budget.

PROCESS REFORM

Joint Budget Resolution. Under current law, Congress considers a *concurrent* budget resolution; the budget never reaches the President's desk to become law. As a result, the budget amounts to a mere suggestion to many lawmakers in Congress. Budgets should be signed by the President and be legally binding as the law of the land.

Rainy Day Fund. Congress does not currently set aside funds in the federal budget for emergency spending, such as the costs associated with natural disasters. Although the exact nature of these events is unknown from year to year, history demonstrates that *every year* Congress will appropriate "emergency" spending for these "unforeseen" events. This budget will account for federal spending by establishing a deficit-neutral "rainy day fund" within the annual budget limits. Emergency spending, such as the current pending request from the Administration for additional Gulf Coast relief, would be both provided for *and offset*, similar to how families must plan and account for emergency expenses.

Constitutional Line Item Veto/Enhanced Rescission. Too often Congress tucks special interest spending items in large bills without providing the President an opportunity to address them except by temporary deferral. This budget allows the President to propose permanently canceling spending authority earmarked in legislation and determined to be a low priority. It would apply to all categories of discretionary and direct spending, as well as revenue measures. The proposal must be transmitted to Congress and accompanied by legislative language for the rescissions and any necessary reduction in the spending limits. Through an expedited process, both the House of the Representatives and the Senate would have an up-or-down vote on the President's proposal.

Earmark Reform. Earmarks included in appropriations and authorization bills have soared over the past decade, often diverting taxpayer resources to satisfy special interests. Often, these requests are only identified in the accompanying committee report, rather than in the bill text, so that Members are unable to directly challenge these earmarks on the floor while debating a bill. This budget adopts the approach, pioneered by Representative Jeff Flake, which would require all earmarks to be listed in the actual bill text so that lawmakers can debate and amend these items. Projects added in conference should be addressed as well. In addition, additional transparency reforms should be enacted, such as identifying the individual projects by Member in the accompanying report language.

Sunset Commission. The federal government currently funds countless duplicative and obsolete programs. This budget—in addition to eliminating many of these programs—would create a commission tasked with eliminating waste, fraud, and abuse within the federal government. This commission would assess *all* current federal programs and agencies (including defense and entitlement programs), and then submit to Congress its recommendations for the elimination of wasteful and inefficient spending. In addition, the commission would assign an expiration date to every federal agency not specifically created in the U.S. Constitution, and before the expiration date, would evaluate each program or agency on the basis of efficiency, cost-effectiveness, whether the agency has acted outside the scope of its original authority, and whether the agency or program duplicates the mission or function of another agency or program. The commission's evaluations would specify whether the program or agency in question should be abolished, streamlined, consolidated, or reorganized. In addition, every reestablished agency would receive a new sunset date to ensure continued accountability. In 2004, this reform received a majority of votes in the House (272-140), when offered as an amendment by Representative Kevin Brady.

Establish a Direct Spending Cap. Beyond the savings contained within this budget, it would also address the impending financial crisis by placing a cap on all current, non-Social Security entitlement spending, forcing Congress and the President to slow the growth of spending that continues to chew up the federal budget on auto-pilot (outside the annual appropriations process) and to take a better account of long-term unfunded obligations. The direct spending cap would limit the total level of direct spending to inflation and the growth in a given program's beneficiary population.

Restore Multi-Year Discretionary Spending Limits. This budget purposes to reinstate five-year sequester-enforced caps (that expired in 2002) on discretionary budget authority and outlays, consistent with the spending levels assumed in this budget. Unlike in previous years, the Budget and Appropriations Committee would possess the necessary flexibility to adjust budgetary resources among spending priorities.

Modified Pay-As-You Go (PAYGO). The original PAYGO (that expired in 2002) sought to impose deficit neutrality on new direct spending or revenue changes. It suffered from two flaws: first, it did not work, though it may have had a deterrent effect—the legislative and executive branches routinely circumvented its requirements to add billions in new spending. Second, it treated spending and taxes as equivalents, which they are not. Similar to the current Administration's proposal, this modified PAYGO mechanism would apply only to new direct spending, would not permit spending increases to be offset by tax increases or user fees, and would be enforced by sequester.

Eliminate the Use of Advance Appropriations. This budget gimmick is used to avoid spending controls and ties the budgetary hands of future congresses by appropriating spending authority to a program one or more years beyond the year for which an appropriations act is passed. Current budget rules record budget authority in the year the spending becomes available and not when it's provided. There is no programmatic reason for this. Therefore, this budget eliminates the process and would implement procedures to protect against its future use.

Restore State Sovereignty in Accepting Federal Assistance. The federal government annually provides extensive financial assistance to state and local governments. However, with the acceptance of federal funds, states must adhere to federal regulations, restrictions, and directives. Often times it is not state legislatures which approve the accepting of these federal funds, but it is unelected state bureaucrats who retain the power to accept federal dollars to fund state programs without the approval of state legislatures. This budget adopts Representative John Culberson's proposal to give state legislatures the opportunity to vote on the programs enacted by Congress and the dollars that go with them. If a state chose not to accept federal dollars to operate a certain program, that state would not be bound to operate their program under the strains of federal mandates, which often accompany federal assistance.

Establish Budget Protection Accounts. The current spending process is rigged against taxpayers and Members advocating on behalf of limited government. For example, Members offering floor amendments that reduce appropriations have no way of guaranteeing that the savings will actually be saved because the reduction can be used to increase spending for another program in either the same appropriations bill or another. This proposal establishes both a direct and a discretionary Budget Protection Account to which Members offering appropriations amendments can redirect spending toward deficit reduction or tax relief. This redirecting of funds would have the effect of lowering the Committee's 302(a) allocation, which establishes in the budget how much each committee can spend.