EFFICIENT, EFFECTIVE AND RESPONSIBLE GOVERNMENT

The role of the federal government is both vital and limited. Among its core responsibilities, the federal government is tasked with defending the nation from attack and providing for the common defense; securing America's borders; protecting innocent life; upholding laws and constitutional rights; ensuring domestic tranquility; and promoting equal opportunity for all Americans.

Consistent with the principles enshrined in America's founding documents, "the pursuit of happiness" depends upon individual liberty, and individual liberty requires limited government. When government takes on too many tasks, it usually does not do any of them very well. It's no coincidence that trust in government is at an all-time low now that the size of government is at an all-time high.

This budget seeks to recommit the federal government to the security of every person's natural right to life, liberty and the pursuit of happiness. By curbing the excesses of government, a responsible, sustainable budget can focus government on its critical responsibilities.

Providing For the Common Defense

Major proposals

- **Provide $692.5 billion for national defense spending in Fiscal Year 2012, an amount that is consistent with America's military goals and strategies.**
- **Reduce inefficient spending by $178 billion, following guidance from Defense Secretary Robert Gates. Reinvest $100 billion of these savings into key combat capabilities, and put the rest toward deficit reduction.**

The first job of government is to secure the safety and liberty of its citizens from threats at home and abroad. The United States spends a great deal on defense in nominal terms, but the share of the nation's resources devoted to defense has declined from its Cold War average of 5.5 percent to just under 5 percent today. Defense constitutes around 20 percent of federal spending – well below the 25 percent it constituted just 30 years ago.

Like all categories of government spending, defense spending should be executed with efficiency and accountability. But a responsible budget must never lose sight of the fact that the first responsibility of the federal government is to provide for the common defense. The men and women in uniform are not mere line items on a budget spreadsheet, especially when thousands of America's troops remain in harm's way around the world.

America remains a nation at war. Brave men and women in uniform are engaged with a fierce enemy in Afghanistan, Iraq, and other theaters of the ongoing global war on terrorism. This budget reflects a commitment to support this nation's troops and to prioritize national security. For Fiscal Year 2012, this committee assumes $553.1 billion in budgetary authority for the regular operations of the Department of Defense. It also assumes full funding for the modernization of the infrastructure that builds and maintains the nation's nuclear weapons systems. In addition, this budget includes $117.8 billion for ongoing military operations in Afghanistan and Iraq.

After an exhaustive review of the Pentagon's budget, Defense Secretary Robert Gates identified $178 billion in efficiencies and savings, $100 billion of which would be reinvested in higher priority combat capabilities.[1] And conscious of the growing threat posed by the national debt to the economic foundations of national security, $78 billion of the identified savings would be dedicated to deficit reduction. The Department of Defense, under Secretary Gates's leadership, has started to take the steps to root out waste and ensure that every taxpayer dollar is maximized to keep America safe.

The United States cannot retreat in its aggressive campaign against the global network of terrorists intent on taking American lives and destroying the American way of life. Steadfast leadership from the military, the heroism of its men and women in uniform, and the unseen efforts of the intelligence community remain instrumental in

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[1] Gates, Robert M. "Statement on Department Budget and Efficiencies" (speech delivered at The Pentagon, January 06, 2011). http://www.defense.gov/speeches/speech.aspx?speechid=1527

preventing terrorists from repeating the atrocities perpetrated on American soil on September 11, 2001. This budget reflects unequivocal support for American troops and their tireless efforts to keep America safe from harm.

Streamlining Other Government Agencies

Major proposals

- **Build on continued efforts to pare back spending on non-security government bureaucracies to below 2008 levels and hold this category of spending to a five-year freeze.**
- **Take action to eliminate wasteful Washington spending, building upon the suggestions of the President's Fiscal Commission, the work of the new House Majority, and the proposals put forward by an array of non-partisan, independent watchdogs that have worked to expose the abuse of taxpayer dollars.**
- **Boost private-sector employment by slowing the explosive growth of the public sector, achieving a 10 percent reduction over the next three years in the federal workforce through attrition, coupled with a pay freeze for the next five years and reforms to government workers' generous benefit packages.**

Since 2008, spending on non-security government agencies has increased by 24 percent – a number that jumps to 84 percent when stimulus funds are included. This massive spending spree not only failed to deliver on its promise to create jobs, but also plunged us deeper into debt.

Some in Washington have cautioned against cutting any spending now. A few continue to argue that Congress should increase this category of spending. They claim that cutting spending now would endanger the recovery.

These arguments rely on the same outdated models that predicted that the stimulus would keep unemployment below 8 percent – in reality, unemployment hit 10 percent. Endless rounds of borrowing and spending will never produce lasting prosperity. This approach has manifestly failed to deliver promised economic growth and job creation.

The problem is simple: When many families and businesses look at the size of the debt and the rate at which politicians in Washington are adding to it, they fear that America is heading for a diminished future. Instead of investing for tomorrow, consumers and businesses are approaching a weak economy and an uncertain future with great caution.

Whether branded as stimulus or rebranded as investment, government spending is no substitute for a true recovery led by the private sector. All of this borrowed money and debt is fueling uncertainty for businesses and job creators, who know that today's deficits are tomorrow's interest-rate and tax increases.

Ending the spending spree

Because the 111th Congress's failed to advance a budget, failed to enact any appropriations bills, and failed to pass the legislation necessary to keep the government operating for the current fiscal year, the 112th Congress began its work in the aftermath of an unprecedented collapse of the budget process. The new House majority devoted considerable effort to repairing this budget breakdown and funding government for the current fiscal year, while simultaneously developing this *Path to Prosperity* budget for Fiscal Year 2012.

In early February, the House of Representatives passed legislation, H.R. 1, to fund the federal government for the remainder of 2011.[2] This legislation would have spent $100 billion less than the President had requested – the largest spending reduction in non-defense discretionary spending in the history of the republic – and would have eliminated spending on 149 government programs while reducing spending in approximately 650 additional government programs.

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[2] U.S. Congress. House. *Full-Year Continuing Appropriations Act, 2011*. H.R. 1. 112th Cong., 1st sess., 2011. http://www.gpo.gov/fdsys/pkg/BILLS-112hr1ih/pdf/BILLS-112hr1ih.pdf

Senate Democrats have blocked this legislation, so the debate over funding for the current fiscal year continues. In the meantime, however, this budget builds upon all of the cuts passed by the House of Representatives on February 19, 2011. These cuts reduced government spending on non-security government agencies to the levels that prevailed in 2008 – before the stimulus, the bailouts, and the President's spending spree.

Getting spending back to 2008 levels is a necessary first step. In the last two years, the budgets for many domestic agencies have grown far beyond what is justified by their properly limited missions. For example, the Environmental Protection Agency's (EPA) budget has grown by 36 percent since 2008 – a number that jumps to 131 percent when the stimulus is included. The EPA has not been secretive about what it plans to do with this money: It seeks to implement a unilateral version of the job-destroying cap-and-tax program that failed to pass the Senate last year.

Restraining the Growth of Government by Repealing the Health Care Law

Perhaps there is no question more hotly disputed in Washington than what to do about the rapidly rising cost of health care. There appear to be two contrasting approaches to solving this difficult problem:

1. Put the government in charge of ever-increasing swaths of the health care marketplace, and so let bureaucrats determine prices and dictate treatment options to doctors and patients; or

2. Give patients more control over the money this nation spends on health care, and so let competition in the marketplace control costs, improve quality, and expand access.

Option 1 raises two questions: Would this really control health care costs? And, if so, at what cost to the nation's freedom? To answer the first question is to answer the second: If government alone could determine the price of all medical services by fiat; forbid doctors and hospitals to leave the system; require all Americans to participate; and prevent patients from using too much of this "free" health care by imposing tight restrictions on every American's access to treatment – then it is possible that health care costs would cease their relentless rise. However, as James Capretta, a budget and health care expert, testified before the House Budget Committee, the federal government has attempted countless times to regulate health care to control costs and invariably these proposals have failed and costs have continued to climb.

Nevertheless, even if these efforts worked, the tradeoff in terms of lost freedom would be completely unacceptable. This approach would transform the relationship between citizen and state, leaving individuals helplessly dependent on their government. On a more practical level, it would substantially diminish quality of and access to care. There is no way for "experts" in Washington to know more about the health care needs of individual Americans than those individuals and their doctors know.

The new health-care law, rammed through Congress last year on a partisan vote, has taken the nation one step closer to this fully government-run system. The problems with this approach are already popping up all over the country. Health care costs continue to escalate relentlessly. The new law has aggravated the worst aspects of the U.S. health care system, without fixing what was broken.

The country needs to move away from this centralized system, not towards it. This budget starts by repealing the costly new government-run health care law, saving roughly $725 billion over ten years by repealing the new exchange subsidies and making sure that not a penny goes toward implementing the new law. Then, this budget goes further with reforms that make government health-care programs more responsive to consumer choice.

Another example can be found at the Department of Health and Human Services, where the baseline budget has swelled by nearly 15 percent over the last two years as the administration has staffed up to implement its disastrous new health care law. This law has taken the nation one step closer to a fully government-run health care system. It has aggravated the worst aspects of the health care system, without fixing what was broken. This budget repeals it to make way for true, patient-centered reforms.

These cases demonstrate that the massive budget increases of the last two years have served, not to help agencies meet existing missions more effectively, but to create new missions that lie beyond the proper scope of the federal government and serve dubious public policy goals.

But Washington's spending problem did not just develop in the last two years. It will require even more work to undo the damage of years of reckless spending increases. This budget restores fiscal discipline to a government that badly needs it by reducing spending below the levels set by H.R. 1. It does this, not through indiscriminate cuts, but by assuming the elimination of dozens of wasteful and duplicative programs identified by non-partisan watchdogs and government auditors.

Eliminating wasteful spending

This budget works to ensure that government agencies can operate effectively and efficiently at these levels by targeting wasteful and duplicative programs for elimination. In doing so, it builds on the successes of independent watchdogs and draws on good ideas from both sides of the aisle. With this budget, Congress finally incorporates many common-sense proposals for reducing waste that went unheralded for too long.

Anti-Fraud Accounts: The federal government wastes billions of American taxpayers' dollars each year by making improper payments to individuals, organizations, and contractors. In 2010 alone, the federal government made an estimated $125 billion in improper payments. This budget funds targeted increases in anti-fraud accounts, saving billions of dollars in waste, fraud, and abuse in the Medicare, Medicaid, Unemployment Insurance, Supplemental Security Income, and Disability Insurance programs. This budget anticipates the enactment of legislation that together with the anti-fraud spending increases would save a total of $26 billion over the next ten years.

Earmark ban: Under the watch of both political parties, Congress grew addicted to the practice of pork-barrel spending. Taxpayers were rightfully angered to learn of their hard-earned tax dollars squandered on the infamous Bridge to Nowhere in Alaska and the Rain Forest Museum in Iowa. More troubling than these egregious examples of waste is the corruptibility of the process. Earmarks aren't inherently problematic, but when former members of Congress are in jail for selling earmarks, there's something seriously wrong with the process.

In the 111th Congress, House Republicans established a self-imposed ban on the practice of pork-barrel spending through the broken earmark process. The new House majority earlier this year expanded this earmark moratorium for the entire House. This budget continues to ban the practice for Fiscal Year 2012. This is not a partisan issue – it is a good-government issue.

Fiscal Commission recommendations: The President's Fiscal Commission recommended several ways to achieve discretionary savings.[3] This budget adopts many of their proposals, such as reducing the federal auto fleet by 20 percent, excluding the Department of Defense and the U.S. Postal Service. In 2010, the federal government reported a worldwide inventory of over 662,000 vehicles and spent $4.6 billion on its fleet. In addition, the 2009 stimulus bill provided $300 million to "green the federal fleet" by purchasing 17,205 vehicles – a back-door bailout for the already bailed-out automakers.

This budget builds on the Fiscal Commission's recommendation by proposing to sell a portion of the federal fleet to reduce the deficit and to get rid of unneeded vehicles, saving hundreds of millions of dollars.

The Fiscal Commission highlighted another area where the mismanagement of taxpayer-owned assets and the sheer amount of waste are staggering: federal real estate and other property. Simply put, there is very little incentive for agencies to dispose of unneeded properties and very few repercussions from holding onto these

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[3] The National Commission on Fiscal Responsibility and Reform. *The Moment of Truth*.

properties indefinitely. The federal government owns, leases or manages about one million properties nationwide. Of those, non-defense buildings accounted for at least 400,000 of the total. And yet, the government's track record for real estate asset sales has been very poor.

In 2009, federal agencies only received about $50 million in proceeds from the sale of 2,228 assets – an average of $22,500 per property. Many buildings were simply given away as below-market-value bargains or even for free. On top of that, agencies reported spending $150 million in 2009 on the operating costs alone of properties that were already deemed to be unneeded and were waiting to either be sold or disposed.

The government can and must do a better job managing and selling assets that are the rightful property of taxpayers. This budget supports streamlining the process and loosening regulations for the disposal and sale of federal property to eliminate red tape and waste, setting enforceable targets for asset sales, and holding government agencies accountable for the buildings they oversee. If done correctly, taxpayers can recoup billions of dollars from selling unused government property.

Government Accountability Office (GAO) recommendations: Each year, in response to a new statutory requirement, GAO issues a report on eliminating duplicative government programs and saving taxpayers money. This year, in their inaugural report, GAO identified dozens of examples of waste and over $100 billion in savings.[4] This budget draws inspiration from the GAO's recommendations in many areas, one of which is the Highway Trust Fund.

Over the past decade, highway spending has mostly exceeded the gas-tax revenues that finance the fund, because gas-tax levels leveled off while spending grew. Spending, meanwhile, has increasingly been diverted to non-highway projects, such as bike trails and museums, and politicized through earmarks such as the Bridge to Nowhere mentioned above.

To make up for funding shortfalls, the trust fund has required three large transfusions of taxpayer dollars from general revenues, totaling $35 billion since 2008. Without reform, another infusion will be necessary in 2013. This budget anticipates that Congress can keep the Highway Trust Fund solvent without additional general fund transfers or increases in the gasoline tax by consolidating dozens of separate highway programs that GAO has identified as duplicative. This will help focus every dollar on pursuing a targeted and cohesive national transportation policy.

YouCut: Last year, House Republicans launched an initiative to engage the American people in a project to help change Washington's pervasive culture of spending. Led by then-House Minority Whip Eric Cantor, the program – dubbed "YouCut" – identified several egregious spending items, allowing the American people to cast their vote on what spending cut they'd like to see the House floor vote on.[5] The program continued into the new majority, with several specific pieces of legislation having passed the House of Representatives.

This budget builds on the proposals that have emerged from the YouCut process, such as the idea to eliminate the printing for member offices of every introduced bill. Whenever a member of Congress introduces a bill or resolution, the Government Printing Office prints several hundred paper copies. In the last Congress, members introduced 13,683 bills and resolutions, which works out to millions of paper copies.

While some copies may be necessary for the official record-keeping of Congress, many of them are typically thrown away. This year Congress will spend approximately $7 million printing bills and resolutions. Eliminating excessive printing in favor of making sure that bills are available online for anyone to examine will achieve significant savings for taxpayers, while still ensuring accountable and open government.

Other examples of wasteful spending: This budget doesn't just take the recommendations of others – it draws upon House Budget Committee investigations that combed the federal budget for other examples of

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[4] Government Accountability Office. *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*.

[5] http://www.majorityleader.gov/YouCut/

wasteful spending. While no federal department is free of inefficiency, the Department of Transportation offered a number of areas where spending could be cut back responsibly.

Since 2008, funding for the Department of Transportation has grown by 24 percent – and that doesn't count the stimulus spike, which nearly doubled transportation spending in one year. The mechanisms of federal highway and transit spending have become distorted, leading to imprudent, irresponsible, and often downright wasteful spending. Further, however worthy some highway projects might be, their capacity as job creators has been vastly oversold, as demonstrated by the extravagant but unfulfilled promises that accompanied the 2009 stimulus bill, particularly with regard to high-speed rail.

In the wake of these failures, and with the federal government's fiscal challenges making long-term subsidization infeasible, high-speed rail and other new intercity rail projects should be pursued only if they can be established as self-supporting commercial services. The threat of large, endless subsidies is precisely the reason governors across the country are rejecting federally-funded high-speed rail projects. This budget eliminates these projects, which have failed numerous and clear cost-benefit analyses.

Slowing the bureaucracy's explosive growth

The federal government has added 155,000 new workers since the President took office. It is no coincidence that private-sector employment continues to recover only sluggishly while the government grows at breakneck speeds. To fuel the public sector's growth, Washington must either tax the private sector or issue debt (i.e. impose a deferred tax upon the private sector).

The federal government's responsibilities are dependent on a strong federal workforce. Federal workers deserve to be compensated for their important work, but pay levels, pay increases and benefit packages need to be reformed to be in line with the private sector.

Salaries for federal workers continue to outpace pay for their private-sector counterparts. Average wages in the federal civilian workforce ($74,311 in 2010) far eclipse the $49,777 median wages in private industry. When generous benefit packages are included, the advantages enjoyed by government workers are even more pronounced. The roughly 2 million federal civilian workers received average compensation packages of $101,628 in 2010, far in excess of their private-sector counterparts. Immune from the effects of the recession, federal workers have received regular salary bumps and cost-of-living-adjustments, regardless of productivity or economic realities.

The reforms called for in this budget aim to slow the federal government's unsustainable growth, and reflect the growing frustration of workers across the country at the different set of rules enjoyed by government employees. It reduces the public-sector bureaucracy, not through layoffs, but via a gradual, sensible attrition policy, permitting the federal government to hire only one new employee for every three federal workers who retire. By 2014, this reform would result in a 10 percent reduction in the federal workforce.

Additionally, it freezes federal pay through 2015. And it reduces taxpayers' disproportionate share of the financing for the Federal Employee Pension Plan by requiring federal employees to pay for half of the defined benefit they receive at retirement, an increase from their current contribution of 0.8 percent of payroll. This proposal takes its cue directly from the Fiscal Commission.[6] When combined, these proposals will save taxpayers approximately $375 billion over ten years.

Ending Corporate Welfare

Major proposals

- **Revisit the financial-reform regulation enacted hastily last year and eliminate provisions that make future bailouts more likely.**

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[6] The National Commission on Fiscal Responsibility and Reform. *The Moment of Truth*.

- **Privatize the business of government-owned housing giants, Fannie Mae and Freddie Mac, so that they are no longer exposing taxpayers to trillions of dollars' worth of risk.**
- **Restore competition and exploration as the key to a vibrant energy sector, and gets the government out of the business of picking winners and losers.**
- **Reflect the economic reality of record-high farm income by restructuring farm programs, saving taxpayers money and increasing farmer independence.**

Growing concern with the expansive growth of government is not limited to the resources taken from the private sector in the form of taxes and borrowing. There is a growing and pernicious trend of government overreach into the private economy, stacking the deck in favor of entrenched interests and stifling growth. Encroaching into industries across the U.S. economy, corporate welfare represents a threat to both America's fiscal sustainability and its economic dynamism. This budget not only seeks to limit the size of government, but also reestablish the proper purpose of government.

Companies have a right to pursue their narrow self-interest, but when these actions involve reducing open competition and transparency for short-term gain, they undermine the very free enterprise system that made their success possible. Regressive taxpayer funding lavished upon large banks, auto companies, and others rarely makes for sound public policy, but such forms of corporate welfare are especially irresponsible in the face of record budget deficits and a crushing burden of debt.

This budget charts a path forward for a limited, effective government to get out of the business of picking winners and losers in the economy. Government reforms must aim always to reduce hurdles for entrepreneurs and small businesses to create and innovate, not raise barriers for new market participants by stacking the deck in favor of entrenched interests. At a time when private-sector job growth is urgently needed, government shouldn't stifle America's engines of job creation.

Ending the bailouts

This budget proposes to end the cycle of future bailouts perpetuated by the financial-regulation law authored last year by Senator Chris Dodd and Representative Barney Frank (Dodd-Frank).

Their financial overhaul is not reform. Its fundamental architecture expands and centralizes power in Washington, doubling down on the root causes of the 2008 crisis. It contains layer-upon-layer of new bureaucracy sewn together by complex regulations, yet it fails to address key problems, such as Fannie Mae and Freddie Mac, that led to the worst financial meltdown in recent history. Although the bill is dubbed "Wall Street Reform," it actually intensifies the problem of too-big-to-fail by giving large, interconnected financial institutions advantages that small firms will not enjoy.

While the authors of Dodd-Frank went to great lengths to denounce bailouts, this law only sustains them. The Federal Deposit Insurance Corporation (FDIC) now has the authority to access taxpayer dollars in order to bail out the creditors of large, "systemically significant" financial institutions. CBO's expected cost for this new authority is $26 billion, although CBO Director Douglas Elmendorf recently testified that "the cost of the program will depend on future economic and financial events that are inherently unpredictable." In other words, another large-scale financial crisis in which creditors are guaranteed to get government bailouts would cost taxpayers much, much more.

This budget would end the regime now enshrined into law that paves the way for future bailouts. The federal government has a critical role in helping to ensure financial markets are fair and transparent, and in holding accountable those who violate the rules. Future reforms should aim to restore the principles that have made American capital markets the envy of the world: freedom to participate, an unbreakable link between performance and reward, continued attachment to risk, and a sense of responsibility that ensures that those who seek to reap the gains also bear the full risk of losses.

Reforming Fannie Mae and Freddie Mac

Since the government creation of their duopoly, government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac have dramatically altered mortgage markets in the United States, ultimately contributing to their precipitous collapse in 2008. Fannie's and Freddie's core business is to increase the supply of mortgage credit by purchasing loans and packaging them into mortgage-backed securities (MBS) that carry the GSEs' guarantee of principal and interest. They also issue debt securities in the capital markets to finance purchases of mortgages and MBS they hold in their portfolios.

In the years leading up to the housing crisis, and with the help of some lawmakers in Congress, Fannie and Freddie abused their roles in stimulating homeownership. They began to replace prudent lending standards with a drive to guarantee and hold more mortgages, some of them risky, in order to maximize commissions. This squeezed much healthy underwriting out of the private sector, driving it increasingly to riskier, more exotic mortgage instruments. When the real estate market cooled in mid-2008, housing values began to nosedive, foreclosures rose sharply, and Fannie and Freddie experienced staggering losses as a result. The U.S. government was on the hook for the housing goliaths they had created and chartered.

The GSEs' losses were so severe that they were placed into conservatorship in September 2008, with the Department of the Treasury taking a major ownership interest in both. As a result, CBO made Fannie and Freddie an explicit part of the federal budget, accounting for their liabilities as liabilities of the government. CBO estimated a $248 billion cost of bringing their existing losses onto the government books in 2009. While under conservatorship, CBO estimates that Fannie and Freddie could cost taxpayers an all-in $370 billion through 2021. In contrast, the administration does not fully account for the taxpayer exposure of Fannie and Freddie, instead leaving them off-budget.

So far, Treasury has bailed out Fannie and Freddie to the tune of $150 billion. Fannie Mae, Freddie Mac, and another government housing agency, Ginnie Mae, now own or insure 95 percent of the entire U.S. housing market. On their current course, the GSEs represent a failed experiment in corporate welfare and the largest bailout of financial institutions in recent history. Corporate welfare arrangements like the GSEs socialize risk by shifting losses to the taxpayers, but allow profits to accrue to management, bondholders and Wall Street institutions that trade mortgage-backed securities.

This budget will put an end to the practice of corporate welfare and taxpayer bailouts in housing finance. It proposes eventual elimination of Fannie Mae and Freddie Mac, winding down their government guarantee and ending taxpayer subsidies. It supports increasing the guarantee fees Fannie and Freddie charge lenders in order to bring private capital back, shrinking their retained portfolios, and enacting various measures that would bring transparency and accountability to the GSEs. At the same time, it will put in place measures to discourage shifting of taxpayer risk to the Federal Housing Administration and other government-backed entities as Fannie and Freddie are dismantled.

The housing-finance system of the future will allow private-market secondary lenders to fairly, freely and transparently compete, with the knowledge that they will ultimately bear appropriate risk for the loans they guarantee. Their viability and profitability will be determined by the soundness of their practices and the value of their services.

Eliminating welfare for energy companies

Since his inauguration, the President has promoted a heavy-handed compliance culture in the energy sector, brimming with regulations and reckless spending on government-appointed winners and losers. Instead of promoting policy rooted in innovation and the entrepreneurial strength of American business, the President's agenda has consolidated decision-making in Washington through a toxic mix of increased spending and more regulations.

Regulations have extracted some $1.75 trillion per year from the economy, according to a recent report from the Small Business Administration, including $281 billion for environmental regulations that disproportionately hit small businesses.[7] The President has also stifled domestic energy production by blocking or delaying production both onshore and offshore, destroying jobs and idling American energy sources. The stimulus alone allocated $80 billion of taxpayers' dollars specifically for politically favored renewable-energy interests.

The results are plain to see: Gas prices have more than doubled since the President took office. Burdensome and ineffective regulations on businesses in the service of dubious environmental goals have driven up the prices of many products and services, while creating barriers for needed capital investment and job creation.

To stop Washington's policies that are driving up gas prices, and to expand American energy production and create more American jobs, the new House majority launched the American Energy Initiative earlier this year.[8] This initiative provides a critical check on policies that make it more difficult to reduce dependence on fossil fuels from foreign nations.

It scales back spending on government bureaucracies seeking to impose a job-destroying national energy tax. It assumes increased revenues from bonus bids, rents, royalties, and fees as a result of lifting moratoriums and bans on safe, environmentally responsible exploration for domestic energy supplies. And it encourages the development of American-made renewable and alternative energy sources, including nuclear, wind, solar, and more, affirming the position that environmental stewardship and economic growth are not mutually exclusive goals.

This budget would continue funding essential government missions, including energy security and basic research and development, while paring back spending in areas of duplication or non-core functions, such as applied and commercial research or development projects best left to the private sector.

Ultimately, the best energy policy is one that encourages robust competition and innovation to ensure the American people an affordable and stable supply of energy. This budget would roll back federal intervention and expensive corporate-welfare funding directed to the president's allied industries. Instead, it would promote policies aimed at reliable energy, lower energy prices, greater revenue generation through prosperity, and market-based solutions to the goal of sustainable energy.

Aligning agricultural programs with economic reality

Against the backdrop of an overall economy that is recovering slowly, the American agricultural sector is racing ahead. The record-breaking prosperity of American farmers and farm communities is to be celebrated. But it also calls for a re-examination of federal agricultural programs that spend billions each year, to ensure that taxpayers aren't funding support for a sector that is more than capable of thriving on its own.

Net farm income this year is forecast to be the second-highest recorded in the past 35 years. Production costs have risen, but income has risen faster as prices for major commodities such as corn and soybeans have outstripped even the rising cost of energy. The top five earnings years for farmers in the last 35 years have occurred in the last decade. Yet, at the same time, numerous overlapping government programs exist to provide income support to farmers.

With crop prices – and deficits – hitting new highs, it is time to adjust support to this industry to reflect economic realities. This budget proposes two major reforms to achieve this: First, reduce the fixed payments that go to farmers irrespective of price levels, to reflect that soaring commodity prices are reducing the need for high levels of farm-income support. Second, reform the open-ended nature of the government's support for crop insurance, so that agricultural producers assume the same kind of responsibility for managing risk that other businesses do.

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[7] Crain, Nicole V. and W. Mark Crain. "The Impact of Regulatory Costs on Small Firms." *Small Business Research Survey*. September 2010. http://archive.sba.gov/advo/research/rs371.pdf

[8] http://www.facebook.com/AmericanEnergy

Recognizing that the Agriculture Committee is responsible for implementing these reductions, and to maintain flexibility for the Agriculture Committee, this proposal assumes that these savings do not take effect until the beginning of the next farm bill. These reforms will save taxpayers nearly $30 billion over the next decade.

Changing Washington's Culture of Spending

Major proposals

- **Establish a cap on discretionary spending for fiscal year 2012, and outline a path for enforceable statutory caps for the next decade.**
- **Establish a binding cap on total spending as a percentage of the economy at levels projected to result from this budget resolution. Caps on the total size of government would be enforced by sequester.**
- **Require any increase in debt levels to be accompanied by spending reductions to levels set this budget resolution. If Congress fails to achieve these spending reductions, there will be an across-the-board spending reduction at the end of the year.**
- **Create a budget point of order against legislation that would increase net mandatory spending beyond the ten-year window of the budget resolution, a limitation that can help check congressional appetite to create costly open-ended entitlement programs.**
- **Close the loophole that allows discretionary limits to be circumvented through advance appropriations.**
- **Take mandatory spending off of autopilot by requiring regular congressional review of mandatory spending programs, and outline path to allow Congress to make mandatory spending subject to the appropriations process.**

The rules in Washington are stacked in favor of people who want to spend money. The federal budget process contains numerous structural flaws that bias the government toward ever-higher levels of spending. Large swaths of the budget are not held accountable on an annual basis, and federal budget rules assume that taxpayer money belongs to Washington, not taxpayers.

A handful of simple budget-process reforms could start to correct this bias in favor of a government that spends – and taxes – only as much as it needs. This budget closely scrutinizes not only what Washington spends, but also the manner in which the American peoples' hard-earned tax dollars are spent. It follows the lead of the President's Fiscal Commission, which put forward several bold budget process reforms, including statutory discretionary spending caps enforced by automatic across-the-board cuts if spending exceeds these caps.[9]

This reform and others would make it easier for spending hawks in Congress to ensure the responsible stewardship of American's tax dollars. This budget includes many bold proposals for reducing spending so that government lives within its means. But these spending reductions won't last unless Congress enacts real caps to ensure that the gains we make today will last into the future.

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[9] The National Commission on Fiscal Responsibility and Reform. *The Moment of Truth*.